

SONAE CAPITAL MANAGEMENT REPORT AND ACCOUNTS

30 SEPTEMBER 2018



SONAE CAPITAL

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PART I

MANAGEMENT REPORT

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SONAE CAPITAL

1. CEO'S MESSAGE AND MAIN HIGHLIGHTS

"The balance of the first nine months of 2018 is positive. Although the levels of accomplishment are different from business to business, Sonae Capital as a whole continued taking firm steps in the fulfilment of its strategic purpose.

The Business Units, the core of our activity, continued to increase turnover in a sustained way, ending the first nine months of the year with 136.7 million euros, 18.4% above the same period of 2017. The EBITDA kept the same trend of growth and reached 16.8 million euros, an increase of 9.1%.

In the sale of real estate assets, we continued to reach rather reasonable objectives. As of today, we have signed not only the promissory purchase and sale agreement of UNOP 3, in Tróia, but also of Edifício Metrópolis, in the metropolitan area of Porto, which are two major assets of our portfolio. At the same time, regarding the sale of residential touristic units in Tróia, we have completed 34 sales deeds for 12.8 million euros. The global amount of sales deeds, including reserves and promissory purchase and sale agreements, is now close to 52 million euros, with good prospects to be accomplished over the next quarters.

Adira, the most recent business of our portfolio, is following a process of deep transformation, with the required suitability to the Group's processes and the allocation of adequate resources to a consistent growth path.

Despite the 25.9 million euros investment, which is essential to meet the growth objectives of our Business Units, particularly Energy and Fitness, and the dividend distribution amounting to 15 million euros, last May, we hold a stable and adequate capital structure, when considering the type of businesses and assets held.

Accordingly, I take a positive view for the last quarter of the year, which should continue to show a better competitive position in each of our businesses and improved major Group's financial indicators."

Miguel Gil Mata

9M18 MAIN HIGHLIGHTS

- Maintenance of the growth trend in **Business Units turnover** (+18.4%), and **EBITDA** (+9.1%), with all segments, in general, contributing positively:
 - **Fitness** posting a positive turnover and EBITDA performance (52.1% and 88.5%, respectively), fuelled by organic and non-organic growth;
 - **Energy** increasing turnover and EBITDA, continuing to benefit, in 9M18, from the operations acquired in 2017, despite the impact from the increased price of CO2 licences and the behaviour of the solar resource – which had poorer availability this year;
 - **Hospitality** increasing the RevPAR by 6.4% in 9M18, with the positive contribution from all the units in 3Q18. It should be noted the 34.2% y.o.y. EBITDA growth, to 1.29M€.
- Achievement of significant objectives in **Real Estate**:
 - **Troia Resort**: (i) 34 sales deeds in residential touristic units in Tróia, corresponding to 12.8M€, coupled with 14 Reserves/PPSAs in the global amount of 6.7M€; and, (ii) as previously reported, the PPSA of UNOP 3, in the amount of 20M€ (not yet included in 9M18 results);
 - **Other Real Estate Assets**: PPSAs totalling 10.7M€, including the PPSA of Edifício Metrópolis, together with sales deeds totalling 1.3M€.
- Operational improvement across the majority of the businesses not yet translated into **Net Results**, driven by the recognition of non-recurrent costs, including the estimate of the closing of RACE Brazil operation, and driven by an increase in Amortizations, consequence of the new operations in the portfolio;
- **Net Debt** standing at 135.7M€, impacted by: (i) the dividend distribution in May 2018 (in the amount of 15M€); (ii) the payment, in 2Q18, of a final tranche of 9M€, related with the acquisitions made by the Energy segment in 2017; and, (iii) the Capex registered (in the amount of 25.9M€), which includes the acquisition of *Pump Fitness Chain*, the acquisition of the *Lagoas Park Club* and the ongoing investment in the biomass-fuelled cogeneration project development;
- **Capital structure** under control and adequate when considering the Group's portfolio of businesses and real estate assets held: Net Debt to EBITDA of 2.8x and LTV of 20.7%.

2. OVERALL PERFORMANCE

Consolidated Profit and Loss Account						
Million euro	3Q 2018	3Q 2017	Δ 18/17	9M 2018	9M 2017	Δ 18/17
Turnover						
Business Units	51.92	49.95	+3.9%	136.67	115.48	+18.4%
Energy	14.17	13.01	+9.0%	39.72	34.38	+15.5%
Industrial Engineering	2.50	1.19	>100%	8.86	1.19	>100%
Fitness	8.57	5.81	+47.5%	26.31	17.29	+52.1%
Hospitality	10.66	10.57	+0.9%	19.92	19.25	+3.5%
Refrigeration & HVAC	10.03	14.05	-28.7%	32.08	34.18	-6.1%
Troia Resort - Operations	5.98	5.32	+12.5%	9.79	9.18	+6.6%
Real Estate Assets	9.83	11.53	-14.8%	20.51	21.43	-4.3%
Troia Resort	7.86	4.58	+71.5%	14.45	10.32	+40.0%
Other Real Estate Assets	1.97	6.94	-71.7%	6.06	11.11	-45.5%
Eliminations & Adjustments	-3.61	-3.28	-10.2%	-6.50	-6.31	-3.0%
Consolidated Turnover	58.13	58.20	-0.1%	150.68	130.60	+15.4%
Other Operational Income	0.60	1.28	-53.4%	2.40	3.18	-24.4%
Total Operational Income	58.73	59.48	-1.3%	153.09	133.78	+14.4%
EBITDA						
Business Units	9.50	10.23	-7.0%	16.84	15.44	+9.1%
Energy	4.13	5.27	-21.6%	11.21	10.95	+2.3%
Industrial Engineering	-0.38	-0.25	-54.1%	-0.85	-0.25	<-100%
Fitness	0.81	0.47	+71.8%	3.35	1.78	+88.5%
Hospitality	2.25	2.18	+3.4%	1.29	0.95	+34.7%
Refrigeration & HVAC	0.41	0.49	-16.3%	0.50	0.48	+3.4%
Troia Resort - Operations	2.28	2.06	+10.6%	1.35	1.52	-11.3%
Real Estate Assets	3.39	2.97	+14.0%	3.92	5.00	-21.6%
Troia Resort	2.44	2.31	+5.6%	1.46	1.82	-20.0%
Other Real Estate Assets	0.95	0.66	+43.0%	2.46	3.18	-22.6%
Eliminations & Adjustments	-0.26	-0.52	+50.0%	-1.42	-2.25	+37.0%
Consolidated EBITDA	12.63	12.68	-0.4%	19.34	18.19	+6.3%
Amortizations & Depreciations	6.46	5.48	+17.8%	17.92	13.72	+30.7%
Provisions & Impairment Losses	-0.02	0.04	-	0.06	-0.22	-
Non-recurrent costs/income (1)	0.05	-0.01	-	0.77	0.07	>100%
EBIT						
Business Units	4.97	6.63	-25.1%	3.95	7.58	-47.9%
Real Estate Assets	2.01	1.61	+24.8%	-0.00	0.95	-
Eliminations & Adjustments	-0.83	-1.08	+22.9%	-3.36	-3.91	+13.9%
Consolidated EBIT	6.15	7.16	-14.1%	0.58	4.62	-87.4%
Net Financial Expenses	-1.02	-1.13	+9.5%	-3.02	-3.18	+5.0%
Investment Income and Results from Assoc. Undertakings	0.08	-0.01	-	0.30	1.99	-85.2%
EBT	5.20	6.02	-13.6%	-2.14	3.44	-
Taxes	-0.37	-0.65	+42.9%	-1.03	-1.40	+26.3%
Net Profit - Continued Businesses	4.83	5.37	-10.1%	-3.18	2.04	-
Net Profit - Discontinued Businesses	-1.21	-0.95	-27.2%	-3.26	-1.55	<-100%
Net Profit - Total	3.62	4.42	-18.1%	-6.43	0.49	-
Attributable to Equity Holders of Sonae Capital	3.62	3.98	-9.0%	-6.31	-0.50	<-100%
Attributable to Non-Controlling Interests	0.02	0.44	-96.3%	-0.11	0.99	-

(1) Non-recurrent items mainly related to restructuring costs and one-off income

2.1. PROFIT AND LOSS STATEMENT

- Business Units' turnover stood at 136.7M€ in 9M18, showing an increase of 18.4% y.o.y.. In the same period, consolidated turnover reached 150.7M€, which represents an increase of 15.4% compared to 9M17. Consolidated turnover benefited from the Business Units performance, which more than compensated the 4.3% decrease in the Real Estate business.
- In 9M18, Business Units' EBITDA grew to 16.8M€, 9.1% above 9M17, equivalent to an EBITDA margin of 12.3%. The consolidated EBITDA increased by 6.3%, to 19.3M€, generating an EBITDA margin of 12.8%.
- Net results (continued businesses) stood at negative 3.2M€, which represents a decrease of 5.2M€ when compared to the same period of 2017. Notwithstanding the EBITDA increase (+1.2M€), Net Results were primarily impacted by: (i) an increase in Amortizations, mostly driven by the acquisitions made in Energy and Fitness segments (+4.2M€, also impacted by optimized amortization rates); (ii) non-recurrent costs in the amount of 0.77M€, driven mostly by staff restructuring costs and an impairment related to a business carried out by RACE Brazil, as reported in 1Q18; and, (iii) when compared to last year, the recognition of Badwill in the amount of 1.8M€ in 2Q17, consequence of the operations acquired in the Energy segment.

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- Net results (discontinued businesses) show, as already reported, the recognition of non-recurrent costs in the amount of 3.3M€, with an impact of 1.2M€ in the 3Q18, resulting from the most recent estimate of potential contingencies.
- Therefore, consolidated net results stood at negative 6.4M€ in 9M18.

2.2. CAPITAL STRUCTURE

Capital Structure/Capex/Ratios			
Million euro	Sep 2018	Dec 2017	Δ 18/17
Net Capital Employed	401.0	400.7	+0.1%
Fixed Assets	327.5	322.6	+1.5%
Non-Current Investments (net)	6.7	8.6	-22.4%
Working Capital	71.3	71.8	-0.7%
Capex (end of period)	25.9	61.6	-57.9%
% Fixed Assets	7.9%	19.1%	-11.2 pp
Net Debt/EBITDA	135.7	109.4	+24.1%
% Net Capital Employed	33.8%	27.3%	+6.6 pp
Debt to Equity	51.2%	37.5%	+13.6 pp
Capital Structure Ratios			
Loan to Value (Real Estate)	20.7%	15.9%	+4.8 pp
Net Debt/EBITDA (recurrent)	2.77x	2.57x	+0.20x

- Capex totalled 25.9M€ in 9M18, mostly as a consequence of the investments made in the acquisition of *Pump* Fitness chain (in the amount of 8.4M€), the acquisition of *Lagoas Park* Club (0.26M€) and the beginning of the biomass-fuelled cogeneration project development (in the amount of 10.5M€), in the Energy segment.

- FCF in the 9M18 reached negative 26.3M€, impacted by: (i) the dividends paid, in the amount of 15M€, on May 2018; (ii) the payment of a 9M€ deferred instalment, in 2Q18, related with the acquisitions made in Energy in 2017; and (iii) the Capex registered (25.9M€), which includes the acquisition of *Pump* Fitness Chain, the Club *Lagoas Park* and the investment in the development of the biomass-fuelled cogeneration project (which will start operating only in 2020), leading to a Net Debt position of 135.7M€. It should be noted the positive FCF in 3Q18, which amounted to 9.4M€.
- Maintenance of an adequate capital structure when considering the Group's portfolio of businesses and Real Estate assets held: Net Debt to EBITDA of 2.8x and LTV of 20.7%.
- Net capital employed increased marginally versus the end of 2017, to 401.0M€, motivated by an increase in fixed assets.
- As a result of Net Debt and Total Equity evolution, Debt to Equity reached 51.2%, +13.6pp when compared to 2017 year-end.

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3. BUSINESS UNITS

3.1. ENERGY



Profit and Loss Account - Energy						
Million euro	3Q 2018	3Q 2017	Δ 18/17	9M 2018	9M 2017	Δ 18/17
Total Operational Income	14.20	13.05	+8.8%	40.37	34.65	+16.5%
Turnover	14.17	13.01	+9.0%	39.72	34.38	+15.5%
Other Operational Income	0.03	0.05	-35.9%	0.65	0.27	>100%
Total Operational Costs	-10.07	-7.78	-29.4%	-29.17	-23.69	-23.1%
Cost of Goods Sold	-7.08	-5.75	-23.2%	-20.43	-17.56	-16.3%
External Supplies and Services	-1.70	-1.16	-46.6%	-4.79	-3.59	-33.6%
Staff Costs	-0.72	-0.60	-20.0%	-2.23	-1.77	-26.5%
Other Operational Expenses	-0.57	-0.27	<-100%	-1.71	-0.78	<-100%
EBITDA	4.13	5.27	-21.6%	11.21	10.95	+2.3%
EBITDA Margin (% Turnover)	29.2%	40.5%	-11.4 pp	28.2%	31.9%	-3.6 pp
EBIT	1.22	2.92	-58.3%	3.80	6.37	-40.4%
EBIT Margin (% Turnover)	8.6%	22.4%	-13.8 pp	9.6%	18.5%	-9.0 pp
Capex	3.65	-1.21	-	10.81	37.20	-70.9%
EBITDA-Capex	0.48	6.48	-92.6%	0.40	-26.25	-
Total Capacity (MW)	65.5	72.5	-9.6%	65.5	72.5	-9.6%
Owned & Operated	62.3	62.3	+0.0%	62.3	62.3	+0.0%
Operated (not consolidated)	3.2	10.2	-68.4%	3.2	10.2	-68.4%

- In 9M18, Energy turnover reached 39.7M€, 15.5% above 9M17. The operations acquired in 2017 continued to have an important role on this segment's performance, having a contribution of 8.8M€ in 9M18 (+5.1M€ vs. 9M17). On a quarterly basis, turnover grew by 9.0%, much because of the cogeneration operation, which has more than compensated the slowdown in the renewables operation, consequence of the reduced solar and wind resources.
- The EBITDA reached 11.2M€, performing a growth of 2.3% and benefiting from the contribution of the operations acquired, in the amount of 4.9M€ (+1.5M€ vs. 9M17). On a quarterly basis, EBITDA decreased by 21.6%, to 4.1M€, mostly impacted by the significant price increase of CO2 licenses as well as by the reduced solar resource. The EBITDA margin stood at 28.2%, decreasing when compared to the EBITDA margin of 31.9% posted in 9M17, driven by both the cogeneration and the renewables operations.
- The EBIT decreased by 40.4%, motivated by Amortizations and Depreciation, which increased by 10% mostly because of the operations acquired in 2017.
- The CAPEX stood at 10.8M€, greatly because of the beginning of the development of a new biomass-fuelled cogeneration power plant, announced in 4Q17, which is expected to start operating in 2020.
- Currently, all the projects of the segment operate in the regulated market. The first project to be carried over the free market corresponds to 10MW (solar energy), which will take place in 2H21.

3.2. INDUSTRIAL ENGINEERING



Profit and Loss Account - Industrial Engineering

Million euro	3Q 2018	3Q 2017	Δ 18/17	9M 2018	9M 2017	Δ 18/17
Total Operational Income	2.63	1.24	>100%	9.25	1.24	>100%
Turnover	2.50	1.19	>100%	8.86	1.19	>100%
Other Operational Income	0.13	0.05	>100%	0.40	0.05	>100%
Total Operational Costs	-3.01	-1.49	<-100%	-10.11	-1.49	<-100%
Cost of Goods Sold	-1.83	-0.77	<-100%	-5.84	-0.77	<-100%
External Supplies and Services	-0.32	-0.32	+1.8%	-1.24	-0.32	<-100%
Staff Costs	-0.86	-0.34	<-100%	-2.75	-0.34	<-100%
Other Operational Expenses	-0.01	-0.06	+84.5%	-0.27	-0.06	<-100%
EBITDA	-0.38	-0.25	-54.1%	-0.85	-0.25	<-100%
EBITDA Margin (% Turnover)	-15.1%	-20.6%	+5.5 pp	-9.6%	-20.6%	+11.0 pp
EBIT	-0.63	-0.40	-55.9%	-1.57	-0.40	<-100%
EBIT Margin (% Turnover)	-25.2%	-33.9%	+8.7 pp	-17.7%	-33.9%	+16.2 pp
Capex	0.22	16.18	-98.6%	0.66	16.18	-95.9%
EBITDA-Capex	-0.60	-16.42	+96.3%	-1.51	-16.42	+90.8%

- The Industrial Engineering segment includes *Adira*, acquired in July 2017. Throughout 2018, our major goal has been the design and construction of a structure of adequate and sufficient resources for the implementation of the growth strategy set.
- As anticipated, the 9M18 results reflect the restructuring process in course. Accordingly, *Adira* had a contribution of 8.9M€ and negative 0.9M€ for turnover and EBITDA, respectively.
- In a more operational stance and, despite not visible at results level, the number of machines produced continued to grow and totalled 121 machines in 9M18, of which 33 machines produced in 3Q18. It should be noted that, as usual, *Adira's* factory was closed in August.
- We would like to highlight that the capacity to attract new orders has increased in the last two quarters, an important achievement that follows the implementation of new measures in the commercial area.

3.3. FITNESS



Profit and Loss Account - Fitness

Million euro	3Q 2018	3Q 2017	Δ 18/17	9M 2018	9M 2017	Δ 18/17
Total Operational Income	8.63	5.85	+47.4%	26.78	17.45	+53.4%
Turnover	8.57	5.81	+47.5%	26.31	17.29	+52.1%
Other Operational Income	0.06	0.04	+39.4%	0.47	0.16	>100%
Total Operational Costs	-7.82	-5.38	-45.3%	-23.43	-15.67	-49.5%
Cost of Goods Sold	-0.08	-0.03	<-100%	-0.17	-0.11	-52.9%
External Supplies and Services	-4.70	-3.28	-43.4%	-13.94	-9.55	-46.0%
Staff Costs	-2.70	-1.82	-48.5%	-8.22	-5.25	-56.4%
Other Operational Expenses	-0.34	-0.26	-29.4%	-1.10	-0.76	-44.8%
EBITDA	0.81	0.47	+71.8%	3.35	1.78	+88.5%
EBITDA Margin (% Turnover)	9.5%	8.1%	+1.3 pp	12.7%	10.3%	+2.5 pp
EBIT	-0.02	0.01	-	0.69	0.57	+20.0%
EBIT Margin (% Turnover)	-0.2%	0.1%	-0.4 pp	2.6%	3.3%	-0.7 pp
Capex	0.92	0.55	+67.2%	11.75	1.53	>100%
EBITDA-Capex	-0.11	-0.08	-39.5%	-8.40	0.25	-
# Health Clubs in Operation	30	19	+11	30	19	+11

- We continued to reinforce our competitive position in the Fitness segment, excelling both in the operating and in the financial front. At the end of 9M18, the average number of active members stood at 85,741, approximately 18% above the 9M17 (when considering the *Solinca* chain). In the same period, turnover increased by 52.1%, to 26.3M€, benefiting from the contribution of the *Pump* chain, in the amount of 5.4M€. As regards the average membership fees, the like-for-like

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growth stood at 3%. On a quarterly perspective, we see the typical seasonality of this business, a slowdown in the operating activity during summer season, with some impact on results.

- We closed September with 30 Clubs in operation: 20 *Solinca* Clubs and 9 *Pump* Clubs, now together with *Lagoas Park* Club, which was acquired in August 2018. In the coming quarters, we are planning to follow the expansion plan already in course, growing not only organically but also taking advantage of consolidation opportunities.
- The EBITDA reached 3.4M€, 88.5% above 9M17, generating an EBITDA margin of 12.7%, 2.5pp above the same period of 2017.
- The EBIT stood at 0.7M€, which compares with 0.6M€ in 9M17. As previously reported, the EBIT in 9M18 is negatively impacted by an impairment of 0.3M€, driven by the closing of the Crossfit operation, in “Cascais”, that had a profitability below expectations.

3.4. HOSPITALITY



Profit and Loss Account - Hospitality						
Million euro	3Q 2018	3Q 2017	Δ 18/17	9M 2018	9M 2017	Δ 18/17
Total Operational Income	10.99	10.74	+2.2%	20.48	19.66	+4.2%
Turnover	10.66	10.57	+0.9%	19.92	19.25	+3.5%
Other Operational Income	0.32	0.18	+80.9%	0.57	0.41	+39.7%
Total Operational Costs	-8.73	-8.56	-2.0%	-19.20	-18.70	-2.7%
Cost of Goods Sold	-1.98	-1.70	-16.6%	-2.69	-2.47	-9.0%
External Supplies and Services	-4.53	-4.61	+1.7%	-10.73	-10.57	-1.5%
Staff Costs	-2.08	-2.05	-1.4%	-5.27	-5.09	-3.5%
Other Operational Expenses	-0.14	-0.20	+31.2%	-0.51	-0.57	+10.9%
EBITDA	2.25	2.18	+3.4%	1.29	0.95	+34.7%
EBITDA Margin (% Turnover)	21.1%	20.6%	+0.5 pp	6.5%	5.0%	+1.5 pp
EBIT	2.14	2.08	+2.7%	0.97	0.68	+42.9%
EBIT Margin (% Turnover)	20.1%	19.7%	+0.4 pp	4.9%	3.5%	+1.3 pp
Capex	0.50	0.26	+89.9%	1.02	0.75	+35.5%
EBITDA-Capex	1.75	1.92	-8.6%	0.27	0.20	+31.8%
# Units	5	5		5	5	

- In Hospitality, the major operating indicators continued to show a positive evolution. In 9M18, the consolidated RevPar increased by 6.4%, benefiting from the positive contribution of all units in operation in Porto (Porto Palácio Hotel, The Artist and The House) as well as of Aqualuz Tróia. On a quarterly standpoint, we would like to highlight the RevPar increase in all units in operation, even under positive historical figures.
- In 3Q18, the execution of Aqualuz Tróia, The House and The Artist was particularly positive, as these units saw occupancy rates increasing to a level above the 90% threshold.
- The turnover increased 3.5% in 9M18, totalling 19.9M€. In the same period, the EBITDA increased by 34.7%, to 1.3M€. As for the EBITDAR, it stood at 6.8M€, an increase of 4.5% when compared to 9M17.
- The CAPEX reached 1.0M€ in 9M18, which nevertheless represents an increase versus the value of 0.8M€ reported in 9M17, mostly driven by the refurbishment of Porto Palácio Hotel.



3.5. REFRIGERATION & HVAC

Profit and Loss Account - Refrigeration & HVAC						
Million euro	3Q 2018	3Q 2017	Δ 18/17	9M 2018	9M 2017	Δ 18/17
Total Operational Income	10.04	14.14	-29.0%	32.17	34.20	-5.9%
Turnover	10.03	14.05	-28.7%	32.08	34.18	-6.1%
Other Operational Income	0.02	0.09	-81.9%	0.09	0.02	>100%
Total Operational Costs	-9.63	-13.66	+29.5%	-31.68	-33.72	+6.1%
Cost of Goods Sold	-9.75	-13.69	+28.8%	-21.22	-22.73	+6.7%
External Supplies and Services	2.44	2.30	+6.1%	-3.64	-3.98	+8.4%
Staff Costs	-2.19	-2.07	-6.0%	-6.54	-6.32	-3.5%
Other Operational Expenses	-0.12	-0.19	+35.3%	-0.28	-0.70	+59.7%
EBITDA	0.41	0.49	-16.3%	0.50	0.48	+3.4%
EBITDA Margin (% Turnover)	4.1%	3.5%	+0.6 pp	1.5%	1.4%	+0.1 pp
EBIT	0.35	0.48	-27.5%	0.02	0.19	-89.8%
EBIT Margin (% Turnover)	3.5%	3.4%	+0.1 pp	0.1%	0.6%	-0.5 pp
Capex	0.01	0.01	-21.5%	0.10	0.10	+1.9%
EBITDA-Capex	0.40	0.48	-16.2%	0.39	0.38	+3.9%

- Turnover in 9M18 stood at 32.1M€, 6.1% below the 9M17, mostly driven by a reduction in HVAC activity, especially considering that the 3Q17 benefited from a contract outside Portugal that had a considerable size. Taking into consideration the volume of contracts in pipeline, which stood at 27.1M€ at the end of September 2018 (equivalent to approximately 6 months of activity) and the lower billing activity and delivery of projects during 3Q18, we anticipate, as usual in this type of business, a more favourable performance in the next quarter.
- The EBITDA stood at 0.5M€ in 9M18, an increase of 3.4% when compared to 9M17. This is the result of a greater focus on Refrigeration, despite the negative effect of the operating margin deterioration in some specific HVAC projects, which have not evolved as planned, as explained in the previous quarter.
- The EBIT reached 0.1M€, 89.8% below the 9M17, impacted by the recognition of non-recurrent costs in the amount of 0.4M€, consequence of an impairment related with a business made through RACE Brazil, as disclosed in 1Q18.

3.6. TROIA RESORT - OPERATIONS



Profit and Loss Account - Troia Resort - Operations						
Million euro	3Q 2018	3Q 2017	Δ 18/17	9M 2018	9M 2017	Δ 18/17
Total Operational Income	6.38	5.58	+14.3%	10.39	9.88	+5.2%
Turnover	5.98	5.32	+12.5%	9.79	9.18	+6.6%
Other Operational Income	0.40	0.26	+51.8%	0.60	0.70	-13.5%
Total Operational Costs	-4.11	-3.53	-16.5%	-9.04	-8.36	-8.2%
Cost of Goods Sold	-1.07	-0.96	-11.8%	-1.40	-1.32	-5.8%
External Supplies and Services	-1.89	-1.39	-36.2%	-4.49	-3.79	-18.5%
Staff Costs	-0.98	-1.02	+4.6%	-2.58	-2.79	+7.7%
Other Operational Expenses	-0.17	-0.16	-8.9%	-0.58	-0.45	-27.5%
EBITDA	2.28	2.06	+10.6%	1.35	1.52	-11.3%
EBITDA Margin (% Turnover)	38.0%	38.7%	-0.6 pp	13.8%	16.6%	-2.8 pp
EBIT	1.92	1.55	+23.6%	0.04	0.17	-74.3%
EBIT Margin (% Turnover)	32.0%	29.2%	+2.9 pp	0.5%	1.9%	-1.4 pp
Capex	0.09	0.23	-60.3%	0.34	0.38	-11.1%
EBITDA-Capex	2.18	1.82	+19.7%	1.01	1.14	-11.3%

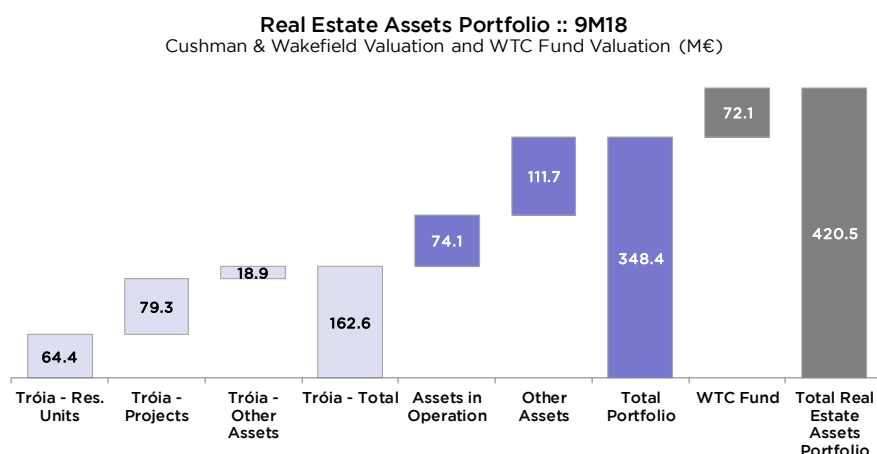
- This segment includes Atlantic Ferries river transportation and operations such as Tróia Marina and Tróia Market.

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

MANAGEMENT REPORT

- Turnover generated by the operations in Tróia Resort reached 9.8M€ in 9M18, 6.6% above the 9M17. The performance delivered in the 3Q18, in which turnover increased by 12.5%, was key to offset the performance of the first half of the year, in which the activity in the Resort was negatively impacted by unfavourable weather conditions. The EBITDA stood at 1.4M€, decreasing when compared to 1.5M€ delivered in 9M17, notwithstanding the 10.6% increase registered in 3Q18.
- Capex remained at controlled levels and was mainly due to investments in the renovation and improvement of Tróia Marina and Atlantic Ferries river transportation.

4. REAL ESTATE ASSETS



Within the Group's current real estate portfolio we have diversified assets with different licensing and construction stages, including land plots with and without construction viability, residential units, construction projects, offices, industrial premises and commercial areas, with wide geographical dispersion.

This block considers all the real estate assets of Sonae Capital Group, as well as the assets held by the WTC Fund.

- As of 30 September 2018, the capital employed in this set of real estate assets, excluding touristic residential units in Tróia and the WTC Fund, stood at 174.8M€, which compares with 284.0M€, according to the valuation made by the independent entity Cushman & Wakefield at the end of 2016.
- It should be noted that Sonae Capital's real estate assets portfolio (as of Cushman & Wakefield valuation), including the WTC Fund valuation (as of 30 September 2018), amounted to 420.5M€.

4.1. TROIA RESORT



This segment includes, in the Peninsula of Tróia, developed touristic residential units for sale, as well as plots for construction. Out of a total of 546 touristic residential units developed, we had 91 units for sale at the end of 9M18 (excluding Reserves and PPSAs). Accordingly, the turnover reached 14.5M€, resulting from:

- 30 sales deeds (of which 16 sales deeds in 3Q18), corresponding to 11.3M€, which compares with 19 sales deeds in the amount of 6.6M€ in the same period of 2017. Out of the 30 sales deeds, 14 were made under the guaranteed income product.
- Rents related to the assets in operation (Hotels, Tróia Shopping, Car parking lots, Touristic Units in operation), which amounted to 2.1M€, in line with the same period of 2017.

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

MANAGEMENT REPORT

Already in 4Q18 and up to the date of this report, 4 additional deeds were signed (in the amount of 1.5M€) and there are still in stock 14 promissory purchase and sale agreements and reserves totalling 6.7M€. It should be noted that the PPSA of UNOP 3, for 20M€, which was signed in 2Q18, is not yet reflected in the results. We expect the deed to take place in the coming months.

4.2. OTHER REAL ESTATE ASSETS

The other real estate assets unit registered a turnover of 6.1M€ in 9M18, resulting from rents coming from assets under management and including the contribution of deeds in the amount of 1.3M€, related to several real estate assets.

Already in 4Q18 and up to the date of this report, there is still a group of promissory purchase and sale agreements and reserves in the amount of 10.7M€, providing good prospects for the coming months. We would like to note that Edifício Metrópolis is included in this set of assets.

5. BACKUP – CONSOLIDATED BALANCE SHEET

Consolidated Balance Sheet			
Million euro	Sep 2018	Dec 2017	Δ 18/17
Total Assets	517.3	516.1	+0.2%
Tangible and Intangible Assets	274.8	275.3	-0.2%
Goodwill	52.7	47.4	+11.3%
Non-Current Investments	2.3	2.0	+12.7%
Other Non-Current Assets	30.4	34.4	-11.5%
Stocks	92.3	94.4	-2.2%
Trade Debtors and Other Current Assets	56.0	53.0	+5.6%
Cash and Cash Equivalents	7.9	7.3	+8.7%
Assets held for sale	0.9	2.4	-61.2%
Total Equity	265.3	291.4	-8.9%
Total Equity attributable to Equity Holders of Sonae Capital	256.2	280.5	-8.6%
Total Equity attributable to Non-Controlling Interests	9.1	10.9	-16.5%
Total Liabilities	252.0	224.8	+12.1%
Non-Current Liabilities	90.3	116.2	-22.3%
Non-Current Borrowings	64.4	88.5	-27.2%
Deferred Tax Liabilities	21.7	21.6	+0.1%
Other Non-Current Liabilities	4.3	6.1	-29.2%
Current Liabilities	161.7	108.6	+49.0%
Current Borrowings	79.3	28.2	>100%
Trade Creditors and Other Current Liabilities	76.9	75.5	+1.8%
Liabilities associated to assets held for sale	5.5	4.8	+14.5%
Total Equity and Liabilities	517.3	516.1	+0.2%

6. CORPORATE INFORMATION

6.1. CORPORATE INFORMATION 3Q18

On 17 July 2018, Efanor Investimentos informed about the intention to appoint Cláudia Azevedo as the next CEO of Sonae, after the end of the present mandate. Subsequently, Cláudia Azevedo asked Sonae Capital Board of Directors to be released from her role as CEO. The Board accepted and has expressed its gratitude for the valuable contribution of Cláudia Azevedo as CEO. Additionally, Sonae Capital Board of Directors agreed to elect Miguel Gil Mata as CEO for the remaining of the current mandate. Cláudia Azevedo will remain as Board member of Sonae Capital, but as a Non-Executive Director.

6.2. SUBSEQUENT EVENTS

No subsequent events to be disclosed.

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

MANAGEMENT REPORT

7. METHODOLOGICAL NOTES

The quarterly consolidated financial information presented in this report is non-audited and has been 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.

With the aim of continuing to provide the best financial information not only at the Consolidated level, but also, at each Business Unit level and aligning with the best market practices, the international operations (Mozambique and Brazil) of the Refrigeration & HVAC segment are considered as assets held for sale and therefore their contribution to the consolidated results is recognized as discontinued operations.

GLOSSARY

CAPEX	Investment in Tangible and Intangible Assets
EBITDA	Operational Profit (EBIT) + Amortization and Depreciation + Provisions and Impairment Losses + Impairment Losses of Real Estate Assets in Stocks (included in Costs of Goods Sold) - Reversal of Impairment Losses and Provisions (including in Other Operation Income)
EBITDAR	EBITDA + Building Rents
Gearing: Debt to Equity	Net Debt / Equity
HVAC	Heating, Ventilation and Air Conditioning
Loan to Value	Net Debt of real estate assets / Real estate assets Valuation
Net Debt	Non-Current Loans + Current Loans - Cash and Cash Equivalents - Current Investments
Operational Cash Flow	EBITDA - Capex
PPSA	Promissory Purchase and Sale Agreement
RevPAR	Revenue Per Available Room

PART II

**CONSOLIDATED FINANCIAL
STATEMENTS**

30 September 2018



SONAE CAPITAL

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED BALANCE SHEET AS AT 30 September 2018 AND 31 DECEMBER 2017

(Amounts expressed in euro)

ASSETS	Notes	30/09/2018	31/12/2017
NON-CURRENT ASSETS:			
Tangible assets	8	264 443 088	265 431 974
Intangible assets	8	10 380 797	9 822 521
Goodwill	9	52 712 535	47 376 371
Investments in associated companies and joint ventures	5	1 595 075	1 419 028
Other investments	6	656 886	578 430
Deferred tax assets	13	27 632 783	27 774 060
Other non-current debtors	10	2 788 375	6 601 994
Total non-current assets		<u>360 209 539</u>	<u>359 004 378</u>
CURRENT ASSETS:			
Inventories	11	92 299 925	94 396 634
Trade account receivables and other current assets	12	55 954 288	53 002 698
Cash and cash equivalents	14	7 945 463	7 307 069
Total Current Assets		<u>156 199 676</u>	<u>154 706 401</u>
Assets held for sale		936 347	2 415 830
TOTAL ASSETS		517 345 562	516 126 609
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	15	250 000 000	250 000 000
Own Shares	15	(1 192 808)	(1 305 839)
Reserves and retained earnings	15	13 714 210	38 273 437
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital		(6 325 101)	(6 513 485)
Equity attributable to the equity holders of Sonae Capital		<u>256 196 301</u>	<u>280 454 113</u>
Equity attributable to non-controlling interests	16	9 109 084	10 915 176
Total Equity		<u>265 305 385</u>	<u>291 369 289</u>
NON-CURRENT LIABILITIES:			
Loans	17	64 374 046	88 468 498
Other non-current creditors	18	1 233 675	3 015 213
Deferred tax liabilities	13	21 652 781	21 638 983
Provisions	21	3 079 824	3 079 824
Total Non-Current Liabilities		<u>90 340 326</u>	<u>116 202 518</u>
CURRENT LIABILITIES:			
Loans	17	79 289 446	28 211 633
Trade creditors and other current liabilities	20	73 632 033	71 146 195
Provisions	21	3 290 983	4 403 401
Total Current Liabilities		<u>156 212 462</u>	<u>103 761 229</u>
Liabilities associated with assets held for sale		5 487 389	4 793 573
TOTAL LIABILITIES		<u>252 040 177</u>	<u>224 757 320</u>
TOTAL EQUITY AND LIABILITIES		517 345 562	516 126 609

The accompanying notes are part of these financial statements.

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE NINE MONTHS ENDED 30 September 2018 AND 2017

(Amounts expressed in euro)

	Notes	30/09/2018	30/09/2017
Sales		77 077 669	74 569 468
Services rendered		63 350 287	52 410 744
Other operating income	22	5 848 007	4 256 094
Cost of sales		(42 557 307)	(45 606 134)
Changes in stocks of finished goods and work in progress		(2 798 043)	(209 529)
External supplies and services		(46 221 954)	(39 223 522)
Staff costs		(30 619 294)	(24 994 834)
Depreciation and amortisation		(17 923 365)	(13 716 660)
Provisions and impairment losses (Increases)/Decreases		(273 136)	845 131
Other operating expenses		(5 300 835)	(3 706 052)
Operational profit/(loss)		582 029	4 624 706
Financial Expenses		52 596	102 121
Financial Income		(3 073 331)	(3 283 234)
Net financial income / (expenses)		(3 020 735)	(3 181 113)
Profit/(Loss) in associated and jointly controlled companies measured using the equity method	5	296 930	262 997
Investment income	24	(1 908)	1 731 118
Profit/(Loss) before taxation		(2 143 684)	3 437 708
Taxation	25	1 031 974	1 400 582
Profit/(Loss) for the year - continued operations		(3 175 658)	2 037 126
Profit/(Loss) for the year - discontinued operations		(3 258 338)	(1 546 912)
Profit/(Loss) for the year	26	(6 433 996)	490 214
Attributable to:			
Equity holders of Sonae Capital		(6 325 101)	(498 534)
Non-controlling interests	16	(108 895)	988 750
Profit/(Loss) per share - continued operations			
Basic	28	(0,012362)	0,004238
Diluted	28	(0,012362)	0,004238
Profit/(Loss) per share - discontinued operations			
Basic	28	(0,013134)	(0,006253)
Diluted	28	(0,013134)	(0,006253)

The accompanying notes are part of these financial statements.

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE 2ND QUARTER OF 2018 AND 2017

(Amounts expressed in euro)

	Notes	3rd Quarter 2018 ¹	3rd Quarter 2017 ¹
Sales		43 384 710	34 610 797
Services rendered		9 889 416	22 669 150
Other operating income		2 318 623	1 542 687
Cost of sales		(15 173 752)	(22 192 007)
Changes in stocks of finished goods and work in progress		257 723	619 997
External supplies and services		(16 093 964)	(14 852 565)
Staff costs		(10 176 094)	(8 634 429)
Depreciation and amortisation		(6 456 318)	(5 482 699)
Provisions and impairment losses (Increases)/Decreases		(73 097)	662 232
Other operating expenses		(1 729 398)	(1 782 298)
Operational profit/(loss)		6 147 849	7 160 865
Financial Expenses		4 297	16 109
Financial Income		(1 026 027)	(1 145 538)
Net financial income / (expenses)		(1 021 730)	(1 129 429)
Profit/(Loss) in associated and jointly controlled companies measured using the equity method		66 067	69 126
Investment income		9 607	(77 119)
Profit/(Loss) before taxation		5 201 793	6 023 443
Taxation		374 152	654 918
Profit/(Loss) for the year - continued operations		4 827 641	5 368 526
Profit/(Loss) for the year - discontinued operations		(1 205 857)	(948 029)
Profit/(Loss) for the year		3 621 784	4 420 497
Attributable to:			
Equity holders of Sonae Capital		1 141 271	573 392
Non-controlling interests		2 480 513	344 567

The accompanying notes are part of these financial statements.

¹ Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 September 2018 AND 2017

(Amounts expressed in euro)

	30/09/2018	30/09/2017
Consolidated net profit/(loss) for the period	(6 433 996)	490 214
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	388 534	52 942
Change in the fair value of cash flow hedging derivatives	-	1 366
Other comprehensive income for the period - continued operations	-	102 288
Other comprehensive income for the period - discontinued operations	388 534	(47 980)
Total comprehensive income for the period	(6 162 022)	544 522
Attributable to:		
Equity holders of Sonae Capital	(6 053 127)	(434 623)
Non-controlling interests	7 665	979 145

The accompanying notes are part of these financial statements.

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 2ND QUARTER OF 2018 AND 2017

(Amounts expressed in euro)

	3rd Quarter 2018 ¹	3rd Quarter 2017 ¹
Consolidated net profit/(loss) for the period	3 621 784	4 420 497
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	167 453	161 910
Change in the fair value of cash flow hedging derivatives	-	1 366
Other comprehensive income for the period - continued operations	-	101 936
Other comprehensive income for the period - discontinued operations	167 453	(3 942)
Total comprehensive income for the period	3 789 237	4 518 491
Attributable to:		
Equity holders of Sonae Capital	3 853 561	4 056 972
Non-controlling interests	-64 324	461 519

The accompanying notes are part of these financial statements.

¹ Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

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MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 September 2018 AND 2017

(Amounts expressed in euro)

	Attributable to Equity Holders of Sonae Capital							Net Profit/(Loss)	Total	Non-Controlling Interests	Total Equity	
	Share Capital	Own Shares	Demerger Reserve (Note 15)	Translation Reserves	Fair Value Reserves	Hedging Reserves	Others Reserves					Sub-Total
Balance as at 1 January 2017	250 000 000	(1 404 226)	132 638 253	12 876	-	5 004	(88 414 342)	44 241 791	17 594 199	310 431 764	9 925 965	320 357 729
Total consolidated comprehensive income for the period	-	-	-	62 547	-	1 366	-	63 913	(498 534)	(434 621)	979 145	544 524
Appropriation of profit of 2016:												
Transfer to legal reserves and retained earnings	-	-	-	-	-	-	17 594 199	17 594 199	(17 594 199)	-	-	-
Dividends paid	-	-	-	-	-	-	(24 521 656)	(24 521 656)	-	(24 521 656)	(926 710)	(25 448 366)
(Acquisition)/Sales of own shares	-	98 387	-	-	-	-	-	-	-	98 387	-	98 387
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-	-	-	(2 432)	(2 432)
Other changes	-	-	-	-	-	-	827 454	827 454	-	827 454	-	827 454
Balance as at 30 September 2017	250 000 000	(1 305 839)	132 638 253	75 423	-	6 370	(94 514 345)	38 205 701	(498 534)	286 401 328	9 975 968	296 377 296
Balance as at 1 January 2018	250 000 000	(1 305 839)	132 638 253	146 352	-	6 370	(94 517 538)	38 273 437	(6 513 485)	280 454 113	10 915 176	291 369 289
Total consolidated comprehensive income for the period	-	-	-	271 974	-	-	-	271 974	(6 325 101)	(6 053 127)	7 665	(6 045 462)
Appropriation of profit of 2017:												
Transfer to legal reserves and retained earnings	-	-	-	-	-	-	(6 513 485)	(6 513 485)	6 513 485	-	-	-
Dividends paid	-	-	-	-	-	-	(14 753 543)	(14 753 543)	-	(14 753 543)	(1 062 899)	(15 816 442)
(Acquisition)/Sales of own shares	-	113 031	-	-	-	-	-	-	-	113 031	-	113 031
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	(3 510 390)	(3 510 390)	-	(3 510 390)	-	(3 510 390)
Other changes	-	-	-	-	-	-	(53 783)	(53 783)	-	(53 783)	(750 859)	(804 642)
Balance as at 30 September 2018	250 000 000	(1 192 808)	132 638 253	418 326	-	6 370	(119 348 739)	13 714 210	(6 325 101)	256 196 301	9 109 084	265 305 385

The accompanying notes are part of these financial statements.

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 AND 2017

(Amounts expressed in euro)

	Notes	30/09/2018	30/09/2017 Restated	3rd Quarter 2018 *	3rd Quarter 2017 *
OPERATING ACTIVITIES:					
Cash receipts from trade debtors		148 626 098	127 236 984	55 237 470	52 680 782
Cash paid to trade creditors		(89 097 342)	(79 838 217)	(30 240 149)	(33 871 337)
Cash paid to employees		(31 407 914)	(27 791 597)	(10 412 694)	(10 515 061)
Cash flow generated by operations		<u>28 120 842</u>	<u>19 607 170</u>	<u>14 584 627</u>	<u>8 294 384</u>
Income taxes (paid) / received		(351 684)	824 801	775 174	1 279 467
Other cash receipts and (payments) relating to operating activities		<u>(13 192 785)</u>	<u>4 204 629</u>	<u>(1 175 623)</u>	<u>1 594 690</u>
Discontinued operations		<u>(2 938 358)</u>	<u>(731 261)</u>	<u>(423 989)</u>	<u>(810 844)</u>
Net cash from operating activities (1)		<u><u>17 514 731</u></u>	<u><u>25 367 861</u></u>	<u><u>14 608 167</u></u>	<u><u>11 979 385</u></u>
INVESTMENT ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Investments		681 362	736 096	25 145	38 183
Tangible assets		11 220 218	7 606 677	4 839 939	3 293 889
Intangible assets		831	11	831	-
Subsidies		-	44 209	-	-
Interest and similar income		67 361	99 787	5 862	7 835
Loans granted		-	654 955	-	654 955
Dividends		120 883	280 461	-	92 809
Others		1 460	6 392	1 460	-
Changes in consolidation perimeter (companies in)		<u>81 143</u>	<u>2 871 834</u>	<u>-</u>	<u>67 996</u>
		<u>12 173 258</u>	<u>12 300 422</u>	<u>4 873 237</u>	<u>4 155 667</u>
<u>Cash Payments arising from:</u>					
Investments		(7 737 344)	(37 289 780)	(141 934)	(8 574 441)
Tangible assets		(21 129 202)	(5 473 139)	(6 899 941)	(1 776 380)
Intangible assets		(2 678 314)	(801 285)	(1 312 153)	(166 613)
Loans granted		-	(33 852)	-	8
		<u>(31 544 860)</u>	<u>(43 598 056)</u>	<u>(8 354 028)</u>	<u>(10 517 426)</u>
Discontinued operations		<u>(42 023)</u>	<u>2 297</u>	<u>5 456</u>	<u>(51)</u>
Net cash used in investment activities (2)		<u><u>(19 329 579)</u></u>	<u><u>(31 299 931)</u></u>	<u><u>(3 486 247)</u></u>	<u><u>(6 361 708)</u></u>
FINANCING ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Loans obtained		36 564 260	49 606 527	(12 786 254)	3 721 021
Sale of own shares		190 012	98 387	-	-
		<u>36 754 272</u>	<u>49 704 914</u>	<u>(12 786 254)</u>	<u>3 721 021</u>
<u>Cash payments arising from:</u>					
Loans obtained		(12 808 216)	(40 933 655)	2 085 059	(16 615 107)
Interest and similar charges		(2 852 472)	(3 490 660)	(718 339)	(973 726)
Reimbursement of capital and paid in capital		-	(1 658 113)	-	(1 658 113)
Dividends		<u>(15 718 645)</u>	<u>(24 908 646)</u>	<u>(629 248)</u>	<u>(63 689)</u>
		<u>(31 379 333)</u>	<u>(70 991 074)</u>	<u>737 472</u>	<u>(19 310 635)</u>
Discontinued operations		<u>3 005 786</u>	<u>1 232 958</u>	<u>394 014</u>	<u>1 219 579</u>
Net cash used in financing activities (3)		<u><u>2 369 153</u></u>	<u><u>(22 519 118)</u></u>	<u><u>(12 442 796)</u></u>	<u><u>(16 809 193)</u></u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>554 305</u>	<u>(28 451 186)</u>	<u>(1 320 876)</u>	<u>(11 191 516)</u>
Effect of foreign exchange rate		-	37 476	-	14 048
Cash and cash equivalents at the beginning of the period	14	7 233 499	32 735 869	-	-
Cash and cash equivalents at the end of the period	14	<u><u>7 787 806</u></u>	<u><u>4 247 207</u></u>	<u><u>(1 320 876)</u></u>	<u><u>(11 205 564)</u></u>

The accompanying notes are part of these financial statements.

* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

SONAE CAPITAL, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 September 2018 AND 2017

(Translation from the Portuguese Original)
(Amounts expressed in euro)

1. INTRODUCTION

SONAE CAPITAL, SGPS, SA (“Company”, “Group” or “Sonae Capital”) whose head-office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, is the parent company of a group of companies, as detailed in Notes 4 to 6 (“Sonae Capital Group”) and was set up on 14 December 2007 as a result of the demerger of the shareholding in SC, SGPS, SA (previously named Sonae Capital, SGPS, SA) from Sonae, SGPS, SA, which was approved by the Board of Directors on 8 November 2007 and by the Shareholder’s General Meeting held on 14 December 2007.

Reflecting the current management structure, the reporting segments were revised, addressing the strategic business areas identified in the Group:

- Troia Resort Operations;
- Hospitality;
- Fitness;
- Energy;
- Refrigeration & HVAC;
- Industrial Engineering;
- Real Estate;
- Holding & Others.

The non-strategic assets (including non-tourism real estate assets and financial shareholdings) are included in the segment Holding & Others.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted are consistent with those used in the financial statements presented for the year ended 31 December 2017.

Basis of preparation

Interim financial statements were presented quarterly, in accordance with IAS 34 – “Interim Financial Reporting”.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the Company and of its affiliated undertakings (Notes 4 and 6), on a going concern basis and under the historical cost convention, except for derivative financial instruments which are stated at fair value.

3. CHANGES IN ACCOUNTING POLICIES

Changes to international accounting standards that came into force on or after 1 January 2018, did not have material impacts in the financial statements as at 30 September 2018.

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4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and the percentage of the share capital held by the Group as at 30 September 2018 and 31 December 2017, are as follows:

Company	Head Office	Percentage of capital held				
		30 September 2018		31 December 2017		
		Direct	Total	Direct	Total	
Sonae Capital, SGPS, S.A.	Maia					
Hospitality						
Porto Palácio Hotel, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
SC Hospitality, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
The Artist Porto Hotel & Bistrô - Actividades Hoteleiras, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
The House Ribeira Hotel - Exploração Hoteleira, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Aqualuz Tróia, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Tróia Resort Operations						
Atlantic Ferries - Tráf. Loc. Flu. e Marít., S.A.	a)	Grândola	95,77%	95,77%	95,77%	95,77%
Marina de Tróia, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Tróia Market, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Tróia Natura, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Troiareort-Investimentos Turísticos, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Troiareort, SGPS, S.A.	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
Golf Time - Golfe e Invest. Turísticos, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Fitness						
3) Acrobatic Title, S.A.	a)	Lisboa	100,00%	100,00%	10,00%	10,00%
Solinca - Health & Fitness, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
4) SC Fitness, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
1) & 8) Pump, S.A.	a)	Maia	100,00%	100,00%		
1) & 12) About Changes Investimentos, Unipessoal, Lda.	a)	Maia	100,00%	100,00%		
1) & 12) Ineditalchemy, Unipessoal, Lda.	a)	Maia	100,00%	100,00%		
1) & 12) Magnetic Nature, Unipessoal, Lda.	a)	Maia	100,00%	100,00%		
1) & 12) Ocean Destiny, Unipessoal, Lda.	a)	Maia	100,00%	100,00%		
1) & 12) Questão Magenta, Unipessoal, Lda.	a)	Maia	100,00%	100,00%		
1) & 12) Rhtyhmdragon, Unipessoal, Lda.	a)	Maia	100,00%	100,00%		
Energy						
Atelgen - Produção Energia, ACE	a)	Barcelos	51,00%	51,00%	51,00%	51,00%
CAPWATT - Brainpower, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
CAPWATT - ACE, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Colombo - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Engenho Novo - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Hectare - Heat Power, ACE	a)	Maia	100,00%	100,00%	100,00%	100,00%
13) Capwatt Évora - Solar Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt III - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
14) Capwatt IV - Heat Power, Unipessoal, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Maia - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Martim Longo - Solar Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Vale do Caima - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Vale do Tejo - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
15) Capwatt Estuário - Heat Power, Unipessoal, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%
16) Capwatt Lousado - Heat Power, Unipessoal, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%

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17)	Capwatt Alrota – Wind Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
18)	Capwatt Chamusca – Bio Power, Unipessoal, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%
19)	Capwatt Ferreira – Solar Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	CAPWATT – SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Carvemagere - Manutenção e Energias Renováveis, Lda.	a)	Barcelos	65,00%	65,00%	65,00%	65,00%
	Companhia Térmica SERRADO, ACE	a)	Maia	70,00%	70,00%	70,00%	70,00%
	Companhia Térmica Tagol, Lda.	a)	Oeiras	100,00%	100,00%	100,00%	100,00%
	Soternix - Produção de Energia, ACE	a)	Barcelos	51,00%	51,00%	51,00%	51,00%
	Suncoutim - Solar Energy, S.A.	a)	Faro	85,00%	85,00%	85,00%	85,00%
	Sociedade de Iniciativa e Aproveitamentos Florestais - Energia, S.A.	a)	Mangualde	90,00%	90,00%	90,00%	90,00%
Refrigeration e HVAC							
11)	QCE - Desenvolvimento e fabrico de Equipamentos, S.A.	a)	Matosinhos	100,00%	70,00%	100,00%	70,00%
6)	RACE - Refrigeration & Air Conditioning Engineering, S.A.	a)	Matosinhos	100,00%	70,00%	100,00%	70,00%
5)	RACE, SGPS, S.A.	a)	Matosinhos	70,00%	70,00%	70,00%	70,00%
2)	Sistavac Sistemas HVAC - R do Brasil, Ltda.	a)	São Paulo	100,00%	70,00%	100,00%	70,00%
	Sopair, S.A.	a)	Madrid	100,00%	70,00%	100,00%	70,00%
2)	Spinarq Moçambique, Lda.	a)	Maputo	70,00%	70,00%	70,00%	70,00%
Real Estate							
	Bloco Q - Soc. Imobil, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Casa da Ribeira - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Centro Residencial da Maia, Urban., S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Cinclus Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Contry Club da Maia - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Empreend. Imob. Quinta da Azenha, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Fundo Esp. Inv. Imo. Fec. WTC	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imoclub - Serviços Imobiliários, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imodivor - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imohotel - Emp. Turist. Imobiliários, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imoponte - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imosedas - Imobiliária e Serviços, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Implantação - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Porturbe - Edifícios e Urbanizações, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Praedium II - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Prédios Privados Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Predisedas - Predial das Sedas, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Promessa Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC Assets, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sete e Meio Herdades - Inv. Agr. e Tur., S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Soira - Soc. Imobiliária de Ramalde, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sótaqua - Soc. de Empreend. Turísticos	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Spinveste - Promoção Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Spinveste - Gestão Imobiliária SGI, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Urbisedas - Imobiliária das Sedas, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Vistas do Freixo - Emp. Tur. Imobiliários, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Soltroia - Imob. de Urb. Turismo de Tróia, S.A.	a)	Lisboa	100,00%	100,00%	100,00%	100,00%
	SII - Soberana Invest. Imobiliários, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Tulipamar - Expl. Hoteleira Imob., S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Marmagno - Expl. Hoteleira Imob., S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Imopenínsula - Sociedade Imobiliária, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Imoresort - Sociedade Imobiliária, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Marvero - Expl. Hotel. Im., S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Industrial Engineering							
4) & 7)	SC, INDUSTRIALS, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%

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	Adira - Metal Forming Solutions, S.A.	a)	Porto	100,00%	100,00%	100,00%	100,00%
	Guimadira - Máquinas e Ferramentas, Lda.	a)	V. N. Gaia	100,00%	100,00%	100,00%	100,00%
Holding & Others							
	Imobeauty, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC - Sociedade de Consultadoria, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC Finance BV	a)	Amesterdão	100,00%	100,00%	100,00%	100,00%
10)	SC For - Ser. Formação e Desenvolv. Recursos Humanos, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	UP Invest., SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Solinfitness - Club Málaga, S.L.	a)	Málaga	100,00%	100,00%	100,00%	100,00%
	Praedium – Serviços, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Inparvi, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
10)	Interlog - SGPS, S.A.	a)	Lisboa	98,98%	98,98%	98,98%	98,98%
	Société de Tranchage Isoroy, S.A.S.	a)	Honfleur	100,00%	100,00%	100,00%	100,00%
9) & 20)	Andar - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	50,00%	50,00%
9) & 20)	Sociedade de Construções do Chile, S.A.	a)	Maia	100,00%	100,00%	50,00%	50,00%
9) & 20)	Vastgoed One - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	50,00%	50,00%
9) & 20)	Vastgoed Sun - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	50,00%	50,00%

- 1) Company acquired during the period in consideration;
 - 2) Discontinued operations;
 - 3) Acquisition of 90% participation during the period in consideration;
 - 4) Transferred from the segment Holding & Others;
 - 5) Ex - Sistavac, SGPS, S.A.;
 - 6) Ex - Sistavac, S.A.;
 - 7) Ex - SC-Eng. e promoção imobiliária, SGPS, S.A.;
 - 8) Ex - About, SGPS, S.A.;
 - 9) Acquisition of the remaining 50% participation during the period in consideration;
 - 10) Disposals during the period in consideration;
 - 11) Company merged into RACE - Refrigeration & Air Conditioning Engineering, S.A.;
 - 12) Company merged into Pump, S.A.;
 - 13) Ex - Capwatt II - Heat Power, S.A.;
 - 14) Ex - Ronfegen - Recursos Energéticos, Lda.;
 - 15) Ex - CTE - Central Termoeléctrica do Estuário, Lda.;
 - 16) Ex - Enerlousado - Recursos Energéticos, Lda.;
 - 17) Ex - Lusobrisa - Produção de Energia Eléctrica, S.A.;
 - 18) Ex - Gasflow, Unipessoal, Lda.;
 - 19) Ex - Ventos da Serra - Produção de Energia S.A.;
 - 20) Transferred from the segment Real Estate;
- a) Majority of voting rights.

These group companies are consolidated using the full consolidation method.

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5. INVESTMENTS IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Associated and jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 30 September 2018 and 31 December 2017, are as follows:

30 September 2018

Company name	Head Office	Percentage of Capital Held		Total Assets	Total Liabilities	Total Costs	Total incomes	Shared Capital	Net income	Balance Value
		Direct	Total							
Jointly Controlled Companies										
Other Assets										
1) Andar - Sociedade Imobiliária, SA	Maia	-	-	-	-	-	-	-	-	-
1) Sociedade de Construções do Chile, SA	Maia	-	-	-	-	-	-	-	-	-
1) Vastgoed One - Sociedade Imobiliária, SA	Maia	-	-	-	-	-	-	-	-	-
1) Vastgoed Sun - Sociedade Imobiliária, SA	Maia	-	-	-	-	-	-	-	-	-
Associated Companies										
Other Assets										
Lidergraf - Artes Gráficas, Lda	Vila do Conde	24,50%	24,50%	17 432 139	9 080 275	15 727 877	16 267 428	8 351 864	539 551	1 314 426
Energy										
2) Feneralt - Produção de Energia, ACE	Barcelos	25,00%	25,00%	1 298 857	180 168	672 656	1 247 626	1 118 689	574 970	280 649
				18 730 996	9 260 443	16 400 533	17 515 054	9 470 553	1 114 521	1 595 075

1) Companies in the Sonae consolidation perimeter Capital SGPS from Q2 2018;

2) Values for the period ended July 2018.

31 December 2017

Company name	Head Office	Percentage of Capital Held		Total Assets	Total Liabilities	Total Costs	Total incomes	Shared Capital	Net income	Balance Value
		Direct	Total							
Jointly Controlled Companies										
Other Assets										
Andar - Sociedade Imobiliária, SA	Maia	50,00%	50,00%	16 583 257	16 878 185	123 856	1 102	(294 928)	(122 754)	-
1) Sociedade de Construções do Chile, SA	Maia	100,00%	50,00%	16 548 484	326 238	110 974	2 423 166	16 222 246	2 312 192	-
1) Vastgoed One - Sociedade Imobiliária, SA	Maia	100,00%	50,00%	12 037 856	976	1 084	-	12 036 880	(1 084)	-
1) Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100,00%	50,00%	12 042 540	976	1 079	-	12 041 564	(1 079)	-
Associated Companies										
Other Assets										
2) Lidergraf - Artes Gráficas, Lda	Vila do Conde	24,50%	24,50%	18 533 396	10 335 157	20 515 836	21 812 819	8 198 240	1 296 983	1 276 788
Energy										
Feneralt - Produção de Energia, ACE	Barcelos	25,00%	25,00%	818 220	167 923	1 407 770	2 053 857	650 297	646 087	142 240
				76 563 753	27 709 455	22 160 599	26 290 944	48 854 299	4 130 345	1 419 028

1) Null investment values result from the adoption of the equity method in Andar - Sociedade Imobiliária, SA, holder of all of these investments;

2) Values for the period ended December 2017.

Associated and jointly controlled companies are consolidated using the equity method.

The balance values of zero result from the reduction in the acquisition cost by application of the equity method, discontinuing the recognition of its part of additional losses under the terms of IAS 28.

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During the periods ended 30 September 2018 and December 2017, movements in investments of associated and jointly controlled companies may be summarized as follows:

	30 September 2018	31 December 2017
Opening balance as at 1 January	1 419 028	1 266 842
Disposals in the period	-	(31 948)
Equity method	296 930	391 017
Dividends received	(120 883)	(206 883)
Closing balance as at 30 September	1 595 075	1 419 028
Accumulated impairment losses (Note 21)	-	-
	1 595 075	1 419 028

The use of the equity method had the following impacts: 296,930€ recorded on share of results of associated undertakings (391,017€ at 31 December 2017).

6. OTHER INVESTMENTS

Group companies, jointly controlled companies and associated companies excluded from consolidation, their head offices, the percentage of share capital held and book value as at 30 September 2018 and 31 December 2017 are as follows:

Company	Head Office	Percentage of capital held				Book value	
		30 September 2018		31 December 2017		30 September 2018	31 December 2017
		Direct	Total	Direct	Total		
Resorts							
Infratróia - Infraestruras de Tróia, E.M.	Grândola	25,90%	25,90%	25,90%	25,90%	64 750	64 747
Outros Activos							
Net, SA	Lisbon	0,98%	0,98%	0,98%	0,98%	23 034	23 034
Fundo de Capital de Risco F-HITEC	Lisbon	6,48%	6,48%	6,48%	6,48%	250 950	250 950
Outros Investimentos		0,00%	0,00%	0,00%	0,00%	318 152	239 699
Total						656 886	578 430

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As at 30 September 2018 and 31 December 2017, movements in investments were as follows:

	30 September 2018		31 December 2017	
	Non-current	Current	Non-current	Current
Investments at acquisition cost				
Opening balance as at 1 January	870 268	-	770 693	-
Acquisitions in the period	135 441	-	46 214	-
Disposals in the period	(66 643)	-	(57 684)	-
Transfers	-	-	134	-
Merger	10 687	-	-	-
Changes in consolidation perimeter	(1 029)	-	110 911	-
Closing balance as at 30 September	948 724	-	870 268	-
Accumulated impairment losses (Note 21)	(291 838)	-	(291 838)	-
	656 886	-	578 430	-
Other Investments	656 886	-	578 430	-

7. CHANGES TO THE CONSOLIDATION PERIMETER

During the period ended 30 September 2018 the following companies were acquired:

Company	Head Office	Percentage of capital held	
		Direct	Total
About, SGPS, S.A.	Maia	100,00%	100,00%
About Changes Investimentos, Unipessoal, Lda.	Maia	100,00%	100,00%
Ineditalchemy Unipessoal, Lda.	Maia	100,00%	100,00%
Magnetic Nature, Unipessoal, Lda.	Maia	100,00%	100,00%
Ocean Destiny, Unip. Lda	Maia	100,00%	100,00%
Questão Magenta, Unipessoal, Lda.	Maia	100,00%	100,00%
Rhtyhmdragon, Unipessoal, Lda.	Maia	100,00%	100,00%
Andar - Sociedade Imobiliária, SA	Maia	100,00%	100,00%
Sociedade de Construções do Chile, SA	Maia	100,00%	100,00%
Vastgoed One - Sociedade Imobiliária, SA	Maia	100,00%	100,00%
Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100,00%	100,00%

During 2018 the remaining 50% participation of the Andar Group was acquired, thus, gaining full control of the entities.

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Impacts in the consolidated financial statements at the inclusion date were as follows:

	<u>Acquisition date</u>	<u>30 September 2018</u>
Net assets acquired		
Tangible and intangible assets (Notes 10 and 11)	5 246 221	5 947 054
Financial investments	20 371	13 055
Other assets	750 853	862 903
Cash and cash equivalents	78 339	137 643
Other liabilities	(4 048 181)	(4 619 577)
	<u>2 047 603</u>	<u>2 341 078</u>
Total equity	<u>2 047 603</u>	
Income statements from the acquired companies	<u>Acquisition date</u>	<u>30 September 2018</u>
Cost of sales	-	66 003
Production variation	-	-
External supplies and services	13 240	2 640 747
Staff costs	-	1 337 097
Depreciation and amortisation	-	664 540
Provisions and impairment losses	-	-
Other operating expenses	-	202 464
Operational expenses	<u>13 240</u>	<u>4 910 851</u>
Sales	-	115 162
Services rendered	-	5 289 030
Other operating income	196	354 709
Operational income	196	5 758 900
Operational profit/(loss)	<u>(13 044)</u>	<u>848 050</u>
Financial income	6	8 145
Financial expenses	12 684	64 534
Net financial income / (expenses)	<u>(12 678)</u>	<u>(56 389)</u>
Investment income	-	-
Investment income	<u>-</u>	<u>-</u>
Profit/(Loss) before taxation	<u>(25 722)</u>	<u>791 660</u>
Taxation	-	(209 354)
Profit/(Loss) for the year	<u>(25 722)</u>	<u>582 307</u>
Gain/(Loss) on acquisition (Note 41)	-	
Acquisition price	6 404 463	
Payments made	1 919 736	
Net cash flow from the acquisition		
Payments made	8 324 198	
Cash and equivalents acquired	(89 059)	
	<u>8 235 139</u>	

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8. TANGIBLE ASSETS AND INTANGIBLE ASSETS

During the three-month period ended 30 September 2018, movements in tangible and intangible fixed assets as well as in amortisation and accumulated impairment losses, are made up as follows:

	Tangible Assets							
	Land and Natural Resources	Buildings and Other Constructions	Plant and Machinery	Vehicles	Fixtures and Fittings	Others	Tangible Assets in progress	Total Tangible Assets
Gross Cost:								
Opening balance as at 1 January 2018	49 859 173	155 688 594	285 701 503	1 244 107	4 055 064	4 795 793	6 548 831	507 893 064
Changes in consolidation perimeter (companies in)	-	5 299 212	1 380 771	77 390	270 461	61 567	48 505	7 137 906
Changes in consolidation perimeter (companies out)	-	-	23 482	-	21 645	36 125	-	81 252
Capital expenditure	520 829	613 407	1 781 669	-	-	54 252	17 206 896	20 177 053
Disposals	(1 784 601)	(4 434 567)	(6 148 980)	(73 000)	(45 795)	(70 859)	(149 357)	(12 707 159)
Exchange rate effect	-	-	-	-	-	-	-	-
Transfers	29 317	85 002	9 153 504	(336 532)	357 802	(1 763 721)	(7 345 376)	179 997
Closing balance as at 30 September 2018	48 624 719	157 251 647	291 844 984	911 965	4 615 887	3 040 907	16 309 499	522 599 608
Accumulated depreciation								
Opening balance as at 1 January 2018	-	43 580 976	157 597 181	1 070 247	3 303 302	2 274 539	-	207 826 244
Changes in consolidation perimeter (companies in)	-	1 309 434	429 468	11 869	135 484	18 624	-	1 904 879
Changes in consolidation perimeter (companies out)	-	-	19 245	-	19 101	33 759	-	72 105
Charges for the period	-	2 392 549	14 239 845	31 512	223 098	79 668	-	16 966 672
Disposals	-	(1 124 863)	(2 124 334)	(9 125)	(39 013)	(73 972)	-	(3 371 308)
Exchange rate effect	-	-	-	-	-	-	-	-
Transfers	-	43 947	854 427	(276 726)	(464)	80 775	-	701 958
Closing balance as at 30 September 2018	-	46 202 043	170 977 341	827 777	3 603 306	2 345 874	-	223 956 340
Accumulated impairment losses								
Opening balance as at 1 January 2018	6 000 391	23 414 766	5 219 689	-	-	-	-	34 634 846
Changes in consolidation perimeter (companies in)	-	-	-	-	-	-	-	-
Changes in consolidation perimeter (companies out)	-	-	-	-	-	-	-	-
Charges for the period	17 944	36 343	6 190	-	-	-	-	60 477
Reversals for the period	(185 412)	(233 702)	(76 029)	-	-	-	-	(495 144)
Exchange rate effect	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Closing balance as at 30 September 2018	5 832 922	23 217 408	5 149 850	-	-	-	-	34 200 181
Carrying amount								
As at 1 January 2018	43 858 783	88 692 851	122 884 633	173 860	751 762	2 521 253	6 548 831	265 431 974
As at 30 September 2018	42 791 797	87 832 197	115 717 793	84 188	1 012 581	695 033	16 309 499	264 443 088

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The most significant values included in the caption Tangible assets in progress, refer to the following projects:

	<u>30 September 2018</u>	<u>31 December 2017</u>
Troiiaresort	1 774 772	1 671 835
Marina Troia	199 834	187 465
Industrial plants re-construction/remodeling and project management	11 768 897	2 240 148
Remodeling / New Health Clubs's Openings	635 751	1 280 759
Renovation of Hotel	528 411	-
Industrial Engineering	1 271 778	1 112 976
Others	130 056	55 647
	<u>16 309 499</u>	<u>6 548 830</u>

The increase seen in the item Industrial plants reconstruction / remodeling and project management refers mainly to the Energy segment in relation to the reconstruction of the factory in Mangualde and other projects in progress.

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During the three-month period ended 30 September 2018, intangible fixed assets as well as in amortisation and accumulated impairment losses, are made up as follows:

	Intangible Assets				Total Intangible Assets
	Patents and other similar rights	Software	Others	Intangible Assets in progress	
Gross Cost:					
Opening balance as at 1 January 2018	9 336 173	4 819 214	4 004 093	1 519 682	19 679 162
Changes in consolidation perimeter (companies in)	-	-	19 790	-	19 790
Changes in consolidation perimeter (companies out)	-	-	-	-	-
Capital expenditure	-	-	2 069 227	666 890	2 736 118
Disposals	(162 029)	(19 720)	-	-	(181 749)
Exchange rate effect	-	-	-	-	-
Transfers	19 183	293 342	(1 157 431)	(233 887)	(1 078 793)
Closing balance as at 30 September 2018	9 193 327	5 092 836	4 935 679	1 952 685	21 174 527
Accumulated amortization					
Opening balance as at 1 January 2018	2 656 361	3 681 794	2 828 951	-	9 167 106
Changes in consolidation perimeter (companies in)	-	-	6 596	-	6 596
Changes in consolidation perimeter (companies out)	-	-	-	-	-
Charges for the period	301 181	488 734	166 778	-	956 693
Disposals	(55 237)	(18 889)	-	-	(74 126)
Exchange rate effect	-	-	-	-	-
Transfers	8 824	17 854	21 249	-	47 927
Closing balance as at 30 September 2018	2 911 129	4 169 493	3 023 573	-	10 104 196
Accumulated impairment losses:					
Opening balance as at 1 January 2018	89 536	-	600 000	-	689 536
Changes in consolidation perimeter (companies in)	-	-	-	-	-
Changes in consolidation perimeter (companies out)	-	-	-	-	-
Charges for the period	-	-	-	-	-
Reversals for the period	-	-	-	-	-
Exchange rate effect	-	-	-	-	-
Transfers	-	-	-	-	-
Closing balance as at 30 September 2018	89 536	-	600 000	-	689 536
Carrying amount					
As at 1 January 2018	6 679 812	1 137 420	1 175 142	1 519 682	9 822 521
As at 30 September 2018	6 282 198	923 343	1 912 106	1 952 685	10 380 797

As at 30 September 2018 the net assets of Marina de Troia in Patents and other similar rights, amounts to 5,004,181€ (5,261,284€ at 31 December 2017).

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9. GOODWILL

During the periods ended 30 September 2018 and 31 December 2017, movements in goodwill, as well as in corresponding impairment losses, are as follows:

	30 September 2018	31 December 2017
Gross amount:		
Opening balance	72 080 082	62 194 124
Increases - acquisition of affiliated companies	10 262 880	10 449 890
Decreases - disposals of affiliated companies	-	563 932
Closing balance	82 342 962	72 080 082
Accumulated impairment losses:		
Opening balance	24 703 711	24 353 034
Increases	8 814	350 677
Transfers	4 917 902	-
Closing balance	29 630 427	24 703 711
Total	52 712 535	47 376 371

10. OTHER NON-CURRENT DEBTORS

As at 30 September 2018 and 31 December 2017, other non-current debtors are detailed as follows:

	30 September 2018	31 December 2017
Loans granted to related parties		
Others	34 916	907 655
	34 916	907 655
Impairment losses (Note 21)	(34 916)	(34 916)
	(0)	872 739
Trade accounts receivable and other debtors		
Sale of financial investments	505 000	505 000
Others	2 114 375	4 947 709
Impairment losses (Note 21)	-	-
	2 619 375	5 452 709
Deferred costs		
Financing charges	169 001	276 547
	169 001	276 547
Total financial instruments	2 788 375	6 601 994
Other non-current debtors	2 788 375	6 601 994

The variation in the loans granted to related parties reflects the acquisition of control in the group of companies Andar from the Andar Group.

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The amount registered under the item Sale of financial investments includes amounts to be received from the sale of the participation in UPK.

The amounts included in the item Others within the account Trade accounts receivable and other debtors are related to the sale of real estate during the financial year of 2017.

11. INVENTORIES

Inventories as at 30 September 2018 and 31 December 2017 can be detailed as follows, highlighting the value attributable to real estate developments:

	30 September 2018		31 December 2017	
	Total	of which Real Estate Developments	Total	of which Real Estate Developments
Raw materials, by-products and consumables	5 420 513	-	4 677 862	-
Goods for sale	14 487 109	11 453 233	14 767 604	13 282 113
Finished goods	12 654 295	12 766 994	13 281 182	12 613 221
Work in progress	65 440 704	61 523 468	67 372 682	62 728 774
Payments on account	-	-	-	-
	<u>98 002 622</u>	<u>85 743 695</u>	<u>100 099 331</u>	<u>88 624 108</u>
Accumulated impairment losses on stocks (Note 21)	(5 702 697)	(5 600 764)	(5 702 697)	(5 240 945)
Total Operations	<u>92 299 925</u>	<u>80 142 931</u>	<u>94 396 634</u>	<u>83 383 163</u>

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12. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at 30 September 2018 and 31 December 2017, trade accounts receivable and other current assets are detailed as follows:

	30 September 2018	31 December 2017
Trade accounts receivable	29 271 677	31 008 486
Accumulated impairment losses on trade debtors (Note 21)	(6 459 601)	(6 208 847)
	<u>22 812 076</u>	<u>24 799 640</u>
Taxes recoverable	8 657 944	8 828 905
Loans granted to and other amounts to be received from related parties	73 069	38 897
Other current assets		
Suppliers with a debtor balance	1 068 513	1 153 208
Other debtors	4 405 359	5 129 832
Accounts receivable from the sale of financial investments	2 216 912	2 862 642
Accounts receivable from the sale of tangible assets	5 855 295	2 859 253
Interest receivable	36	15 434
Deferred costs - Rents	929 114	627 096
Deferred costs - External supplies and services	1 335 009	1 382 160
Other current assets	10 456 079	7 301 557
	<u>26 266 317</u>	<u>21 331 182</u>
Accumulated impairment losses on other current assets (Note 21)	(1 855 119)	(1 995 925)
	<u>(1 855 119)</u>	<u>(1 995 925)</u>
Trade accounts receivable and other current assets	<u><u>55 954 288</u></u>	<u><u>53 002 698</u></u>

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13. DEFERRED TAXES

Deferred tax assets and liabilities as at 30 September 2018 and 31 December 2017 can be detailed as follows, splitted between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Amortisation and Depreciation harmonisation adjustments	254 208	267 271	4 734 328	4 618 137
Provisions and impairment losses of non-tax deductible	5 159 311	5 238 117	-	-
Write off of tangible and intangible assets	71 250	71 250	-	-
Write off of accruals	-	-	-	-
Revaluation of tangible assets	-	-	93 680	93 355
Tax losses carried forward	20 710 838	20 710 838	-	-
Financial instruments	-	-	-	-
Write off of stocks	-	-	393 996	393 996
Taxable temporary differences arising from the fair value of non-current liabilities	-	-	6 544 704	6 544 704
Others	1 437 175	1 486 584	9 886 072	9 988 792
	<u>27 632 783</u>	<u>27 774 060</u>	<u>21 652 781</u>	<u>21 638 983</u>

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 30 September 2018 and 31 December 2017, and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

	30 September 2018			31 December 2017		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use						
Generated in 2013	18 852 311	3 958 985	2018	18 852 311	3 958 985	2018
Generated in 2014	13 536 168	2 842 595	2026	13 536 168	2 842 595	2026
Generated in 2015	45 035 288	9 457 411	2027	45 035 288	9 457 411	2027
Generated in 2016	12 025 566	2 525 369	2028	12 025 566	2 525 369	2028
Generated in 2017	9 173 702	1 926 477	2022	9 173 702	1 926 477	2022
Generated in 2018	-	-	2023	-	-	2023
	<u>98 623 035</u>	<u>20 710 838</u>		<u>98 623 036</u>	<u>20 710 838</u>	
With a time limit different from the above mentioned	-	-		-	-	
	<u>98 623 035</u>	<u>20 710 838</u>		<u>98 623 036</u>	<u>20 710 838</u>	

An analysis was made on the relevance of the recognition of deferred taxes, taking into account the possibility of them to be recovered in accordance with the medium and long term prospects of the Group.

Deferred tax assets arising from tax losses have been recorded only when it is likely to occur taxable income in the future.

As at 30 September 2018, tax losses carried forward amounting to 70,326,177€ (43,912,619€ as at 31 December 2017), have not originated deferred tax assets for prudential reasons and are detailed as follows:

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	30 September 2018			31 December 2017		
	Tax losses carried forward	Tax Credit	Time limit	Tax losses carried forward	Tax Credit	Time limit
With limited time use						
Generated in 2013	25 677 134	5 392 198	2018	25 043 382	5 259 110	2018
Generated in 2014	963 693	202 376	2026	49 633	10 423	2026
Generated in 2015	1 190 501	250 005	2027	4 751	998	2027
Generated in 2016	1 115 520	234 259	2028	19 292	4 051	2028
Generated in 2017	13 601 250	2 856 263	2022	6 368 844	1 337 457	2022
Generated in 2018	15 184 393	3 188 723	2023			2023
	<u>57 732 491</u>	<u>12 123 824</u>		<u>31 485 902</u>	<u>6 612 039</u>	
Without limited time use	12 147 066	3 036 767		12 001 155	3 000 289	
With a time limit different from the above mentioned	446 620	99 470		425 562	95 258	
	<u>12 593 686</u>	<u>3 136 237</u>		<u>12 426 717</u>	<u>3 095 547</u>	
	<u>70 326 177</u>	<u>15 260 061</u>		<u>43 912 619</u>	<u>9 707 586</u>	

14. CASH AND CASH EQUIVALENTS

As at 30 September 2018 and 31 December 2017, cash and cash equivalents can be detailed as follows:

	30 September 2018	31 December 2017
Cash at hand	311 933	30 132
Bank deposits	7 622 811	7 276 938
Treasury applications	10 719	-
Cash and cash equivalents on the balance sheet	<u>7 945 463</u>	<u>7 307 069</u>
Bank overdrafts - (Note 17)	(157 657)	(73 571)
Cash and cash equivalents in the statement of cash-flows	<u>7 787 806</u>	<u>7 233 499</u>

Bank overdrafts include creditor balances of current accounts in financial institutions, and are disclosed in the balance sheet under current bank loans (Note 17).

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15. EQUITY

The share capital of Sonae Capital SGPS, SA is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1€ each.

As at 30 September 2018, Sonae Capital SGPS, S.A. owns 4,107,623 own shares (4,783,433 own shares at 31 December 2017) booked for 1,192,808€ (1,305,839 € at 31 December 2017).

Other reserves includes amounts equal to the value of own shares held by the Group's parent company. This reserve should be unavailable while these shares are kept by the company.

The Reserves and retained earnings of Sonae Capital Group in the periods ended 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Demerger reserve	132 638 253	132 638 253
Translation reserves	418 326	146 352
Fair value reserves	-	-
Hedging reserves	6 370	6 370
Others	(119 348 739)	(94 517 536)
	-	-
Other reserves and retained earnings	13 714 210	38 273 437

Demerger reserve

The demerger originated a reserve in the amount of 132,638,253€, which has a treatment similar to that of a Legal Reserve. according to the Code of Commercial Companies, it cannot be distributed to shareholders, unless the company is liquidated, but can be used to absorb losses related to prior years, once other reserves have been fully used, or for capital increases.

Translation reserves

These reserves are comprised by the conversion of the financial statements of the subsidiaries that have other functional currencies into euro.

Hedging Reserve

This caption is comprised by the fair value of hedging derivatives and the accrued interest of that derivative. The amounts in this reserve are transferred to the income statement when subsidiaries are sold or liquidated.

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16. NON-CONTROLLING INTERESTS

Movements in non-controlling interests in the periods ended 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
	<hr/>	<hr/>
Opening balance as at 1 January	10 915 176	9 925 965
Changes in the percentage of capital held in affiliated companies	-	776 824
Changes resulting from currency translation	116 560	27 009
Dividends paid	(1 062 899)	(926 710)
Others	11 166	-
Changes in consolidation perimeter	(762 025)	-
Profit for the period attributable to minority interests	(108 895)	1 112 088
Closing balance	<hr/> 9 109 084 <hr/>	<hr/> 10 915 176 <hr/>

The non-controlling interests are primarily from companies in the Refrigeration and HVAC segment.

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17. BORROWINGS

As at 30 September 2018 and 31 December 2017, Borrowings are made up as follows:

	30 September 2018		31 December 2017		Repayable on
	Outstanding amount		Outstanding amount		
	Current	Non Current	Current	Non Current	
Bank loans					
Sonae Capital SGPS - commercial paper ^{a)}	-	-	4 500 000	-	Jun/2021
Sonae Capital SGPS - commercial paper ^{b)}	-	17 000 000	-	4 000 000	Set/2021
Sonae Capital SGPS - commercial paper ^{c)}	1 250 000	-	3 200 000	-	Mar/2018
Sonae Capital SGPS - commercial paper ^{d)}	10 000 000	-	10 000 000	-	Jun/2019
Sonae Capital SGPS - commercial paper ^{e)}	2 000 000	8 000 000	-	10 000 000	Fev/2023
^{f)} Sonae Capital SGPS - papel comercial	13 000 000	-	5 000 000	-	Dez/2018
^{g)} Sonae Capital SGPS - papel comercial	5 000 000	10 000 000	-	-	Jun/2021
Up-front fees	-	(10 628)	-	(16 867)	
Others	1 842 382	1 921 151	1 966 697	3 235 083	
	<u>33 092 382</u>	<u>36 910 523</u>	<u>24 666 697</u>	<u>17 218 216</u>	
Bank overdrafts (Note 14)	157 657	-	73 571	-	
Bank loans	<u>33 250 039</u>	<u>36 910 523</u>	<u>24 740 268</u>	<u>17 218 216</u>	
Bond Loans					
SC, SGPS, S.A. 2008/2018 Bonds ^{h)}	-	15 000 000	-	15 000 000	Jul/2021
Sonae Capital 2014/2019 Bonds ⁱ⁾	42 500 000	-	-	42 500 000	Mai/2019
Up-front fees	-	(150 899)	-	(254 190)	
Bond Loans	<u>42 500 000</u>	<u>14 849 101</u>	<u>-</u>	<u>57 245 810</u>	
Other loans	<u>48 788</u>	<u>172 995</u>	<u>48 788</u>	<u>197 389</u>	
Derivatives (Note 18)	-	-	-	-	
Obligations under finance leases	3 490 619	12 491 725	3 422 578	13 867 519	
Up-front fees on finance leases	-	(50 298)	-	(60 437)	
	<u>79 289 446</u>	<u>64 374 046</u>	<u>28 211 633</u>	<u>88 468 498</u>	

- a) Commercial paper programme, with subscription guarantee, issued on 31 December 2013 with automatic annual renewal until a maximum of seven years and six months, unless denounced by either part.
- b) Commercial paper programme, with subscription guarantee, issued on 29 September 2017 and valid until September 2021.
- c) Short term commercial paper programme, launched on 28 March 2008 and valid until 28 March 2018, with the option of prolonging the duration for another 10 years. This option was exercised and thus, the current maturity was prorogated for 28 March 2028. Placement with investors or financial institutions and guaranteed by committed credit lines with duration between six months and a year, contracted through relationship banks.
- d) Commercial paper programme, with subscription guarantee, issued on 30 June 2017 with annual renewal, unless denounced by either part.
- e) Commercial paper programme, with subscription guarantee, issued on 24 February 2017 valid until February 2023 with amortizations every six months beginning 2019.
- f) Commercial paper programme, without subscription guarantee, issued on 20 December 2017 with annual renewal for issues placed with investors.
- g) Commercial paper programme, with subscription guarantee, issued on 23 June 2016 valid for a 5-year period, with annual amortizations and a 1-year grace period.
- h) Sonae Capital, SGPS, SA, 2016/2021 bond loan in the amount of 15,000,000€, 5 years until maturity and a sole reimbursement on 29 July 2021, except if the issuer exercise the Call Option. This bond loan bears interest every six months.
- i) Sonae Capital, SGPS, SA, 2014/2019 bond loan in the amount of 42,500,000€, 5 years until maturity and a sole reimbursement on 28 May 2019. This bond loan bears interest every six months.

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The interest rate on bonds and bank loans in force on 30 September 2018 was on average 1.93% (2.27% in December 2017).

Bank loans pay interest rates that are indexed to the Euribor market rates of the period, and its fair value is considered close to its book value.

In the case that any financial institution or investor holding commercial paper opt to not renew on any given maturity date, the Group has credit lines at its disposal to cover this situation.

There does not exist derivative instruments.

The repayment schedule of the nominal value of borrowings may be summarised as follows:

	30 September 2018		31 December 2017	
	Nominal value	Interest	Nominal value	Interest
N+1	79 289 446	2 390 851	28 211 633	2 437 850
N+2	11 563 989	603 753	57 664 567	1 493 224
N+3	42 876 451	504 015	4 359 194	586 376
N+4	5 291 719	84 253	22 329 433	497 625
N+5	3 911 447	32 307	3 373 693	85 336
After N+5	942 265	10 569	1 073 103	26 328
Total	143 875 317	3 625 748	117 011 623	5 126 740

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18. OTHER NON-CURRENT CREDITORS

As at 30 September 2018 and 31 December 2017 other non-current creditors can be detailed as follows:

	30 September 2018	31 December 2017
Loans and other amounts payable to related parties		
Plaza Mayor Parque de Ocio, SA (Note 28)	-	1 739 399
Others	232 513	203 172
	<u>232 513</u>	<u>1 942 571</u>
Other creditors		
Creditors in the restructuring process of Torralta	748 680	650 478
Fixed assets suppliers	-	-
Others	-	5 349
	<u>748 680</u>	<u>655 827</u>
Deferred income		
Investment aid	-	-
Obligations by share-based payments (Note 19)	252 483	416 815
Others	(0)	(0)
	<u>252 483</u>	<u>416 814</u>
Other non-current creditors	<u><u>1 233 675</u></u>	<u><u>3 015 213</u></u>

The main variation in the item Loans and other amounts payable to related parties reflects the liquidation this year of the loan outstanding obtained from Plaza Mayor.

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19. SHARE-BASED PAYMENTS

Sonae Capital Group granted deferred performance bonuses to employees, based on shares of Sonae Capital SGPS, SA to be acquired, three years after they were attributed to the employee. The acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the option to settle in cash instead of shares. The option can only be exercised if the employee still works for the Sonae Capital Group on the vesting date.

As at 30 September 2018 and 31 December 2017, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

Granting year	Vesting year	Number of participants	Fair Value	
			30 September 2018	31 December 2017
Shares				
2015	2018	5	-	569 471
2016	2019	5	373 265	415 708
2017	2020	12	370 633	419 031
2018	2021	13	318 024	-
Total			1 061 922	1 404 211

As at 30 September 2018 and 31 December 2017, the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which have not yet vested:

	30 September 2018	31 December 2017
Other non-current creditors (Note 18)	252 483	416 815
Other current creditors	317 071	569 471
Reserves	(416 815)	(277 619)
Staff Costs	152 738	708 667

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20. TRADE ACCOUNTS PAYABLE

As at 30 September 2018 and 31 December 2017 trade accounts payable can be detailed as follows:

	30 September 2018	31 December 2017
Trade creditors	24 506 938	25 369 800
Loans granted by and other payables to related parties	738 768	608 120
Other current liabilities		
Fixed assets suppliers	1 328 760	2 392 508
Advances from customers and down payments	4 906 168	1 881 047
Other creditors	10 057 904	12 743 820
Taxes and contributions payable	5 237 445	4 469 392
Accrued staff costs	8 351 090	7 590 826
Amounts invoiced for works not yet completed	4 627 679	3 640 702
Accrued expenses with purchases - Energy Segment	565 093	397 691
Interest payable	681 580	354 584
Investment aid	57 611	126 309
Other liabilities	12 572 997	11 571 394
	<u>48 386 328</u>	<u>45 168 275</u>
Trade accounts payable and other current liabilities	<u>73 632 033</u>	<u>71 146 195</u>

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21. PROVISIONS AND ACUMULATED IMPAIRMENT LOSSES

Movements in provisions and accumulated impairment losses over the period ended 30 September 2018 were as follows:

Captions	Balance as at 1 January 2018	Increases	Decreases	Utilisations	Transfers	Balance as at 30 September 2018
Accumulated impairment losses on:						
Tangible Assets (Note 8)	34 634 847	60 477	(495 144)	-	-	34 200 181
Intangible Assets (Note 8)	689 536	-	-	-	-	689 536
Goodwill (Note 9)	24 703 711	8 814	-	-	4 917 902	29 630 427
Other Investments	291 838	-	-	-	-	291 838
Other non-current assets (Note 10)	34 916	-	-	-	-	34 916
Trade accounts receivable (Note 12)	6 208 847	1 063 308	(679 768)	-	(132 786)	6 459 601
Other current assets (Note 12)	1 995 925	-	(140 806)	-	-	1 855 119
Stocks (Note 11)	5 702 697	-	-	-	-	5 702 697
Non-current provisions	3 079 824	-	-	-	-	3 079 824
Current provisions	4 403 401	326 603	(415 506)	(1 023 515)	-	3 290 984
Total	81 745 545	1 459 202	(1 731 223)	(1 023 515)	4 785 116	85 235 126

As at 30 September 2018 and 31 December 2017 detail of other provisions was as follows:

	30 September 2018	31 December 2017
Judicial claims	1 845 706	2 225 121
Provision for secured income	898 332	1 451 279
Others	3 626 770	3 806 826
Total	6 370 808	7 483 226

The amount in provision for guaranteed income is the estimate of the difference between the amount to be charged through the properties sold in “Tróia” and the guaranteed income to property owners. The amount to be charged through the operation of these assets is estimated based on the average of the values obtained in previous years.

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22. OTHER OPERATIONAL INCOME

Other operational income for the period ended 30 September 2018 and 2017 was as follows:

	30 September 2018	30 September 2017
Own work capitalised	428 789	59 710
Gains on sales of assets	3 257 572	2 362 016
Supplementary income	761 837	541 304
Others	1 399 808	1 293 064
Continued Operations	5 848 007	4 256 094
Discontinued Operations	2 337 616	15 343
Total	8 185 622	4 271 436

In the financial period ended on 30 September 2018, the amount within Other Operational Income includes mainly, recognition of operating subsidies and gains on acquisitions of CO₂ licences.

The amount in gains on sales of assets for the period ended on 30 September 2018 includes gains realized on the sale of real estate assets located in Tróia.

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23. CONTINGENT ASSETS AND LIABILITIES

As at 30 September 2018 and 31 December 2017 the most important contingent liabilities referred to guarantees given and were made up as follows:

	30 September 2018	31 December 2017
Guarantees given:		
On VAT reimbursements	5 199 346	5 199 346
On tax claims	17 511 880	15 163 918
On municipal claims	1 134 224	1 134 224
Guarantees given on rental contracts	25 528 777	16 466 333
Others	34 234 924	9 574 135

Others include the following guarantees:

- 4,335,699 € as at 30 September 2018 (4,222,349€ as at 31 December 2017) of guarantees on construction works given to clients;
- 3,766,391€ as at 30 September 2018 (3,766,391€ as at 31 December 2017) of guarantees given concerning building permits in the segment of Real Estate – Troia Resort;
- 23,323,770€ as at 30 September 2018 of guarantees given concerning building permits in the Energy segments.

The Group has not registered provisions for the events/disagreements for which these guarantees were given since its board of Directors believes that the above mentioned events will not result in a loss for the Group.

24. INVESTMENT INCOME

As at 30 September 2018 and 2017, Investment income was made up as follows:

	30 September 2018	30 September 2017
Dividends	-	-
Equity settlement of group companies	18 256	-
Adjustment to the liquidation price of Box Lines Navegação	15 684	-
Others	1 460 (444)	-
Gains on disposal of investments in group companies	34 956	1 731 121
Perdas de imparidade de investimentos	(36 864)	-
Others	-	(3)
Investment Income	- (1 908)	- 1 731 118

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25. TAXATION

As at 30 September 2018 and 2017, Taxation was made up as follows:

	30 September 2018	30 September 2017
Current tax	877 225	677 636
Deferred tax	154 749	722 946
Taxation	1 031 974	1 400 582

26. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 30 September 2018 and 2017, the reconciliation of consolidated net profit can be analysed as follows:

	30 September 2018	30 September 2017
Aggregate net profit - continued operations	65 612 864	151 259 357
Aggregate net profit - discontinued operations	(2 510 203)	(541 829)
Harmonisation adjustments	(1 045 871)	3 208 017
Elimination of intragroup dividends	(63 890 514)	(154 987 686)
Share of gains/(losses) of associated undertakings	235 399	262 997
Elimination of intragroup capital gains/(losses)	115 426 636	68 715 926
Reclassification of discontinued operations	(0)	
Elimination of intragroup impairment	(116 308 035)	(12 719 962)
Adjustments of gains/(losses) on assets disposals	-	-
Adjustments of gains/(losses) of financial shareholdings sale	-	16 760 912
Others	(175)	(2)
Consolidated net profit for the year - continued operations	(3 175 658)	2 037 126
Consolidated net profit for the year - discontinued operations	(3 258 338)	(1 546 912)
Consolidated net profit for the year	(6 433 996)	490 214

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27. RELATED PARTIES

Balances and transactions with related parties are detailed as follows:

Transactions	September 2018		September 2017	
	Sales and services rendered	Purchases and services obtained	Sales and services rendered	Purchases and services obtained
Parent company				
Associated companies	19 506	7 782	20 439	8 381
Andar-Sociedade Imobiliária,SA	-	-	-	-
Feneralt - Produção de Energia, ACE	11 810	(14 583)	12 470	(15 187)
Lidergraf - Artes Gráficas, Lda	7 696	22 365	7 969	23 568
Other partners and Group companies	26 162 057	6 610 660	32 385 881	4 999 416
8ª Avenida - Centro Comercial, SA	1 827	-	-	-
Águas Furtadas - Soc. Agrícola, SA	1 943	-	1 879	1 378
Algarveshopping- Centro Comercial, S.A.	(4 443)	-	-	-
Alpéssego - Sociedade Agrícola, SA	16 356	(6 613)	3 923	-
Casa Agrícola de Ambrães, S.A.	2 324	-	3 334	-
Aqualuz - Turismo e Lazer, Lda	1 342 559	(1 483)	1 316 484	1 796
Arrábidashopping- Centro Comercial, S.A.	1 401	-	1 680	-
BB Food Service, SA	156 194	(2 861)	245 792	(4 461)
BOM MOMENTO - Comércio Retalhista, SA	101 805	(1 199)	200 974	(34)
Bright Development Studio, S.A.	-	-	62	-
Prod. Agric.Biológica, S.A.	117 745	(422)	-	-
Cascaishopping- Centro Comercial, S.A.	3 740	(130)	545 131	(5)
Centro Colombo- Centro Comercial, S.A.	642 566	1 256 796	731 170	808 904
Continente Hipermercados, S.A.	5 626 624	(195 965)	3 101 580	(6 480)
Contimobe-Imobil.Castelo Paiva,SA	-	3 645	-	3 619
Digitmarket-Sistemas de Informação,SA	69	243 332	261	206 539
Discovery Sports, SA	-	-	648	(680)
Efanor Investimentos, SGPS, S.A.	1 458	-	-	-
Efanor Serviços de Apoio à Gestão, S.A.	51 533	-	50 523	-
Estação Viana - Centro Comercial, S.A.	-	-	16	-
Euroresinas-Indústrias Químicas,SA	-	147	-	(2 820)
Fashion Division, S.A.	7 310	(2 065)	4 225	-
Sonae Arauco Deutschland AG	436	-	-	-
Guimarãesshopping- Centro Comercial, S.A.	1 215	-	1 928	-
Iberosegur - Sociedade Ibérica de Mediação de Seguros, Lda	1 427	-	870	-
Fundo de Invest. Imobiliário Imosede	126 953	430 897	81 711	422 051
Imosistema-Sociedade Imobiliária,SA	-	-	968	-
Fundo Invest. Imobiliário Imosonae Dois	-	-	77 215	-
Infocfield-Informática,SA	-	-	41	-
Inovretail, S.A.	1 357	-	-	-
Insco Insular de Hipermercados, S.A.	484 701	(59 410)	172 746	(4)
LCC LeiriaShopping Centro Comercial SA	140	-	5 483	-
NOS Sistemas S.A.	-	93 080	21 082	833 146
Modelo - Dist.de Mat. de Construção,S.A.	49 095	-	60 005	-
Modelo Continente Hipermercados, Suc.	-	9 550	1 023	8 250
MDS Corretor de Seguros, SA	280 418	(14 130)	257 551	(1 233)
MDS RE-Mediador de Resseguros, S.G.P.S., S.A.	85	-	-	-
MDS Africa SGPS, S.A.	445	-	1 487	-
MDS Auto - Mediação de Seguros, SA	1 448	-	1 427	-
MODALLOOP - Vestuário e Calçado, SA	224	-	375	-
Norteshopping-Centro Comercial, S.A.	13 634	335 808	26 000	237 394
Paracentro - Gest.de Galerias Com., S.A.	-	-	46 009	3 450
Prosa - Produtos e Serviços Agrícolas,S.A.	25 087	(550)	23 747	(505)
SFS, Gestão e Consultoria, S.A.	-	937	-	-

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Sonae Arauco Portugal, S.A.	2 227 975	2 245 068	58 081	10 795
Sonae Industria de Revestimentos,SA	339 945	322 992	327 628	275 361
Sonae Center Serviços II, SA	34 420	455 892	95 346	425 920
Sonae.com,SGPS,SA	-	8 250	-	6 330
Sonae Investment Management-S.T.,SGPS,S.A.	13	-	287	-
Sonaegest-Soc.Gest.Fundos Investimentos	2 234	170 858	2 161	168 078
Tableros Tradema,S.L.	1 191	-	1 702	-
Centro Vasco da Gama-Centro Comercial,SA	-	3 902	-	3 902
Worten-Equipamento para o Lar,SA	18 803	501	281 846	(223)

Transactions	Interest income	Interest expenses	Interest income	Interest expenses
Parent company				
Associated companies	-	-	33 948	-
Andar-Sociedade Imobiliária,SA	-	-	33 948	-
Other partners and Group companies	-	32 728	-	66 389
Plaza Mayor Parque de Ocio, SA	-	32 728	-	66 389
	-	32 728	33 948	66 389

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Balances	September 2018		December 2017	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Parent company				
Associated companies	8 465	8 486	34 294	17 105
Andar-Sociedade Imobiliária,SA	-	-	16 054	-
Feneralt - Produção de Energia, ACE	4 415	-	9 333	-
Lidergraf - Artes Gráficas, Lda	4 050	8 486	8 907	17 105
	-	-	-	-
Other partners and Group companies	8 405 057	3 009 577	7 586 105	2 117 281
	-	-	-	-
Águas Furtadas - Soc. Agrícola, SA	266	-	257	-
Algarveshopping- Centro Comercial, S.A.	16 479	-	21 943	-
Alpéssego - Sociedade Agrícola, SA	20 671	-	2 866	-
Arrábidashopping- Centro Comercial, S.A.	191	-	-	-
Asprela - Sociedade Imobiliária, S.A.	(1 513)	-	1 513	-
Aqualuz - Turismo e Lazer, Lda	206 479	149 211	85 036	53 327
BB Food Service, SA	16 184	(5 098)	101 974	1 783
BOM MOMENTO - Comércio Retalhista, SA	68 036	-	157 504	-
Casa Agrícola de Ambrães, S.A.	1 445	-	171	-
Cascaishopping- Centro Comercial, S.A.	73 812	-	163 696	-
Centro Colombo- Centro Comercial, S.A.	340 702	410 558	75 232	199 160
Contimobe-Imobil.Castelo Paiva,SA	406	1 507	404	993
Continente Hipermercados, S.A.	1 639 440	5 042	1 630 860	10 144
Cumulativa - Sociedade Imobiliária, S.A.	-	-	-	-
Digitmarket-Sistemas de Informação,SA	215 273	108 066	133 948	39 418
Efanor Investimentos, SGPS, S.A.	303	4	280	-
Efanor Serviços de Apoio à Gestão, S.A.	8 885	5 512	2 709	5 512
Sonaerp - Retail Properties, SA	18 960	46 201	390 668	34 839
Euroresinas-Indústrias Químicas,SA	-	882	-	10 160
Fashion Division, S.A.	5 425	-	1 364	-
Fundo de Invest. Imobiliário Imosedo	49 611	56 401	13 502	6 410
Gaiashopping II- Centro Comercial, S.A.	(163)	(163)	-	163
Go Well, S.A.	-	3	-	635
Guimarãeshopping- Centro Comercial, S.A.	166	-	163	-
Infocfield-Informática,SA	1 683	-	1 683	-
Insco Insular de Hipermercados, S.A.	91 277	-	523 525	-
LCC LeiriaShopping Centro Comercial SA	-	-	9 372	-
Loureshopping-Centro Comercial, S.A.	-	-	1 768	-
MDS Africa SGPS, S.A.	180	-	170	-
MDS Auto - Mediação de Seguros, SA	195	-	-	-
MDS Consulting, SA	595	1 208	-	1 918
MDS Corretor de Seguros, SA	30 534	121 864	17 948	106 257
MDS RE-Mediador de Resseguros, S.G.P.S., S.A.	(746)	2	(838)	-
Modalfa-Comércio e Serviços,SA	2 216	-	68 245	-
MODALLOOP - Vestuário e Calçado, SA	6 235	6 235	6 241	6 235
Modelo - Dist.de Mat. de Construção,S.A.	4 366	-	989	-
Modelo Continente Hipermercados, Suc.	160	-	160	-
Modelo Continente Hipermercados,SA	4 210 398	442 032	3 550 053	311 852
Modelo Hiper Imobiliária,SA	-	-	52	-
Modelo Hipermercados Trading, S.A.	405	-	-	-
Movelpartes-Comp.para Ind.Mobiliária,SA	-	-	494	-
Mundo Vip	-	-	-	-
Norteshopping-Centro Comercial, S.A.	22 041	254 239	21 699	347 635
NOS Sistemas S.A.	-	95 248	-	90 938
Paracentro - Gest.de Galerias Com., S.A.	-	4 000	-	4 000
Parklake Shopping, S.A.	462 119	(20 691)	-	117 207
PHARMACONTINENTE - Saúde e Higiene, S.A.	2	-	1 841	-
Plaza Mayor Parque de Ocio,SA	-	-	-	40 300
Prod. Agric.Biológica, S.A.	300	-	19 818	-
Prosa - Produtos e Serviços Agrícolas,S.A.	5 339	2 124	28 772	3 740

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Público-Comunicação Social,SA	-	420	-	1 047
QCE - Desenvolvimento e Fabrico de Equipamentos, S.A.	(1 186)	(549)	-	-
Raso, SGPS, SA	592	-	-	-
Rio Sul - Centro Comercial, SA	5 270	-	6 334	-
Saphety Level - Trusted Services S.A.	-	35 738	-	53 466
SEKIWI, SGPS., S.A.	393	-	273	-
SFS, Gestão e Consultoria, S.A.	-	-	235	146 825
Sierra Management Portugal-Gest. CC,S.A.	1 538	35 822	5 357	29 276
SIRS-Soc.Ind.Radiodifusão Sonora,SA	-	9 450	-	7 824
Sohi Meat Solut-Distr. Carnes	(20 901)	6 617	119 910	27 332
Sonae Arauco Netherlands B.V.	-	538	-	-
Sonae Arauco Portugal, S.A.	640 871	787 452	19 861	10 890
Sonae Arauco, S.A.	404	-	544	-
Sonae Center Serviços II, SA	21 236	204 366	52 498	183 618
Sonae Industria de Revestimentos,SA	142 741	116 541	185 960	83 380
Sonae Indústria-SGPS,SA	2	2	830	-
Sonae Investment Management-S.T.,SGPS,S.A.	15	-	208	-
Sonae SGPS, SA	6 993	37 500	5 341	50 000
Sonae UK,Ltd.	-	269	-	-
Sonae.com,SGPS,SA	-	-	-	4 059
Sonaecenter Serviços, SA	-	-	-	-
Sonaecom - Serviços Partilhados, S.A	25 647	1 535	25 460	-
Sonaegest-Soc.Gest.Fundos Investimentos	221	16 823	-	16 849
SONAESR - Serviços e logística, S.A.	10 506	-	10 289	-
Sondis Imobiliária,SA	-	60	-	-
Sport Zone-Comércio Art.Desporto,SA	18 369	2 294	2 178	14 337
Tableros Tradema,S.L.	772	12	215	-
Textil do Marco,SA	8 983	237	9 101	119
We Do Consulting-SI,SA	14 805	50 776	20 191	86 412
Worten-Equipamento para o Lar,SA	9 406	19 287	79 431	9 221
ZIPPY - Comércio e Distribuição, SA	23	-	5 807	-
	8 413 522	3 018 063	7 620 399	2 134 386

Balances	Loans obtained	Loans granted	Loans obtained	Loans granted
Parent company				
Associated companies	-	-	-	872 739
Andar-Sociedade Imobiliária,SA	-	-	-	872 739
Other partners and Group companies	-	-	1 710 059	-
Plaza Mayor Parque de Ocio, SA	-	-	1 710 059	-
	-	-	1 710 059	872 739

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28. EARNINGS PER SHARE

Earnings per share for the periods ended 30 September 2018 and 2017 were calculated taking into consideration the following amounts:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	(6 325 101)	(498 534)
Net profit taken into consideration to calculate diluted earnings per share	<u>(6 325 101)</u>	<u>(498 534)</u>
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	248 085 190	247 388 190
Weighted average number of shares used to calculate diluted earnings per share	248 085 190	247 388 190
Earnings per share (basic and diluted) - Continued operations	<u><u>(0,012362)</u></u>	<u><u>0,004238</u></u>
Earnings per share (basic and diluted) - Discontinued operations	<u><u>(0,013134)</u></u>	<u><u>(0,006253)</u></u>
Earnings per share (basic and diluted)	(0,025443)	(0,002015)

There are no convertible instruments used in relation to the shares of Sonae Capital, SGPS, S.A., hence, there is no dilution effect.

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29. SEGMENTS INFORMATION

In 30 September 2018 and 31 December 2017, the following were identified as segments:

- Troia Resorts Operations
- Hotels
- Fitness
- Energy
- Refrigeration and HVAC
- Industrial Engineering
- Real Estate
- Holding & Others

The contribution of the business segments to the income statement of the periods ended 30 September 2018 and 2017 can be detailed as follows:

30 September 2018										
Profit and Loss Account	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Turnover	9 626 683	19 915 657	26 308 641	39 720 484	32 083 689	8 856 542	9 898 264	4 968 746	(10 950 751)	140 427 955
Other operational income	293 231	669 622	636 019	702 084	88 379	398 936	3 739 108	96 024	(775 396)	5 848 007
Total operational income	9 919 913	20 585 279	26 944 659	40 422 568	32 172 068	9 255 478	13 637 373	5 064 771	(11 726 147)	146 275 962
Operational cash-flow (EBITDA)	700 247	1 286 831	3 000 761	11 254 227	67 850	(853 108)	4 825 714	(1 543 723)	(233 405)	18 505 395

30 September 2017										
Profit and Loss Account	Troia Resort Operations	Hospitality	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Turnover	6 913 857	16 262 398	17 291 587	34 380 467	34 180 920	1 192 791	17 627 064	4 308 266	(5 177 136)	126 980 212
Other operational income	582 344	766 945	414 151	271 281	24 290	53 134	6 022 435	2 993 218	(6 871 704)	4 256 094
Total operational income	7 496 201	17 029 343	17 705 738	34 651 747	34 205 210	1 245 925	23 649 498	7 301 484	(12 048 841)	131 236 306
Operational cash-flow (EBITDA)	616 783	621 959	1 948 117	10 952 117	242 245	(245 765)	8 482 270	80 821	(4 357 181)	18 341 367

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The contribution of the business segments to the Balance sheets as at 30 September 2018 and 31 December 2017 can be detailed as follows:

30 September 2018

Balance Sheet	Tróia Resort Operations	Hospitality	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	62 970 668	12 814 198	48 926 682	72 849 889	9 816 567	17 020 067	132 837 246	855 831	(30 554 727)	327 536 420
Investments	167 795 805	10 938 924	49 091	313 810	20 569	53 086	11 126 994	435 006 625	(623 052 944)	2 251 961
Other Assets	68 179 515	6 741 364	3 315 718	13 279 814	43 195 153	9 269 015	95 176 936	456 660 062	(508 260 396)	187 557 182
Total Assets	298 945 988	30 494 486	52 291 491	86 443 513	53 032 289	26 342 169	239 141 176	892 522 518	(1 161 868 067)	517 345 563
Total Liabilities	174 863 857	24 117 273	50 867 653	79 471 717	23 476 548	28 551 970	227 508 575	152 349 189	(509 166 602)	252 040 183
Technical Investment	1 555 183	1 019 416	3 327 347	15 409 569	127 769	660 948	749 909	180 366	(117 337)	22 913 171
Gross Debt	8 574 544	-	1 217 801	6 980 317	(0)	3 134 072	157 657	123 599 101	-	143 663 492
Net Debt	6 578 460	(182 883)	910 829	6 900 774	(42 974)	3 117 981	(4 772 786)	123 218 627	-	135 718 029

31 December 2017

Balance Sheet	Tróia Resort Operations	Hospitality	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Real Estate	Holding & Others	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	71 505 248	12 618 277	10 476 681	67 475 147	9 763 348	17 078 211	135 293 764	1 018 191	(2 598 001)	322 630 866
Investments	153 770 439	10 849 159	25 662	172 389	15 484	1 912 507	6 157 005	449 240 469	(620 145 656)	1 997 458
Other Assets	81 279 867	5 694 754	2 287 983	12 812 445	49 257 629	16 903 442	7 221 344	396 404 923	(380 364 104)	191 498 283
Total Assets	306 555 555	29 162 190	12 790 326	80 459 981	59 306 461	35 894 160	148 672 113	846 663 583	(1 003 377 762)	516 126 607
Total Liabilities	181 173 050	25 962 972	9 029 069	72 862 309	21 196 764	12 362 419	234 670 490	132 520 962	(465 020 715)	224 757 320
Technical Investment	1 827 798	954 495	3 232 316	4 666 123	102 031	96 682	1 392 001	474 430	(22 575)	12 723 301
Gross Debt	9 886 023	-	964 151	7 582 867	73 571	4 227 709	-	93 945 810	(0)	116 680 131
Net Debt	9 348 956	(334 502)	838 451	7 373 986	(2 590 142)	4 032 147	(3 025 623)	93 729 788	0	109 373 062

MANAGEMENT REPORT AND ACCOUNTS – SEPTEMBER 2018

Consolidated Financial Statements

30. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 30 September 2018.

31. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 8 November 2018.

The Board of Directors

Duarte Paulo Teixeira de Azevedo
Chairman

Álvaro Carmona e Costa Portela
Vice Chairman of the Board of Directors

Maria Cláudia Teixeira de Azevedo
Member of the Board of Directors

Francisco de La Fuente Sánchez
Member of the Board of Directors

Paulo José Jubilado Soares de Pinho
Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata
CEO

Ivone Pinho Teixeira
CFO

PART III
**SEPARATED FINANCIAL
STATEMENTS**
30 SEPTEMBER 2018



SONAE CAPITAL

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

SONAE CAPITAL, SGPS, SA

SEPARATED BALANCE SHEET AS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

(Amounts expressed in euro)

	Notes	30/09/2018	31/12/2017
ASSETS			
NON-CURRENT ASSETS:			
Tangible assets		26 579	27 721
Investments	4	264 412 942	300 257 447
Investments in associated companies and joint ventures	4	1 125 301	1 125 301
Other investments	4	275 184	275 185
Deferred tax assets	7	16 764 699	16 764 699
Other non-current debtors	5	386 758 015	314 130 161
Total non-current assets		669 362 721	632 580 515
CURRENT ASSETS:			
Inventories		-	-
Trade account receivables		-	-
Other debtors	6	53 086 524	61 331 400
Income tax receivable	6	855 319	1 639 594
Other current assets	6	3 370 070	4 316 836
Cash and cash equivalents	8	337 028	171 848
Total Current Assets		57 648 942	67 459 678
TOTAL ASSETS		727 011 663	700 040 193
EQUITY:			
Share capital	9	250 000 000	250 000 000
Own Shares	9	(1 192 808)	(1 305 839)
Reserves	10	292 980 837	301 630 917
Profit/(Loss) for the year		42 527 937	5 589 342
TOTAL EQUITY	-	584 315 966	555 914 420
NON-CURRENT LIABILITIES:			
Bank Loans	11	35 000 000	14 000 000
Bonds	11	14 849 101	57 245 810
Other non-current liabilities	13	150 518	287 354
Total Non-Current Liabilities		49 999 619	71 533 164
CURRENT LIABILITIES:			
Bank Loans	11	31 250 000	22 700 000
Bonds	11	42 500 000	-
Trade creditors	13	102 875	137 599
Other creditors	12	17 651 061	48 568 841
Other taxes payable	13	77 155	50 069
Other current liabilities	13	1 114 987	1 136 100
Provisions		-	-
Total Current Liabilities		92 696 078	72 592 608
TOTAL LIABILITIES	-	142 695 696	144 125 773
TOTAL EQUITY AND LIABILITIES		727 011 663	700 040 193

The accompanying notes are part of these financial statements.

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

SONAE CAPITAL, SGPS, SA

SEPARATED INCOME STATEMENTS BY NATURE

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 AND 2017

(Amounts expressed in euro)

	Notes	30/09/2018	30/09/2017
Other operating income	17	88 855	85 332
External supplies and services	14	(1 115 279)	(1 042 272)
Staff costs	15	(789 192)	(1 384 998)
Depreciation and amortisation		(1 142)	(1 553)
Other operating expenses	17	<u>(36 492)</u>	<u>(36 059)</u>
Operational profit/(loss)		<u>(1 853 250)</u>	<u>(2 379 550)</u>
Financial Income	16	7 097 930	7 746 480
Financial Expenses	16	<u>(2 685 722)</u>	<u>(2 874 179)</u>
Net financial income / (expenses)		<u>4 412 208</u>	<u>4 872 301</u>
Investment income	16	<u>39 022 218</u>	<u>16 855 591</u>
Profit/(Loss) before taxation		<u>41 581 176</u>	<u>19 348 342</u>
Taxation	18	<u>946 762</u>	<u>1 271 953</u>
Profit/(Loss) for the year		<u>42 527 937</u>	<u>20 620 295</u>
Profit/(Loss) per share			
Basic	19	0,171425	0,083352
Diluted	19	<u>0,171425</u>	<u>0,083352</u>

The accompanying notes are part of these financial statements.

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

SONAE CAPITAL, SGPS, SA
 SEPARATED INCOME STATEMENTS BY NATURE
 FOR THE 3RD QUARTER OF 2018 AND 2017
 (Amounts expressed in euro)

	Notes	3rd Quarter 2018 (Unaudited) *	3rd Quarter 2017 (Unaudited) *
Other operating income		29 893	30 772
External supplies and services		(345 975)	(371 943)
Staff costs		(143 127)	(335 548)
Depreciation and amortisation		(143)	(614)
Provisions and impairment losses (Increases)/Decreases		-	-
Other operating expenses		<u>(6 274)</u>	<u>(8 092)</u>
Operational profit/(loss)		(465 627)	(685 425)
Financial Income		2 571 376	2 219 405
Financial Expenses		<u>(896 224)</u>	<u>(995 016)</u>
Net financial income / (expenses)		1 675 152	1 224 389
Investment income		<u>124 812</u>	<u>(2 352 824)</u>
Profit/(Loss) before taxation		1 334 337	(1 813 859)
Taxation		<u>578 169</u>	<u>740 578</u>
Profit/(Loss) for the year		1 912 507	(1 073 282)

The accompanying notes are part of these financial statements.

* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

SONAE CAPITAL, SGPS, SA

SEPARATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 AND 2017

(Amounts expressed in euro)

	<u>30/09/2018</u>	<u>30/09/2017</u>
Net profit/(loss) for the period	42 527 937	20 620 295
Total comprehensive income for the period	42 527 937	20 620 295

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA

SEPARATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 3RD QUARTER OF 2018 AND 2017

(Amounts expressed in euro)

	<u>3rd Quarter 2018 *</u>	<u>3rd Quarter 2017 *</u>
Net profit/(loss) for the period	1 912 507	(1 073 282)
Total comprehensive income for the period	1 912 507	(1 073 282)

The accompanying notes are part of these financial statements.

* Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

SONAE CAPITAL, SGPS, SA

SEPARATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 AND 2017

(Amounts expressed in euro)

Attributable to Equity Holders of Sonae Capital

	Share Capital (Note 9)	Own Shares (Note 9)	Legal Reserves (Note 10)	Other Reserves (Note 10)	Retained Earnings	Subtotal	Net Profit/(Loss)	Total Equity
Balance as at 1 January 2017	250 000 000	(1 404 226)	10 073 164	306 815 095	-	316 888 259	8 738 316	574 222 348
Total comprehensive income for the period	-	-	-	-	-	-	20 620 295	20 620 295
Appropriation of profit of 2016:								
Transfer to legal reserves and retained earnings	-	-	436 916	-	8 301 400	8 738 316	(8 738 316)	0
Dividends paid	-	-	-	(16 220 257)	(8 301 400)	(24 521 657)	-	(24 521 657)
(Acquisition)/Sales of own shares	-	98 387	-	525 999	-	525 999	-	624 386
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Balance as at 30 September 2017	250 000 000	(1 305 839)	10 510 080	291 120 837	-	301 630 917	20 620 295	570 945 373
Balance as at 1 January 2018	250 000 000	(1 305 839)	10 510 080	291 120 837	-	301 630 917	5 589 342	555 914 420
Total comprehensive income for the period	-	-	-	-	-	-	42 527 937	42 527 937
Appropriation of profit of 2017:								
Transfer to legal reserves and retained earnings	-	-	279 467	-	5 309 875	5 589 342	(5 589 342)	-
Dividends paid	-	-	-	(9 443 668)	(5 309 875)	(14 753 543)	-	(14 753 543)
(Acquisition)/Sales of own shares	-	113 031	-	514 121	-	-	-	113 031
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	514 121	-	514 121
Balance as at 30 September 2018	250 000 000	(1 192 808)	10 789 547	282 191 290	-	292 980 837	42 527 937	584 315 966

The accompanying notes are part of these financial statements.

The Board of Directors

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

SONAE CAPITAL, SGPS, SA

SEPARATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 AND 2017

(Amounts expressed in euro)

	Notes	30/09/2018	30/09/2017	3rd Quarter 2018 (Unaudited) *	3rd Quarter 2017 (Unaudited) *
OPERATING ACTIVITIES:					
Cash receipts from trade debtors		-	-	786	-
Cash paid to trade creditors		(1 158 249)	(968 860)	(359 523)	(289 436)
Cash paid to employees		(876 929)	(989 300)	(304 254)	(248 384)
Cash flow generated by operations		(2 035 178)	(1 958 160)	(662 991)	(537 820)
Income taxes (paid) / received		1 585 767	1 875 526	1 849 414	2 134 950
Other cash receipts and (payments) relating to operating activities		382 417	(1 642 614)	1 594 691	41 463
Net cash from operating activities (1)		(66 994)	(1 725 248)	2 781 114	1 638 593
INVESTMENT ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Investments		50 212 015	600 001	15 685	1
Interest and similar income		7 998 195	13 533 361	4 049 224	5 082 802
Loans granted		21 780 187	6 088 237	8 896 998	5 677 015
Dividends		25 433 333	18 122 785	-	-
Others		1 258 779	1 053 753	121 204	-
		<u>106 682 509</u>	<u>39 398 137</u>	<u>13 083 111</u>	<u>10 759 818</u>
<u>Cash Payments arising from:</u>					
Investments		(1 442 572)	(1 069 344)	-	-
Tangible assets		-	(1 113)	-	(1 113)
Loans granted		(87 074 400)	(28 422 983)	(6 458 900)	4 701 625
		<u>(88 516 972)</u>	<u>(29 493 440)</u>	<u>(6 458 900)</u>	<u>4 700 512</u>
Net cash used in investment activities (2)		18 165 537	9 904 697	6 624 211	15 460 330
FINANCING ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Loans obtained		36 000 000	49 450 000	(10 000 000)	3 750 000
Sale of own shares		190 012	98 387	-	-
		<u>36 190 012</u>	<u>49 548 387</u>	<u>(10 000 000)</u>	<u>3 750 000</u>
<u>Cash Payments arising from:</u>					
Loans obtained		(37 130 740)	(58 618 528)	2 574 060	(29 582 985)
Interest and similar charges		(2 242 742)	(2 380 660)	(523 079)	(606 084)
Dividends		(14 749 893)	(24 515 574)	-	-
		<u>(54 123 375)</u>	<u>(85 514 761)</u>	<u>2 050 981</u>	<u>(30 189 069)</u>
Net cash used in financing activities (3)		(17 933 363)	(35 966 374)	(7 949 019)	(26 439 070)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		165 180	(27 786 925)	(69 280)	(9 340 145)
Cash and cash equivalents at the beginning of the period	8	171 848	27 861 181	406 308	9 414 399
Cash and cash equivalents at the end of the period	8	<u>337 028</u>	<u>74 256</u>	<u>337 028</u>	<u>74 256</u>

The accompanying notes are part of these financial statements.

* Prepared in accordance with IAS 34 - Interim Financial Reporting

The Board of Directors

SONAE CAPITAL, SGPS, SA

**NOTES TO THE SEPARATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018
(Translation from the Portuguese Original)
(Amounts expressed in euro)**

1. INTRODUCTION

Sonae Capital, SGPS, SA (“the Company” or “Sonae Capital”) whose registered office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, was set up on 14 December 2007 by public deed, following the demerger from Sonae, SGPS, SA of the whole of the shareholding in the company formerly named Sonae Capital, SGPS, SA, now named SC, SGPS, SA, in compliance with paragraph a) of Article 118 of the Code of Commercial Companies.

The Company’s financial statements are presented as required by the Code of Commercial Companies. According to Decree-Law 158/2009 of 13 July of 2009, the Company’s financial statements have been prepared in accordance with International Financial Reporting Standards.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying separated financial statements are consistent with those used in the financial statements presented for the year ended 31 December 2017.

2.1 Basis of preparation

Interim financial statements are presented quarterly, in accordance with IAS 34 – “Interim Financial Reporting”.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments, which are stated at fair value.

3. CHANGES IN ACCOUNTING POLICIES

During the period, there were no changes in accounting policies or prior period errors.

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

4. FINANCIAL INVESTMENTS

As at 30 September 2018 and 31 December 2017, Investments are detailed as follows:

	30 September 2018	31 December 2017
Investments in affiliated and associated undertakings	313 313 359	349 194 729
Investments in other companies:		
Sonae RE - (0,04%)	1 200	1 200
Matadouro Alto Alentejo, S.A. - (0,89%)	-	1
NET Novas Tecnologias, S.A. - (0,98%)	23 034	23 034
Fundo F HITEC - (6,48%)	250 950	250 950
	<u>313 588 543</u>	<u>349 469 914</u>
Impairment	<u>(47 775 117)</u>	<u>(47 811 981)</u>
	<u><u>265 813 427</u></u>	<u><u>301 657 933</u></u>

4.1 Investments in affiliated and associated undertakings

As at 30 September 2018 and 31 December 2017, the detail of Investments in Affiliated and Associated Companies is as shown in the table below:

	30 September 2018			
	% Held	Book Value	Equity	Profit / (Loss) for the period
CAPWATT, S.G.P.S., S.A.	100%	2 725 000	6 961 618	3 862 021
Fundo Esp de Invest. Imob Fechado WTC	60%	42 271 519	72 100 210	1 989 397
Troiareort, SGPS, S.A.	100%	167 132 793	101 227 009	22 476 837
Lidergraf - Artes Gráficas, SA.	25%	1 125 301	8 351 864	539 551
SC Assets S.G.P.S., SA	100%	25 577 659	11 881 997	(1 625 382)
SC Hospitality, S.G.P.S., S.A.	100%	5 857 175	1 350 684	(4 921 584)
SC Finance B.V.	100%	263 698	(4 942 464)	(128 378)
SC-Industrials, S.G.P.S., S.A.	100%	34 575 100	503 091	(696 909)
Race, SGPS, S.A.	70%	32 492 436	40 933 885	30 802
SC Fitness, S.A.	100%	1 292 678	820 910	(471 767)
		<u>313 313 359</u>		
		<u>Impairment</u>		
SC Assets S.G.P.S., SA		25 577 659		
Troiareort, SGPS, S.A.		11 140 826		
SC Finance BV		263 698		
SC, Industrials, SGPS, S.A.		10 792 934		
		<u>47 775 117</u>		

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

	31 December 2017			Profit / (Loss) for the period
	% Held	Book Value	Equity	
CAPWATT, S.G.P.S., S.A.	100%	2 725 000	5 132 247	2 139 631
Fundo Esp de Invest. Imob Fechado WTC	60%	42 271 519	72 210 814	4 081 698
Troiaresort, SGPS, S.A.	100%	167 132 793	78 750 172	(793 608)
Interlog - SGPS, S.A.	99%	21 658 210	21 858 053	5 065
Lidergraf - Artes Gráficas, SA.	25%	1 125 301	8 198 240	1 296 983
SC Assets S.G.P.S., SA	100%	25 577 659	13 507 379	(314 576)
SC Hospitality, S.G.P.S., S.A.	100%	5 857 175	6 272 267	(169 017)
SC Finance B.V.	100%	263 698	(4 814 085)	6 022 698
SC-Industrials, S.G.P.S., S.A.	100%	34 575 100	24 479 800	23 279 800
Race, SGPS, S.A.	70%	32 492 436	40 903 083	252 350
Solinca - Health & Fitness, S.A.	100%	15 515 838	1 075 719	(144 724)
		<u>349 194 729</u>		
		<u>Impairment</u>		
SC Assets S.G.P.S., SA		25 577 659		
Interlog - SGPS,S.A.		36 864		
Troiaresort, SGPS, S.A.		11 140 826		
SC Finance BV		263 698		
SC, Industrials, SGPS, S.A.		10 792 934		
		<u>47 811 981</u>		

The variation related to investments is due to the entry of SC Fitness, S.A. and the exit of Interlog - SGPS, S.A. and Solinca - Health & Fitness, S.A.

Investments carried at cost correspond to those in unlisted companies and for which a fair value cannot be reliably estimated.

Impairment tests on financial investments were performed in 2017, based on external valuations of the real estate of group companies or DCF methodology, to assess the fair value of such investments.

These assessments use discount rates that correspond to the weighted average rates of the cost of capital (WACC), calculated on the basis of the business type in which they operate and s target capital structures, and are in the range [7.1% - 10.1%]. 5 years projections were considered and growth rates in perpetuity were considered void.

As a result of these impairment tests as at 30 September 2018 and 31 December 2017, the detail of Impairments on Investments in Affiliated and Associated Companies is as shown in the table below:

	30 September 2018	31 December 2017	Variation
Spred, SGPS, S.A.	-	-	-
Interlog, SGPS, S.A.	-	(36 864)	36 864
Troiaresort, SGPS, S.A.	(11 140 826)	(11 140 826)	-
SC Assets, SGPS, S.A.	(25 577 659)	(25 577 659)	-
SC Finance BV	(263 698)	(263 698)	-
SC, Industrials, SGPS, S.A.	(10 792 934)	(10 792 934)	-
	<u>(47 775 117)</u>	<u>(47 811 981)</u>	<u>36 864</u>

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

5. OTHER NON-CURRENT ASSETS

As at 30 September 2018 and 31 December 2017, other non-current assets are detailed as follows:

	30 September 2018	31 December 2017
Loans granted		
CAPWATT, SGPS, S.A.	40 000 000	-
SC Assets, SGPS, S.A.	166 765 097	174 450 597
SC Finance BV	12 343 900	5 885 000
SC Fitness, S.A.	28 615 500	-
SC Hospitality, SGPS, S.A.	6 155 000	6 155 000
SC Industrials, SGPS, S.A.	12 000 000	-
Solinca - Health & Fitness, S.A.	-	661 000
Troiareort, SGPS, S.A.	132 813 137	138 805 637
	<u>398 692 634</u>	<u>325 957 234</u>
Impairment		
SC Assets, SGPS, S.A.	(11 640 970)	(11 640 970)
SC Finance BV	(462 650)	(462 650)
	<u>(12 103 620)</u>	<u>(12 103 620)</u>
Up-front fees not yet charged to income statement	169 001	276 547
	<u>386 758 015</u>	<u>314 130 161</u>

Loans to group companies interest at market rates and are repayable within a period exceeding one year. The interest rate as at 30 September 2018 stood, on average, at approximately 2.35%.

The deferred costs relate to the deferral of the financial charges associated with the bank loans obtained, by their due dates.

MANAGEMENT REPORT AND ACCOUNTS - SEPTEMBER 2018

Separated Financial Statements

6. OTHER CURRENT ASSETS AND INCOME TAX

As at 30 September 2018 and 31 December 2017, Other current assets and Income tax are made up as follows:

	30 September 2018	31 December 2017
Other debtors - Group	1 185 744	1 447 535
Loans granted	51 266 613	58 707 800
Other debtors	634 167	1 176 066
	<u>53 086 524</u>	<u>61 331 400</u>
Accrued income	3 164 208	4 094 304
Deferred costs	205 863	222 532
	<u>3 370 070</u>	<u>4 316 836</u>
Income tax withheld	855 319	1 639 594
	<u>57 311 914</u>	<u>67 287 830</u>

The balance registered at Other debtors - Group is related to the values transferred from subsidiaries under the IRC regime (RETGS).

As at 30 September 2018 and 31 December 2017, the item Loans Granted is related to financial operations with the following subsidiaries:

	30 September 2018	31 December 2017
Loans granted		
CAPWATT, SGPS, S.A.	16 099 100	41 175 000
Inparvi SGPS, S.A.	77 718	69 000
SC Assets, SGPS, S.A.	6 992 918	73 000
SC Finance BV	19 000	-
SC Fitness, S.A.	8 019 400	-
SC Hospitality, SGPS, S.A.	777 781	454 000
SC Industrials, SGPS, S.A.	5 662 650	-
SC SGPS, S.A.	9 392 367	14 269 500
Solinca - Health & Fitness, S.A.	1 723 443	1 186 300
Troiareort, SGPS, S.A.	<u>2 502 236</u>	<u>1 481 000</u>
	<u>51 266 613</u>	<u>58 707 800</u>

Loans to group companies interest at market rates and are repayable within a period inferior to one year. The interest rate as at 30 September 2018 stood, on average, at approximately 1.26%.

The item Other Debtors includes as at 30 September 2018 the amount 600.000€ related to the settlement of the sale price of the stake in the company, Box Lines Navegação SA, in previous years.

The amount recorded in the accrued income includes 3.080.052€ relating to interest on loans granted to subsidiaries as well as 84.156€ relating to commissions of guarantees given to subsidiaries.

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Deferred costs include 167.359€ relating to bank charges, which are deferred over the loan period.

Income Tax

Under current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except if there have been tax losses or tax benefits, or ongoing tax inspections or claims. In these cases, and depending on the circumstances, the time limits are extended or suspended. In this way the Company tax return, from the years 2015 to 2018, could still be subject to review. However, in the opinion of the Company's Board of Directors, it is not expected that any correction relating to the said financial years will be significant for the consolidated financial statements as at 30 September 2018.

The Company is subject to the special regime for the taxation of groups of companies (RETGS) provided for in Article 69 and following of the IRC Code, integrating the taxation group, which is the mother company.

In the fiscal year 2018, the Company is subject to taxation on Corporate Income Tax at the normal rate of 21%, plus municipal taxes at a maximum rate of 1.5%.

In addition, on the part of the taxable profit of more than 1,500,000€ subject to and not exempt from Corporate Income Tax, the following state levy fees are levied: 3% over 1,500,000€ and less than 7,500,000€; 5% on the upper part to 7,500,000€ and up to 35,000,000€; and 7% that is levied on the part of the taxable income that exceeds 35,000,000€.

Under the terms of Article 88 of the Portuguese Income Tax Code, the company is also subject to autonomous taxation on a set of charges at the rates provided for in the mentioned Article.

As at 30 September 2018 and 31 December 2017, the item Income tax is made up as follows:

	30 September 2018	31 December 2017
Income tax withheld	315 732	849 047
Income tax (advanced payment)	497 059	760 611
Income tax	42 528	29 935
	<u>855 319</u>	<u>1 639 594</u>

7. DEFERRED TAXES

Deferred tax assets and liabilities as at 30 September 2018 and 31 December 2017 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Tax losses carried forward	16 764 699	16 764 699	-	-
Others	-	-	-	-

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The movements in deferred tax assets and liabilities for the periods ended 30 September 2018 and 31 December 2017 were as follows:

	Deferred tax assets		Deferred tax liabilities	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Opening balance	16 764 699	14 314 699	-	-
Effect in results	-	-	-	-
Tax losses carried forward	-	2 450 000	-	-
Others	-	-	-	-
Effect in reserves	-	-	-	-
Closing balance	16 764 699	16 764 699	-	-

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 30 September 2018 and 31 December 2017, tax losses carried forward can be summarized as follows:

	30 September 2018			31 December 2017		
	Tax losses	Deferred tax assets	To be used until	Tax losses	Deferred tax assets	To be used until
Generated in 2013	61 175	12 847	2018	61 175	12 847	2018
Generated in 2014	13 536 168	2 842 595	2026	13 536 168	2 842 595	2026
Generated in 2015	45 035 288	9 457 411	2027	45 035 288	9 457 411	2027
Generated in 2016	12 025 566	2 525 369	2028	12 025 566	2 525 369	2028
Generated in 2017	9 173 702	1 926 477	2022	9 173 702	1 926 477	2022
Generated in 2018	-	-	2023	-	-	2023
	<u>79 831 899</u>	<u>16 764 699</u>		<u>79 831 899</u>	<u>16 764 699</u>	

The constitution of deferred tax assets was based on the analysis of the relevance of its recognition, notably as regards the possibility of their recovered, given the prospects for medium and long term of the company.

The deferred tax assets recognized resulting from fiscal losses are recorded to the extent that it is probable that taxable profit will occur in the future.

The valuation of deferred tax assets is based on the business plans of the Group companies, periodically reviewed and updated.

Since fiscal year 2014, most of the Group's subsidiaries, based in Portugal, are part of the perimeter of the taxed Corporate Group in accordance with the Special Taxation Regime for Company Groups (RETGS), whose parent company is the Sonae Capital, SGPS, SA. Gains generated by the application of this tax regime are allocated to Sonae Capital SGPS.

The analysis carried out on 30 September 2018, resulted that there is reasonable expectation of recovery of deferred tax assets recorded before their date of expiry.

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8. CASH AND CASH EQUIVALENTS

As at 30 September 2018 and 31 December 2017, cash and cash equivalents can be detailed as follows:

	30 September 2018	31 December 2017
Cash	-	-
Bank deposits	337 028	171 848
Cash and cash equivalents in the balance sheet	<u>337 028</u>	<u>171 848</u>

9. EQUITY

The share capital of Sonae Capital SGPS, SA both in September 2018 and December 2017 is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1€ each.

As at 30 September 2018, Sonae Capital SGPS, SA holds 4,107,623 own shares representing 1.643% of the share capital (4,783,433 shares at 31 December 2017), recorded by 1.192.808€ (1,305,839€ at 31 December 2017) (Note 10).

10. RESERVES

As at 30 September 2018 and 31 December 2017 the item Other Reserves can be detailed as follows:

	30 September 2018	31 December 2017
Legal reserves	10 789 547	10 510 080
Free reserves	148 360 229	157 176 745
Demerger reserve	132 638 253	132 638 253
Own shares reserve	1 192 808	1 305 839
	<u>292 980 837</u>	<u>301 630 917</u>

Free Reserves: These reserves result from the transfer of the positive results obtained in retained earnings and can be distributed to shareholders provided they are not required to cover losses.

The overall value of the demerger reserve (Note 1), represents the difference between the book value of the stake in SC, SGPS, SA (382,638,253€) and the share capital of Sonae, SGPS, SA (250,000,000€), which is comparable to the Legal Reserve, according to the Code of Commercial Companies, may not be distributed to the shareholders except in the event of liquidation of the Company, but may be used to absorb accumulated losses, after other reserves are exhausted, or can be incorporated into capital.

Legal Reserve: Under the law, at least 5% of annual net profit, should be allocated to the Legal Reserve until it represents 20% of the share capital. This reserve is not distributable except in the event of liquidation of the company, but can be used to absorb losses after the other reserves, or increase capital. On 30 September 2018 the value of this item amounts to 10,789,547€ (December 2017: 10,510,080€).

Reserve own shares: This reserve, established in accordance with Article 342 of the CSC, is the same amount of the own shares value held by the company. This reserve is unavailable while the own shares are in possession of the company.

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11. LOANS

As at 30 September 2018 and 31 December 2017, this item included the following loans:

	30 September 2018		31 December 2017	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae Capital SGPS - commercial paper a)	-	-	4 500 000	-
Sonae Capital SGPS - commercial paper b)	-	17 000 000	-	4 000 000
Sonae Capital SGPS - commercial paper c)	-	-	3 200 000	-
Sonae Capital SGPS - commercial paper d)	10 000 000	-	10 000 000	-
Sonae Capital SGPS - commercial paper e)	2 000 000	8 000 000	-	10 000 000
Sonae Capital SGPS - commercial paper f)	13 000 000	-	5 000 000	-
Sonae Capital SGPS - commercial paper g)	5 000 000	10 000 000	-	-
Sonae Capital SGPS - commercial paper c)	1 250 000	-	-	-
Up-front fees not yet charged to income statement	-	-	-	(276 547)
	<u>31 250 000</u>	<u>35 000 000</u>	<u>22 700 000</u>	<u>13 723 453</u>
Bank overdrafts (Note 8)	-	-	-	-
	<u>31 250 000</u>	<u>35 000 000</u>	<u>22 700 000</u>	<u>13 723 453</u>
Bond Loans				
Sonae Capital 2016/2021 h)	-	15 000 000	-	15 000 000
Sonae Capital 2014/2019 i)	42 500 000	-	-	42 500 000
Up-front fees not yet charged to income statement	-	(150 899)	-	(254 190)
	<u>42 500 000</u>	<u>14 849 101</u>	<u>-</u>	<u>57 245 810</u>
	<u>73 750 000</u>	<u>49 849 101</u>	<u>22 700 000</u>	<u>70 969 264</u>

- Commercial paper programme, with subscription guarantee, issued on 31 December 2013 with automatic annual renewal until a maximum of seven years and six months, unless denounced by either part;
- Commercial paper programme, with subscription guarantee, issued on 29 September 2017 and valid until October 2021;
- Short term commercial paper programme, launched on 28 March 2008 and valid until 28 March 2018, with the option of prolonging the duration on initiative of Sonae Capital. Placement with investors or financial institutions and guaranteed by committed credit lines with duration between six months and a year, contracted through relationship banks;
- Commercial paper programme, with subscription guarantee, issued on 30 June 2017 with annual renewal, unless denounced by either part;
- Commercial paper programme, with subscription guarantee, issued on 24 February 2017 valid until February 2023 with amortizations every six months beginning 2019;
- Commercial paper programme, without subscription guarantee, issued on 20 December 2017 with annual renewal for issues placed with investors;
- Commercial paper programme, with subscription guarantee, issued on 23 June 2016 valid for a 5-year period, with annual amortizations and a 1-year grace period;
- Sonae Capital, SGPS, SA, 2016/2021 bond loan in the amount of 15,000,000€, 5 years until maturity and a sole reimbursement on 29 July 2021, except if the Issuer exercise the Call Option. This bond loan bears interest every six months;

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- i) Sonae Capital, SGPS, SA, 2014/2019 bond loan, 5 years until maturity and a sole reimbursement on 28 May 2019. This bond loan bears interest every six months.

The interest rate on bank loans and bonds in force on 30 September 2018 was on average 1,93%.

Bank loans pay interest rates that are indexed to the Euribor market rates of the period, and its fair value is considered close to its book value.

The nominal value of the loans have the following maturity dates:

	30 September 2018		31 December 2017	
	Capital	Interest	Capital	Interest
N+1	73 750 000	(2 069 685)	22 700 000	(2 112 847)
N+2	7 000 000	(396 875)	52 500 000	(1 255 768)
N+3	39 000 000	(380 938)	-	(427 135)
N+4	2 000 000	(23 750)	19 000 000	(410 573)
N+5	2 000 000	(5 000)	-	(46 667)
After N+5	-	-	-	(2 917)
	<u>123 750 000</u>	<u>(2 876 248)</u>	<u>94 200 000</u>	<u>(4 255 906)</u>

12. OTHER CREDITORS

As at 30 September 2018 and 31 December 2017, other creditors can be detailed as follows:

	30 September 2018	31 December 2017
<u>Other creditors:</u>		
Group companies - Short term loans	17 168 260	47 849 000
Other creditors	482 801	719 841
	<u>17 651 061</u>	<u>48 568 841</u>

As at 30 September 2018 and 31 December 2017 the item loans granted is relative to financial operations granted to the following subsidiaries:

	30 September 2018	31 December 2017
Interlog, SGPS, S.A.	-	21 858 000
SC Industrials, SGPS, S.A.	-	9 347 000
SC For - Serv. de For. e Des. de Rec. Hum., Unip., Lda.	-	11 000
Race. SGPS, SA	17 164 260	16 613 000
SC Hospitality, SGPS, S.A.	-	-
SC Fitness, S.A.	-	-
Solinca - Health & Fitness, S.A.	-	20 000
SC, SGPS, S.A.	4 000	-
	<u>17 168 260</u>	<u>47 849 000</u>

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Loans obtained from group companies bear interest at market rates and are repayable within one year. The interest rate as at 30 September 2018 was, on average, approximately 0.050%.

Within the item Other Creditors - other creditors, there is included 451.738€ regarding transfers from subsidiaries of tax estimates under the special regime RETGS.

13. SUPLIERS, TAXES, OTHER NON CURRENT AND CURRENT LIABILITIES

As at 30 September 2018 and 31 December 2017, these items were as follows:

	30 September 2018		31 December 2017	
	Current	Non-Current	Current	Non-Current
Trade creditors	102 875	-	137 599	-
Taxes payable - other taxes	77 155	-	50 069	-
Other current liabilities				
Accruals:				
Staff costs	399 229	150 518	750 007	287 354
Interest payable	650 976	-	308 166	-
Other accruals	64 782	-	73 158	-
Deferred income	0	-	4 769	-
	<u>1 114 987</u>	<u>150 518</u>	<u>1 136 100</u>	<u>287 354</u>

As at 30 September 2018 and 31 December 2017, interest payable can be detailed as follows:

	30 September 2018	31 December 2017
Interest payable:		
Bank Loans	642 326	305 672
Group companies loans	8 650	2 494
	<u>650 976</u>	<u>308 166</u>

As at 30 September 2018 and 31 December 2017, the Income tax and Other taxes can be detailed as follows:

	30 September 2018	31 December 2017
Taxes payable - income taxes		
Income taxes	-	-
Taxes payable - other taxes		
Income taxation - amounts withheld	30 873	27 300
VAT	69	69
Social security contributions	-	22 700
Stamp tax	-	-
Others	46 213	-
	<u>77 155</u>	<u>50 069</u>

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14. EXTERNAL SUPPLIES AND SERVICES

As at 30 September 2018 and 2017, External Supplies and services can be detailed as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Operational rents	(31 609)	(31 641)
Insurance costs	(31 673)	(29 784)
Travelling expenses	(25 217)	(33 630)
Services obtained	(982 215)	(903 695)
Other services	(44 565)	(43 522)
	<u>(1 115 279)</u>	<u>(1 042 272)</u>

In services obtained, stands out the amounts related to fees from shared services, of 202.947€ (2017: 46,003€) and the item Holding costs with the amount of 596.780€ (2017: 165,831€), invoiced by subsidiary SC Consultancy Company, SA.

15. STAFF COSTS

As at 30 September 2018 and 2017, staff costs were made up as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Governing bodies' remunerations	(511 331)	(897 966)
Staff and other sectors remunerations	(141 144)	(292 961)
Social security contributions	(120 045)	(136 600)
Other staff costs	(16 672)	(57 471)
	<u>(789 192)</u>	<u>(1 384 998)</u>

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16. NET FINANCIAL EXPENSES AND INVESTMENT INCOME

As at 30 September 2018 and 30 September 2017, Net Financial Expenses and Investment Income can be detailed as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Interest payable and similar expenses		
Interest arising from:		
Bank loans	(296 833)	(230 158)
Bonds	(1 457 590)	(1 469 800)
Other	(10 646)	(40 465)
Other financial expenses	(920 653)	(1 133 755)
	<u>(2 685 722)</u>	<u>(2 874 179)</u>
Interest receivable and similar income		
Interest income	7 097 930	7 746 480
	<u>7 097 930</u>	<u>7 746 480</u>
Net financial expenses	<u>4 412 208</u>	<u>4 872 301</u>
Reversal of /and Impairment losses (Note 4.1)	-	-
Dividends received	-	-
Losses on financial investments	-	-
Other income	39 022 218	16 855 591
Investment income	<u>39 022 218</u>	<u>16 855 591</u>

As at 30 September 2018, the amount mentioned in “Interest arising from other” refers in its entirety to interest on current loans obtained from group companies.

As at 30 September 2018, the amount mentioned in “Interest receivable and similar income” includes interest on loans granted to group companies amounting to 7.097.930€.

As at 30 September 2018, the amount mentioned in “Other financial expenses” refers to commissions incurred with the assembly and management of bank loans and bonds.

On September 30, 2018, the amount mentioned in “Other income” refers to: i) gains from sale of financial investments (12.330.105€); ii) income from investments and real estate funds (1.258.779€); iii) dividends obtained from subsidiaries (25.433.333€).

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17. OTHER OPERATIONAL PROFIT AND OTHER OPERATIONAL EXPENSES

As at 30 September 2018 and 2017, the items Other operational profit and expenses were as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Other operating income		
Other supplementary income - Comissions	88 705	84 821
Other	<u>150</u>	<u>511</u>
	<u>88 855</u>	<u>85 332</u>
Other operating expenses		
Taxes	(36 108)	(35 990)
Other	<u>(384)</u>	<u>(69)</u>
	<u><u>(36 492)</u></u>	<u><u>(36 059)</u></u>

18. TAXATION

As at 30 September 2018 and 2017, Taxation was made up as follows:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Current tax	946 762	1 271 953
Deferred tax (Note 7)	<u>-</u>	<u>-</u>
	<u><u>946 762</u></u>	<u><u>1 271 953</u></u>

As stated in Note 6, the Company is taxable according to the RETGS.

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19. EARNINGS PER SHARE

Earnings per share for the periods ended 30 September 2018 and 2017 were calculated taking into consideration the following amounts:

	<u>30 September 2018</u>	<u>30 September 2017</u>
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	42 527 937	20 620 295
Effect of dilutive potential shares	-	-
Net profit taken into consideration to calculate diluted earnings per share	<u>42 527 937</u>	<u>20 620 295</u>
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	<u>248 085 190</u>	<u>247 388 190</u>
Earnings per share (basic and diluted)	<u>0,171425</u>	<u>0,083352</u>

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20. COMPLIANCE WITH LEGAL REQUIREMENTS

Art. 5 No. 4 of Decree-Law No. 495/88 of 30 December changed by art 1 of Decree-Law No. 318/94 of 24 December.

In the period ended 30 September 2018 there are no shareholders' loan contracts.

In the period ended 30 September 2018 short-term loan contracts were entered with the companies:

- Companhia Térmica Tagol, Lda
- Capwatt Maia - Heat Pow.,SA
- Capwatt Martim Longo,SA
- Capwatt Valde Caima- H.P,SA
- Capwatt, SGPS, S.A
- Capwatt ACE
- Soltroia - Sociedade Imobil. SA
- QCE- D.Fab.Equipamentos, SA
- Sistavac SA
- Soberana Invest.Imobil.SA
- Troiamarket, SA
- The House Ribeira Hotel SA
- Soternix - Prod.Energia,ACE
- Porto Palácio Hotel Exploração Hoteleira SA
- Enerlousado- R.E.Unipessoal Lda
- Capwatt Colombo H.P. SA
- Atelgen - Prod. Energia ACE
- Carvemagere - Man. E Energias Renováveis Lda
- CTE - Central Térmica Estuário Lda
- Capwatt Vale do Tejo H.P. SA
- Capwatt Engenho Novo H.P., SA
- Capwatt II Heat Power SA
- Capwatt III Heat Power SA
- Imobeauty, SA
- Troia Natura SA
- Marvero Exp. Hotel. Imob. SA
- Golftime - Golfe e Inv. Turisticos SA
- Troiaresort SA
- Tulipamar - Expl.Hoteleira Imob.SA
- Imoresort - Sociedade Imobiliária, SA
- Marmagno - Expl.Hoteleira Imob.,SA
- Atlantic Ferries - Tráf.Loc,Flu.e Marít.SA
- Marina de Tróia, SA
- Aqualuz Tróia - Exploração Hoteleira e Imobiliária SA
- Imopenínsula - Sociedade Imobiliária, SA

As at 30 September 2018, amounts due by affiliated companies can be summarized as follows:

Loans and Short term loans granted

Companies	Closing Balance
SC Assets, SGPS, S.A.	173 758 015
Troiaresort, SGPS, S.A.	135 315 373
SC Finance BV	12 362 900
Solinca - Health & Fitness, S.A.	1 723 443
SC Hospitality, SGPS, S.A.	6 932 781
SC, Industrials, SGPS, S.A.	17 662 650
CAPWATT, SGPS, S.A.	56 099 100
Inparvi, SGPS, S.A.	77 718
SC, SGPS, S.A.	9 392 367
SC Fitness, S.A.	36 634 900
	<u>449 959 247</u>

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As at 30 September 2018, amounts due to affiliated companies can be summarized as follows:

Short term loans obtained

Companies	Closing Balance
RACE, SGPS, S.A.	17 164 260
SC, SGPS, S.A.	<u>4 000</u>
	<u><u>17 168 260</u></u>

21. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 30 September 2018.

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22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on 8 November 2018.

The Board of Directors

Rui Manuel Machado Morais
Certified Accountant

Duarte Paulo Teixeira de Azevedo
Chairman

Álvaro Carmona e Costa Portela
Vice Chairman of the Board of Directors

Maria Cláudia Teixeira de Azevedo
Member of the Board of Directors

Francisco de La Fuente Sánchez
Member of the Board of Directors

Paulo José Jubilado Soares de Pinho
Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata
CEO

Ivone Pinho Teixeira
CFO