

SONAE COM

SONAE COM

MANAGEMENT REPORT & ACCOUNTS

9M20



*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.*



## Table of contents

### I MANAGEMENT REPORT

1. Main Highlights	3
2. Sonaecom Consolidated Results	3
2.1 Telecommunications	5
2.2 Technology	5
2.3 Media	8
3. Appendix	9

### II FINANCIAL STATEMENTS

4. Financial Information	12
4.1. Sonaecom condensed consolidated financial statements	12
4.2. Notes to the condensed consolidated financial statements of Sonaecom	17



# I – MANAGEMENT REPORT



# 1. Main Highlights

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Services rendered increasing 4.5% y.o.y., partially offsetting the decrease on technology resale

Improved performance in 3Q with revenue growing 6.5% y.o.y., and Underlying EBITDA keeping the positive evolution

Negative evolution of Total EBITDA explained by non-recurrent items and equity results from ZOPT

NOS recorded a remarkable recovery in telco revenues posting a strong quarterly improvement

Technology area with solid growth and profitability improvements, at cybersecurity companies, and relevant valuation increase in some minority stakes

## 2. Sonaecom Consolidated Results

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### *Introductory note:*

2020 has been marked by COVID 19 pandemic emergence in Europe, the subsequent formal national lock-down declared on 18th March and by a consequent difficult and challenging economic environment. People and companies are being forced to adapt to a new reality, transforming all work and social relations.

The financial and operational impacts are uneven in different segments and, so far, the Group's business operations have been affected in very different levels:

- The technology area did not feel significant impacts from this situation on its 9M20 results, except a slowdown on Professional Services revenues, on Technology Reselling (either due to a reduction in demand or a drop in supply) and specially on the rhythm of commercial activity for new businesses.
- At NOS, the main operating impacts of the pandemic in 9M20 revenues were felt namely in: i) Cinemas and Audiovisuals: reduction on cinemas attendance, the complete closure of NOS theatres on 16 March until July 2 and the postponement of major movies launches, only partially compensated by the rents reduction; ii) Roaming and international calls: traffic and revenues impacted by restrictions imposed on international travel; iii) Premium sport channels: reduction in revenues with subscriptions being offered during the national football championship suspension; iv) Mobile Data: the quarantine and isolation situations imply an increase of wireless usage versus mobile data; and iv) Equipment: fall in sales due to closure of all non-essential retail activity namely in shopping centres and to general restrictions to circulation.
- Público's activity was materially impacted, namely in and in advertising revenues and offline newspaper sales, with the close of the majority of points of sale during 2Q20.

The potential impact that this situation may still have depends on the extension, namely on time and level of evolution and contagion of the virus, making projections difficult. At this stage, the possibility of a second lock-down, but in a different level, and the consequent financial crisis, still predict a very challenging fourth quarter.

However, given the company's capital structure, with a significant amount in cash and bank deposits and a low amount of remunerated debt, no material changes in the Company's liquidity are expected. Furthermore, we will continue to implement all measures deemed appropriate to minimize their impacts, in line with the recommendation of the competent entities and in the best interest of all our stakeholders.

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Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method - which owns 52.15% stake in NOS, presented a recovery in revenues, especially in telco revenues. However, the Company continued to feel some impacts from the restrictions imposed by the COVID-19 pandemic. In the telco business the most relevant impact was the decline in roaming revenues which have dropped to absolute lows due to the restrictions on non-essential international travel. The Cinema and Audiovisuals business was the most impacted on a relative basis given the very tenuous pick-up in spectator numbers since the re-opening of theatres on 2 July which in turn impacted audiovisual revenues given the latter's high exposure to cinema distribution. OPEX efficiencies across the board helped to offset revenues decline.

During 9M20, Technology area continued to enlarge its portfolio, reinforcing its investment in some portfolio companies and entering in the capital of four new companies. Relevant evolutions occurred in some of these minority stakes, namely the series E round raised in Arctic Wolf with an implicit valuation that turns the company into a unicorn and that resulted in a capital gain of circa 29 million recorded directly in equity (other comprehensive income).

### **Turnover**

Consolidated turnover in 9M20 reached 99.5 million euros, decreasing 3.0%, when compared to 9M19.

This negative evolution was driven by both Media and Technology areas, the latter fully driven by transactional business of third-party products.

### **Operating costs**

Operating costs amounted to 104.6 million euros, 5.6% below 9M19. Employee benefits expenses decreased 2.0% and Commercial costs decreased 8.6% to 54.6 million euros, mainly driven by the lower cost of goods sold, aligned with the lower level of sales. Other expenses decreased 2.3%, mainly explained by the lower level of Outsourcing costs.

### **EBITDA**

Total EBITDA decreasing from 37.4 to 8.4 million euros, fully explained by the decrease on equity results and non-recurrents items. Underlying EBITDA with relevant improvements, specially at Cybersecurity companies of technology area.

In 9M20, the non-recurrent items stood at negative 9.6 million euros, mainly driven by the gross capital loss of 9.1 million euros as a result of the redemption of participation units held in the Armilar Venture Partners II Fund. Despite the loss recorded, this redemption, that generated a gross capital distribution of 21 million euros, represents a value improvement of 37%, when compared to the distribution occurred in 2018, and increases the cumulative return on Armilar Funds to 2.3x cash on cash. In 9M19, the non-recurrent items stood positive at 13.8 million euros, driven by the capital gain generated by Saphety and WeDo's sale.

The equity results, mostly driven by ZOPT contribution which, in turn, depends on NOS net income evolution, decreased to 21.2 million euros.

### **Net results**

Sonaecom's EBIT decreased to 1.7 million euros, from 31.1 million in 9M19, mainly explained by the lower level of EBITDA but also by the higher level of depreciations.

Sonaecom's earnings before tax (EBT) decreased from 31.1 million to 1.3 million euros, driven by the lower EBIT and financial results.

Indirect results reached 0.2 million euros, that compare with negative 0.5 million euros in 9M19, impacted by Armilar Venture Funds' portfolio fair value adjustments.

Net results group share stood at 6.7 million euros, below the 34.0 million euros presented in 9M19.

### **Operating CAPEX**

Sonaecom's operating CAPEX decreased to 3.6 million euros, reaching 3.6% of turnover, 1.9 p.p. below 9M19. Excluding the IFRS 16 impact, operating CAPEX would be 2.6 million euros, 0.4 million euros below 9M19.

### **Capital structure**

The net cash position stood at 216.4 million euros, decreasing 20.0 million euros since December 2019. Excluding IFRS 16 impacts, Net cash position stood at 229.2 million euros, 21.5 million below December 2019, mainly driven by 8.7 million euros of positive net inflow from investment activity, the negative operating cash-flow and taxes of 8.0 million euros, the 6.0 million euros received as capital subscription in a new investment vehicle, the 2.8m of IFRS16 rents payment and the 25.4 million euros of dividends distribution.

## 2.1 Telecommunications

NOS operating revenues were 1,013.6 million euros in 9M20, decreasing 7.2% y.o.y..

EBITDA reached 471.2 million euros, decreasing 6.5% when compared to 9M19 and representing a 46.5% EBITDA margin.

CAPEX excluding leasings amounted to 269.6 million euros in 9M20, a decrease of 1.9% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX decreased 12.1%.

At the end of 9M20, total net debt including leasings and long-term contracts (according to IFRS 16) amounted to 1,347.9 million euros. Net Financial Debt/EBITDA after lease payments (last 4 quarters) now stands at 1.4x EBITDA, and with an average maturity of 2.6 years.

NOS published its 9M20 results on 4<sup>th</sup> November 2020, which are available at [www.nos.pt](http://www.nos.pt).

During 9M20, NOS share price decreased 36.9% from €4.800 to €3.030, whilst PSI20 decreased by 22.0%.

### Operational Indicators

Million euros								
Operational Indicators ('000)	3Q19	3Q20	Δ 20/19	2Q20	q.o.q.	9M19	9M20	Δ 20/19
Total RGUs	9,613.6	9,885.8	2.8%	9,760.7	1.3%	9,613.6	9,885.8	2.8%
Convergent + Integrated RGUs	4,622.1	4,890.7	5.8%	4,823.9	1.4%	4,622.1	4,890.7	5.8%

### Financial indicators

Million euros								
NOS HIGHLIGHTS	3Q19	3Q20	Δ 20/19	2Q20	q.o.q.	9M19	9M20	Δ 20/19
Operating Revenues	370.5	346.9	-6.4%	321.3	8.0%	1,092.0	1013.6	-7.2%
EBITDA	172.7	160.6	-7.0%	157.9	1.7%	504.1	471.2	-6.5%
EBITDA margin (%)	46.6%	46.3%	-0.3pp	49.1%	-2.8pp	46.2%	46.5%	0.3pp
Net Income	47.9	44.1	-7.9%	45.3	-2.7%	138.1	79.1	-42.7%
CAPEX excluding Leasings	92.2	97.8	6.0%	83.5	17.1%	274.7	269.6	-1.9%
EBITDA-CAPEX excluding Leasings	80.4	62.8	-21.9%	74.3	-15.5%	229.4	201.6	-12.1%

## 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, Bright Pixel, Vector I fund and Bright Innovation fund, four controlled companies – S21Sec, Excellium, Bizdirect and Inovretail- that generated circa 41.6% of its revenues outside the Portuguese market with 70.8% out of the total 654 employees based abroad.

### Controlled Companies

**S21Sec** is a reference multinational MSSP (Managed Security Services Provider), 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. Since June 2018, with the integration of Nextel, S21Sec is the most relevant “pure player” (company specializing exclusively in the cybersecurity sector) in Spain and Portugal in terms of turnover and number of cybersecurity experts.

**Excellium** is a market-leading managed security services provider from Luxembourg, with presence in Belgium and counting with more than 100 experts.

This investment, together with the stake on S21sec, turns Sonae IM's cybersecurity group as one of the most relevant cybersecurity services pure players in Europe, counting with more than 500 professionals and direct presence in 13 cities across 6 countries.

The significant European scale and cross-country presence of this group of cybersecurity companies will be key to address the increasingly challenging needs of all organizations and specially the requirements of those large and multi-national companies operating in the European space, while ensuring agile and fast response from specialized teams close to the customer.



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

The cloud business unit continued to improve its presence on helping customers in digital transformation and the solutions business unit achieved important new customer references. Bizdirect Competence Center, in Viseu, contributed to the international revenues that already represent 5.2% of total revenues.

**InovRetail** is a retail innovation company that provide data science solutions and digital tools that deliver quantifiable insights and actionable recommendations with direct and sustainable impact on retailer's key metrics. The company's main product is the Staff Empowerment Solution, a SaaS based solution that help retailers in three key areas like Sales Performance Enhancement; Customer Experience Optimisation and Advanced Planning & Scheduling.

**Bright Pixel** is the early stage investor of Sonae IM group focused on emerging technologies but prioritizing links to retail, telco and cybersecurity.

#### **Minority Stakes (non-exhaustive)**

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

**ArcticWolf**, 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. Sonae IM, jointly with US technology investors Lightspeed Venture Partners and Redpoint, entered in the company's cap table in 2017 in a series B round. During 2018, the Company closed a \$45M series C round and, at the end of 2019, the Company launched a \$60M Series D round. In October 2020, the company announced it has raised \$200 million in Series E funding at a valuation of \$1.3 billion. The funding round was led by Viking Global Investors, with additional participation from DTCP and existing investors. Sonae IM participated in all rounds, reinforcing its stake.

With this new round Arctic Wolf turns into the first unicorn that Sonae IM owns a direct investment and into the second in its total portfolio, alongside with Outsystms, indirectly invested through Armilar funds.

**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 Series A round, alongside several strategic investors (including Summit Action, the US VC fund of the Summit Series) and was recently reinforced during series B round.

**CB4** is a company based in Israel that provides a patented AI software solution for brick and mortar retailers to identify and correct critical operational issues at store, product level. The investment was part of a series B \$16M round, led by Octopus Ventures with Sonae IM joining. Existing investors Sequoia Capital and Pereg Ventures also participated in the round.

**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 led jointly with JAL Ventures and Data Point Capital.

**Visenze** is a Singapore-based company that delivers intelligent image recognition solutions that shorten the path to action as consumers search and discover on the visual web. Retailers use ViSenze to convert images into immediate product search opportunities, improving conversion rates. Media companies use ViSenze to turn any image or video into an engagement opportunity, driving incremental revenue. Sonae IM co-led, with Gobi Partners, a \$20M Series C round that will enable the artificial intelligence company to further invest in its penetration among smartphone manufacturers, as well as with consumer and social communication applications.

**Daisy Intelligence** is an AI-powered platform for retail merchandising teams focused on optimizing promotional product and price mixes for dramatically improved business results. Sonae IM partnered with Framework Venture Partners invested in a C\$ 10M (circa €7M) series A round.

**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.





**Sixgill** is a market leader in deep and dark web cyber threat intelligence. Sixgill helps Fortune 500 companies, financial institutions, governments, and law enforcement agencies protect their finances, networks and reputations from cyberthreats that lurk in the deep, dark and surface webs. The advanced cyber threat intelligence platform automates all phases of the intelligence cycle — collection, analysis and dissemination of data — providing organizations with unparalleled information and actionable insights to protect their various assets in the ever evolving cyber threatscape. Sixgill raised \$15M in a second round led by Sonae IM and REV Venture Partners with participation by Our Crowd. Previous investors Elron and Terra Venture Partners also participate in the round.

**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.

**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.

**Cellwize** is a leading provider of Mobile Network Automation and Orchestration solutions for telco, based in Israel. Cellwize offers modular solutions for an agile adoption of 'zero-touch' network automation capabilities on top of a virtualized service orchestration platform. It supports network operations, especially given the increase in network density and complexity driven by 5G adoption. Sonae IM invested in a series B round of \$15M led by Deutsche Telekom Capital Partners.

**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.

**IriusRisk (previously named 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 1.5 million euros, which was led by Swanlaab Venture Factory and joined by JME Venture Capital and Sonae IM. In September 2020, the company raised a series A round of 6.7 million euros participated by Paladin, 360 CP, Swanlaab 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.

**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.

**Sales Layer** is a Spanish based company with a cloud-based Product Information Management (PIM) platform, helping brands and retailers to transform their catalogs into a digital, enriched and multichannel control center. Sonae IM recently led its series A round.

## Financial indicators

Million euros

### TECHNOLOGY AREA

	3Q19	3Q20	Δ 20/19	2Q20	q.o.q.	9M19	9M20	Δ 20/19
<b>Turnover</b>	<b>24.0</b>	<b>26.5</b>	<b>10.5%</b>	<b>37.2</b>	<b>-28.7%</b>	<b>90.3</b>	<b>89.4</b>	<b>-1.0%</b>
Services Rendered	11.1	11.1	-0.1%	11.4	-2.3%	31.4	33.5	6.6%
Sales	12.9	15.4	19.7%	25.8	-40.3%	58.9	55.9	-5.1%
Other Income	0.4	0.2	-48.1%	0.5	-62.6%	1.0	1.0	-2.9%
<b>Operating Costs</b>	<b>26.0</b>	<b>27.0</b>	<b>3.5%</b>	<b>37.6</b>	<b>-28.3%</b>	<b>96.0</b>	<b>92.1</b>	<b>-4.1%</b>
Employee Benefits Expenses	9.4	8.7	-7.1%	8.5	2.8%	26.8	26.2	-2.5%
Commercial Costs <sup>(1)</sup>	12.2	14.3	17.4%	24.9	-42.4%	57.0	53.2	-6.6%
Other Expenses <sup>(2)</sup>	4.4	3.9	-12.3%	4.2	-6.7%	12.1	12.6	4.1%
<b>Underlying EBITDA<sup>(3)</sup></b>	<b>-1.8</b>	<b>-0.2</b>	<b>91.2%</b>	<b>0.4</b>	<b>-</b>	<b>-4.9</b>	<b>-1.2</b>	<b>74.9%</b>
Underlying EBITDA Margin (%)	-7.4%	-0.6%	6.8pp	1.1%	-1.7pp	-5.4%	-1.4%	4.0pp
Operating CAPEX <sup>(4)</sup>	0.8	1.0	23.2%	1.0	0.8%	4.1	3.0	-27.4%
Operating CAPEX as % of Turnover	3.3%	3.6%	0.4pp	2.6%	1.1pp	4.5%	3.3%	-1.2pp
Underlying EBITDA - Operating CAPEX	-2.6	-1.1	56.3%	-0.6	-102.3%	-9.0	-4.2	53.1%
<b>Total CAPEX</b>	<b>8.1</b>	<b>4.5</b>	<b>-44.4%</b>	<b>1.6</b>	<b>189.7%</b>	<b>25.1</b>	<b>10.9</b>	<b>-56.8%</b>

(1) Commercial Costs = COGS + Mktg & Sales; (2) Other Expenses = Outsourcing Services + G&A + Provisions + others; (3) Includes the businesses fully consolidated at Technology area; (4) Operating CAPEX excludes Financial Investments.

### Turnover

Turnover decreased 1.0% y.o.y explained by the decrease on the transactional business of third-party products, but with an improved performance in the quarter presenting a 10.5% yoy growth.

Services rendered, mainly cybersecurity services, presented a growth when compared to 9M19.

### Operating costs

Operating costs decreased 4.1% to 92.1 million euros mainly explained by the 6.6% decline at Commercial costs, aligned with the lower level of sales. Other expenses increased 4.1%, mainly explained by the higher level of Outsourcing Costs.

### Underlying EBITDA

Underlying EBITDA stood at negative 1.2 million euros, but significantly better than 9M19 (+74.9%), driven by the relevant improvements in Cybersecurity companies.

### Underlying EBITDA-operating CAPEX

Underlying EBITDA-operating CAPEX stood at negative 4.2 million euros, increasing when compared to 9M19, mainly explained by the higher EBITDA but also driven by the lower level of Operating CAPEX. Excluding the IFRS 16 impacts, operating CAPEX would have reached 2.0 million euros, 0.3 million euros below 9M19.

## 2.3 Media

During 9M20, Público continued to pursue its digital strategy reinforcing digital competencies and presence in online platforms and continued to implement important initiatives aimed at strengthening Público as the reference Portuguese speaking news organisation.

Since the start of the pandemic and the related restrictive measures, Público's activity was materially impacted, namely in offline newspaper sales, with the temporary close of the majority of points of sale, and in advertising revenues, with the cut on marketing expenses implemented across all companies. However, the new context benefited the online business that recorded relevant improvements on online subscriptions and online advertising revenues.

The positive performance of online business was not enough to mitigate the negative evolution of offline revenues which translated into an overall 16.4% revenue decrease, when compared to 9M19.

### 3. Appendix

#### Consolidated income statement

Million euros

CONSOLIDATED INCOME STATEMENT	3Q19	3Q20	Δ 20/19	2Q20	q.o.q.	9M19	9M20	Δ 20/19
<b>Turnover</b>	<b>28.1</b>	<b>29.9</b>	<b>6.5%</b>	<b>40.3</b>	<b>-25.7%</b>	<b>102.6</b>	<b>99.5</b>	<b>-3.0%</b>
Services Rendered	12.7	12.7	0.6%	13.1	-2.5%	36.9	38.5	4.5%
Sales	15.4	17.2	11.3%	27.2	-36.9%	65.7	61.0	-7.2%
Other Income	0.6	0.3	-47.5%	0.7	-54.2%	1.6	1.4	-10.0%
<b>Operating Costs</b>	<b>31.1</b>	<b>31.1</b>	<b>0.0%</b>	<b>41.5</b>	<b>-25.1%</b>	<b>110.8</b>	<b>104.6</b>	<b>-5.6%</b>
Employee Benefits Expenses	11.9	11.2	-6.0%	11.0	1.7%	34.3	33.6	-2.0%
Commercial Costs <sup>(1)</sup>	13.2	14.8	12.1%	25.2	-41.3%	59.8	54.6	-8.6%
Other Expenses <sup>(2)</sup>	6.0	5.1	-14.9%	5.3	-3.7%	16.7	16.4	-2.3%
<b>EBITDA</b>	<b>17.3</b>	<b>0.8</b>	<b>-95.6%</b>	<b>10.9</b>	<b>-93.1%</b>	<b>37.4</b>	<b>8.4</b>	<b>-77.6%</b>
Underlying EBITDA <sup>(3)</sup>	-2.5	-0.8	69.5%	-0.3	-150.8%	-6.8	-3.2	53.2%
Non recurrent items <sup>(4)</sup>	8.6	-9.2	-	-0.3	-	13.8	-9.6	-
Equity method <sup>(5)</sup>	11.2	10.7	-4.3%	11.5	-6.5%	31.4	21.2	-32.6%
Discontinued Operations <sup>(6)</sup>	0.0	0.0	-100.0%	0.0	-	-1.1	0.0	100.0%
Underlying EBITDA Margin (%)	-9.0%	-2.6%	6.4pp	-0.8%	-1.8pp	-6.6%	-3.2%	3.4pp
Depreciation & Amortization	2.1	2.1	2.5%	2.3	-6.3%	6.3	6.6	6.0%
<b>EBIT</b>	<b>15.3</b>	<b>-1.4</b>	<b>-</b>	<b>8.7</b>	<b>-</b>	<b>31.1</b>	<b>1.7</b>	<b>-94.4%</b>
<b>Net Financial Results</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-</b>	<b>0.0</b>	<b>-0.5</b>	<b>-</b>
Financial Income	0.6	0.6	-6.7%	0.9	-37.5%	1.5	2.2	45.9%
Financial Expenses	0.6	0.5	-14.2%	0.9	-42.2%	1.5	2.7	77.7%
<b>EBT</b>	<b>15.3</b>	<b>-1.3</b>	<b>-</b>	<b>8.7</b>	<b>-</b>	<b>31.1</b>	<b>1.3</b>	<b>-95.9%</b>
Tax results	0.4	2.5	-	0.8	193.7%	1.8	4.0	117.6%
<b>Direct Results</b>	<b>15.7</b>	<b>1.1</b>	<b>-92.9%</b>	<b>9.5</b>	<b>-88.3%</b>	<b>32.9</b>	<b>5.3</b>	<b>-84.0%</b>
<b>Indirect Results<sup>(7)</sup></b>	<b>0.2</b>	<b>0.4</b>	<b>61.0%</b>	<b>-0.4</b>	<b>-</b>	<b>-0.5</b>	<b>0.2</b>	<b>-</b>
<b>Net Income</b>	<b>15.9</b>	<b>1.5</b>	<b>-90.6%</b>	<b>9.1</b>	<b>-83.6%</b>	<b>32.4</b>	<b>5.5</b>	<b>-83.0%</b>
Group Share	16.5	1.8	-88.8%	9.4	-80.4%	34.0	6.7	-80.2%
Attributable to Non-Controlling Interests	-0.6	-0.3	42.7%	-0.3	-30.5%	-1.6	-1.2	21.9%

(1) Commercial Costs = COGS + Mktg & Sales Costs;

(2) Other Expenses = Outsourcing Services + G&A + Provisions + others;

(3) Includes the businesses fully consolidated by Sonae.com;

(4) Includes the capital gain in Saphety and WeDo's sale and the capital loss generated with AVP II fund capital distribution as a result of the redemption of participation units;

(5) Includes the 50% holding in Unipress, the 50% holding in SIRS, the 50% holding in Big Data, the 50% holding in ZOPT, the 40% holding in Alfaro, the 27.45% holding in Secucloud and the 20% holding in Suricate Solutions;

(6) Includes Saphety and WeDo contributions until the sale;

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

## Consolidated balance sheet

Million euros

CONSOLIDATED BALANCE SHEET	3Q19	3Q20	Δ 20/19	2Q20	q.o.q.	9M19	9M20	Δ 20/19
<b>Total Net Assets</b>	<b>1,168.3</b>	<b>1,191.6</b>	<b>2.0%</b>	<b>1,190.0</b>	<b>0.1%</b>	<b>1,168.3</b>	<b>1,191.6</b>	<b>2.0%</b>
Non Current Assets	856.2	911.1	6.4%	905.0	0.7%	856.2	911.1	6.4%
Tangible and Intangible Assets and Rights of Use	22.6	19.2	-15.0%	20.2	-5.0%	22.6	19.2	-15.0%
Goodwill	14.5	14.5	0.0%	14.5	0.0%	14.5	14.5	0.0%
Investments	805.6	863.5	7.2%	855.7	0.9%	805.6	863.5	7.2%
Deferred Tax Assets	5.5	4.5	-18.1%	4.7	-3.2%	5.5	4.5	-18.1%
Others	8.0	9.4	18.2%	9.9	-5.0%	8.0	9.4	18.2%
Current Assets	312.0	280.4	-10.1%	284.9	-1.6%	312.0	280.4	-10.1%
Trade Receivables	17.2	19.9	15.6%	34.7	-42.6%	17.2	19.9	15.6%
Liquidity	271.2	233.1	-14.1%	222.3	4.8%	271.2	233.1	-14.1%
Others	23.6	27.5	16.4%	27.9	-1.7%	23.6	27.5	16.4%
<b>Shareholders' Funds</b>	<b>1,063.8</b>	<b>1,076.6</b>	<b>1.2%</b>	<b>1,051.9</b>	<b>2.3%</b>	<b>1,063.8</b>	<b>1,076.6</b>	<b>1.2%</b>
Group Share	1,064.2	1,072.3	0.8%	1,047.3	2.4%	1,064.2	1,072.3	0.8%
Non-Controlling Interests	-0.4	4.3	-	4.6	-7.4%	-0.4	4.3	-
<b>Total Liabilities</b>	<b>104.5</b>	<b>115.0</b>	<b>10.1%</b>	<b>138.0</b>	<b>-16.7%</b>	<b>104.5</b>	<b>115.0</b>	<b>10.1%</b>
Non Current Liabilities	55.5	58.1	4.6%	66.0	-11.9%	55.5	58.1	4.6%
Loans	4.9	2.3	-53.3%	2.4	-3.4%	4.9	2.3	-53.3%
Provisions	20.9	22.6	8.5%	30.4	-25.5%	20.9	22.6	8.5%
Others	29.8	33.1	11.4%	33.2	-0.2%	29.8	33.1	11.4%
Current Liabilities	48.9	56.9	16.3%	72.1	-21.1%	48.9	56.9	16.3%
Loans	2.8	1.3	-53.5%	1.6	-19.0%	2.8	1.3	-53.5%
Trade Payables	10.0	17.4	74.3%	26.9	-35.5%	10.0	17.4	74.3%
Others	36.1	38.2	5.8%	43.5	-12.2%	36.1	38.2	5.8%
Operating CAPEX <sup>(1)</sup>	1.1	1.1	0.5%	1.2	-1.3%	5.7	3.6	-36.4%
Operating CAPEX as % of Turnover	4.1%	3.8%	-0.2pp	2.9%	0.9pp	5.5%	3.6%	-1.9pp
Total CAPEX	8.5	4.7	-44.6%	1.8	166.1%	26.7	11.5	-56.9%
Underlying EBITDA - Operating CAPEX	-3.7	-1.9	47.8%	-1.5	-30.5%	-12.5	-6.8	45.6%
Gross Debt	20.4	16.6	-18.4%	17.7	-5.9%	20.4	16.6	-18.4%
Net Debt	-250.8	-216.4	13.7%	-204.6	-5.8%	-250.8	-216.4	13.7%

(1) Operating CAPEX excludes Financial Investments.

## Consolidated levered FCF

Million euros

LEVERED FREE CASH FLOW	3Q19	3Q20	Δ 20/19	2Q20	q.o.q.	9M19	9M20	Δ 20/19
<b>Underlying EBITDA-Operating CAPEX</b>	<b>-3.7</b>	<b>-1.9</b>	<b>47.8%</b>	<b>-1.5</b>	<b>-30.5%</b>	<b>-12.5</b>	<b>-6.8</b>	<b>45.6%</b>
Change in WC	0.3	2.6	-	-6.6	-	-3.7	-1.0	74.0%
Non Cash Items & Other	-4.5	0.4	-	2.2	-82.9%	-2.3	2.9	-
<b>Operating Cash Flow</b>	<b>-7.8</b>	<b>1.1</b>	<b>-</b>	<b>-5.9</b>	<b>-</b>	<b>-18.5</b>	<b>-4.9</b>	<b>73.6%</b>
Investments	52.9	15.3	-71.1%	-2.9	-	48.2	8.7	-82.0%
Dividends	11.5	0.0	-100.0%	0.0	-	47.0	0.0	-100.0%
Financial results	0.3	-0.1	-	0.0	-	0.5	-0.2	-
Income taxes	0.9	-4.2	-	0.7	-	1.6	-2.8	-
<b>FCF<sup>(1)</sup></b>	<b>57.7</b>	<b>12.0</b>	<b>-79.3%</b>	<b>-8.0</b>	<b>-</b>	<b>78.8</b>	<b>0.7</b>	<b>-99.1%</b>

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



## II – FINANCIAL STATEMENTS

## 4. Condensed Financial Information

### 4.1. Sonaecom condensed consolidated financial statements

#### Condensed consolidated statement of financial position

For periods ended on 30 September 2020 and 31 December 2019

(Amounts expressed in Euro)	Notes	September 2020 (not audited)	December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,011,649	2,140,056
Intangible assets		8,231,225	10,467,620
Right of use		8,974,710	10,403,459
Goodwill		14,520,952	14,520,952
Investments in joint ventures and associated companies	6	767,661,728	789,256,422
Financial assets at fair value through other comprehensive income	7	95,802,232	58,367,022
Deferred tax assets		4,510,230	4,251,266
Other non-current assets		9,414,060	8,003,913
<b>Total non-current assets</b>		<b>911,126,786</b>	<b>897,410,710</b>
<b>Current assets</b>			
Inventories		264,999	240,361
Trade receivables		19,911,863	27,227,731
Other receivables		10,585,578	8,289,211
Income tax assets		1,999,288	1,717,566
Other current assets		14,618,472	12,238,902
Cash and cash equivalents		233,060,961	255,877,001
<b>Total current assets</b>		<b>280,441,161</b>	<b>305,590,772</b>
<b>Total assets</b>		<b>1,191,567,947</b>	<b>1,203,001,482</b>
<b>Shareholders' funds and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital		230,391,627	230,391,627
Own shares		(7,686,952)	(7,686,952)
Reserves and retained earnings		842,876,111	798,881,018
Consolidated net profit/(loss) for the period		6,737,896	51,562,881
		<b>1,072,318,682</b>	<b>1,073,148,574</b>
Non-controlling interests		4,269,245	(636,155)
<b>Total Shareholders' funds</b>		<b>1,076,587,927</b>	<b>1,072,512,419</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans		2,299,317	3,289,931
Lease liabilities		9,791,919	11,156,725
Provisions		22,640,593	30,848,948
Deferred tax liabilities		23,142,529	22,277,675
Other non-current liabilities		202,906	4,150,043
<b>Total non-current liabilities</b>		<b>58,077,264</b>	<b>71,723,322</b>
<b>Current liabilities</b>			
Loans		1,323,359	1,525,122
Trade payables		17,374,994	19,041,965
Lease liabilities		3,215,991	3,448,361
Other payables		9,095,854	11,935,197
Income tax liabilities		-	90,458
Other current liabilities		25,892,558	22,724,638
<b>Total current liabilities</b>		<b>56,902,756</b>	<b>58,765,741</b>
<b>Total liabilities</b>		<b>114,980,020</b>	<b>130,489,063</b>
<b>Total Shareholders' funds and liabilities</b>		<b>1,191,567,947</b>	<b>1,203,001,482</b>

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

The Certified Accountant

The Board of Directors

## Condensed consolidated income statement by nature

For periods of 9 months ended on 30 September 2020 and 2019 (restated -Note 3)

(Amounts expressed in Euro)	Notes	September 2020 (not audited)	September 2019 (not audited and restated)
Sales	8	60,967,434	65,721,682
Services rendered	8	38,535,618	36,879,009
Other income		1,404,710	1,560,202
		100,907,762	104,160,893
Cost of sales		(53,570,517)	(57,582,773)
External supplies and services		(16,960,984)	(18,418,202)
Employee benefits expense		(33,595,725)	(34,288,981)
Depreciation and amortisation		(6,634,061)	(6,261,305)
Provisions		(116,612)	(55,837)
impairment losses		(65,786)	(160,337)
Other expenses		(256,990)	(285,718)
		(111,200,675)	(117,053,153)
Gains and losses in associated companies and companies jointly controlled	6	12,336,666	30,724,392
Financial expenses		(2,690,529)	(1,514,069)
Financial income		2,233,576	1,531,185
Current income / (loss)		1,586,800	17,849,248
Income taxation		3,918,049	1,986,232
<b>Consolidated net income/(loss) for the period of continued operations</b>		<b>5,504,849</b>	<b>19,835,480</b>
Consolidated net income/(loss) for the period of discontinued operations		-	12,568,216
<b>Consolidated net income/(loss) for the period</b>		<b>5,504,849</b>	<b>32,403,696</b>
Attributed to:			
Shareholders of parent company		6,737,896	33,981,721
Non-controlling interests		(1,233,047)	(1,813,055)
Non-controlling interests (discontinued operations)		-	235,030
<b>Earnings per share</b>			
Including discontinued operations			
Basic		0.02	0.11
Diluted		0.02	0.11
Excluding discontinued operations			
Basic		0.02	0.11
Diluted		0.02	0.11

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

The Certified Accountant

The Board of Directors

## Condensed consolidated statement of comprehensive income

For periods of 9 months ended on 30 September 2020 and 2019 (restated -Note 3)

(Amounts expressed in Euro)	Notes	September 2020 (not audited)	September 2019 (not audited and restated)
<b>Consolidated net income / (loss) for the period</b>		<b>5,504,849</b>	<b>32,403,696</b>
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	6	(3,817,322)	(2,749,654)
Changes in currency translation reserve and other		210,100	456,642
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	6	(1,134,263)	(1,701,012)
Fair value of investments	7	22,543,043	-
<b>Consolidated comprehensive income for the period</b>		<b>23,306,407</b>	<b>28,409,672</b>
Attributed to:			
Shareholders of parent company		24,446,749	29,987,697
Non-controlling interests		(1,140,342)	(1,578,025)

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

The Certified Accountant

The Board of Directors



## Condensed consolidated statement of changes in equity

For periods of 9 months ended on 30 September 2020 and 2019 (restated -Note 3)

			Reserves and retained earnings							
(Amounts expressed in Euro)	Share capital	Own shares	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non-controlling interests	Net income / (loss)	Total
2020										
Balance at 31 December 2019	230,391,627	(7,686,952)	775,290,377	18,545,192	7,686,952	(2,641,503)	798,881,018	(636,155)	51,562,881	1,072,512,419
Appropriation of the consolidated net result of 2019	-	-	-	2,138,733	-	49,424,148	51,562,881	-	(51,562,881)	-
Transfers to other reserves	-	-	-	-	-	(25,378,829)	(25,378,829)	(175,000)	-	(25,553,829)
Dividend Distribution	-	-	-	-	-	-	-	6,000,000	-	6,000,000
Increase in share capital in subsidiaries	-	-	-	-	-	17,708,853	17,708,853	(1,140,342)	6,737,896	23,306,407
Consolidated comprehensive income for the period ended at 30 September 2020	-	-	-	-	-	102,188	102,188	220,742	-	322,930
Other changes	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2020	230,391,627	(7,686,952)	775,290,377	20,683,925	7,686,952	39,214,857	842,876,111	4,269,245	6,737,896	1,076,587,927

			Reserves and retained earnings							
(Amounts expressed in Euro)	Share capital	Own shares	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non-controlling interests	Net income / (loss)	Total
2019										
Balance at 31 December 2018 (restated)	230,391,627	(7,686,952)	775,290,377	17,701,887	7,686,952	(23,955,767)	776,723,449	668,928	69,035,562	1,069,132,614
Appropriation of the consolidated net result of 2018	-	-	-	843,305	-	68,192,257	69,035,562	-	(69,035,562)	-
Transfers to other reserves	-	-	-	-	-	(34,246,131)	(34,246,131)	(110,000)	-	(34,356,131)
Dividend Distribution	-	-	-	-	-	(3,994,024)	(3,994,024)	(1,578,025)	33,981,721	28,409,672
Consolidated comprehensive income for the period ended at 30 September 2019 (restated)	-	-	-	-	-	-	-	657,737	-	657,737
Impacts of fair value adjustments in Goodwill (restated)	-	-	-	-	-	-	-	(46,228)	-	(46,228)
Other changes	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2019	230,391,627	(7,686,952)	775,290,377	18,545,192	7,686,952	5,996,335	807,518,856	(407,588)	33,981,721	1,063,797,664

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

The Certified Accountant

The Board of Directors



## Condensed consolidated cash flow statement

For periods of 9 months ended on 30 September 2020 and 2019 (restated -Note 3)

(Amounts expressed in Euro)	September 2020 (not audited)	September 2019 (not audited)
<b>Operating activities</b>		
Receipts from trade debtors	107,910,317	143,273,890
Payments to trade creditors	(73,806,887)	(90,357,046)
Payments to employees	(33,259,636)	(57,168,086)
<b>Cash flows generated by operations</b>	<b>843,794</b>	<b>(4,251,242)</b>
Payments / receipts relating to income taxes	(5,594,481)	(2,663,193)
Other receipts / payments relating to operating activities	(3,847,646)	(2,848,587)
<b>Cash flows from operating activities (1)</b>	<b>(8,598,333)</b>	<b>(9,763,022)</b>
<b>Investing activities</b>		
Receipts from:		
Financial investments	-	68,743,220
Tangible assets	23,313	34,630
Intangible assets	573,807	-
Interest and similar income	327,540	46,991,788
Others	18,907,195	1,096,426
Payments for:		
Financial investments	(7,935,010)	(20,565,997)
Tangible assets	(595,509)	(2,399,686)
Intangible assets	(1,216,849)	(935,082)
Variation in loans granted	(249,932)	-
<b>Cash flows from investing activities (2)</b>	<b>9,834,555</b>	<b>92,965,299</b>
<b>Financing activities</b>		
Receipts from:		
Capital increases, supplementary capital and share premium	6,000,000	947,500
Loans obtained	500,000	148,502
Payments for:		
Leasing	(3,012,919)	(3,448,893)
Interest and similar expenses	(239,652)	(648,462)
Dividends	(25,553,829)	(34,356,131)
Loans obtained	(1,710,881)	(1,158,469)
<b>Cash flows from financing activities (3)</b>	<b>(24,017,281)</b>	<b>(38,515,953)</b>
<b>Net cash flows (4)=(1)+(2)+(3)</b>	<b>(22,781,059)</b>	<b>44,686,324</b>
<b>Effect of the foreign exchanges</b>	<b>(34,951)</b>	<b>(4,323)</b>
<b>Effect of the discontinued operations</b>	<b>-</b>	<b>(2,535,126)</b>
Cash and cash equivalents at the beginning of the period	255,876,971	228,550,322
Cash and cash equivalents at the end of the period	233,060,961	270,697,197

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

The Certified Accountant

The Board of Directors



## 4.2. Notes to the condensed consolidated financial statements of Sonaecom

### 1. Introductory note

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. It is the parent company of the Group of companies listed in note 4 and 5 ('the Group').

On June 1, 2000, the company was admitted to trading on Euronext Lisbon, however, with effect from February 24, 2014, it was excluded from the PSI-20.

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

In addition to the holding activity, the group's businesses essentially consist of media and technology activities. The Group operates in Portugal and has subsidiaries from the information systems consultancy segment operating in about 4 countries.

The condensed consolidated financial statements are presented in euros, rounded to the unit, except when were referred, being the group's main currency. Foreign currency transactions are translated into the functional currency of each entity at the exchange rate on the date of the transaction. The financial statements of subsidiaries with another currency have been converted into euros using the average exchange rates at the reporting date.

### 2. Main accounting policies and basis of presentation

The condensed consolidated financial statements for the period ended at 30 September 2020, were prepared in accordance with IAS 34 - Interim Financial Reporting. Consequently, these financial statements do not include all the information required by the International Financial Reporting Standards ('IFRS'), so they should be read with the consolidated financial statements for the year end 31 December 2019. The accounting policies and measurement criteria, adopted by the Group at 30 September 2020 are consistent with those used in the preparation of 31 December 2019 financial statements, except for the calculation of tax on the period, in accordance with IAS 34.


The condensed consolidated financial statements of Sonaecom Group were prepared on the assumption of continuity of operations, based on the books and accounting records of the companies included in the consolidation, which were prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted and effective in the European Union and, based on historical cost, except for the revaluation of certain financial instruments.

### 3. Change in accounting policies and comparability of consolidated financial statements

During the period there were no changes in accounting policies, except for the adoption of new standards whose application became effective on 1 January 2020 which had no material impact on the Group's condensed financial statements.

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union, and have mandatory application to the financial years beginning on or after 1 January 2020 and were first adopted in the period ended at 30 September 2020:

- IFRS 3 (amendment): Business combinations (Amendment to the definition of business)
- IFRS 9, IAS 39 and IFRS 7 (amendment): Reform of the reference interest rates (Introduction of exemptions to hedge accounting in order that the reform of the reference interest rates does not determine the cessation of hedge accounting)
- IAS 1 and IAS 8 (amendment): Presentation of the financial statements and accounting policies, changes in accounting estimates and errors (Update of the definition of material, when applying the standards to the financial statements as a whole)



- Conceptual Framework Changes in the reference to other IFRS (Change to some IFRS in relation to cross-references and clarifications on the application of the new definitions of assets / liabilities and expenses / income)

The Group concluded that the application of these standards did not have a materially effect on the financial statements.

The following standards, interpretations, amendments, and revisions have not, until the period ended 30 September 2020, been approved ('endorsed') by the European Union:

- IFRS 17 (including also amendments): IFRS 17 replaced IFRS 4 – 'Insurances Contracts'. Standard applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.

- IAS 1 (amendment): This amendment has the aim to clarify the classification of liabilities as current or non-current balances depending on the rights an entity must defer its payment, at the end of each reporting period.

- IFRS 3 (amendment): This amendment updates the references to the Conceptual Framework in the text of IFRS 3, with no changes to the accounting requirements for business combinations.

- IAS 16 (amendment): This amendment prohibits the deduction of the amounts received as consideration for items sold that resulted from the production in test phase to the tangible fixed assets, to the book value of those same assets.

- IAS 37 (amendment): This amendment specifies what are the costs that the entity must consider when evaluating whether a contract is onerous or not.

- Annual Improvements 2018-2020 (amendments): Includes improvements to IFRS 1 ('Subsidiary as a IFRS first-time adopter'), IFRS 9 ('Derecognition of financial liabilities'), IFRS 16 ('Lease incentives') and IAS 41 ('Taxation in fair value measurements').

- IFRS 16 (amendment): This amendment consists in the alteration of the accounting record, by the lessee of the premiums on rents attributed by the lessors because of the impacts of Covid-19.

During the period ended at 30 September 2020, to ensure the comparability of the financial statements, the condensed consolidated financial statements for the period ended at 30 September 2019 were restated by the effects described below:

### ***Goodwill restatement***

In December 2018 with the acquisition of Excellium Group, a Goodwill was recorded although the allocation of the purchase price is subject to changes until the completion of the one year period from the date of acquisition, as permitted by IFRS 3 Business Concentrations.

During the year of 2019, the fair value of the identifiable assets acquired, and liabilities assumed was measured.

As provided in IFRS 3, the provisional amounts recognised at the acquisition date were retrospectively adjusted to reflect the new information obtained on facts and circumstances that existed at the acquisition date and that, if known, would have affected the measurement of the recognised amounts in this date.

The impacts of restating the consolidated accounts in accordance with the changes described above for the period ended at 30 September 2019 can be summarised as follows:

(Amounts expressed in Euro)	September 2019 (reported)	Goodwill Excellium's fair value adjustments	September 2019 (restated)
<b>BALANCE SHEET</b>			
Non-current assets			
Goodwill	14,750,856	(229,904)	14,520,952
Shareholders' funds			
Non-controlling interests	(190,265)	(217,323)	(407,588)
Non-current liabilities	-	-	-
Deferred tax Liabilities	13,775,691	532,653	14,308,344
Other non-current liabilities	6,804,226	(650,344)	6,153,882
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Income taxation	1,808,680	177,552	1,986,232
Net income/(loss) for the year of continued operations	19,657,928	177,552	19,835,480
Non-controlling interests	(1,885,497)	72,442	(1,813,055)



#### 4. 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 at 30 September 2020 and 2019, are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2020		2019	
				Direct	Effective*	Direct	Effective*
Parent company							
SONAECON, S.G.P.S., 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%
Digitmarket – Sistemas de Informação, S.A. ('Digitmarket' – using the brand 'Bizdirect')	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae IM	75.00%	75.00%	75.00%	75.00%
Excellium Group, S.A. ('Excellium')	Contern	Excellium assist enterprises to perform business and risk assessments, define security policies and procedures, respond to security incidents and deliver computer forensics services.	Sonaecom CSI	59.20%	59.20%	59.20%	59.20%
Excellium Services, S.A. ('Excellium Services')	Contern	Provide services within the IT and cybersecurity domain mainly to Luxembourgish institutions, banks and insurance companies.	Sonaecom CSI	59.20%	59.20%	59.20%	59.20%
Excellium Services Belgium, S.A. ('Excellium Services Belgium')	Wavre	Provide services within the IT and cybersecurity domain mainly to Belgium institutions, banks and insurance companies.	Sonaecom CSI	59.20%	59.20%	59.20%	59.20%
Excellium Factory SARL ('Excellium Factory')	Raouad-Ariana	Vehicle for the Excellium product development in Africa.	Sonaecom CSI	80%	47.36%	80%	47.36%
Inovretail, S.A.	Oporto	Industry and trade 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%
Inovretail España, SL ('Inovretail España')	Madrid	Industry and trade 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.	Inovretail	100%	100%	100%	100%
Fundo Bright Vector I ('Bright Vector I')	Lisbon	Venture Capital Fund	Sonae IM	50.13%	50.13%	50.13%	50.13%
Fundo Bright Tech Innovation I - ('Bright Tech Innovation I') (b)	Maia	Venture Capital Fund	Sonae IM Sonaecom	25% 25%	25% 25%	- -	- -
PCI - Público, Comunicação e Jornalismo, S.A. ('PCI')	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%	80.90%
S21 Sec Gestion, S.A. ('S21 Sec Gestion')	Guipuzcoa	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	Sonaecom CSI	80.90%	80.90%	80.90%	80.90%
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%	80.90%
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%	99.9996% 0.0004%	80.90%
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%
Taikai, LTDA ('Taikai') (a)	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%

\* Sonaecom effective participation

(a) In November 2019, a capital increase was made at Taikai, which Sonae IM did not subscribe to, resulting in the dilution of its participation and consequent loss of control and significant influence in the company. The investment in this company at 31 December 2019 is now recorded in Investments at fair value through other comprehensive income.

(b) Venture Capital Fund constituted in June 2020.

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'.



## 5. Changes in the group

During the periods ended at 30 September 2020 and 2019, the following changes occurred in the composition of the Group:

### a) Acquisitions

Shareholder	Subsidiary	Date
2020		
Sonae IM	Sales Layer Tech, S.L. ('Sales Layer') (note 7)	Mar-20
Fundo Bright Vector I	Replai (note 7)	Jun-20
Sonae IM	Deepfence Innco ('Deepfence') (note 7)	Set-20
Sonae IM	IriuskRisk (note 7)	Set-20

Shareholder	Subsidiary	Date
2019		
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização ('Armlar I+I') - increase (note 6)	Jan-19
Sonae IM	ViSenze Pte. Ltd ('ViSenze') (note 7)	Feb-19
Sonae IM	Case on IT, S.L. ('Case on IT') (note 7)	Feb-19
Sonae IM	CB-4, Ltd ('CB-4') (note 7)	Feb-19
Fundo Bright Vector I	Automaise, Lda ('Automaise') (note 7)	Mar-19
Fundo Bright Vector I	Social Disruption Marketing Agency, Lda ('Sway') (note 7)	Apr-19
Sonae IM	Cellwise Wireless Technologies Ltd. ('Cellwise') (note 7)	May-19
Bright	Fyde, Inc. ('Fyde') (note 7)	Jun-19
Bright	EGI Acceleration S.I. ('EGI Acceleration') (note 7)	Jul-19
Sonae IM	Ometria Ltd. ('Ometria') (note 7)	Set-19
Sonae IM	Daisy Intelligence Corporation ('Daisy Intelligence') (note 7)	Set-19

### b) Constitutions

Shareholder	Subsidiary	Date
2020		
Sonae IM and Sonaeacom	Bright Tech Innovation I	Jun-20

### c) Alienations

Shareholder	Subsidiary	Date
2019		
Sonae IM	Saphetu	Mar-19
Saphetu	Saphetu Brasil	Mar-19
Saphetu	Saphetu Colombia	Mar-19
Sonae IM	We Do	Jul-19
We Do	We Do Brasil	Jul-19
We Do	We Do USA	Jul-19
We Do	We Do BV	Jul-19
We Do BV	We Do Malásia	Jul-19
We Do	We Do Chile	Jul-19
We Do BV	We Do Egypt	Jul-19
We Do	We Do España	Jul-19
We Do	We Do UK	Jul-19
We Do	We Do Mexico	Jul-19
We Do BV	Tecnológica	Jul-19
We Do Brasil	Cape Technologies	Jul-19



## Effects of the alienation of subsidiaries in the condensed consolidated financial statements

In March 2019, the companies that are part of the Saphety Group were alienated by the amount of EUR 8,580,809 (includes the amount of EUR 2,723,878 related to loans) to its management team, supported by Oxy Capital. As a result of the value of sale and the derecognition of the Saphety Group, an add value of EUR 4,933,947 was registered, as detailed below:

	Saphety Group
(Amounts expressed in Euro)	March 2019
<b>Derecognised assets</b>	
Tangible assets	(280,044)
Intangible assets	(2,303,459)
Rights of use	(1,487,795)
Deferred tax assets	(123,408)
Trade debtors	(2,725,770)
Other current debtors	(209,344)
Other current assets	(831,324)
Cash and cash equivalents	(257,712)
	<b>(8,218,856)</b>
<b>Derecognised liabilities</b>	
Loans obtained	154,202
Trade creditors	662,099
Other current creditors	597,649
Other current liabilities	2,484,972
	<b>3,898,922</b>
<b>Total net assets derecognised</b>	<b>4,319,934</b>
<b>Total net assets derecognised of non-controlling interests</b>	<b>(571,288)</b>
Exchange reserves	(101,784)
<b>Total net assets derecognised after non-controlling interests</b>	<b>3,646,862</b>
<b>Amount received</b>	<b>8,580,809</b>
<b>Gain / (loss) resulting from the sale</b>	<b>4,933,947</b>





In August 2019, with effect at 31 July 2019, the companies that are part of the We Do Group were alienated by the amount of EUR 62,091,647 (includes the amount of EUR 11,140,000 related to loans) to Mobileum, Inc. As a result of the sale value and derecognition of the We Do Group, an add value of Euro 8,530,002 was registered, as detailed below:

	We Do Group
(Amounts expressed in Euro)	July 2019
<b>Derecognised assets</b>	
Tangible assets	(940,560)
Intangible assets	(13,288,230)
Rights of use	(6,498,697)
Goodwill	(20,576,531)
Deferred tax assets	(6,090,251)
Other non-current assets	(31,949,634)
Trade debtors	(24,173,191)
Other current debtors	(9,297,582)
Other current assets	(9,272,306)
Cash and cash equivalents	(1,605,190)
	<b>(123,692,172)</b>
<b>Derecognised liabilities</b>	
Loans obtained	246,725
Trade creditors	10,037,836
Other current creditors	7,232,766
Lease liabilities	6,954,475
Provisions	1,416,152
Other current liabilities	51,033,063
	<b>76,921,017</b>
<b>Total net assets derecognised</b>	<b>46,771,155</b>
<b>Total net assets derecognised of non-controlling interests</b>	<b>(3,296)</b>
<b>Adjustments to net assets decurring from the sale</b>	<b>6,793,786</b>
Exchange reserves	529,392
Costs related to the sale	5,223,814
Goodwill	1,040,580
<b>Total net assets derecognised after non-controlling interests</b>	<b>53,561,645</b>
<b>Amount received</b>	<b>62,091,647</b>
<b>Gain / (loss) resulting from the sale</b>	<b>8,530,002</b>

#### d) Discontinued

Shareholder	Subsidiary	Date
<b>2019</b>		
Sonae IM	We Do Australia	Mar-19
S21 Sec Gestion	S21 Sec Brasil	Jun-19

#### e) Merges

In May 2019 an absorption merger proceeded between the incorporating company S21 Sec Gestion, S.A. and the incorporated company Nextel, S.A., which the S21 Sec Gestion, SA incorporated, with retroactive accounting effects as from 1 January 2019, this company's entire operating activity, as well as Nextel's global transfer of its assets to book value. This merger had no impact on Sonaecom's consolidated accounts for the period ended at 30 September 2019.



## 6. Investments in joint ventures and associated companies

The associated companies and the companies jointly controlled, their head offices, percentage of ownership and value in profit and loss statement at 30 September 2020 and 2019 are as follows:

		Percentage of ownership				Value in profit and loss statement	
Head Office		30 September 2020		30 September 2019		30 September 2020	30 September 2019
		Direct	Total	Direct	Total		
ZOPT, SGPS, S.A. ('ZOPT') (a)	Oporto	50.00%	50.00%	50.00%	50.00%	21,387,528	31,816,000
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%	(6,670)	79,218
SIRS - Sociedade Independente de Radiodifusão Sonora, S.A. (Rádio Nova)	Oporto	50.00%	50.00%	50.00%	50.00%	(39,030)	61,784
Intelligent Big Data, S.L. ('Big Data') (b)	Gipuzcoa	50.00%	50.00%	50.00%	50.00%	2,657	(113)
Fundo de Capital de Risco Armilar Venture Partners II (Armlar II) (c)	Lisboa	44.33%	44.33%	50.74%	50.74%	(8,156,114)	80,617
Fundo de Capital de Risco Armilar Venture Partners III (Armlar III) (d)	Lisboa	42.80%	42.80%	42.73%	42.73%	7,444	(489,757)
Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização (Armlar I+I)	Lisboa	38.25%	38.25%	38.25%	38.25%	(677,584)	(279,933)
Secucloud Network GmbH ('Secucloud')	Hamburg	27.45%	27.45%	27.45%	27.45%	(185,950)	(490,609)
Probe.ly (e)	Lisbon	17.19%	17.19%	21.21%	21.21%	4,386	(57,266)
Suricate Solutions	Luxembourg	20.00%	11.84%	20.00%	11.84%	-	7,289
Alfaros SAR	Tunisia	40.00%	23.68%	40.00%	23.68%	-	(2,837)
Total						12,336,666	30,724,392

(a) Includes the incorporation of the results of the subsidiaries in proportion to the capital held.

(b) Company directly owned by S2I Sec Gestion

(c) Change in participation is related with the sale of Outsystms

(d) In November 2019 a capital increase of EUR 206,295 was subscribed, resulting in a variation of the effective participation of 0.07%

(e) During the period ended 30 September 2020, Sonae IM ceased to have significant influence on Probe.ly, and the company started to be valued at fair value through other comprehensive income.

As a result of the Funds' legislation, Sonaecom does not have control over them since it does not have control over its management entity.

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. The Group held associated and jointly controlled companies, as decomposed below.

The division by company of the amount included in the investments in associated companies and join controlled at 30 September 2020 and 31 December 2019 is as follows:

	30 September 2020			31 December 2019		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
<b>Investments in companies jointly controlled</b>						
Zopt	571,132,688	87,527,500	658,660,188	554,696,744	87,527,500	642,224,244
Unipress	439,155	321,700	760,855	480,317	321,700	802,017
SIRS	-	-	-	14,626	-	14,626
	<b>553,392,312</b>	<b>87,849,200</b>	<b>659,421,042</b>	<b>555,191,687</b>	<b>87,849,200</b>	<b>643,040,887</b>
<b>Investments in associated companies</b>						
Armlar II	57,721,782	-	57,721,782	94,176,915	-	94,176,915
Armlar III	32,398,570	-	32,398,570	32,707,854	-	32,707,854
Armlar I+I	16,209,966	-	16,209,966	17,056,946	-	17,056,946
Secucloud	(2,545,588)	4,419,742	1,874,154	(2,359,638)	4,419,742	2,060,104
Probe.ly	-	-	-	(119,672)	297,168	177,496
Suricate Solutions	31,277	-	31,277	4,942	-	4,942
Alfaros SARL	4,938	-	4,938	31,278	-	31,278
	<b>141,741,429</b>	<b>4,716,910</b>	<b>108,240,686</b>	<b>141,498,625</b>	<b>4,716,910</b>	<b>146,215,535</b>
<b>Total</b>	<b>695,133,741</b>	<b>92,566,110</b>	<b>767,661,728</b>	<b>696,690,312</b>	<b>92,566,110</b>	<b>789,256,422</b>



In the period ended in September 2020, the variation in the proportion of the equity of the Fund Armilar II, in addition to the variation resulting from the appropriation of the fund's results, is essentially related to the receipt of the gross amount of EUR 21 million, as amortization of investment units held in this fund. Despite this impact, this remission represents a 37% increase in the fund's valuation, compared to the 2018 distribution, and increases the cumulative return to 2.3x the capital invested in Armilar funds.

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.

In this context of uncertainty regarding the level of evolution and contagion of the COVID-19 and consequently the strong economic slowdown, the business plans prepared in the year of 2019, are under review, being difficult to project the potential impact. Regarding the ZOPT's participation, it has already been negatively impacted due to the negative impacts verified in some business areas as described below.

With regard to ZOPT's financial participations in Finstar and ZAP Media (Finstar consolidated), the Board of Directors of NOS and ZOPT is certain that the patrimony seizure to Mrs. Isabel dos Santos, in the specific case of the shares held by her in Finstar and ZAP Media (where she holds 70% of the capital), does not change the control profile, in this case joint control as defined in IFRS 11, it is not expected to have relevant consequences for the operational management of companies, in addition to restrictions on the distribution of dividends in these companies.

At 4 April 2020, SONAECON, was informed by its subsidiary ZOPT of the communication received from the Lisbon Central Criminal Instruction Court ('Court') to proceed to the preventive arrest of 26.075% of NOS' share capital, corresponding to half the shareholding in NOS held by ZOPT and, indirectly, by the companies Unitel International Holdings, BV and Kento Holding Limited, controlled by Mrs. Isabel dos Santos. Under the terms of the communication, the arrested shares (134,322,268.5 shares) are deprived of the right to vote and the right to receive dividends, which must be deposited with Caixa Geral de Depósitos, S.A. at the order of the court. The other half of ZOPT's participation in NOS' share capital, corresponding to an identical percentage of 26.075% - and which, at least in line with the criterion used by the Court, embodies the 50% held in ZOPT by SONAECON - was not subject to arrest, nor the rights attached to it were subject to any limitation.

Although ZOPT has not been notified of the grounds for preventive arrest, based on the preliminary information they have, it is the understanding of the board of directors of ZOPT and SONAECON that the measure of arrest imposed is illegitimate and offends several fundamental rights of ZOPT, no being legally liable to determine the deprivation of voting rights, not even to inhibit the holder of the arrested shares from continuing to exercise those rights, which deprivation we understand for this reason, be null and without any effect. At 12 June 2020, ZOPT was notified of the order issued by the Lisbon Central Criminal Investigation Court, which authorizes it to exercise the voting right corresponding to the 26.075% of NOS share capital preventively seized under the aforementioned Court order. For this reason, the Boards of Directors of ZOPT and SONAECON consider that the conditions of control of ZOPT over NOS are met, and the measure does not have material effects on the control of this company.

At 19 August, Sonaecom communicated the intention of the shareholders of ZOPT (Sonaecom, Unitel International Holdings, BV and Kento Holding Limited) to liquidate the company, maintaining Sonaecom as the reference shareholder of NOS. To date, the efforts to dissolve the ZOPT have not yet been carried out.

In the beginning of April, NOS announced that it had entered into an agreement with Tofane Global, SAS for the sale of the entire share capital of NOS International Carrier Services SA to iBasis, a wholly-owned subsidiary of Tofane and another, for the provision of Group companies. NOS for international voice and SMS wholesale services, which were previously provided by NOS ICS. The conclusion of this agreement was subject to non-opposition by the Competition Authority. Completion of this agreement occurred on 29 June 2020. The sale price amounts to 9.6 million euros and the receipt of 5.5 million euros will take place over 5 years.

During the period ended at 30 September 2020, resulting from the sale of NOS ICS and the respective classification of the company as a discontinued operating unit, the comparative periods, in the consolidated income statement, were restated.



## ZOPT Group provisions

The evolution in provisions occurred during the 9 months of 2020 compared to 31 December 2019 was as follows:

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

At the beginning of March 2020, the parties were notified of the scheduled judicial due diligence for 17 April 2020, with a view to scheduling the acts to be carried out at the final hearing, establishing the number of sessions and their likely duration, as well as the designation of the respective dates and, also, attempted conciliation. The diligence was, meanwhile, rescheduled. It is the understanding of the Board of Directors, corroborated by the attorneys accompanying the process, that it is, in formal and substantive terms, likely that NOS SA will be able to win the lawsuit, due to MEO already having been convicted for the same offences by ANACOM, however, it is not possible to determine the outcome of the action.

2. Action brought by DECO

The process has already been redistributed and the prior hearing took place on 10 September 2020. NOS is still awaiting for the presentation of proof requirements and the scheduling of the final hearing. 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.

3. Interconnection tariffs

At 30 September 2020, accounts receivable and accounts payable include EUR 37,139,253 and EUR 43,475,093, 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 with MEO, the result was totally favourable to NOS S.A., having already become final.

4. Contractual Penalties

In 2020, due to the foreseeable sharp reduction in the collection of these penalties, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, NOS recognised expected credits losses to all penalties billed to customers and not provisioned, in the amount of approximately EUR 7.0 million.

At 30 September 2020, the amounts billed and to be received from these indemnities amount to EUR 109.8 million.

## Another subjects

### *Disposal of NOS Towering, S.A.*

At 14 April 2020, NOS Comunicações, SA and Cellnex Telecom, SA entered into an agreement whose purpose is to transfer to Cellnex the shares representing the entire share capital of NOS Towering, SA, encompassing the disposal of approximately 2,000 sites (towers and rooftops).

On the same date, the parties entered into a long-term agreement to whereby Cellnex will provide the NOS Group with active network hosting over the passive infrastructure acquired, for a period of 15 years, automatically renewed for equal periods. In addition, this agreement foresees a perimeter increase of up to 400 additional sites over the next 6 years.

The potential value of the agreements to be reached over a 6-year period is 600 million euros, being dependent on the sale of additional sites and configuration alteration of the sites. The expected impact on pro forma operating Cash Flow for NOS in first year is approximately EUR 22 million.

This agreement will enable NOS to continuously optimize and expand its state-of-the-art mobile network, while reinforcing its ability to invest in the long-term value of the company. By joining forces with Cellnex in Portugal, through this strategic partnership, NOS ensures



the supply of current and future needs of its passive mobile infrastructure. In addition to this agreement, NOS will continue to pursue other investment efficiency opportunities.

At 30 September 2020, the operation was materialized with Cellnex payment to NOS of EUR 398.6 million.

**COVID-19**

With the emergence, spread and infection of the new coronavirus COVID-19, several measures were taken to contain the virus with very significant estimated impacts on the Portuguese economy, as well as in other economies, namely, limitations on travel rights and closure of several facilities and establishments.

This is a situation of uncertainty and very dynamic, which makes it extremely difficult to estimate impacts, which always have to consider several scenarios and countless variables. Evidence of this difficulty is the historical drops and sharp volatility of exchanges, all over the world.

The impacts on ZOPT through participation in NOS were already felt in the results of the nine months on 30 September 2020, with a drop in revenues, consolidated EBITDA and operational cash-flows of - 7.2% (EUR -61.7 million); - 6.5% (EUR - 29.4 million) and - 20.1% (EUR -34.6 million), respectively, which shows a reduction in activity in:

- i. Cinemas and Audiovisuals: complete closure of NOS' theatres on 16 March to 2 July, and postponement of a number of movie premieres, slightly offset by cinema rentals negotiations;
- ii. Roaming and international calls: traffic and revenues impacted by restrictions imposed on international travel;
- iii. Equipment sales: with the closure of shopping centers and travel restrictions, there was a reduction in the sale of mobile phones and equipment, which is partially offset by the increase in online sales (in the long run there may be a positive effect on the evolution customer take-up of digital channels);
- iv. Mobile data revenues: quarantine and isolation situations imply an increase in the use of wireless networks, reducing the use of mobile data; and,
- v. Drop in revenue related to premium sports during the period when the national championship was suspended and advertising content.

NOS is committed to support their customers during the current COVID-19 public health crisis. At a time when many Portuguese are changing their habits and routines and working remotely, keeping customers connected is the main objective of NOS. To this end, NOS facilitate access to services, through data offers, suspension of monthly payment of premium sports channels, reinforcement of the ability to implement business services and guaranteeing a safe and secure service in our stores, in order to safeguard customers, employees and partners. The NOS Telecommunications Network supports a set of basic services of our society, which include our National Health System. In this context of global health emergency, the maintenance of Portuguese communications is a fundamental task.

On the other hand, the projections made for the Portuguese economy, led to a reassessment of projections and estimates, resulted in the following impacts recognised in the nine months ended on 30 September 2020:

- i. due to the significant drop in revenue related to premium sports channels, an impairment for the financial investment of Sport TV in the amount of EUR 5.4 million was recognised;
- ii. taking into account the estimated negative impacts with the spread of the new coronavirus COVID-19 , and the destabilization of the Angolan economy with the drop in oil demand and prices, impairments were recognised for the value of dividends and other accounts receivable from the Angolan subsidiary Finstar, in the amount of EUR 4.6 million;
- iii. a review of the impairment tests was also carried out, with no evidence of impairment being concluded, either in Goodwill or in other types of assets;
- iv. reinforcement of expected credit losses from accounts receivable, in the amount of approximately EUR 20.9 million, resulting from the incorporation, in the projection model of future collections, of the new projections released by the Bank of Portugal for the growth of the GDP and unemployment rate for the next 3 years, and identification of customers particularly affected by the current crisis, namely, in the cinema business;

- 
- v. recognition of expected credit losses from all penalties billed to customers and not provisioned, in the amount of approximately EUR 7.0 million, as a consequence of the foreseeable sharp reduction in their collection;
  - vi. loss recognition for onerous contracts related to premium sports content, in the amount of EUR 10.8 million;
  - vii. and losses related to the acquisition of various security materials to combat the spread of the new coronavirus COVID-19, in the amount of approximately EUR 4.0 million.

#### *Liquidity and interest rate risk*

Prudent liquidity risk management implies maintaining an adequate level of cash and cash equivalents to meet assumed liabilities, associated with the negotiation of credit lines with financial institutions.

At 30 September 2020, the average maturity of the NOS group's financing is 2.9 years, with no non-compliance with the covenants due to the reduction in results projected for this year, being expected.

#### *Credit risk*

Credit risk is essentially related to credit for services provided to customers, monitored on a regular business basis and for which expected credit losses are determined considering: i) the customer's risk profile; ii) the average receipt period; iii) the client's financial condition; and iv) future perspective of the evolution of the collections.

In the nine months ended on 30 September 2020, as a direct consequence of the slowdown in the Portuguese economy due to the measures adopted to combat the new coronavirus COVID-19, the company recognized extraordinary expected credit losses of EUR 27.9 million, incorporating, in the projection model of future collections, the new projections released by Banco de Portugal for GDP growth and Unemployment rate for the next 3 years.

In terms of the projection of future impacts at NOS, these will depend on the extent, namely timing, of the spread of the virus and the respective containment measures, making it difficult to predict the scale of the impact, in the knowledge, however, that it will occur in the areas mentioned above. NOS' capital structure is within the 2x Net Financial Debt / EBITDA After Leasings Payments (EBITDA - Leasings Payments (Capital and Interest)) threshold, so the Board of Directors of NOS believes that the company will overcome the negative impacts caused by this crisis, without jeopardizing business continuity, this conviction is demonstrated with the maintenance of the shareholders' remuneration policy with the payment of dividends on 3 July 2020.



## 7. Financial assets at fair value through other comprehensive income

At 30 September 2020 and 31 December 2019, this caption was composed as follows:

	30 September 2020	31 December 2019
Arctic wolf	40,963,596	12,101,193
Cellwize	8,283,002	5,357,593
Ometria	8,095,986	8,095,987
Sixgill	5,415,162	5,415,162
CB4	4,368,720	4,368,720
ViSenze	3,459,140	5,260,238
Case on IT	2,930,744	2,930,744
Sales Layer	2,500,358	-
Nextail	2,478,620	2,300,000
Daisy Intelligence	2,406,623	2,406,623
Reblaze	2,352,438	2,352,438
Deepfence	2,085,593	-
ciValue	1,970,097	1,970,097
StyleSage	1,848,578	1,848,578
Jscrambler	1,550,000	1,250,000
IriusRisk	1,416,514	299,802
Whitefantasy	640,804	640,804
Replai	600,000	-
Others	2,436,257	1,769,043
	95,802,232	58,367,022

At 30 September 2020, these investments correspond to shareholdings in unlisted companies in which the Group has no significant influence.

According to IFRS 9 these investment are defined as 'Investments at fair value through other consolidated comprehensive income' as they are held as long-term strategic investments and there is no expectation that these investments will be sold in the short and medium term, and, so, were irrevocably designed as investments at fair value through other comprehensive income. For investments with a maturity of less than a year the acquisition costs were considered as a reasonable approximation of their fair value. For investments with a maturity greater than a year the subsequent changes in fair value are presented through other consolidated comprehensive income.

In the periods ended at 30 September 2020 and 2019, the change in investments at fair value through other comprehensive income was as follows:

	30 September 2020	30 September 2019
Opening balance	58,367,022	28,101,682
Acquisitions/Capital Increases	7,542,302	18,852,111
Fair value	29,892,908	-
Closing balance	95,802,232	46,953,793

### Arctic Wolf

Arctic Wolf, 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. Sonae IM, jointly with US technology investors Lightspeed Venture Partners and Redpoint, entered in the company's cap table in 2017 in a series B round. During 2018, the Company closed a \$45M series C round and, at the end of 2019, the Company launched a \$60M Series D round. In October 2020, the company announced it has raised \$200 million in Series E funding at a valuation of \$1.3 billion. The funding round was led by Viking Global Investors, with additional participation from DTCP and existing investors. Sonae IM participated in all rounds, reinforcing its stake. With this new round Arctic Wolf turns into the first unicorn that Sonae IM owns a direct investment and into the second in its total portfolio, alongside with Outsystems, indirectly invested through Armilar funds.





### Cellwize

Cellwize is a leading provider of Mobile Network Automation and Orchestration solutions for telco, based in Israel. Cellwize offers modular solutions for an agile adoption of 'zero-touch' network automation capabilities on top of a virtualized service orchestration platform. It supports network operations, especially given the increase in network density and complexity driven by 5G adoption. Sonae IM invested in a series B round of \$15 million led by Deutsche Telekom Capital Partners. In October 2020, the company announced the completion of a new round in the amount of US \$ 32 million led by Intel Capital and Qualcomm Ventures with the participation of Verizon Ventures and Samsung Next and of the existing investors.

### Ometria

Ometria is an English 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 Series A round, alongside several strategic investors (including Summit Action, the US VC fund of the Summit Series) and was recently reinforced during series B round.

### Sixgill

In December 2019, Sonae IM invested in Sixgill which is a leader in the cybersecurity intelligence market in the deep and dark web. Sixgill helps Fortune 500 companies, financial institutions, governments, and law enforcement agencies protect their finances, networks and reputations from cyberthreats that lurk in the deep, dark and surface webs. The advanced cyber threat intelligence platform automates all phases of the intelligence cycle — collection, analysis and dissemination of data — providing organizations with unparalleled information and actionable insights to protect their various assets in the ever evolving cyber threatscape. Sixgill raised \$15 millions in a second round led by Sonae IM and REV Venture Partners with participation by Our Crowd. Previous investors Elron and Terra Venture Partners also participate in the round.

### CB4

CB4 is a company based in Israel that provides a patented AI software solution for brick and mortar retailers to identify and correct critical operational issues at store, product level. The investment was part of a series B \$16 millions round, led by Octopus Ventures with Sonae IM joining. Existing investors Sequoia Capital and Pereg Ventures also participated in the round.

### ViSenze

ViSenze is a Singapore-based company that delivers intelligent image recognition solutions that shorten the path to action as consumers search and discover on the visual web. Retailers use ViSenze to convert images into immediate product search opportunities, improving conversion rates. Media companies use ViSenze to turn any image or video into an engagement opportunity, driving incremental revenue. Sonae IM co-led, with Gobi Partners, a \$20 millions Series C round that will enable the artificial intelligence company to further invest in its penetration among smartphone manufacturers, as well as with consumer and social communication applications.

### Case on IT

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.

### Sales Layer

Sales Layer is a Spanish based company with a cloud-based Product Information Management (PIM) platform, helping brands and retailers to transform their catalogs into a digital, enriched and multichannel control center. Sonae IM recently led its series A round.

### Nextail

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.



### Daisy Intelligence

Daisy Intelligence is an AI-powered platform for retail merchandising teams focused on optimizing promotional product and price mixes for dramatically improved business results. Sonae IM partnered with Framework Venture Partners invested in a C \$ 10 million (circa €7 million) series A round.

### Reblaze

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 led jointly with JAL Ventures and Data Point Capital.

### Deepfence

Deepfence is a company based in San Francisco (California) of application security company that offers an intrusion prevention system that measures and maps the attack surface at run time and provides complete protection against known and unknown threats.

### ciValue

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

### StyleSage

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.

### Jscrambler

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.

### IriuskRisk

IriuskRisk (previously named 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 1.5 million euros, which was led by Swanlaab Venture Factory and joined by JME Venture Capital and Sonae IM. In September 2020, the company raised a series A round of 6.7 million euros participated by Paladin, 360 CP, Swanlaab JME Venture Capital and Sonae IM.

### Whitefantasy

The company develops digital solutions and dedicates its activity to computer programming activities.

### Replai

Replai is an artificial intelligence based tech company that uses algorithms to put together a set of highlights from any livestream competition, creating custom-made clips for each social network to maximise audiences and generating revenue for sponsors and advertisers.

## 8. Sales and services rendered

At 30 September 2020 and 2019, this caption was composed as follows:

	2020	2019
Technologies	89,094,473	89,897,835
Media and others	10,408,579	12,702,856
	99,503,052	102,600,691



The detail of unrecognised revenue related to performance obligations of contracts with customers not satisfied in the period ended at 30 September 2020, by type of contract and according to its duration, is as follows:

	Contract with customer duration				
	2020	2021	2022	>2022	Total
Technologies:					
Cybersecurity	2,158,006	6,788,122	4,289,351	2,879,331	16,114,810
Total revenue from contracts with customers	2,158,006	6,788,122	4,289,351	2,879,331	16,114,810

## 9. Related parties

During the periods ended at 30 September 2020 and 2019, 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 balances and transactions with related parties during the periods ended at 30 September 2020 and 2019 were as follows:

					Balances at 30 September 2020
	Accounts receivable	Accounts payable	Treasury applications	Other assets	Other liabilities
Parent Company (Sonae SGPS)	2,683,654	660,673	-	979,627	18,492
Companies jointly controlled	1,176,165	453,787	5,638	12,629	1,039,475
Associated companies	-	-	-	2,497,387	-
Others related parties	3,082,056	211,357	-	205,302	226,617
	6,941,874	1,325,817	5,638	3,694,945	1,284,583

					Balances at 30 September 2019
	Accounts receivable	Accounts payable	Treasury applications	Other assets	Other liabilities
Parent Company (Sonae SGPS)	2,943,861	5,997,093	-	668,287	18,420
Companies jointly controlled	791,447	454,794	4,700	53,545	269,780
Associated companies	-	-	-	2,435,010	-
Others related parties	3,370,261	272,515	-	256,626	449,283
	7,105,569	6,724,402	4,700	3,413,468	737,484

					Transactions at 30 September 2020
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent Company (Sonae SGPS)	57,939	244,421	420,188	-	-
Companies jointly controlled	8,201,676	534,217	68	-	175,500
Associated companies	-	-	46,697	-	-
Others related parties	14,973,429	760,088	-	15,371	3,500
	23,233,044	1,538,726	466,954	15,371	179,000

					Transactions at 30 September 2019
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent Company (Sonae SGPS)	1470	43,707	288,504	-	-
Companies jointly controlled	7,355,173	651,824	125	-	167,167
Associated companies	-	-	29,148	-	-
Others related parties	15,580,234	925,232	-	77	25,612
	22,936,877	1,620,763	317,778	77	192,779

During the period ended on 30 September 2020, the company distributed as dividends the amount of EUR 6,724,906 to Sonae (EUR 9,074,572 in 2019) and EUR 16,107,239 to Sontel BV (EUR 21,735,069 in 2019).

During the period ended at 30 September 2019, the company recognised the amount of EUR 46,991,559, referring to dividends from Zopt.

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 accounts receivable and payable with related parties will be paid in cash and have no guaranties attached.

During the periods ended at 30 September 2019 and 2018, no impairment losses have been recognised as accounts receivables of related parties.

## 10. Segment information

In the periods ended at 30 September 2020 and 2019, the following business segments were identified:

- 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).

The segment 'Holding activities' includes all the operations of the parent company that have as their main activity the management of shareholdings.

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

Inter-segment transactions during the years ended at 30 September 2020 and 2019 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 at 30 September 2020 and 2019, 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		Technologies		Holding Activities		Subtotal		Eliminations and others		Total	
	September 2020	September 2019	September 2020	September 2019 (restated)	September 2020	September 2019	September 2020	September 2019 (restated)	September 2020	September 2019 (restated)	September 2020	September 2019 (restated)
Revenues:												
Sales and services rendered	9,938,488	11,882,564	89,368,418	90,281,733	256,875	269,306	99,563,781	102,433,603	(60,729)	167,088	99,503,052	102,600,691
Other operating revenues	333,540	518,691	1,005,291	1,035,033	20,444	1,693	1,359,275	1,555,417	45,435	4,785	1,404,710	1,560,202
Total revenues	10,272,028	12,401,255	90,373,709	91,316,766	277,319	270,999	100,923,056	103,989,020	(15,294)	171,873	100,907,762	104,160,893
Depreciation and amortisation	(911,760)	(809,463)	(5,397,256)	(5,113,560)	(23,586)	(23,752)	(6,332,602)	(5,946,775)	(301,459)	(314,530)	(6,634,061)	(6,261,305)
Provisions and impairment losses	-	(23,025)	(118,259)	(170,365)	(64,139)	(22,783)	(182,398)	(216,174)	-	-	(182,398)	(216,174)
Net operating income / (loss) for the segment	(2,751,701)	(2,363,673)	(7,089,871)	(9,800,523)	(1,033,693)	(953,076)	(10,875,265)	(13,117,272)	582,352	225,012	(10,292,913)	(12,892,260)
Interest income	12,793	4,016	145,181	219,298	710,364	696,512	868,338	919,826	(268,450)	(312,183)	599,888	607,643
Interest expenses	(12,298)	(22,322)	(650,392)	(829,160)	(1,402)	(2,223)	(664,092)	(853,705)	212,811	325,816	(451,281)	(527,889)
Gains and losses in associated companies and joint ventures	(45,700)	141,001	(9,005,162)	(1,232,610)	21,387,528	31,816,001	12,336,666	30,724,392	-	-	12,336,666	30,724,392
Other financial results	(8,985)	(2,389)	(546,199)	(28,464)	(1,822,779)	(2,018,109)	(2,377,963)	(2,048,962)	1,772,403	1,986,324	(605,560)	(62,638)
Income taxation (restated)	626,929	742,928	3,186,554	986,294	68,803	55,474	3,882,286	1,784,696	35,763	201,536	3,918,049	1,986,232
Consolidated net income/(loss) for the period (restated)	(2,178,962)	(1,500,439)	(13,959,889)	(10,685,165)	19,308,821	29,594,579	3,169,970	17,408,975	2,334,879	2,426,505	5,504,849	19,835,480
Consolidated net income/(loss) for the period of discontinued operations	-	-	-	(783,482)	-	-	-	(783,482)	-	13,351,698	-	12,568,216
Attributable to:												
Shareholders of parent company (restated)	(2,178,962)	(1,500,439)	(12,722,628)	(9,844,412)	19,308,821	29,594,579	4,407,231	18,249,728	2,330,665	15,731,993	6,737,896	33,981,721
Non-controlling interests (restated)	-	-	(1,237,261)	(1,624,235)	-	-	(1,237,261)	(1,624,235)	4,214	46,210	(1,233,047)	(1,578,025)
	September 2020	December 2019	September 2020	December 2019	September 2020	December 2019	September 2020	December 2019	September 2020	December 2019	September 2020	December 2019
Assets:												
Tangible, intangible assets, Right of use and goodwill	765,728	1,085,100	30,215,008	33,439,077	76,986	99,182	31,057,722	34,623,359	2,680,814	2,908,728	33,738,536	37,532,087
Inventories	210,957	230,916	54,042	9,445	-	-	264,999	240,361	-	-	264,999	240,361
Investments in joint ventures and associated companies	760,855	816,643	108,240,686	146,215,535	658,660,187	642,224,244	767,661,728	789,256,422	-	-	767,661,728	789,256,422
income	47,947	47,947	95,754,285	58,319,075	-	-	95,802,232	58,367,022	-	-	95,802,232	58,367,022
Other non-current assets and deferred tax assets	626,355	155,743	10,073,231	8,652,419	89,235,426	82,520,603	99,935,012	91,328,765	(86,010,722)	(79,073,586)	13,924,290	12,255,179
Other current assets of the segment	10,385,802	10,261,294	74,382,325	47,853,751	201,307,624	238,142,387	286,075,751	296,257,432	(5,899,589)	9,092,979	280,176,162	305,350,411
Liabilities:												
Liabilities of the segment	8,259,395	7,704,711	129,496,768	102,200,346	1,920,834	2,412,829	139,676,997	112,449,845	(24,696,977)	18,039,218	114,980,020	130,489,063
CAPEX	601,191	482,128	10,863,749	17,019,247	15,728,855,790	13,881,839	15,740,320,730	31,383,214	(15,728,810,096)	(13,128,844)	11,510,634	18,254,370



During the period ended at 30 September 2020 and 2019, the inter-segments sales and services were as follows:

	Multimedia	Information Systems	Holding Activities
<b>2020</b>			
Multimedia	-	216,760	-
Information Systems	-	-	120,000
Holding Activities	-	1,448	-
External trade debtors	9,938,488	89,150,210	136,875
	<b>9,938,488</b>	<b>89,368,418</b>	<b>256,875</b>
<b>2019</b>			
Multimedia	-	160,045	-
Information Systems	35,000	-	119,858
Holding Activities	-	2,709	-
External trade debtors	11,847,564	90,118,979	149,448
	<b>11,882,564</b>	<b>90,281,733</b>	<b>269,306</b>

During the periods ended at 30 September 2020, and 2019 sales and services rendered in the Media and Holding Activities segments were obtained predominantly in the Portuguese market, with this market representing approximately 97% and 98% of revenue, respectively.

During the period ended at 30 September 2020, for the Technologies segment, the Portuguese market is also dominant, representing 58.4% of revenue (36.3% in 2019) followed by the Spanish market representing 24.44% of revenue (21.93% in 2019).

## 11. Other Matters

The year of 2020 has been marked by COVID 19 pandemic emergence in Europe , the subsequent formal national lock-down declared on 18th March and by a consequent difficult and challenging economic environment. People and companies are being forced to adapt to a new reality, transforming all work and social relations.

The financial and operational impacts are uneven in different segments and, so far, the Group's business operations have been affected in very different levels:

- The technology area did not feel any significant impacts resulting from this situation on its 9M20 results, except a slowdown on Professional Services revenues, on Technology Reselling (either due to a reduction in demand or a drop in supply) and on the rhythm of commercial activity for new businesses.
- At NOS, the main operating impacts of the pandemic in 9M20 revenues were felt namely in: i) Cinemas and Audiovisuals: reduction on cinemas attendance, the complete closure of NOS theatres on 16 March until July 2 and the postponement of major movies launches, only partially compensated by the rents reduction; ii) Roaming and international calls: traffic and revenues impacted by restrictions imposed on international travel; iii) Premium sport channels: reduction in revenues with subscriptions being offered during the national football championship suspension; iv) Mobile Data: the quarantine and isolation situations imply an increase of wireless usage versus mobile data; and iv) Equipment: fall in sales due to closure of all non-essential retail activity namely in shopping centres and to general restrictions to circulation.
- Público's activity was materially impacted, namely the sale of newspapers, with the closure of most points of sale, and advertising revenues during 2Q20.

The potential impact that this situation may have depends on the level of evolution and contagion of the virus, so making projections is difficult. The possibility of a second lock-down, although in different ways than the previous, and the consequent financial crisis, still predict a challenging fourth quarter.

However, given the company's capital structure, with a significant amount in cash and bank deposits and a reduced amount of interest-bearing debt, no material changes in the Company's liquidity are expected. Furthermore, Sonaecom will continue to implement all measures deemed appropriate to minimize their impacts, in line with the recommendation of the competent entities and in the best interest of all our stakeholders.



## 12. Subsequent Events

As of the date of approval of this document, there have been no relevant subsequent events that deserve disclosure in this report.

Sonaecom SGPS is listed on the Euronext Stock Exchange. Information is available on Reuters under the symbol SNC.LS and on Bloomberg under the symbol SNC:PL.

## SAFE HARBOUR

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.

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