

RESULTS
ANNOUNCEMENT
1Q16



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



1. Main Highlights

Consolidated turnover of 29.8 million euros, in line with the 4Q15

At NOS, continued acceleration in y.o.y financial trends led by strong operational momentum in the core telco business

Turnover of 26.6 million euros at the Technology area with international markets weighting 53%

Net income of negative 12.4 million euros explained by NOS direct stake fair value adjustment (or positive 2.4 million euros, excluding this impact)

2. Sonaecom Consolidated Results

Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method - which owns 50.01% stake in NOS, continues with a strong performance. However, net income was negatively impacted by NOS direct stake fair value adjustment. In the Technology area, portfolio expansion initiatives continued to be deployed. The creation of Bright Pixel, already launched in April, positioned as a company builder studio, represents a significant reinforcement targeting early stage investment opportunities.

Turnover

Consolidated turnover in 1Q16 reached 29.8 million euros, decreasing 6.8% when compared to 1Q15. This reduction was driven by a 8.4% decrease in service revenues and a 3.0% decrease in sales.

Operating costs

Operating costs amounted to 30.6 million euros, 2.1% below 1Q15. Personnel costs grew 2.2% driven by the increase in the average number of employees. Commercial costs decreased 4.7% to 8.3 million euros, driven by the decrease in cost of goods sold of Technology area, aligned with the lower level of sales. The decrease in other operating costs is mainly explained by the lower level of G&A costs and provisions.

EBITDA

Total EBITDA stood at 4.5 million euros, 28.2% below 1Q15, essentially on the back of underlying EBITDA decrease. The equity results, which are mostly impacted by ZOPT contribution, which in turn depends on NOS net income evolution, also decreased by 3.5%.

Net results

Sonaecom's EBIT decreased 53.3% to 2.0 million euros, explained by the lower level of EBITDA and higher level of depreciations.

Net financial results reached negative 15.9 million euros in 1Q16, negatively impacted by NOS direct stake fair value adjustment at market price, amounting to 15.3 million euros. In 1Q15, the fair value adjustment was positive by 16.6 million euros.

Sonaecom's earnings before tax (EBT) decreased to negative 13.9 million euros, mainly driven by the lower net financial results.

Net results group share stood at negative 12.4 million euros, which compares with positive 21.3 million euros in 1Q15.

Operating CAPEX

Sonaecom's operating CAPEX increased to 1.8 million euros, reaching 6.2% of turnover, 0.6 p.p. above 1Q15.

Capital structure

The cash position decreased 2.7 million euros since March 2015 reaching 166.0 million euros.

2.1 Telecommunications

NOS operating revenues were 370.3 million euros in 1Q16, growing 7.6% y.o.y.

EBITDA reached 137.9 million euros, increasing 7.8% when compared to 1Q15 and representing a 37.2% EBITDA margin.

Recurrent CAPEX amounted to 69.4 million euros in 1Q16, an increase of 1.9% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA-Recurrent CAPEX increased 14.4%.

Net Financial Debt to EBITDA stood at 1.9x at the end of 1Q16 and the average maturity of the company's net financial debt reached 3.3 years.

NOS published its 1Q16 results on 26th April, 2016, which are available at www.nos.pt.

During 1Q16, the NOS share price decreased 19.1% from €7.246 to €5.86, whilst PSI20 decreased by 5.5%.

Operational Indicators

Operational Indicators ('000)	1Q15	1Q16	Δ 16/15	4Q15	q.o.q.
Total RGUs	7,790.4	8,595.0	10.3%	8,464.8	1.5%
Convergent RGUs	2,194.5	2,988.6	36.2%	2,853.7	4.7%
IRIS subscribers	742.6	899.6	21.1%	865.0	4.0%
3,4 and 5P subscribers	878.1	995.4	13.4%	968.4	2.8%

Financial indicators

Million euros	1Q15	1Q16	Δ 16/15	4Q15	q.o.q.
NOS HIGHLIGHTS					
Operating Revenues	344.1	370.3	7.6%	376.4	-1.6%
EBITDA	127.9	137.9	7.8%	123.3	11.9%
EBITDA margin (%)	37.2%	37.2%	+0.1pp	32.7%	+4.5pp
Net Income	23.2	24.4	5.0%	9.2	165.7%
CAPEX	94.3	95.1	0.8%	113.7	-16.3%
EBITDA-CAPEX	33.6	42.8	27.4%	9.6	-
RECURRENT CAPEX	68.2	69.4	1.9%	79.7	-12.8%
EBITDA-RECURRENT CAPEX	59.7	68.5	14.4%	43.5	57.4%



2.2 Technology

The Technology area continued to pursue its active portfolio strategy, aiming at strengthening its position as a technological reference at an international scale, in selected IT areas, through organic and non-organic growth.

This area currently comprises five companies in the IT/IS sector that generated circa 53.0% of its revenues outside the Portuguese market with 44% out of the total 926 employees based abroad.

WeDo Technologies is a worldwide market leader in enterprise business assurance software that **works with some of the world's leading blue chip** companies from the retail, energy and finance industries, as well as more than 190 telecommunications operators from more than 90 countries.

In January 2016, WeDo was present in NRF's **Annual Convention** in New York, where it revealed details of its new RAID Retail software, a solution to enable retailers to proactively identify risks, alarm triggers and actions to **reduce financial losses arriving from business process'** inefficiencies and lack of control. WeDo also organized its first Conference in Kuala Lumpur, counting with more than 11 CSPs and 79 delegates attending.

In February 2016, was present in the Mobile World Congress in Barcelona and in March 2016, leveraging the 4th Annual Revenue Assurance Forum for Utilities in London, WeDo has announced the launch of the new RAID Utilities software, a solution to enable utility providers to automatically identify risks and potential areas of revenue loss and fraud, while simultaneously optimizing businesses processes.

During the quarter, WeDo also obtained the renewal of ISO 27001 certification and it should also be highlighted that the company has won four new telecom customers (1 in Europe, 1 in Asia Pacific, 1 in North America and 1 in Africa), continuing to enlarge its customer base around the world. The number of Software installations under active Software Maintenance contracts has also increased from 150 (end of 2015) to 157. Almost all are related to RAID Revenue Assurance and Fraud Management software but also to its Broker Family (Incentives Broker).

At the end of 1Q16, 75.1% of its turnover was generated in the international market and more than 9% in non-telecom industries.

S21Sec is a leading multinational cybersecurity player, focused exclusively on providing security services and technologies. Since its foundation, the company has grown through constant investment in innovation and today works with a global customer base, leveraging its teams in Spain, Portugal, Mexico and in the UK, together with a network of selected partners that ensure local support and touch points in other key markets.

During the 1Q16, in order to continue pushing its brand and in order to show the relevance of cybersecurity in the organizations, S21Sec (i) has made several webinars (*Cyber Insights Series*), to explain those guidelines that users and organizations should follow to safeguard their information systems; (ii) launched the first version of the **monthly newsletter "Cyberbytes"** to increase its relevance in social media; and (iii) has participated in many Cyber security events that took place in Spain, Israel, Mexico and in the USA.

It should also be highlighted an increase in revenues, when compared to 1Q15, driven by a good performance in orders at the end of 2015.

Saphety is a solutions provider for business processes optimization that has a strong position in electronic invoicing and EDI (Electronic Data Interchange) market, as well as in data synchronization for GS1 worldwide organizations.

This quarter has been marked by a significant improvement on orders and profitability, coupled with a good commercial activity with some important new contracts including Validoo Sweeden, ADIF Spain, *Serviços Partilhados do Ministério da Saúde* and Brisa. **Saphety's customer** base has now over 8,500 customers and 129,000 users in about 26 countries. Importantly, in this period, international revenues increased more than 50% when compared to the same period of 2015 and represented more than 45% of total revenues. Also relevant, the profitability (EDITDA) grew 22% when compared to 1Q15.

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

In 1Q16 Bizdirect turnover decreased 4%, despite the positive performance of IT investments in Software and Solutions area. Nearshore business model supported by Bizdirect Competence Center in Viseu already counts with 15 international customers from 10 countries and has tripled the turnover compared to the same period of 2015. This is the result of the increased number of projects won and delivered and more notoriety and acknowledgement of Bizdirect in the European market. International revenues represented 7.1% of total Turnover.

Bright Pixel, publicly launched in April, is a company builder studio that counts with a group of experienced builders, creative thinkers and investors whose goal is to transform the creation of new ventures and the way companies address innovation. Bright Pixel will be managing a venture lifecycle going from experimentation and lab phases to delivering MVP's (Minimum Viable Product), incubating unique products ideas into startups in which will co-invest. Bright Pixel will promote a close relationship with its partners' technology and business needs in themes such as retail, media, cyber-security and telecommunications.

Financial indicators

Million euros					
TECHNOLOGY AREA	1Q15	1Q16	Δ 16/15	4Q15	q.o.q.
Turnover	28.3	26.6	-6.2%	26.2	1.3%
Service Revenues	20.9	19.3	-7.9%	20.4	-5.7%
Sales	7.4	7.3	-1.6%	5.8	26.0%
Other Revenues	0.4	0.3	-34.9%	1.0	-74.3%
Operating Costs	26.6	26.3	-1.3%	23.7	11.1%
Personnel Costs	9.7	10.0	3.5%	9.4	6.4%
Commercial Costs ⁽¹⁾	7.7	7.3	-4.5%	5.6	29.7%
Other Operating Costs ⁽²⁾	9.2	8.9	-3.6%	8.6	4.0%
EBITDA	2.1	0.5	-74.1%	3.5	-84.8%
Underlying EBITDA ⁽³⁾	2.1	0.5	-74.4%	3.5	-84.8%
Underlying EBITDA Margin (%)	7.4%	2.0%	-5.4pp	13.5%	-11.5pp
Operating CAPEX ⁽⁴⁾	1.6	1.8	7.9%	2.3	-24.1%
Operating CAPEX as % of Turnover	5.8%	6.7%	0.9pp	8.9%	-2.2pp
Underlying EBITDA - Operating CAPEX	0.5	-1.2	-	1.2	-
Total CAPEX	1.6	1.8	7.9%	2.3	-24.1%

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

Turnover

Turnover decreased 6.2% y.o.y., to 26.6 million euros, although showing a slight increase when compared to 4Q15. Service Revenues decreased 7.9% to 19.3 million euros while Sales decreased by 1.6% to 7.3 million euros.

Operating costs

Operating costs decreased 1.3%, reaching 26.3 million euros, impacted by lower commercial costs and lower other operational costs, despite higher staff costs. Staff costs increased 3.5% driven by the growth in the number of employees (from 863 to 926). Commercial costs decreased 4.5% when compared to 1Q15, to 7.3 million euros, backed by a lower cost of goods sold, consistent with the lower level of sales. Other operating costs decreased 3.6%.

EBITDA

Total EBITDA declined 74.1%, which is explained by the decrease of underlying EBITDA. Underlying EBITDA reached 0.5 million euros, falling 74.4% y.o.y., and reaching a margin of 2.0%.

Underlying EBITDA-operating CAPEX

Underlying EBITDA-operating CAPEX stood at negative 1.2 million euros, decreasing when compared to 1Q15, explained by the lower level of underlying EBITDA and the higher level of CAPEX.

2.3 Media

During the 1Q16, Público continued to be recognized by SDN (Society for News Design) that already attributed 6 awards to the offline and online edition. The offline version has received a special mention in the infographic category while the online version was awarded with 5 special mentions to digital works, being the only Portuguese media agent in the winners list.

The positive performance of online revenues (both in advertising and subscriptions) coupled with the increasing cost reduction, resulting from the restructuring initiatives implemented at the end of 2015, mitigated the negative evolution of offline revenues, resulting in a still negative EBITDA of 0.7 million euros.

3. Subsequent events

On 29 April 2016, at the company's Annual General Meeting, Sonaecom's shareholders decided the following:

1. To approve the Company's Annual Report and the Individual and Consolidated Accounts for the year ended 31 December 2015;
2. To approve the Board of Directors proposal to allocate the net income of Sonaecom Individual accounts, in the amount of 34,389,062.32 euros as follows:
 - a. 1,719,453.12 euros to legal reserves;
 - b. 18,057,722.15 euros is paid to shareholders;
 - c. Transfer of the remaining 14,611,887.05 euros to "Other reserves";

Considering that it will not be possible to determine precisely the number of own shares that will be held by the company on the date of the abovementioned payment, without limiting the company's capacity for intervention, it was highlighted the following:

- To each share issued will be paid the gross amount of 0.058 euros;
 - The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.058 euros per issued share) will not be paid to shareholders, but will instead be maintained in other reserves;
3. To approve a vote of appreciation and confidence in the work performed by the Board of Directors, Statutory Audit Board and Statutory External Auditor of Sonaecom, SGPS, S.A., during the year ended 31 December 2015;
 4. To elect the members to the Board of the Shareholders' General Meeting, Board of Directors, Statutory Audit Board and Shareholders' Remuneration Committee for the new four-year mandate 2016 to 2019;
 5. To elect the Company's Statutory External Auditor for the new four-year mandate 2016 to 2019;
 6. To approve the Remuneration Policy adopted for the members of the Statutory Governing Bodies and for Persons Discharging Managerial Responsibilities ("Dirigentes"), as well as Sonaecom's shares attribution plan, and respective Regulations to be applied by the Remuneration Committee, under the proposal previously disclosed;
 7. To approve the remuneration of the members of the Shareholders' Remuneration Committee;
 8. To authorise the Board of Directors, over the next 18 months, to purchase and sale of own shares up to the legal limit of 10% as per the terms of the proposal presented by that body and previously disclosed;
 9. To authorise the Board of Directors, over the next 18 months, and under the terms of Paragraph 2 of Article 325-B of Portuguese Company Law, the purchase and holding of shares of the Company by its controlled companies, as per the terms of the proposal presented by that body and previously disclosed.

4. Appendix

Consolidated income statement

Million euros					
CONSOLIDATED INCOME STATEMENT	1Q15	1Q16	Δ 16/15	4Q15	q.o.q.
Turnover	32.0	29.8	-6.8%	29.8	-0.2%
Service Revenues	22.4	20.5	-8.4%	21.9	-6.5%
Product Sales	9.6	9.3	-3.0%	7.9	17.3%
Other Revenues	0.5	0.4	-13.0%	1.1	-61.5%
Operating Costs	31.3	30.6	-2.1%	30.8	-0.4%
Personnel Costs	12.2	12.5	2.2%	14.0	-11.0%
Commercial Costs ⁽¹⁾	8.7	8.3	-4.7%	6.8	21.7%
Other Operating Costs ⁽²⁾	10.4	9.9	-5.1%	9.9	-0.5%
EBITDA	6.2	4.5	-28.2%	1.7	168.0%
Underlying EBITDA ⁽³⁾	1.1	-0.4	-	1.9	-
Non recurrent itens	0.0	0.0	-	-1.8	100.0%
Equity method ⁽⁴⁾	5.1	4.9	-3.5%	1.5	-
Underlying EBITDA Margin (%)	3.6%	-1.5%	-5.0pp	6.4%	-7.9pp
Depreciation & Amortization	1.9	2.4	29.3%	5.2	-53.5%
EBIT	4.3	2.0	-53.3%	-3.6	-
Net Financial Results	17.5	-15.9	-	-0.5	-
Financial Income	18.0	1.2	-93.5%	-2.0	-
Financial Expenses	0.5	17.1	-	-1.5	-
EBT	21.8	-13.9	-	-4.1	-
Tax results	-1.1	1.1	-	-1.8	-
Net Results	20.7	-12.7	-	-5.8	-118.4%
Group Share	21.3	-12.4	-	-5.7	-118.0%
Attributable to Non-Controlling Interests	-0.6	-0.4	38.0%	-0.2	-133.5%

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

(3) Includes the businesses fully consolidated by Sonaecom;

(4) Includes the 50% holding in Unipress, the 45% holding in SIRS, the 50% holding in Big Data and the 50% holding in ZOPT.

Consolidated balance sheet

Million euros

CONSOLIDATED BALANCE SHEET	1Q15	1Q16	Δ 16/15	4Q15	q.o.q.
Total Net Assets	1,120.3	1,060.4	-5.3%	1,092.7	-3.0%
Non Current Assets	792.8	766.1	-3.4%	773.6	-1.0%
Tangible and Intangible Assets	28.9	28.4	-1.7%	28.9	-1.8%
Goodwill	29.1	26.3	-9.4%	26.9	-2.1%
Investments	728.0	703.9	-3.3%	711.5	-1.1%
Deferred Tax Assets	6.6	7.2	9.2%	6.1	18.3%
Others	0.3	0.3	-9.2%	0.3	1.6%
Current Assets	327.5	294.3	-10.1%	319.0	-7.8%
Trade Debtors	40.6	37.5	-7.4%	40.1	-6.4%
Liquidity	180.2	172.7	-4.2%	181.1	-4.7%
Others	106.7	84.1	-21.2%	97.8	-14.0%
Shareholders' Funds	1,047.3	999.6	-4.6%	1,025.2	-2.5%
Group Share	1,048.6	1,001.6	-4.5%	1,026.9	-2.5%
Non-Controlling Interests	-1.3	-2.1	-62.1%	-1.7	-21.6%
Total Liabilities	73.0	60.8	-16.7%	67.5	-9.9%
Non Current Liabilities	13.7	8.8	-35.3%	15.0	-41.2%
Bank Loans	9.4	4.5	-51.9%	8.6	-47.0%
Provisions for Other Liabilities and Charges	2.8	3.0	6.6%	4.2	-28.9%
Others	1.4	1.3	-8.5%	2.2	-42.1%
Current Liabilities	59.3	52.0	-12.4%	52.4	-0.9%
Loans	1.3	1.0	-23.4%	2.2	-52.4%
Trade Creditors	23.7	18.5	-21.8%	19.0	-2.3%
Others	34.3	32.4	-5.5%	31.3	3.6%
Operating CAPEX ⁽¹⁾	1.8	1.8	2.5%	2.5	-25.4%
Operating CAPEX as % of Turnover	5.6%	6.2%	0.6pp	8.3%	-2.1pp
Total CAPEX	1.8	1.8	2.5%	2.5	-25.4%
Underlying EBITDA - Operating CAPEX	-0.7	-2.3	-	-0.5	-
Gross Debt	11.5	6.8	-40.8%	12.1	-43.4%
Net Debt	-168.7	-166.0	1.6%	-169.1	1.8%

(1) Operating CAPEX excludes Financial Investments.

Consolidated levered FCF

Million euros

LEVERED FREE CASH FLOW	1Q15	1Q16	Δ 16/15	4Q15	q.o.q.
Underlying EBITDA-Operating CAPEX	-0.7	-2.3	-	-0.5	-
Change in WC	-1.0	0.7	-	0.9	-29.3%
Non Cash Items & Other	-1.5	0.0	97.2%	-0.7	94.3%
Operating Cash Flow	-3.1	-1.6	46.9%	-0.3	-
Investments	0.0	0.0	-	0.0	-
Dividends	0.0	0.0	-	0.0	-
Financial results	2.1	-1.2	-	0.9	-
Income taxes	-0.7	-0.2	77.4%	-0.9	82.1%
FCF ⁽¹⁾	-1.7	-3.0	-80.9%	-0.2	-

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

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

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

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