Earnings Release

1Q18

Algar Telecom

+8.2%

B2B gross revenue in the Telecom segment grew by 8.2%.

39.1%

EBITDA margin reached 39.1% in Telecom and 29.8% consolidated.

+68.5%

Consolidated net income increased by 68.5%.

Uberlândia – MG, May 2018 – Algar Telecom, a telecom services company in the corporate (B2B) and retailing (B2C) segments, releases its earnings for the first quarter of 2018 (1Q18).

Our interim and consolidated statements were compiled in accordance with International Financial Reporting Standards IAS 34 for Interim Financial Information issued by the International Accounting Standards Board ("IASB") and CPC 21 (R1) - Interim Financial Statements issued by the Accounting Pronouncements Committee ("CPC"), Brazilian accounting practices ("BRGAAP") and Brazilian Securities Commission ("CVM") rules, in local currency (Reais, R$). Unless stated otherwise, comparisons relate to the 1st quarter of 2017 (1Q17).

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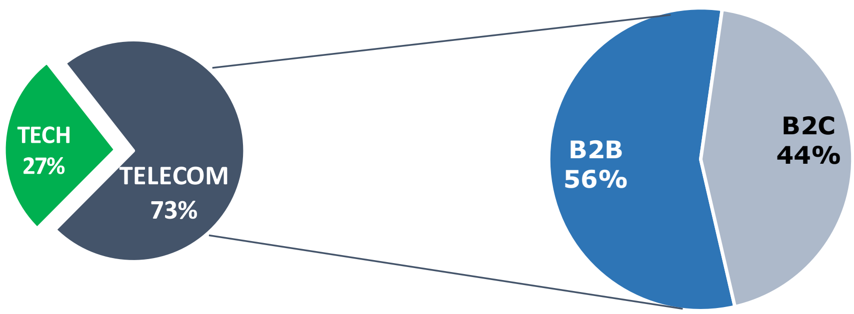
CORPORATE PROFILE

As a leading service provider company in the telecommunications sector operating in both the corporate (B2B) and retail (B2C) segments, our core focus is B2B services due to their attractiveness and the growth potential in services targeting these customers. We believe that our extensive infrastructure based on modern technology supported by a fiber optic network of approximately 48,500 km in 8 states, 336 cities and the Federal District (Brasilia), and our close, personalized service - consultative role - and effective customer service give us an edge in the market. In addition to the telecom segment, we are also operating in the Tech - BPO/Managed IT segment offering services and solutions for Business Process Outsourcing (BPO) and IT support for corporate clients.

Share of Consolidated Gross Revenues – 1Q18



TELECOM SEGMENT

Our Telecom infrastructure covers Brazil's leading economic centers such as Minas Gerais, São Paulo, the Federal District, Rio de Janeiro, Mato Grosso do Sul, Goiás, Paraná, Santa Catarina and Rio Grande do Sul. A combination of extensive infrastructure built with modern fiber optic technology, plus quality products and services recognized by our clients, as well as our advisory services, is reflected in our corporate contracts, which presented a renewal rate of 96.94% in 1Q18.

According to a survey conducted biannually by Expertise[1], in 2016, 94% of our medium and large sized B2B customers were 'satisfied' or 'very satisfied' with our products and services. On the same lines, our B2C service was recognized by the Reclame AQUI[2] consumer website in 2017. For the second consecutive time, we took 1st place in the "Best Company for Consumers - Telecommunications Sector" category. Also in this respect, we were ranked 1st on the Service Performance Index (local acronym IDA) more often than our telecom competitors, according to data released by ANATEL for 2017 and the first 2 months of 2018.

At the end of March 2018, the Telecom segment accounted for 73% and B2B customers accounted for 56% of our Company's total revenue.

1 This research institute has been conducting quantitative and qualitative surveys since 2004 using different techniques to reconcile technology with innovative web, mobile and social media solutions.

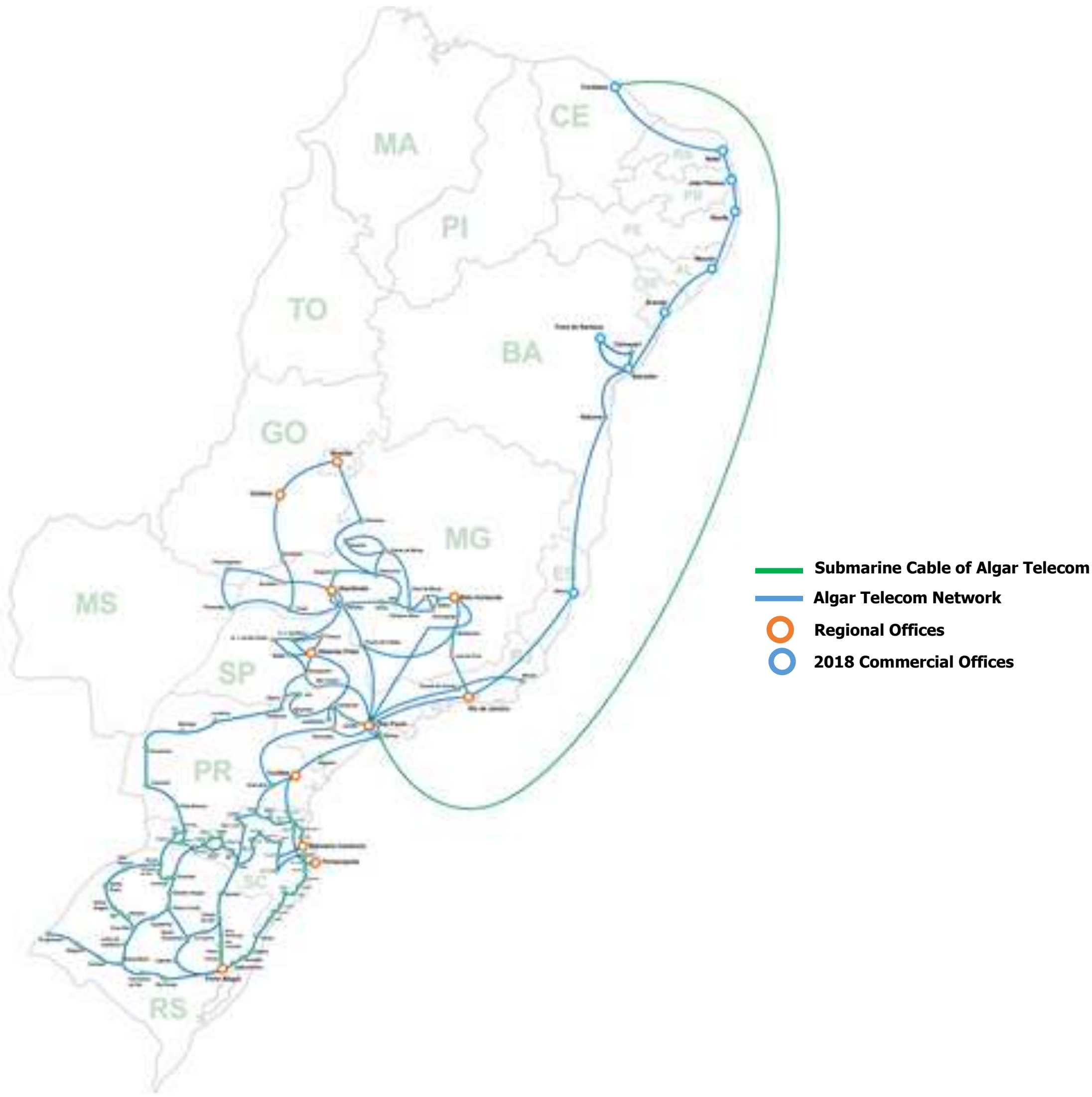
2 Brazilian consumer complaints website covering service, purchase, sale, products and services. It is used by 15 million consumers and 120,000 companies are covered.

Core business

B2B

Our B2B offering is based on a combination of extensive infrastructure using modern technology supported by approximately 48,500 km of fiber optic network, of which: (a) 37,500 km ensures capillarity and access for the Southeast, South and Mid-West regions of Brazil, including 17,000 km in metro regions connecting more than 3,300 on-net buildings; and (b) 11,000 km of undersea cable to connect the cities of Praia Grande (SP) and Fortaleza (CE) to Boca Raton (Florida); and a portfolio of services that include data links with dedicated IP, voice over IP services, Ethernet, clear channel and network security services as well as standardized technology products that deliver comprehensives services for our customers, such as Cloud, hosting, colocation, videoconferencing, managed services, virtual PBXs, and Anti-DDoS (Distributed Denial of Service) attack protection.

<u>Network and regional offices</u>



We now have 26 regional offices to ensure proximity to our corporate clients. Our marketing and consulting services operate from their own units staffed by technical and commercial consultants enabling our growth in this market while delivering more added value to our corporate B2B, micro and small business (locally known as “MPE”) and wholesale customers.

B2B customers are the major growth focus for Algar Telecom. This strategy shows great growth potential due to low penetration rates of connectivity services in Brazil. Our focus is growing our networks to cover attractive regions detected by georeferencing locations with the highest numbers of potential B2B customers. We have also invested in network densification to provide products and services for smaller B2B customers thus enabling growth, scale gains and higher levels of efficiency through better use of existing assets and structure.

B2C

In the B2C segment, we are the leading service provider in our region of origin, covering 87 municipalities in the states of Minas Gerais, São Paulo, Goiás and Mato Grosso do Sul, where we have been doing business for over 60 years. Our 2017 market shares in this region were 78% in fixed-line broadband, 36% in pay-TV and 33% in mobile telephony (ANATEL data for March 2018).

Through our strategy of x-play converging offerings with duo-play, triple-play, quadruple-play (fixed and mobile broadband, fixed-line telephony, mobile, pay-TV and value-added services) possibilities, more than 1.2 million B2C customers use leading edge services and products over modern mobile networks (3G, 4G and 4.5G) on 700Mhz, 850Mhz, 1.800Mhz and 2.100Mhz frequency bands, as well as an extensive fixed-line broadband network with 450,000 customers, 50% of whom are using UBL services (10 - 200Mbps speeds), with xDSL, HFC and GPON technologies.

TECH – BPO/Managed IT SEGMENT

Our Tech – BPO/Managed IT segment is present in Brazil and Latin America offering remote assistance through customized business processes across three fronts, in order of relevance: (a) *Customer Relationship Management*, in which we offer our clients higher levels of efficiency for sales, customer service and backoffice, credit and collection and retention; (b) *Managed Technology Environment*, in which we primarily offer managed IT services with user support and IT (hardware and software) monitoring and support and application/ system development and maintenance, and to a lesser extent IT infrastructure/data storage for colocation, hosting and cloud models; and (c) *Managed Telecom Services*, for which we market and sell network implementation, maintenance and monitoring services for other operators.

In order to better serve our Brazilian customers in Latin America, we have 3 commercial offices in Mexico, Colombia and Argentina. In 2017, we were awarded 1st place for customer satisfaction with business-process outsourcing by Instituto MES[3] and ranked leader in innovation and competitive strategy for call centers by "Frost & Sullivan".

[3] A market research institute specializing in customer relations. Owners of the Customer Satisfaction® Pentagram methodology, the world's main customer satisfaction metrics, including Net Promoter Score (NPS), the ACSI indice, BCSI, and ISO 9001, 9004 and 10002 guidelines.

ECONOMIC AND FINANCIAL PERFORMANCE

SUMMARY - CONSOLIDATED INCOME STATEMENT

R$ million

	1Q17	4Q17	1Q18[1]	Δ Year	Δ Quarter
GROSS REVENUE	**855.6**	**922.2**	**913.0**	**6.7%**	**-1.0%**
Telecom	**624.7**	**676.7**	**666.2**	**6.6%**	**-1.6%**
B2B	348.1	378.3	376.7	8.2%	-0.4%
B2C	284.8	306.4	297.6	4.5%	-2.9%
Telecom Eliminations*	(8.2)	(8.0)	(8.1)	-	-
Tech - BPO/Managed IT	**230.9**	**245.5**	**246.8**	**6.9%**	**0.5%**
Tech - BPO/Managed IT	241.8	262.6	258.8	7.0%	-1.4%
Eliminations	(10.9)	(17.1)	(12.0)	-	-
Taxes and deductions	(201.7)	(215.9)	(206.4)	2.3%	-4.4%
NET REVENUE	**653.9**	**706.3**	**706.6**	**8.1%**	**0.0%**
EBITDA	**170.2**	**217.6**	**210.6**	**23.7%**	**-3.2%**
Margin %	*26.0%*	*30.8%*	*29.8%*	**-**	-
EBIT	**91.6**	**132.7**	**123.8**	**35.2%**	**-6.7%**
Financial, net	(41.7)	(35.7)	(39.0)	-6.5%	-209.2%
NET INCOME	**33.3**	**80.0**	**56.1**	**68.5%**	**-29.9%**
Margin %	*5.1%*	*11.3%*	*7.9%*	-	-

*Elimination between B2B and B2C customers and with the Tech - BPO/Managed IT segment

CONSOLIDATED GROSS REVENUES

Algar Telecom's consolidated gross revenues reached R$913.0 million in 1Q18 to show a 6.7% growth against 1Q17. This increase reflects the improved performance of the Company's business segments – Telecom and Tech, which grew by 6.6% and 6.9%, respectively.

[1] The 1Q18 figures already includes the effects of the implementation of Technical Pronouncement CPC 47 – Revenue from Contracts with Customers, correlated to International Accounting Standards – IFRS 15. The net effects on the Company's 1Q18 figures are as follows:

(R$ million)	Telecom	Tech	Consolidated
Net Revenue	13	13	2.6
Operating expenses	2.0	-	2.0
EBIT and EBITDA	3.3	13	4.6
Income and social contribution taxes	(11)	(0.5)	(16)
Net Result	2.1	0.9	3.0

R$ million

GROSS REVENUE	1Q17	1Q18	Δ Year
Telecom	**624.7**	**666.2**	**6.6%**
B2B	**348.1**	**376.7**	**8.2%**
Data	256.2	299.9	17.1%
Voice	52.3	48.9	-6.5%
Other services	39.6	27.9	-29.5%
B2C	**284.8**	**297.6**	**4.5%**
Fixed broadband	77.1	88.1	14.3%
Fixed voice service	63.6	68.0	6.9%
Mobile broadband	36.7	41.2	12.3%
Wireless voice service	67.3	53.5	-20.5%
Pay TV	30.7	31.1	1.3%
Other services	9.4	15.7	67.0%
Eliminations	(8.2)	(8.1)	-
Tech - BPO/Managed IT	**230.9**	**246.8**	**6.9%**
Tech - BPO/Managed IT	241.8	258.8	7.0%
Eliminations	(10.9)	(12.0)	-
Gross operating revenues	**855.6**	**913.0**	**6.7%**
Taxes and deductions	(201.7)	(206.4)	2.3%
Net operating revenues	**653.9**	**706.6**	**8.1%**

TELECOM

Our Telecom segment revenues reached R$666.2 million in 1Q18, a 6.6% growth against the same quarter of 2017, mainly driven by B2B revenues, which increased by 8.2% in the period. The B2C sector also posted revenue growth, up by 4.5% year-on-year.

B2B

In 1Q18, revenues from B2B customers, which at March 31, 2018 accounted for 56% of Telecom's total revenues, totaled R$376.7 million, an increase of 8.2% driven by the growth in revenue from data services, which grew 17.1%. This performance reflects the Company's geographic expansion strategy, with the increase in the number of high-speed broadband customers and IT services. At the end of March 2018, the number of B2B customers was 98,330, 12.3% higher than in 1Q17, with corporate clients up 15.7% and small and medium-sized companies up 11.9%.

Revenue from voice services, in turn, dropped by 6.5%, due to the lower wireless voice services provided to small and medium-sized companies in the Company's concession area.

Other services offered to B2B customers decreased by 29.5% (R$11.7 million) mainly reflecting a negative impact of R$9.5 million in 1Q18 due to the new accounting rules established by IFRS 15, which was more than offset by positive impacts on other revenue lines, resulting in a net positive effect of R$1.3 million in Telecom's net revenue.

B2B Operational data	1Q17	4Q17	1Q18	Δ Year	Δ Quarter
Number of customers (unit)					
Total	**87,531**	**95,377**	**98,330**	**12.3%**	**3.1%**
Corporate	9,967	10,919	11,534	15.7%	5.6%
Medium and small business	77,564	84,458	86,796	11.9%	2.8%

B2C

Revenues from B2C customers, for whom the Company offers converging broadband, fixed-line and mobile services and pay-TV packages, totaled R$297.6 million in 1Q18, a 4.5% growth against 1Q17.

Fixed broadband services performed the best, with a 14.3% increase in revenue, due to the 9.5% increase in the access number and the migration of customers to higher speed plans, which have higher average tickets. At the end of 1Q18, 50% of retail fixed broadband customers had plans for speeds faster than 10Mbps.

Revenue from fixed voice services grew by 6.9%, reflecting the sale of packages combining this service with fixed broadband. The increase in revenue and in the number of fixed accesses, which was up by 2.2%, would have been greater if it was not offset by the decrease in the number of customers who only have fixed voice plans, a service that has been replaced by mobile telephony and the use of messages and social networks.

Mobile telephony services increased by 12.3% in broadband revenues and decrease by 20.5% in voice revenues. The higher broadband revenues reflect the growing demand for mobile connectivity for videos, applications and social networks. The lower voice revenues, in turn, are a result of the migration from voice to data usage and the drop in the number of clients (-1.7%), which went from 1,222 thousand in 1Q17 to 1,201 thousand in 1Q18. Despite this variation, the number of postpaid clients was up 9.9%, which, together with higher broadband revenues, contributed for an increase of 8.1% in ARPU.

Revenues from other mobile services increased by 67.0% (R$6.3 million) year-on-year, mainly due to higher VAS revenues, reflecting the growing demand for these services.

B2C Operational data	1T17	4T17	1T18	Δ Year	Δ Quarter
REVENUE GENERATING UNITS (THOUSAND)	**2,252**	**2,277**	**2,283**	**1.4%**	**0.2%**
Fixed broadband	**411**	**442**	**450**	**9.5%**	**1.8%**
Up to 10MB	241	238	226	-6.3%	-5.2%
Over 10MB	171	204	225	31.6%	9.9%
Fixed-line telephony	**529**	**538**	**541**	**2.2%**	**0.5%**
Mobile telephony	**1,222**	**1,206**	**1,201**	**-1.7%**	**-0.4%**
Postpaid clients	286	302	315	9.9%	4.2%
Prepaid clients	936	904	887	-5.3%	-1.9%
PAY TV	**89**	**91**	**90**	**1.2%**	**-0.6%**
ARPU - mobile (R$)	**19.97**	**20.79**	**21.60**	8.1%	3.9%

TECH – BPO/MANAGED IT

The Tech segment's consolidated gross revenues reached R$246.8 million in 1Q18, a 6.9% increase against 1Q17, driven by higher revenues, mainly from customer relationship management/BPO, Telecom services management and LATAM operations, due to the acquisition of new contracts and the performance of existing contracts.

CONSOLIDATED NET REVENUES

Algar Telecom's consolidated net revenues totaled R$706.6 million in the quarter, a growth of 8.1% against the same period of the previous year.

CONSOLIDATED COSTS AND EXPENSES

Consolidated operating costs and expenses, excluding amortization and depreciation, increased 2.5% in the period, lower than revenue growth, from R$483.7 million in 1Q17 to R$496.0 million in 1Q18.

R$ milhões

OPERATING COSTS AND EXPENSES	1Q17	4Q17	1Q18[1]	Δ Year	Δ Quarter
	(483.7)	**(488.7)**	**(496.0)**	**2.5%**	**1.5%**
Personnel	(240.6)	(252.1)	(246.7)	2.5%	-2.1%
Materials	(13.6)	(16.7)	(15.5)	14.0%	-7.2%
Outsourced services	(118.4)	(119.7)	(121.5)	2.6%	1.5%
Interconnection and means of connection	(35.9)	(30.0)	(32.7)	-8.9%	9.0%
Advertising and Marketing	(9.4)	(7.4)	(12.1)	28.7%	63.5%
Provision for doubtful debts	(7.7)	(4.4)	(6.5)	-15.6%	47.7%
Rent and insurance	(44.1)	(45.7)	(48.9)	10.9%	7.0%
Other*	(14.0)	(12.7)	(12.1)	-14.0%	-4.9%

* Includes other operating revenues (expenses).

- ### Personnel

Personnel costs and expenses totaled R$246.7 million in 1Q18, 2.5% (R$6.1 million) up year-on-year, due to: (i) an increase of R$8.0 million in the Telecom segment, which reflected the higher headcount in the Company's expansion regions and by the annual adjustment under the collective bargaining agreement; (ii) a reduction of R$1.9 million in the Tech segment resulting from one-off expenses in 2017.

- ### Materials

Our costs and expenses for materials were 14.0% (R$1.9 million) higher in 1Q18 compared to 1Q17 due to higher expenses on materials used in the Tech segment's telecom service tower construction works, a direct impact on revenue growth.

- **Outsourced services**

Costs and expenses for outsourced services totaled R$121.5 million against R$118.4 million in the same period of the previous year, a 2.6% (R$3.1 million) increase, mainly due to higher maintenance and support costs for mobile networks, reflecting the implementation of 4.5G technology, higher expenses with TV content and higher expenses with data center, directly impacting the provision of IT services.

- **Interconnection and means of connection**

Telecom segment's interconnection costs ended the quarter at R$32.7 million, which was 8.9% less than in 1Q17, mainly due to fees being lowered in February, 2018.

- **Advertising and marketing**

Advertising and marketing expenses totaled R$12.1 million in 1Q18, up 28.7% against the same period in 2017, due to the campaign for the launch of new IT services to the B2B market and the announcement of Telecom offers in new locations where the Company started to operate.

- **Provision for doubtful debts**

Provision for Doubtful Debts expenses totaled R$6.5 million in 1Q18, down 15.6% against the same quarter of the previous year due to Telecom and Tech segments' more efficient credit and collection measures.

- **Rent and insurance**

Rents and insurance costs and expenses totaled R$48.9 million in 1Q18, 10.9% higher than in the same period of 2017, due to new property rents in the cities where the Company started to operate and annual price adjustments.

- **Other**

Other costs and expenses in 1Q18 totaled R$12.1 million, a drop of R$2.0 million in relation to the same quarter of 2017, due to other higher operating revenues. The main effect in these revenues is related to the reversal of provisions, made from July to December 2017, when the Company began to exclude the ICMS from the calculation base of the PIS and COFINS contribution. Based on judicial decisions, Algar Telecom reversed these provisions, which have not been paid since January 2018.

EBITDA

R$ million

	1Q17	4Q17	1Q18	Δ Year
Telecom	**164.5**	**187.2**	**192.8**	**17.2%**
	36.3%	38.0%	39.1%	-
Tech - BPO/Managed IT	**5.7**	**30.4**	**17.8**	**212.8%**
	2.7%	13.2%	7.8%	-
CONSOLIDATED	**170.2**	**217.6**	**210.6**	**23.8%**
	26.0%	30.8%	29.8%	-

TELECOM

In 1Q18, the Telecom segment posted a EBITDA of R$192.8 million, up by 17.2% on 1Q17. EBITDA margin rose 2.9 p.p., from 36.3% to 39.1% in 1Q18. This evolution reflected a higher B2B share in the Company's revenues, as well as operational efficiency and digital transformation measures that intensify the use of technology and intelligence in processes, leading to a reduction of costs and expenses.

TECH – BPO/MANAGED IT

In 1Q18, the Tech segment's EBITDA was up by 212.8% against 1Q17, totaling R$17.8 million. EBITDA margin rose 5.1 p.p., reaching 7.8%, against 2.7% in 1Q17. The quarter's improved performance reflected operational efficiency measures that have been deployed by the segment since the beginning of 2017 and the evolution of its portfolio of services, increasingly focused on digital tools that generate higher productivity in its operation and greater results for its customers.

CONSOLIDATED

As a result of the combination of the two business segments, Algar Telecom recorded consolidated EBITDA of R$210.6 million in 1Q18, up by 23.8% against the same quarter of the previous year. Consolidated EBITDA margin reached 29.8%, 3.8 p.p. higher than in 1Q17.

DEPRECIATION AND AMORTIZATION

We recorded R$86.8 million in depreciation and amortization, 10.4% higher than in 4Q16, reflecting the higher level of investments in recent periods, in projects that have already started operations aiming at the expansion and modernization of networks and improved quality of services.

FINANCIAL RESULT

In 1Q18, net financial expenses were R$39.0 million, 6.5% (R$2.7 million) down against the same period of 2017, mainly due to lower interest rates.

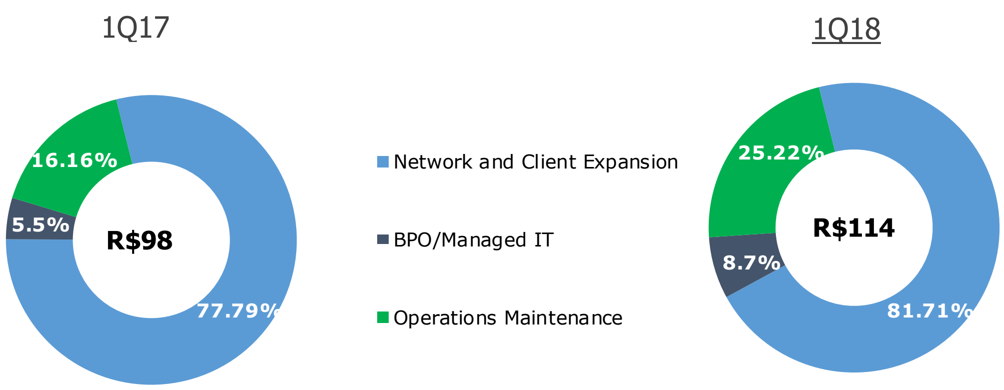
NET INCOME FOR THE PERIOD

Algar Telecom ended 1Q18 with R$56.1 million in net income, a 68.5% growth against 1Q17 due to higher cash generation as measured by EBITDA and lower net financial expenses. Operating margin was 7.9%, compared to 5.1% in 1Q17.

INVESTMENTS

Algar Telecom invested R$114.1 million in 1Q18 against R$98.1 million in the same period of the previous year. Of the quarter's use of funds, (i) 71% was invested to build out our networks and connect new B2B clients in cities already covered by the Company and extend ultra-high-speed broadband networks; (ii) 22% for operational maintenance and (iii) 7% for our Tech – BPO/Managed IT segment.

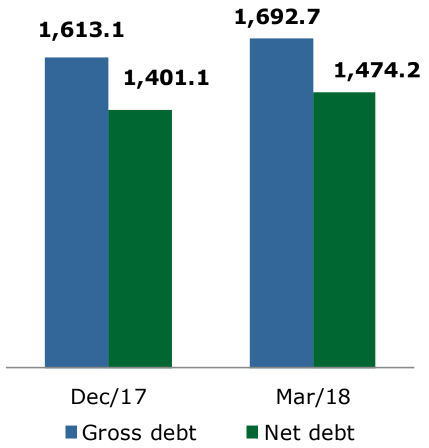
R$ million



DEBT

At the end of March 2018, the Company's consolidated gross debt was R$1,692.7 million, 4.9% higher than in December 31, 2017, due to funding raised by the Algar TI subsidiary at the end of March 2018, in the amount of R$100 million. Net debt ended the quarter at R$1,474.2 million, 5.2% higher than on December 2017, due to investments made in the quarter

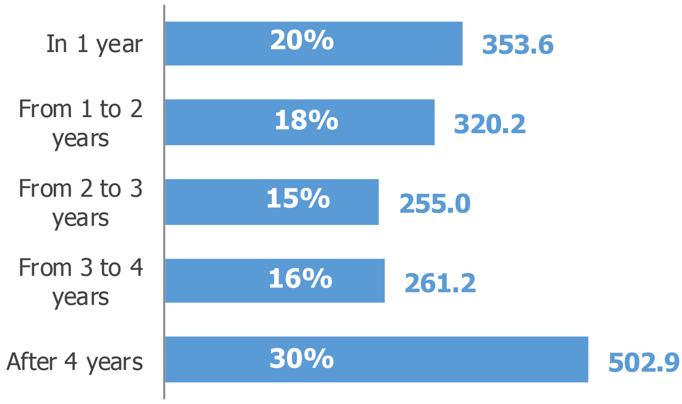
Debt (R$ million)



In April 2018, the Company settled its 7th issue of simple debentures, made in 2 series, in the total amount of R$600 million. This funding, which will be included in the Quarterly Results of June/2018, aims not only to finance investments in the year but also to promote the replacement of some debt contracts, with reduction in cost and lengthening of the average maturity.

Algar Telecom continues to show leverage levels consistent with its internal and external covenants. We have a long-term debt profile, with 21% maturing in the short term and 60% in 2 years or more, with net debt/EBITDA[1] ratio of 1.8x.

Gross debt aging (R$ million) – Total amount: R$1,692.7



[1] To calculate our Net Debt/EBITDA ratio, we included R$5.6 million from the acquisition of Optitel in 2015, which was allocated to Payables (current liabilities) and Other liabilities (noncurrent liabilities), in addition to R$36.5 million recognized in the Obligations/Liabilities account for acquired equity interest.

ANNEX I – CONSOLIDATED OPERATING DATA

Operational Data	1Q17	4Q17	1Q18	Δ Year	Δ Quarter
REVENUE GENERATING UNITS (THOUSAND)	**3,563**	**3,713**	**3,783**	**6.2%**	**1.9%**
Fixed broadband	**485**	**523**	**534**	**10.0%**	**1.9%**
Up to 10MB	269	265	251	-6.9%	-5.2%
Over 10MB	216	259	283	31.1%	9.3%
Fixed-line telephony	**1,673**	**1,805**	**1,870**	**11.8%**	**3.6%**
Mobile telephony	**1,307**	**1,286**	**1,281**	**-2.0%**	**-0.4%**
Prepaid clients	951	920	902	-5.2%	-2.0%
Postpaid clients	356	366	379	6.4%	3.7%
PAY TV	**97**	**99**	**98**	**1.1%**	**-0.7%**
ARPU - mobile (R$)	**19.97**	**20.79**	**21.60**	**8.1%**	**3.9%**

ANNEX II – CONSOLIDATED INCOME STATEMENT

	1Q17	4Q17	1Q18[1]	Δ Year	Δ Quarter
GROSS REVENUE	**855.6**	**922.2**	**913.0**	**6.7%**	**-1.0%**
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Tech - BPO/MANAGED IT	241.8	262.6	258.8	7.0%	-1.4%
Eliminations	(10.9)	(17.1)	(12.0)	-	-
Tax and deductions	(201.7)	(215.9)	(206.4)	2.3%	-4.4%
NET REVENUE	**653.9**	**706.3**	**706.6**	**8.1%**	**0.0%**
OPERATING COSTS AND EXPENSES	**(484.2)**	**(497.0)**	**(502.4)**	**3.8%**	**1.1%**
Personnel	(240.6)	(252.1)	(246.7)	2.5%	-2.1%
Materials	(7.3)	(8.7)	(9.1)	24.7%	4.6%
Outsourced services	(118.4)	(119.7)	(121.5)	2.6%	1.5%
Interconnection and means of connection	(35.9)	(30.0)	(32.7)	-8.9%	9.0%
Advertising and Marketing	(9.4)	(7.4)	(12.1)	28.7%	63.5%
Provision for doubtful debts	(7.7)	(4.4)	(6.5)	-15.6%	47.7%
Rent and insurance	(44.1)	(45.8)	(48.9)	10.9%	6.8%
Other	(14.5)	(21.0)	(18.5)	27.6%	-11.9%
Cost of goods sold	(6.3)	(8.0)	(6.4)	1.6%	-20.0%
OTHER OPERATING REVENUES (EXPENSES)	**0.5**	**8.3**	**6.4**	**1180.0%**	**-22.9%**
EBITDA	**170.2**	**217.6**	**210.6**	**23.7%**	**-3.2%**
Margin %	26.0%	30.8%	29.8%	-	-
Depreciation and amortization	(78.6)	(84.9)	(86.8)	10.4%	-202.2%
EBIT	**91.6**	**132.7**	**123.8**	**35.2%**	**-6.7%**
Financial, net	(41.7)	(35.7)	(39.0)	-6.5%	-209.2%
INCOME BEFORE TAXES	**49.9**	**97.0**	**84.8**	**69.9%**	**-12.6%**
Income and social contribution taxes	(16.6)	(17.0)	(28.7)	72.9%	-268.8%
NET INCOME	**33.3**	**80.0**	**56.1**	**68.5%**	**-29.9%**
Margin %	5.1%	11.3%	7.9%	-	-

*Elimination between B2B and B2C customers and with the Tech - BPO/Managed IT segment

[1] The 1Q18 figures already includes the effects of the implementation of Technical Pronouncement CPC 47 – Revenue from Contracts with Customers, correlated to International Accounting Standards – IFRS 15. The net effects on the Company's 1Q18 figures are as follows:

(R$ million)	Telecom	Tech	Consolidated
Net Revenue	13	13	2.6
Operating expenses	2.0	-	2.0
EBIT and EBITDA	3.3	13	4.6
Income and social contribution taxes	(11)	(0.5)	(16)
Net Result	2.1	0.9	3.0

ANNEX III – CONSOLIDATED COSTS AND EXPENSES (R$ MILLION)

	1Q17	4Q17	1Q18[1]	Δ Year	Δ Quarter
NET REVENUE	**653.9**	**706.3**	**706.6**	**8.1%**	**0.0%**
COST OF SERVICES AND GOODS	**(412.3)**	**(422.8)**	**(431.0)**	**4.5%**	**1.9%**
Cost of services	**(406.0)**	**(414.8)**	**(424.6)**	**4.6%**	**2.4%**
Personnel	(173.7)	(176.7)	(179.6)	3.4%	1.6%
Materials	(6.7)	(7.9)	(8.4)	25.4%	6.3%
Outsourced services	(77.3)	(82.3)	(79.0)	2.2%	-4.0%
Interconnection and means of connection	(35.9)	(30.0)	(32.7)	-8.9%	9.0%
Rent and insurance	(37.9)	(39.2)	(42.6)	12.4%	8.7%
Depreciation and amortization	(65.6)	(71.2)	(72.9)	11.1%	2.4%
Other	(9.0)	(7.5)	(9.3)	3.3%	24.0%
Cost of goods	**(6.3)**	**(8.0)**	**(6.4)**	**1.6%**	**-20.0%**
GROSS PROFIT	**241.6**	**283.5**	**275.6**	**14.1%**	**-2.8%**
COMMERCIAL EXPENSES	**(83.5)**	**(84.7)**	**(98.8)**	**18.3%**	**16.6%**
Personnel	(36.4)	(41.4)	(39.0)	7.1%	-5.8%
Materials	(0.3)	(0.4)	(0.3)	0.0%	-25.0%
Outsourced services	(15.1)	(9.4)	(22.8)	51.0%	142.6%
Advertising and Marketing	(9.4)	(7.4)	(12.1)	28.7%	63.5%
Provision for doubtful debts	(7.7)	(4.4)	(6.5)	-15.6%	47.7%
Rent and insurance	(4.2)	(4.8)	(5.3)	26.2%	10.4%
Depreciation and amortization	(5.5)	(5.8)	(6.0)	9.1%	3.4%
Other	(4.8)	(11.1)	(6.7)	39.6%	-39.6%
GENERAL AND ADMINISTRATIVE EXPENSES	**(67.0)**	**(74.4)**	**(59.4)**	**-11.3%**	**-20.2%**
Personnel	(30.5)	(34.0)	(28.1)	-7.9%	-17.4%
Materials	(0.3)	(0.4)	(0.4)	33.3%	0.0%
Outsourced services	(26.0)	(28.0)	(19.7)	-24.2%	-29.6%
Rent and insurance	(2.0)	(1.7)	(1.0)	-50.0%	-41.2%
Depreciation and amortization	(6.6)	(7.0)	(6.9)	4.5%	-1.4%
Other	(1.7)	(3.3)	(3.4)	100.0%	3.0%
OTHER OPERATING REVENUES (EXPENSES)	**0.5**	**8.3**	**6.4**	**1180.0%**	**-22.9%**
Depreciation and amortization	(0.9)	(0.9)	(0.9)	0.0%	4.2%
Other	1.5	9.2	7.3	402.2%	-20.4%
EBIT	**91.6**	**132.7**	**123.8**	**35.2%**	**-6.7%**

OPERATING COSTS AND EXPENSES	1Q17	4Q17	1Q18[1]	Δ Year	Δ Quarter
	(483.7)	**(488.7)**	**(496.0)**	**2.5%**	**1.5%**
Personnel	(240.6)	(252.1)	(246.7)	2.5%	-2.1%
Materials	(13.6)	(16.7)	(15.5)	14.0%	-7.2%
Outsourced services	(118.4)	(119.7)	(121.5)	2.6%	1.5%
Interconnection and means of connection	(35.9)	(30.0)	(32.7)	-8.9%	9.0%
Advertising and Marketing	(9.4)	(7.4)	(12.1)	28.7%	63.5%
Provision for doubtful debts	(7.7)	(4.4)	(6.5)	-15.6%	47.7%
Rent and insurance	(44.1)	(45.7)	(48.9)	10.9%	7.0%
Other*	(14.0)	(12.7)	(12.1)	-14.0%	-4.9%

* Includes other operating revenues (expenses).

[1] The 1Q18 figures already includes the effects of the implementation of Technical Pronouncement CPC 47 – Revenue from Contracts with Customers, correlated to International Accounting Standards – IFRS 15. The net effects on the Company's 1Q18 figures are as follows:

(R$ million)	Telecom	Tech	Consolidated
Net Revenue	13	13	2.6
Operating expenses	2.0	-	2.0
EBIT and EBITDA	3.3	13	4.6
Income and social contribution taxes	(11)	(0.5)	(16)
Net Result	2.1	0.9	3.0

ANNEX IV - BALANCE SHEET (R$ MILLION)

	31/03/2017	31/12/2018	Δ
ASSET	**3,694.4**	**3,837.4**	**4%**
Current assets	**887.5**	**993.3**	**12%**
Cash and cash equivalents	212.0	218.5	3%
Accounts receivable	549.9	584.1	6%
Inventory	24.0	31.3	30%
Taxes recoverable	71.2	70.4	-1%
Income and social contribution taxes to compensate	0.0	2.7	-
Prepaid expenses	19.0	75.8	299%
Other credits	11.4	10.5	-8%
Non-current assets	**2,806.9**	**2,844.1**	**1%**
Taxes recoverable	62.6	62.8	0%
Deferred income and social contribution taxes	38.4	32.6	-15%
Judicial deposits	36.3	38.0	5%
Other credits	17.1	31.3	83%
Investments	0.1	0.1	0%
Property, plant and equipment	2,124.4	2,141.9	1%
Intangible	528.0	537.4	2%
LIABILITIES AND SHAREHOLDERS' EQUITY	**3,694.4**	**3,837.4**	**4%**
LIABILITIES	**2,524.4**	**2,589.5**	**3%**
Current liabilities	**1,041.5**	**1,048.1**	**1%**
Loans and financing	87.9	76.4	-13%
Debentures	220.2	247.8	13%
Suppliers	282.1	233.8	-17%
Taxes, fees and contributions	116.5	94.0	-19%
Income and social contribution taxes payable	8.8	9.9	13%
Payroll and social charges	176.9	203.0	15%
Dividends payable	60.6	60.5	0%
Amounts to be refunded to shareholders	35.9	31.3	-13%
Obligation to acquire equity interest	-	22.5	-
Anticipated revenue	29.7	39.4	33%
Securities payable	9.0	7.9	-12%
Other liabilities	13.9	21.6	55%
Non-current liabilities	**1,482.9**	**1,541.4**	**4%**
Loans and financing	101.8	89.0	-13%
Debentures	1,130.2	1,212.4	7%
Payroll and social charges	9.5	10.3	8%
Deferred income and social contribution taxes	22.9	32.3	41%
Provisions	132.6	135.2	2%
Obligation to acquire equity interest	41.6	14.1	-66%
Anticipated revenue	32.7	40.0	22%
Other liabilities	11.6	8.1	-30%
EQUITY	**1,170.0**	**1,247.9**	**7%**
Socail capital	721.4	721.4	0%
Capital reserve	431.6	431.6	0%
Asset valuation adjustment	19.0	41.1	116%
Other comprehensive income	(23.9)	(24.5)	3%
Proposed additional dividends	21.9	21.9	0%
Retained earnings	-	56.4	-
Equity attributable to controlling shareholders	1,170.0	1,247.9	7%
Equity attributable to non-controlling shareholders	0.0	-	-

ANNEX V – CASH FLOW (R$ MILLION)

	31/03/2017	31/03/2018	Δ
Cash flow from operating activities			
Net (Loss)/Profit before Income Tax and Social Contribution	49.8	84.8	35.0
Adjustments to reconcile (loss)/profit to cash generated by operating activities:			
Depreciation and amortization	78.6	86.8	8.2
Gain / loss on sale of property, plant and equipment	0.5	0.5	0.0
Net financial charges	41.7	39.0	-2.7
Provision for doubtful debts	7.7	6.5	-1.2
Constitution of provisions	3.7	5.6	1.9
	182.0	**223.2**	**41.2**
Changes in assets and liabilities			
(Increase) in accounts receivable	(3.6)	(40.8)	-37.2
(Increase) reduction in inventories	1.1	(7.3)	-8.4
(Increase) reduction in recoverable taxes	5.9	1.1	-4.8
Increase in judicial deposits	(4.5)	(3.4)	1.1
(Increase) in prepaid expenses	(29.9)	(21.8)	8.1
Reduction in other current and non-current assets	5.2	3.4	-1.8
Increase in suppliers	4.8	17.7	12.9
Increase in social obligations	13.9	26.1	12.2
Redução em impostos taxas e contribuições	(2.7)	(22.5)	-19.8
Increase (decrease) in securities payable	(1.9)	(1.1)	0.8
Increase (decrease) in other current and non-current liabilities	(11.5)	1.9	13.4
Provisions paid	(3.4)	(3.9)	-0.5
Income tax and the contribution on profit, paid	(13.9)	(24.7)	-10.8
Cash and cash equivalents generated by operating activities	141.5	147.9	6.4
Cash flow from investing activities			
Investments in subsidiaries	(2.1)	(7.0)	-4.9
Property, plant and equipment and intangible assets	(163.5)	(173.4)	-9.9
Cash and cash equivalents allocated to investing activities	(165.6)	(180.4)	-14.8
Cash flow from financing activities			
Additions to loans and debentures	-	100.0	-
Payment of principal amount of loans and debentures	(36.1)	(23.1)	13.0
Payment of interest/monetary variation on loans and debentures	(14.5)	(32.9)	-18.4
Return of capital to shareholders	-	(4.6)	-
Payment of dividends	(0.1)	(0.4)	-0.3
Cash and cash equivalents generated (invested) by financing activities	(50.7)	39.0	89.7
Increase (decrease) in cash and cash equivalents	**(74.8)**	**6.5**	**81.3**
Cash and cash equivalents at beginning of period	171.5	212.0	40.5
Cash and cash equivalents at end of period	96.7	218.5	121.8