REPORT & ACCOUNTS

31 December 2017

SONAE CAPITAL

INDEX

Part I
REPORT OF THE BOARD OF DIRECTORS

31 December 2017

"The new Sonae Capital will of course inherit the value and principles that have been the structural basis of the business I do and that I have done in the past"

"This story is not mine alone. It belongs to all those who believe in this project and share with me the will to make it grow..."

Belmiro Mendes de Azevedo
(Founder's Letter)

MESSAGE FROM THE BOARD OF DIRECTORS

The accounts for the year we are now presenting to our shareholders was sadly marked by the loss of the founder of Sonae Capital, its first Chairman and its main driving force, Engineer Belmiro de Azevedo.

Set up a decade ago, the company had the privilege of his close presence in the early years, marking it indelibly, particularly with his choice of the young management team, after which he began a progressive process of delegation, until he passed it on to the next generation. The current management team and those that come after it should continue to follow his principles of good governance practices, openness to change and the development of leadership skills that will sustain value creation.

The company lost, its employees lost and this board lost their great leader. Those who were closer to him lost a person who was an example to them, and a friend.

The best way we have, and will have, to remember and honour the memory of “Engineer Belmiro” will certainly be through our commitment and our work to develop Sonae Capital and, using his constantly renewed founding inspiration, seek to lead the company to where he would have liked to see it.

The Board of Directors

After achieving in previous years a conservative capital structure adequate for the business portfolio and assets owned by the group, we began to implement our vocation as an investment holding.

Paulo Azevedo,
Presidente do Conselho de Administração

CHAIRMAN'S MESSAGE

Dear Shareholders,

2017 was a year of decisive investment in the business areas with approved value creation plans — Energy, Industrial Engineering and Fitness. After achieving in previous years a conservative capital structure adequate for the business portfolio and assets owned by the group, we began to implement our vocation as an investment holding. Additionally, we continued to make every effort to find profitable development routes in the other businesses, at the same time as selling real estate assets, a privileged source for financing future growth options.

The addition of a new segment, Industrial Engineering, through the acquisition of Adira, is aimed at the search for new growth opportunities and value creation in new business areas under the scope of the announced *"Investment Theme"* – Exporting Portuguese Engineering. Our capacity to add value will be critical for us to scale this growth route and for generating value for shareholders.

Organic investment and in acquisitions made in the growth of current operations in the Fitness and Energy segments have led the level of investment to its highest values in recent years. In both cases, it was easy to see the added value this growth has brought to the whole. In the second half of the year, we also began the process of discontinuing some operations where we had been unable to achieve the value we wanted, particularly the international operations in the Refrigeration & HVAC segment.

The addition of a new segment, Industrial Engineering, through the acquisition of Adira, is aimed at the search for new growth opportunities and value creation in new business areas under the scope of the announced "Investment Theme" – Exporting Portuguese Engineering. Our capacity to add value will be critical for us to scale this growth route and for generating value for shareholders.

Sonae Capital still has a very important set of Real Estate Assets all over the country and it is important to continue placing them on the market. Of special relevance is the Tróia Peninsula – houses, plots and macro-plots – not only because of the financial dimension, but also for the positive externalities to operational improvements in managing the resort and the value this adds to the other assets there. In 2017, the company placed assets worth €41m (including €16.2m related to tourism real estate in Tróia) on the market, which, not including any macro-plots, is in line with our expectations, although this is a relatively low amount given the overall value of the group's portfolio of real estate assets and the current positive market. The growing interest in our assets has allowed us to continue to envisage positive results in this area, assuming a vital role in the financing of the growth option in the current segments (organic and/or through acquisition) of the new growth platforms and the company's capacity to distribute dividends.

It is under this scope, without jeopardising the sound financial structure suited to the type of business and assets the group has, that the Board of Directors has decided to maintain, as in the last two years, the policy of remuneration of shareholders in the form of payment of dividends, as defined in 2016.

The management once again showed its resilience, persistence and the necessary skill for implementing the strategy defined. We on the Board of Directors are still confident that we will be able to continue to generate economic and social value in the areas we operate in, including the most recent growth platform, fully achieving our vocation as an investment holding.

Finally, a special word of thanks must be given to all the teams in the Sonae Capital Group, for their effort, commitment and merit for the successful results achieved. This thanks must also be extended to all the members of our governing bodies and to all our partners: Clients, Suppliers, Partners and Investors.

As this is the first time I am addressing the shareholders after the passing of Engineer Belmiro de Azevedo, my father and founder of Sonae Capital, I would like to pay tribute to his work. Engineer Belmiro de Azevedo was not just the chairman of the Board of Directors and main shareholder in Sonae Capital, he was the driving force behind the birth of each one of Sonae Capital's current businesses, with dedication, commitment and effort, as if 100% of his time and mind was devoted to each one of them, infecting many with enthusiasm and overcoming the obstacles in the way. Living up to his legacy will be a Herculean task, but it is also one that we are happy to undertake, using the best there is in each one of us.

Paulo Azevedo
Chairman of the Board of Directors

2017 is marked by the strong investment both in the current businesses, with particular emphasis on the investment in the Energy segment and in the acquisition of new businesses – Adira.

Cláudia Azevedo,
CEO

1. CEO'S MESSAGE AND MAIN HIGHLIGHTS

In order to better convey the strategic objectives and the main trends of our portfolio, we have carried out, as of the current quarter, a reorganization of Sonae Capital's Earnings Announcement, splitting the Real Estate Assets and the Business Units. In the first block, we intend to continue to create value through the sale of Real Estate Assets. In the second one, which includes operations in six different segments, we intend to strengthen our competitive position in order to reach increasing levels of profitability.

During 2017 we continued to take important steps towards the materialization of the defined corporate strategy, based on: (i) improving the competitive position of each of our businesses; (ii) search for new value-generating businesses that fit within the Group's competencies; (iii) sale of non-strategic Real Estate Assets; and (iv) maintenance of a balanced capital structure based on the type of business and assets held by the Group.

Thus, in terms of improving the competitive position of Sonae Capital's Business Units, I will by start highlighting the 7.4% growth in turnover to 157.9M€, as well as the 50.0% growth in EBITDA to 17.3M€ when compared to the previous year. Particularly remarkable was the performance of the Energy segment, where we almost doubled EBITDA, and of Hospitality, where the main business indicators improved in all hotels in operation. In the Fitness segment we successfully continued the growth of the Solinca chain and, already in 2018, we acquired the "Pump" chain, holding a well-deserved prominent position in the Fitness market in Portugal. In the Refrigeration and HVAC segment, the results remained below expectations. In Tróia, the operations that support the Resort continue to show improvements in profitability.

Regarding the search for new growth and value-generating platforms, we concluded during 2017 the acquisition of ADIRA, a Portuguese-based company, leveraging one of the country's main assets and resources - the Engineering know-how - strongly focused on the international market and a key player in the "Metal Forming" sector. This business is reported in our most recent segment: Industrial Engineering. The first few months have been devoted mainly to the integration of ADIRA into Sonae Capital's reality and to the replenishment and allocation of the required resources to implement the defined strategy, which results should begin to be visible in the second half of 2018.

The sale of Real Estate Assets this year evolved in line with the expected trend, both in the segment of residential units in Tróia, where we carried out 29 deeds, and in the other Real Estate Assets segment where the ongoing negotiations, already started in 2017, allow us to have good prospects for the following months.

2017 is marked by the strong investment both in the current businesses, with particular emphasis on the investment in the Energy segment and in the acquisition of new businesses – Adira. Nevertheless, we have a strong capital structure and adequate to the Group's businesses and assets held, with a Loan-to-Value ratio of 15.9% and Net Debt to EBITDA ratio of 2.57x, allowing us to face future growth with safety. Net debt increased 43.4M€ to 109.4M€ due to the strong investment (61.6M€) and the Dividend payment (25M€) partially offset by the operational cash flow generated (43.2M€).

The combination of the results and the cash flow generated in the period, with the perspectives for the continued sale of Real Estate assets allows the Board of Directors to propose, for the third consecutive year, a shareholder remuneration without harming the maintenance of an adequate capital structure and the ability to finance the identified growth options. The Board of Directors will propose to the Shareholders' General Meeting a dividend distribution of 15M€.

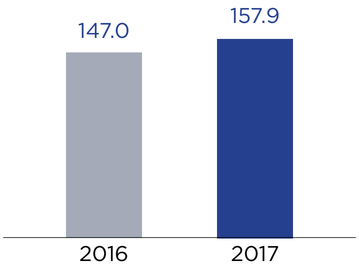
2018 will naturally bring several challenges. Firm in pursuit of a clear strategy and with deep confidence in the quality of our people, I believe we are on the right track to achieve the ambitious results that we continue to propose to ourselves every day."

Cláudia Azevedo
CEO

UNIT: MILLION EURO

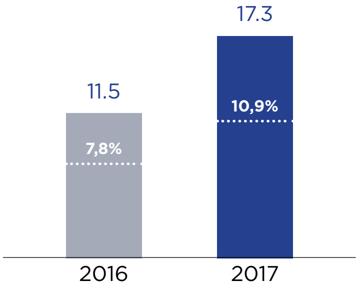
TURNOVER *

+7.4%



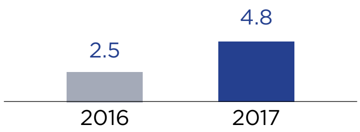
EBITDA AND EBITDA Mg *

+50.0%

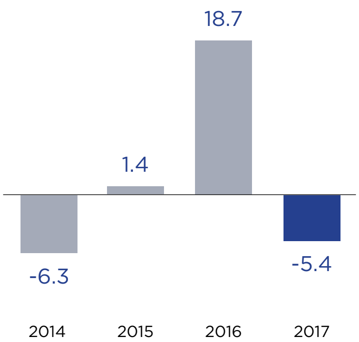


EBIT *

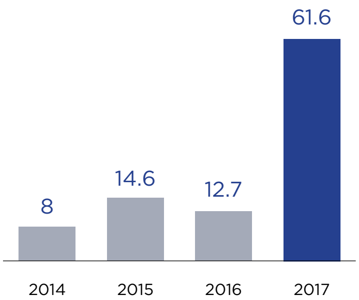
+93.0%



CONSOLIDATED NET RESULTS

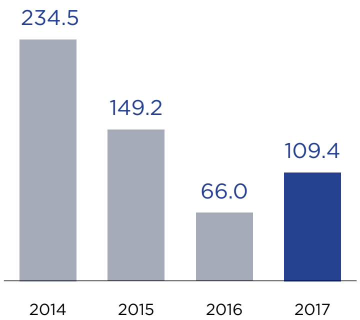


CAPEX



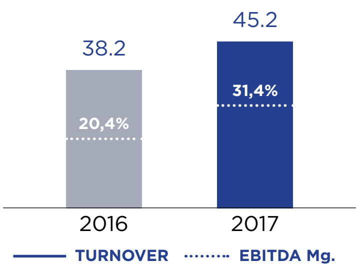
CONSOLIDATED NET DEBT

NET DEBT/EBITDA: 2,57X
LOAN-TO-VALUE: 15,9%



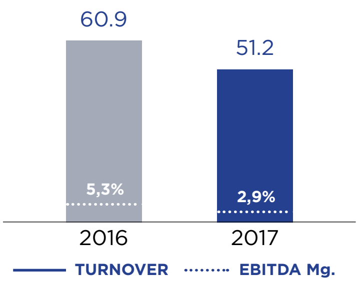
ENERGY

+18.3%

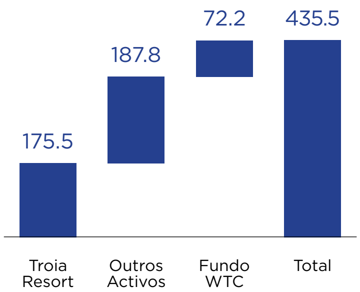


REFRIGERATION & HVAC

-15.8%

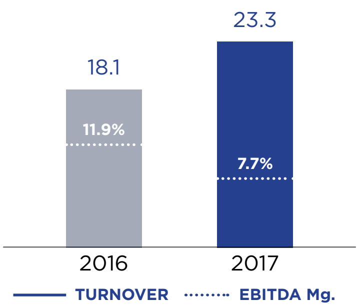


REAL ESTATE ASSETS



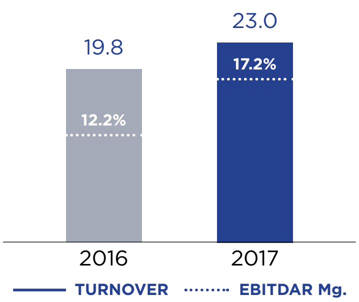
FITNESS

+28.5%



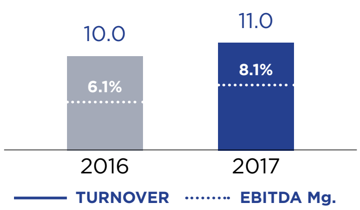
HOSPITALITY

+16.2%



TROIA RESORT OPERATIONS

+9.1%



* Business Units

MAIN HIGHLIGHTS

The strategy implementation, based on the defined guidance, has demonstrated the increased firmness and sustainability of the Group's business results:

1. IMPROVED COMPETITIVE POSITION OF EACH BUSINESS

Strong growth in turnover and profitability:

- **Energy**: growth of +18.3% in Turnover and 81.8% in Ebitda, with a significant contribution from operations acquired during 2017;
- **Hospitality**: a year of strong growth regarding turnover (+16.2%) and EBITDA (+79.6%), with positive EBITDA at "Porto Palácio Hotel" and "The House" operations, the latter in its first full year of operation;
- **Resort operations** also showed an improvement of +9.1% in turnover and 45.1% in Ebitda;
- The **Fitness** segment also showed a significant growth of +28.5% in turnover, due to the growth of 30.8% in the membership base, opening two new clubs during the year (to which were added two openings in early 2018);
- Backlog value as of 31st December in the **Ref. & HVAC** segment, in the domestic market, of 23.2M€, equivalent to approximately 5.4 months of turnover;

2. SEARCH FOR NEW AND VALUE GENERATING GROWTH PLATFORMS

- Acquisition and integration of **ADIRA**, an important milestone in the implementation of the corporate strategy;

- Full integration of the operations acquired during the year in the **Energy** segment, namely: (i) 1MW of a Cogeneration operation fueled by landfill biogas, acquired at the end of the first quarter; and (ii) 15MW, acquired in 2Q17, in Renewable Energies, significantly increasing turnover (5.1M€) and profitability (4.0M€), giving greater stability to the group's cash flow;

- Acquisition, in the **Fitness** business (conclusion already in 2018), of the "PUMP" clubs chain, reinforcing our presence, mainly in the Lisbon metropolitan area.

3. SALE OF REAL ESTATE ASSETS AS A PRIVILEGED WAY OF FINANCING GROWTH OPTIONS

- Number of sales deeds of residential units in the Troia Resort, totaling 29 contracts (+4 compared to the same period last year), 2 of which in the fractional regime, corresponding to 11.7M€ for the year. At the beginning of the year and up to the date of this report, 5 deeds were already signed and a set of 7 Promissory Purchase and Sale Agreements and Reserves remain in stock, amounting to 4.7M€;

- Sales deeds of a diverse lot of **Real Estate Assets** (excluding residential units of Tróia) totaling 20.2M€ in the period, in addition to the PPSAs at the end of the year totaling 4.5M€;

4. FOCUS ON CASH-FLOW AND CONSERVATIVE CAPITAL STRUCTURE

- Despite the strong Investment (61.6M€, including the acquisition of ADIRA) and the Dividends distribution in 2017 (25M€), Net Debt only increased 43.4M€, due to the operational cash flow;

- Net Debt under control and adequate to the type of business and assets held by the Group: LTV of 15.9% and Net Debt / Ebitda of 2.57x.

2. OVERALL PERFORMANCE

Consolidated Profit and Loss Account			
Million Euro	**FY 2017**	**FY 2016**	**▲ 17/16**
Turnover			
Business Units	**157.89**	**147.01**	**+7.4%**
Energy	45.22	38.23	+18.3%
Industrial Engineering	4.27	-	-
Fitness	23.25	18.09	+28.5%
Hospitality	22.96	19.76	+16.2%
Refrigeration & HVAC	51.24	60.89	-15.8%
Troia Resort - Operations	10.95	10.04	+9.1%
Real Estate Assets	**32.09**	**47.55**	**-32.5%**
Troia Resort	15.43	20.76	-25.7%
Other Real Estate Assets	16.65	26.79	-37.8%
Eliminations & Adjustments	-7.64	-7.90	+3.3%
Consolidated Turnover	**182.33**	**186.66**	**-2.3%**
Other Operational Income	5.08	40.02	-87.3%
Total Operational Income	**187.42**	**226.67**	**-17.3%**
EBITDA			
Business Units	**17.30**	**11.53**	**+50.0%**
Energy	14.19	7.81	81.8%
Industrial Engineering	-0.59	-	-
Fitness	1.79	2.16	-17.1%
Hospitality	-0.46	-2.26	+79.6%
Refrigeration & HVAC	1.48	3.21	-53.7%
Troia Resort - Operations	0.89	0.61	+45.1%
Real Estate Assets	**6.63**	**22.37**	**-70.3%**
Troia Resort	2.35	16.56	-85.8%
Other Real Estate Assets	4.28	5.81	-26.3%
Eliminations & Adjustments	-3.05	-2.63	-16.2%
Consolidated EBITDA	**20.88**	**31.27**	**-33.2%**
Amortizations & Depreciations	-19.44	-15.79	-23.1%
Provisions & Impairment Losses	0.18	0.37	-51.3%
Non-recurrent costs/income (1)	-0.35	0.08	-
EBIT			
Business Units	**4.75**	**2.46**	**+93.0%**
Real Estate Assets	**-0.02**	**16.51**	**-**
Eliminations & Adjustments	-3.47	-3.05	-13.6%
Consolidated EBIT	**1.26**	**15.92**	**-92.1%**
Net Financial Expenses	-4.25	-6.28	+32.4%
Investment Income and Results from Assoc. Undertakings	2.41	16.68	-85.6%
EBT	**-0.58**	**26.32**	**-**
Taxes	-1.90	-5.80	+67.2%
Net Profit - Continued Businesses	**-2.48**	**20.52**	**-**
Net Profit - Discontinued Businesses	**-2.92**	**-1.83**	**-59.8%**
Net Profit - Total	**-5.40**	**18.69**	**-**
Attributable to Equity Holders of Sonae Capital	-6.51	17.59	-
Attributable to Non-Controlling Interests	1.11	1.10	+1.2%

(1) EBITDA excluding the estimated present value of potential costs for the period of the Guaranteed Income from real estate sales at Troia Resort

The Group's consolidated Turnover in 2017 amounted to 182.33M€. Ebitda and Ebit amounted to 20.88M€ and 1.26M€, generating margins of 11.5% and 0.7%, respectively, registering a very different evolution of the Business Units and the sale of Real Estate Assets from the previous year's performance.

2.1. BUSINESS UNITS

The Business Units' Turnover amounted to 157.89M€, an increase of 7.4% over the previous year. Ebitda also improved considerably by 50.0% to 17.3M€, generating a margin of 11.0% (+ 3.2pp vs. the previous year). It should also be noted that the EBIT of 4.75M€ (+93% compared to 2016) is more than enough to offset all the Sonae Capital financial costs.

Regarding Business Units, the following should be highlighted:

- The **Hospitality** segment continues to show a positive performance and an improvement in its main indicators, namely Occupancy Rate (+5.8pp) and RevPAR (+18.5%), registering an increase in turnover and Ebitda of 16.2% and 79.6% respectively;

- Sustained growth of the **Fitness** segment turnover (+28.5%) due to the continued increase in the number of active members (+30.8%). The expansion plan that has been implemented (two clubs opened in the period and another two already in January 2018), once the recent opened clubs reach a regular level of members, has a negative impact on profitability, translated to a decrease of 17.1% in the Ebitda level compared to the same period of the previous year;

- The **Energy** segment continued to show increases both in turnover (+18.3%) and, mainly, in Ebitda (+81.8%), to 45.22M€ and 14.19M€, respectively. The evolution of energy and gas price indexes, as well as the contribution of the operations acquired in 2017, were the main contributors to the significant improvement in performance;

- The **Ref. & HVAC** segment registered an expected decrease of 15.8% in turnover (during 2016, with particular incidence in the 3Q, a major international project was delivered), noting, however, a clear recovery compared to the previous quarters with the turnover improvement in the 4Q17 of 5.5% to 17.1M€. Naturally at Ebitda level, there was also a deterioration when compared to the previous year;

- **Troia Operations**, as a result of the growing dynamics of the resort, continue to show increasing traffic, visible in the 9.1% growth in turnover (strongly leveraged in the Atlantic Ferries operation) and 45.1% in Ebitda;

- The **Industrial Engineering** segment, still in consolidation and adaptation to the reality of Sonae Capital's processes, contributed with 4.27M€ in turnover (contribution since August 2017) and negative 0.59M€ in Ebitda (including acquisition costs).

2.2 REAL ESTATE ASSETS

- Troia Resort consolidated the positive evolution already shown in previous quarters, with an increase in the number of deeds compared to the same period last year. During 2017, 29 sales deeds were closed (two of which "fractional"), more 4 deeds compared to the same period of the previous year, corresponding to 11.7M€. However, comparability with the previous year is affected by the sale of UNOPs 7/8/9 in 2016, with the turnover decreasing 25.7% and a similar impact on profitability (-86.2%). As of the date of this report, additional 5 deeds have already been signed and 7 PPSAs and reserves remain in stock, corresponding to 4.7M€ that are expected to be closed in the next quarters for a significant part of this contracts;

- Regarding other Real Estate Assets, a set of sales deeds were signed related to several assets, totalling 20.2M€. It should be noted that PPSAs are still in the pipeline on a diverse range of real estate assets, totalling 4.5M€.

Consolidated Net Profit (continued operations) was negative by 2.48M€, representing a decrease of 23M€ compared to the previous year, mainly due to: the (i) already registered performance at Ebitda level (-10.4M€ due to capital gains generated by Real Estate Assets sales in 2016); (ii) improvement in Financial Results (+2.0M€) due to the lower net debt average level and especially lower financing costs; and (iii) essentially the lower Investment Results due to the sale in 2016 of investments in road concessions.

Capital Structure/Capex/Ratios			
Million euro	**Dec 2017**	**Dec 2016**	**▲ 17/16**
Net Capital Employed	**400.7**	**386.4**	**+3.7%**
Fixed Assets	322.6	284.1	+13.5%
Non-Current Investments (net)	8.6	4.7	+85.3%
Working Capital	71.8	98.2	-26.8%
Capex (end of period)	61.6	12.7	>100%
% Fixed Assets	19.1%	4.5%	+14.6 pp
Net Debt	**109.4**	**66.0**	**+65.6%**
% Net Capital Employed	27.3%	17.1%	+10.2 pp
Debt to Equity	37.5%	20.6%	+16.9 pp
Net Debt excluding Energy	70.4	48.9	+43.8%
Capital Structure Ratios			
Loan to Value (Real Estate)	15.9%	8.6%	
Net Debt/EBITDA (recurrent)	2.57x	2.38x	

- Capex for the year amounted to 61.6M€ (including 16.1M€ related to ADIRA's acquisition), a significant increase of 48.9M€ compared to the previous year, mainly as a result of investments in the acquisition of new businesses, especially in the Energy segment.

- Free Cash Flow (levered) at the end of December, excluding dividends, registered negative 17.8M€ due to the above-mentioned investments (61.6M€ with impact of 53.9M€ in FCF), despite the improvement in the cash flow generated by operations which amounted to 40.4M€.

Consolidated Balance Sheet

Million euro	Dec 2017	Dec 2016	▲ 17/16
Total Assets	**516.1**	**501.5**	**+2.9%**
Tangible and Intangible Assets	275.3	246.3	+11.8%
Goodwill	47.4	37.8	+25.2%
Non-Current Investments	2.0	1.7	+16.6%
Other Non-Current Assets	34.4	29.3	+17.2%
Stocks	94.4	102.6	-8.0%
Trade Debtors and Other Current Assets	53.0	48.5	+9.2%
Cash and Cash Equivalents	7.3	32.2	-77.3%
Assets held for sale	2.4	3.0	-20.2%
Total Equity	**291.4**	**320.4**	**-9.0%**
Total Equity attributable to Equity Holders of Sonae Capital	280.5	310.4	-9.7%
Total Equity attributable to Non-Controlling Interests	10.9	9.9	+10.0%
Total Liabilities	**224.8**	**181.2**	**+24.0%**
Non-Current Liabilities	**116.2**	**120.7**	**-3.7%**
Non-Current Borrowings	88.5	94.3	-6.1%
Deferred Tax Liabilities	21.6	19.6	+10.2%
Other Non-Current Liabilities	6.1	6.8	-10.8%
Current Liabilities	**108.6**	**60.5**	**+79.6%**
Current Borrowings	28.2	4.0	>100%
Trade Creditors and Other Current Liabilities	75.5	52.8	+43.1%
Liabilities associated to assets held for sale	4.8	3.7	+28.9%
Total Equity and Liabilities	**516.1**	**501.5**	**+2.9%**

- As a result of those investments, Net Debt increased to 109.4M€ when compared to the previous year-end, maintaining however an appropriate capital structure regarding the Group's type of business and assets: Loan To Value (LTV) of 15,9% and Net Debt / Ebitda of non-Real Estate businesses of 2.57x.

- Net Invested Capital increased by 3.7% compared to the end of 2016, to 400.7M€ driven by the increase in Fixed Assets under Management.

- Due to this increase in net debt, the Debt to Equity ratio rose to 37.5%, +16.9pp compared to the end of 2016.

3. BUSINESS UNITS

3.1. ENERGY

Profit and Loss Account — Energy			
Million euro	FY 2017	FY 2016	▲ 17/16
Total Operational Income	**46.60**	**38.80**	**+20.1%**
Turnover	**45.22**	**38.23**	**+18.3%**
Other Operational Income	1.38	0.57	>100%
Total Operational Costs	**-32.41**	**-30.99**	**-4.6%**
Cost of Goods Sold	-23.17	-23.46	+1.2%
External Supplies and Services	-5.09	-4.43	-15.0%
Staff Costs	-2.64	-2.32	-13.6%
Other Operational Expenses	-1.50	-0.78	-91.7%
EBITDA	**14.19**	**7.81**	**+81.8%**
EBITDA Margin (% Turnover)	31.4%	20.4%	+11.0 pp
EBIT	**7.23**	**4.63**	**+56.2%**
EBIT Margin (% Turnover)	16.0%	12.1%	+3.9pp
Capex	**38.99**	**7.21**	**>100%**
EBITDA-Capex	**-24.80**	**0.60**	**-**
Total Capacity (MW)	**65.5**	**62.8**	**+4.3%**
Owned & Operated	62.3	52.6	+18.4%
Operated (not consolidated)	3.2	10.2	

Turnover of the Energy segment amounted to 45.22M€, an increase of 18.3% over the previous year, due to: (i) the increase in electricity sales prices; (ii) the higher production level; and (iii) the operations acquired in the period. These acquisitions, combined with the termination of an energy services contract (non-owned operation), currently translate into a 65MW owned or operated capacity. It should be noted that no further discontinuations are foreseen during the next 8 quarters (4Q19).

As a result of the turnover positive performance, EBITDA amounted to 14.19M€, almost the double of the previous year figure, reaching a 31.4% margin, a significant increase of 11pp, reinforcing the continuous improvement in performance demonstrated above. It should be noted that the contribution of the operations acquired during the year amounted to 5.1M€ and 4.0M€, respectively at turnover and Ebitda levels.

Capex amounted to 39.0M€, mainly as a result of the aforementioned acquisitions.

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3.2. INDUSTRIAL ENGINEERING

Profit and Loss Account — Industrial Enginnering			
Million Euro	FY 2017	FY 2016	▲ 17/16
Total Operational Income	**4.37**	**-**	**-**
Turnover	**4.27**	**-**	**-**
Other Operational Income	0.10	-	-
Total Operational Costs	**-4.96**	**-**	**-**
Cost of Goods Sold	-2.62	-	-
External Supplies and Services	-0.98	-	-
Staff Costs	-1.24	-	-
Other Operational Expenses	-0.13	-	-
EBITDA	**-0.59**	**-**	**-**
EBITDA Margin (% Turnover)	-13.8%	-	-
EBIT	**-0.99**	**-**	**-**
EBIT Margin (% Turnover)	-23.2%	-	-
Capex	**16.20**	**-**	**-**
EBITDA-Capex	**-16.79**	**-**	**-**

The acquisition of ADIRA was completed in Q32017. This subsidiary only contributed to the consolidated financial results of the Group from the month of August.

Following its strategic purpose, Sonae Capital has incorporated an Industrial Engineering segment aimed at creating a cluster of technological-based companies with a strong exporting drive and leveraged in the Portuguese engineering skills.

The first movement in this area was materialized during 2017 with the acquisition of ADIRA.

ADIRA, a Portuguese-based company with more than 60 years of history, is a key player in the "Metal Forming" industry, developing, designing, manufacturing and commercializing machine tools, that has the majority of its activity focused on external markets. At the same time, ADIRA is acknowledged as a technologically dynamic company with a widespread brand, being associated to recurrent investment in innovation and R&D, which has resulted in the attribution of several national and international awards.

The acquisition of ADIRA was completed in 3Q17 and only contributed to the Group's consolidated results as of August.

In this initial phase, the main focus of the Team has been the integration of the main Group's corporate processes, following a clear vision on the transformation plan that is urgent to implement.

The contribution of this segment to the Group's consolidated results was 4.3M€ at the top line level and -0.6M€ at Ebitda which includes, in addition to Adira's regular activity, costs related to the acquisition and integration process.

3.3. FITNESS

Profit and Loss Account — Fitness

Million euro	FY 2017	FY 2016	▲ 17/16
Total Operational Income	**23.62**	**18.32**	**+29.0%**
Turnover	**23.25**	**18.09**	**+28.5%**
Other Operational Income	0.38	0.23	+63.3%
Total Operational Costs	**-21.84**	**-16.16**	**-35.1%**
Cost of Goods Sold	-0.14	-0.10	-34.7%
External Supplies and Services	-13.11	-9.73	-34.7%
Staff Costs	-7.34	-5.41	-35.6%
Other Operational Expenses	-1.25	-0.19	-36.5%
EBITDA	**1.79**	**2.16**	**-17.1%**
EBITDA Margin (% Turnover)	7.7%	11.9%	-4.2 pp
EBIT	**0.06**	**0.19**	**-68.6%**
EBIT Margin (% Turnover)	0.3%	1.0%	-0.8 pp
Capex	**3.23**	**1.99**	**+62.1%**
EBITDA-Capex	**-1.44**	**0.16**	**-**
# Health Clubs in Operation	**19**	**17**	**+2**

The Fitness segment continues to show positive performances and strengthened its competitive position, reflected mainly in the increase in the number of active members (+30.8%) and in average monthly fees (+5.2%) when compared to the same period last year. As a result, turnover in the period under analysis registered a significant increase of 28.5% over the previous year.

The performance verified at the turnover level allows to partially offset the new openings effort (two in 2017: ‘Constituição’ and ‘Rio Tinto’, both in the Porto Metropolitan Area and, in early 2018, two new openings: ‘Loures’ in the Lisbon Metropolitan area and ‘Lumiar’ in Lisbon city) that affected the Ebitda performance especially in the 4Q17, a predictable situation until the clubs do not reach a stabilized number of members.

During 2017 the Team continued to focus on improving its competitive position, looking for opportunities to expand the number of clubs in operation. The investment in the opening of new clubs, following a capital light approach, allowed Solinca to close the year with 19 clubs in operation.

3.4. HOSPITALITY

Profit and Loss Account — Hospitality			
Million euro	**FY 2017**	**FY 2016**	**▲ 17/16**
Total Operational Income	**23.53**	**20.35**	**+15.7%**
Turnover	**22.96**	**19.76**	**+16.2%**
Other Operational Income	0.57	0.59	-2.7%
Total Operational Costs	**-23.99**	**-22.60**	**-6.2%**
Cost of Goods Sold	-1.77	-1.71	-3.8%
External Supplies and Services	-14.69	-14.04	-4.6%
Staff Costs	-6.70	-6.20	-8.0%
Other Operational Expenses	-0.84	-0.66	-27.3%
EBITDA	**-0.46**	**-2.26**	**+79.6%**
EBITDA Margin (% Turnover)	-2.0%	-11.4%	+9.4 pp
EBIT	**-1.52**	**-3.30**	**+54.0%**
EBIT Margin (% Turnover)	-6.6%	-16.7%	+10.1 pp
Capex	**0.95**	**1.36**	**-29.8%**
EBITDA-Capex	**-1.42**	**-3.62**	**+60.9%**
# Units	**5**	**5**	

The main operating indicators in the Hospitality segment (now including the operation of the Troiaresort Tourist Apartments - “Troia Residence”) continue to show favorable evolutions, evidenced by the improvement in average revenue per room and RevPAR in 2017 of 5.9% and 18.5%, respectively. It should be noted that all operations have RevPAR higher than the same period last year, attesting to the positive dynamics of the sector in general and of this segment, in particular.

The positive performance achieved in the period should be highlighted, both in turnover and Ebitda, showing growth of 16.2% and 79.6%, respectively.

Excluding the value of rents, it should be noted that the EBITDAR of the Hospitality segment amounted to 4.2M€, an improvement of 50.1% over the same period last year.

It is important to highlight that the “Porto Palácio Hotel” reached, in 2017, positive Ebitda, an important landmark in the history of this emblematic hotel in Porto city. In addition, the “The House” unit, opened according to a capital light approach, continued to reach positive EBITDA, now in its first full year of operation.

Capex remained at a reduced level of 0.95M€, 29.8% lower than in the same period of the previous year, allowing an improvement, together with Ebitda’s performance, of 60.9% at the Ebitda-Capex level.

3.5. REFRIGERATION & HVAC

Profit and Loss Account — Refrigeration & HVAC

Million Euro	FY 2017	FY 2016	▲ 17/16
Total Operational Income	**51.36**	**62.05**	**-17.2%**
Turnover	**51.24**	**60.89**	**-15.8%**
Other Operational Income	0.12	1.16	-89.7%
Total Operational Costs	**-49.88**	**-58.84**	**+15.2%**
Cost of Goods Sold	-26.17	-24.77	-5.7%
External Supplies and Services	-14.05	-23.78	+40.9%
Staff Costs	-8.43	-9.29	+9.3%
Other Operational Expenses	-1.23	-1.00	-22.8%
EBITDA	**1.48**	**3.21**	**-53.7%**
EBITDA Margin (% Turnover)	2.9%	5.3%	-2.4 pp
EBIT	**0.89**	**2.82**	**-68.3%**
EBIT Margin (% Turnover)	1.7%	4.6%	-2.9 pp
Capex	**0.10**	**0.07**	**+42.6%**
EBITDA-Capex	**1.38**	**3.14**	**-55.9%**

2017's turnover showed an expected decrease of 15.8% to 51.2M€, compared to the same period of last year, due to the delivery of a major international project in 2016 which influenced positively the previous year. This decrease in activity was partially offset in 4Q17, when the activity was 5.5% higher than in the same quarter of the previous year.

It should be noted that the backlog on the Portuguese operation, at the end of the period, amounts to 23.2M€, representing approximately 5.4 months of turnover, indicating a continued recovery of activity levels in the upcoming quarters, particularly in the Refrigeration segment. Profitability recovery will remain the key challenge going forward.

3.6. TROIA RESORT - OPERATIONS

Profit and Loss Account — Troia Resort — Operations			
Million Euro	FY 2017	FY 2016	▲ 17/16
Total Operational Income	**11.73**	**10.69**	**+9.7%**
Turnover	**10.95**	**10.04**	**+9.1%**
Other Operational Income	0.78	0.65	+20.2%
Total Operational Costs	**-10.84**	**-10.08**	**-7.6%**
Cost of Goods Sold	-1.44	-1.25	+4.8%
External Supplies and Services	-4.93	-4.53	-8.7%
Staff Costs	-3.65	-3.31	-10.3%
Other Operational Expenses	-0.82	-0.71	-14.4%
EBITDA	**0.89**	**0.61**	**+45.1%**
EBITDA Margin (% Turnover)	8.1%	6.1%	+2.0 pp
EBIT	**-0.92**	**-1.87**	**%51.0%**
EBIT Margin (% Turnover)	-8.4%	-18.7%	+10.3 pp
Capex	**0.63**	**0.13**	**>100%**
EBITDA-Capex	**0.25**	**0.48**	**-47.4%**

The turnover of Troia Resort Operations (excluding real estate activity) amounted to 10.95M€ in 2017, an increase of 9.1% over the previous year. All the operations showed very positive performances, of which the most notable was the contribution of the Atlantic Ferries operation of 6.2M€ (+5.4%).

Ebitda (with Atlantic Ferries as its main contributor) amounted to 0.89M€ and, as a result of the turnover performance, recorded an improvement of 45.1%.

Capex remained at controlled levels, with the main contribution being investments of renovation / improvements in the river transport operation.

4. REAL ESTATE ASSETS

4.1. TROIA RESORT

The Tróia Real Estate Assets Unit recorded a turnover of 15.4M€, as a result of the following contributions:

- 29 deeds of touristic units signed (2 in fractional regime), corresponding to 11.7M€. Despite the growth of 4 deeds compared to the previous year, the total value decreased by 18.2% due to the sales mix. It should be noted that, of those 29 deeds, 19 (65.5%) were covered by the guaranteed income product, compared to 13 (52% of total deeds) registered in the previous year.

- It should also be noted that since the beginning of 2018 and to the date of this report, 5 deeds have been closed and 7 Promissory for Purchase and Sale Agreements and Reserves are still in stock, for a total amount of 4.7M€.

- The rents related to the assets held in operation (Hotels, Tróia Shopping, Car parks, Touristic Units in operation) amounted to 3.7M€, in line with the previous year.

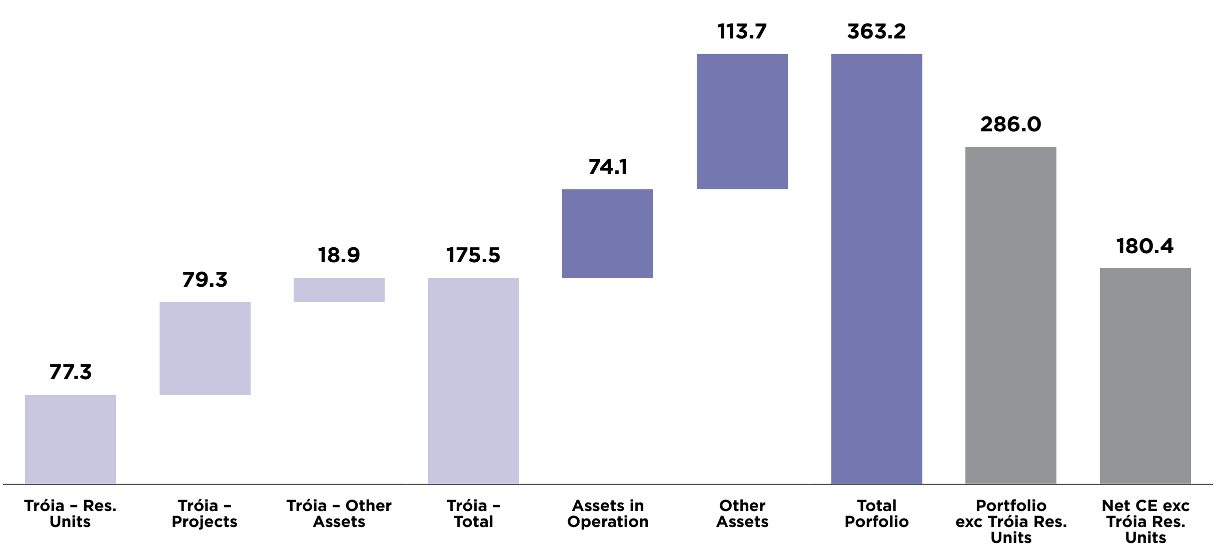
4.2. OTHER ASSETS

Within the Group's current real estate portfolio there are diversified assets with different licensing and construction stages, including land plots with and without construction viability, residential units, residential, tourist and commercial construction projects, offices, factory buildings and retail, with a wide geographical dispersion.

This block considers all of the real estate assets of Sonae Capital Group, except the units already developed and in commercialization in the Tróia Resort, and the assets held by the WTC fund.

Real Estate Assets Portfolio FY17

Cushman & Wakefield Valuation (M€)



- As at 31 December 2017, the capital employed in this group of real estate assets amounted to 180.4M€, which are evaluated in 288.0M€, according to valuation made at the end of the previous year by the independent reference entity *Cushman & Wakefield*,

- During the year deeds of 20.2M€ were signed, with reference to the HCs of Braga and Vasco da Gama, Fábrica do Cobre and several fractions of “Tarik” asset (surveyed in the Troia Resort segment), 3 plots of Ramalde asset, plots of land for the construction of Efanor High School and, in the portfolio, there are still PPSAs signed on a set of assets, totaling 4,5M€, providing good prospects for the execution of the respective deeds in the upcoming quarters.

5. OUTLOOK

During 2017, important steps continued to be taken towards putting the defined company strategy into practice. This is based on: (i) improving the competitive position of each one of our businesses; (ii) seeking out new businesses that generate value and fall under the skills area existing in the group; (iii) selling non-strategic real estate assets; and (iv) maintaining a balanced capital structure according to the type of businesses and assets held by the group.

2017 was also marked by achieving the strategic aim of Sonae Capital to integrate new businesses with a high capacity for creating shareholder value. The acquisition of ADIRA, a Portuguese company that leverages one of the main assets and resources of the company, engineering know-how, geared heavily towards the international market and an important player in the "Metal Forming" sector, made this aim a reality.

1. We expect to maintain a positive performance in each one of the business segments, particularly:

    - In the **Troia Resort – Operations** segment, the very positive performance generally seen in the businesses that support the resort, based on the increasing number of users of the resort's services, has made it possible to envisage a positive performance in the future.

    - In the **Hospitality** segment, the continued improvement in the operating indicators, added to the good phase in industry, seen in the growth in turnover and EBITDA, have made it possible to expect continued improvements in the profitability and competitive position of the current operations. In addition, we will continue to seek non-organisational solutions for improving the overall competitiveness positioning of the segment.

- In the **Fitness** segment, the reinforcement of the competitive position, seen in the increase in the average number of active members, making up the expansion plan that is being implemented, and, in particular, allied to the strategic relevance of the acquisition of the "Pump" chain, will allow us to continue to improve our position in the segment, both in terms of volume and of profitability.

- In the **Energy** segment, the Group will continue to be watchfull for new business opportunities, both in Portugal and in other markets, that comply with pre-defined profitability and risk criteria. In Portugal, the Group will continue to be attentive to the development of a wide range of technologies. In international markets, the operational focus will be on the existing skills associated with cogeneration.

- In the **Refrigeration & HVAC** business, despite the reduction in activity and the fact that the results did not quite live up to expectations, the value of the portfolio contracts indicate good prospects for the coming quarters. The Group will continue to focus on improving internal processes to leverage its value creation opportunities.

- In the **Industrial Engineering** area, the focus of operation will continue to be with regard to integrating ADIRA into the main corporate processes of the group and implementing the transformation plan in progress, whose results should begin to be seen in the second half of 2018.

2. In the **Real Estate Assets** segment, particularly the Troia Resort, the sale of residential units evolved in line with expectations and, in this sense, we remain committed to sale the existing stock. At the same time, putting the as yet undeveloped areas on the market, with a view to ensuring the development of important real estate projects suitable to each one of the remaining macro-plots, will continue to be another of the main operational focuses.

The results achieved this year, along with suiting the levels of net indebtedness to the type of businesses and assets held by the group will allow us to look positively to the future. The combination of the expected positive performance of the business units at Sonae Capital and the continued sale of real estate assets is one of the fundamental factors for the effective implementation of the corporate strategy. We believe that Sonae Capital is in a privileged position to keep financing the growth of existing operations and, in addition, to tackle new options for future growth.

6. PROPOSED ALLOCATION OF NET INCOME

Regarding the achievement of what is considered a well balanced capital structure and the gains registered on the sale of non-strategic assets, the Sonae Capital Board of Directors has approved a proposal of dividends distribution in the total gross amount of 15,000,000 euro to shareholders. This dividend results from the allocation of net results and the distribution of free reserves, correspondent to a gross dividend of 0.06 euro per share.

From the total dividends of 15,000,000 euros, the amount of dividends that would be attributable to the shares that, at the dividends distribution date, are held by the Company or by any of its subsidiaries shoud remain as Free Reserves. This proposal is subjected to final approval of the Shareholders' General Meeting.

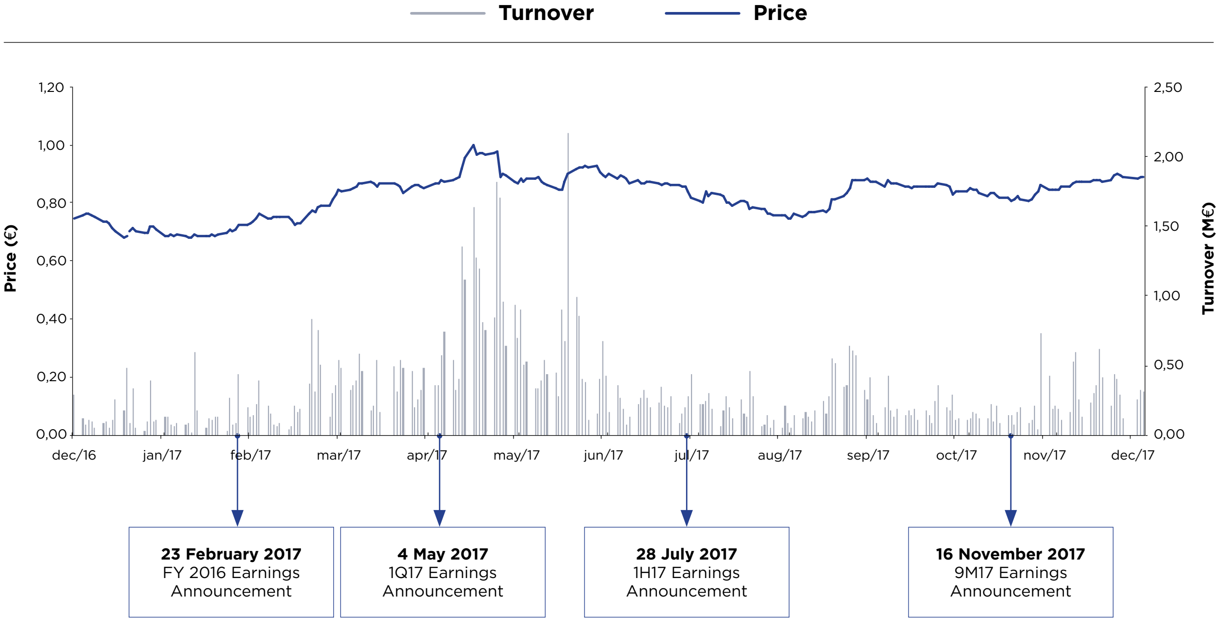
This proposal requires the final approval of the Shareholders' General Meeting.

7. SHARE PRICE PERFORMANCE

Sonae Capital's Sahre Information	
Name: Sonae Capital, SGPS, SA	**ISIN Code:** PTSNP0AE0008
Security's Issuer: Sonae Capital, SGPS, SA	**NYSE Euronext:** SONC
Listing Date: 28 January 2008	**Reuters:** SONAC LS
Share Capital: 250.000.000 euros	**Bloomberg:** SONC.PL
Listed ammount: 250.000.000 shares	
Treasury stock: As at 31 December 2017, the Company owns 4,783,433 own shares	

During 2017, Sonae Capital's share price increased 18.6%, closing the year at 0.887 euros. This performance was higher than that of the Portuguese Stock Market Index (PSI 20), whiched increased 15.2% in the same period.

Sonae Capital Share in 2017



The following table summarises the most relevant information on the Sonae Capital shares traded in Euronext Lisbon:

Euronext Lisbon	**2017**	**2016**
Closing price N-1	0.748	0.510
Maximum price	0,999 (15.05.2017)	0,810 (12.12.2016)
Minimum price	0,681 (07.02.2017)	0,442 (20.01.2016)
31 December N	0.748	0.748
Transactions		
Average daily quantity	375.775	273.068
Total shares traded	95.822.619	70.178.592
Total volume (million euro)	81.6	42.3
Average daily volume (million euro)	0,38	0,17
Market capitalization 31.12.N (million euro) (a)	221,7	187,0

(a) Market capitalization calculated based on the total number of shares

Relevant events announced to the market during 2016 were:

- Sonae Capital, SGPS, S.A. hereby announces that, through its subsidiary CapWatt, SGPS, S.A., it has executed a purchase and sale agreement with Tecneira – Tecnologias Energéticas, S.A., regarding the acquisition of 100% of the share capital and voting rights of the company Ventos da Serra – Produção de Energia, S.A., that owns and operates a photovoltaic plant with installed capacity of 10MW, located at Ferreira do Alentejo, for a global price of 29.1 million Euro. In addition, Sonae Capital acquired, from the same entity, the company Lusobrisa - Produção de Energia Eléctrica, S.A., which owns a wind farm located in Loures and Arruda dos Vinhos, with installed capacity of 5MW, for the total amount of 5.4 million Euro.

- As at 12th October 2017, Sonae Capital, SGPS, SA, announced that, through its subsidiary CapWatt, SGPS, SA, acquired, from Sonae Arauco, SA, 90% of the share capital and the voting rights of the company "Sociedade de Iniciativa de Aproveitamentos Florestais - Energia, SA" (SIAF-Energia), for a global consideration of approximately 0.9 million Euros. This company owns and operates the biomass fired cogeneration plant installed in Sonae Arauco's industrial facility in Mangualde and owns a license to develop and operate a new biomass fired cogeneration plant with installed electric capacity of 10MW. The development of the new cogeneration plant and the correspondent investment, in global amount of 45 million Euros, will be executed by CapWatt.

- The approval at the Shareholders' General Meeting of a dividend payout for 2016 of the gross amount per share of 0.10€;

- Sonae Capital, SGPS, SA hereby announces that it has, through one of its wholly owned subsidiaries, entered into a sale and purchase agreement for the acquisition of 100% of the share capital and voting rights of the company “ADIRA – Metal Forming Solutions, SA” and its subsidiary “Guimadira, Lda”. The transaction price (share capital price) comprises a fixed amount of 9.0 million Euro and a deferred earn-out according to the next 4 years performance of the company (EBITDA). As of 31st December 2016 the company’s net debt was of 6.7 million Euro.

- As at 17th November 2017 Sonae Capital, SGPS, SA, announced that it has entered into a sale and purchase agreement for the acquisition of 100% of the share capital and voting rights of the company About, SGPS, SA, which operates, through its subsidiaries, eight Fitness Clubs under the “Pump” brand. seven of which are located in the Greater Lisbon area and one in Faro. The transaction price (share capital price) comprises a fixed amount of 8.6 million Euro (subject to review taking into account the value of the external debt at the date of the transaction) and a variable and a deferred earn-out, within a one year period, relating to the implementation of the Fitness Clubs network´s expansion plan.

- The change in the composition of qualifying holdings in the Company, in particular Quaero Capital, SA and Azvalor Asset Management SGIIC, SA being classified as a qualified investor (5.053% and 2.005%, respectively). Conversely, Briarwood Chase Management LLC and Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliários, SA sold part of its shareholding below the minimum required amount (2%) to be classified as a qualified investor.

8. OTHER INFORMATION

8.1. INDIVIDUAL FINANCIAL STATEMENTS

The net profit of Sonae Capital, SGPS, SA, the holding company of the Group, was 5,589,342 euros. This profit compares with 8,738,316 euros in the previous year. It was negatively impacted by lower results of the financial function in about 6.4M€ and for a loss of 6.6M€ in the results of investments, despite the improvement of 2.7M€ in taxes as a result of the effiency of the tax perimeter.

The profit of the year already reflects in the amount of 204.853euros for the short term variable remuneration of executive directors and personal, in the form of distribution of profits for the year, pursuant to article 31, nr.2 of the Articles of Association and on proposal of the Remuneration Committee, which is responsible for implementing the remuneration policy approved at the Shareholders' General Meeting of 28 April 2017.

8.2. OWN SHARES

The Company disposed of 732,993 shares during 2017, for the total amount of 624,386€ (reference price of 0.852€ per share) as a result of the distribution of shares among employees in accordance with the provisions of the Medium-Term Variable Remuneration Plans. As at 31 December 2017, Sonae Capital held 4,783,433 own shares, representing 1.913% of its share capital.

8.3. ACTIVITY CARRIED OUT BY NON-EXECUTIVE BOARD MEMBERS

During 2017, Non-Executive Board Members made significant contributions in the discussion of the different strategic options, while maintaining close contact with corporate directors and management teams, as in previous years. During the year, Non-Executive Board Members effectively performed their duties as members of the Board of Directors and members of the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

Further information on the above mentioned Committees can be found in point 29 of the Company's Corporate Governance Report, complementing information on activities performed by Non-Executive Board Members described in this section of the report.

8.4. PROFIT APPROPRIATION PROPOSAL

Sonae Capital, SGPS, SA, as the holding company of the Group, posted a positive net profit of 5,589,342 euros in 2017. The Board of Directors proposes to the Shareholders' General Meeting that this amount be transferred to Legal Reserve (279,467 euros) and for the dividends payout (5,309,875 euros). Since the proposed gross dividend is 0.10€ per share, free reserves in the amount of 9,690,125 euros are intended to be used for the aforementioned dividends payout.

8.5. SUBSEQUENT EVENTS

As at 12th January 2018 following the non-opposition decision of the Portuguese Competition Authority ('Autoridade da Concorrência') and the fulfillment of certain conditions precedent, Sonae Capital, SGPS, SA announced that the above mentioned acquisition had become effective.

8.6. ACKNOWLEDGEMENTS

The Board of Directors wishes to thank all Sonae Capital's stakeholders for their support and trust shown throughout the year, highlighting the cooperation and monitoring by the Supervisory Board and Statutory Auditor.

We thank our employees for their commitment, their valuable contribution to the significant improvement in operational results and the shared effort to achieve the goals set.

We reaffirm that we continue to believe that the foundation for the Group's sound growth is increasingly more established, believing in the success and sustainability of the defined strategy

Maia, 2 March 2018

The Board of Directors

Duarte Paulo Teixeira de Azevedo
Chairman

Maria Cláudia Teixeira de Azevedo
CEO

Álvaro Carmona e Costa Portela
Member of the Board of Directors

Ivone Pinho Teixeira
CFO

Francisco de La Fuente Sánchez
Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata
Member of the Board of Directors

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

APPENDIX

METHODOLOGICAL NOTES

The consolidated financial statements presented in this report are audited and have 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 improve the quality and transparency of the information provided, not only at the Consolidated level, but also, at each Business Units level, and aligned with the best market practices, the international operations (Angola, Mozambique and Brazil) of the Refrigeration & HVAC segment are now considered assets held for sale and therefore their contribution to the consolidated results is recognized as discontinued operations. In order to maintain the information comparability, the 2016 figures are presented according to this new reality.

In addition, in order to better report the results of our business portfolio, aware of the significant differences between the fundamentals of each of our businesses, we now report clearly detailed information between Real Estate Assets and Business Units.

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).

EBITDA, excluding guaranteed income provisions
EBITDA + Provisions related to the estimated present value of potential costs for the full period of the Guaranteed Income from real estate sales at Troia Resort.

EBITDAR
EBITDA + Building Rents.

GEARING: DEBT TO EQUITY
Net Debt / Equity.

HVAC
Heating, Ventilation and Air Conditioning.

LOAN TO VALUE (LTV)
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
APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS

31 December 2017

STATEMENT

Under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code (Translation of a Statement originally issued in Portuguese)

The signatories individually declare that, to their knowledge, the Report of the Board of Directors, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared in accordance with applicable International Financial Reporting Standards, and give a true and fair view, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of Sonae Capital, SGPS, SA, and of the companies included in the consolidation perimeter, and that the Report of the Board of Directors faithfully describes major events that occurred during 2017 and their impacts, if any, in the business performance and financial position of Sonae Capital, SGPS, SA and of the companies included in the consolidation perimeter, and contains an appropriate description of the major risks and uncertainties that they face.

Maia, 02 March 2018

O Conselho de Administração

Duarte Paulo Teixeira de Azevedo
Chairman of the Board of Directors

Maria Cláudia Teixeira de Azevedo
CEO

Álvaro Carmona e Costa Portela
Member of the Board of Directors

Ivone Pinho Teixeira
CFO

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Member of the Board of Directors

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

ARTICLE 447 OF THE PORTUGUESE COMPANIES ACT AND ARTICLE 14(7) OF THE PORTUGUESE SECURITIES COMMISSION (CMVM) REGULATION NO.5/2008

Disclosure of the number of shares and other securities issued by the Company held and of the transactions executed over such securities, during the financial year in analysis, by the members of the statutory governing and auditing bodies and by people discharging managerial responsibilities ("dirigentes"), as well as by people closely connected with them pursuant to article 248 B of the Portuguese Securities Code:

	Date	Additions		Reductions		Position as at 31.12.2017	Balance as at 31.12.2017
		Quantity	Av. Price €	Quantity	Av. Price €		Quantity
Duarte Paulo Teixeira de Azevedo (*) (**)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (2)						Dominant	
Maria Cláudia Teixeira de Azevedo (*) (**) (***)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Linhacom,SA (3)						Dominant	
Sonae Capital, SGPS, SA	31.03.2017	111.390	0,842				280.495
Maria Margarida Carvalhais Teixeira de Azevedo (**)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae Capital, SGPS, SA							838.862
Ivone Maria Pinho Teixeira da Silva (*) (***)							
Sonae Capital, SGPS, SA	31.03.2017	110.070	0,842				110.070
Álvaro Carmona e Costa Portela (*)							
Sonae Capital, SGPS, SA							24.942
Sonae Capital/2014-2019 Bonds							1
Paulo José Jubilado Soares de Pinho (*)							
Sonae Capital, SGPS, SA							12.650
Closely connected person (a)							8.125
Miguel Jorge Moreira da Cruz Gil Mata (*) (***)							
Sonae Capital, SGPS, SA	31.03.2017	122.895	0,842				820.726

	Date	Purchases		Sales		Position as at 31.12.2017	Balance as at 31.12.2017
		Quantity	Av. Price €	Quantity	Av. Price €		Quantity
(1) Efanor Investimentos, SGPS, SA							
Sonae Capital, SGPS, SA							88.859.200
Pareuro, BV (4)						Dominant	
(2) Migracom, SA							
Sonae Capital, SGPS, SA							161.250
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
(3) Linhacom, SA							
Sonae Capital, SGPS, SA							43.912
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
(4) Pareuro, BV							
Sonae Capital, SGPS, SA							66.600.000
(5) Imparfin - Investimentos e Participações Financeiras, SA							
Sonae Capital, SGPS, SA							513.160

(*) Member of the Board of Directors of Sonae Capital, SGPS, SA
(**) Member of the Board of Directors of Efanor Investimentos, SGPS, SA (directly and indirectly dominant company)
(***) shares acquired in compliance with the annual and medium-term variable remuneration policy
(a) article 248 B, no.4, paragraph b) of the Portuguese Securities Code: held by Change Partners, SCR, SA, of which is Member of the Board of Directors

APPENDIX REQUIRED BY ARTICLE 448 OF THE PORTUGUESE COMPANIES ACT

Number of shares held by shareholders owning more than 10%, 33% or 50% of the company's share capital:

	Number of shares as at 31.12.2017
Efanor Investimentos, SGPS, SA (1)	
Sonae Capital, SGPS, SA	88.859.200
Pareuro, BV	Dominated
Pareuro, BV	
Sonae Capital, SGPS, SA	66.600.000

(1) Under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code, Efanor ceased to have a controlled shareholders as of 29th November 2017

QUALIFIED SHAREHOLDINGS

Shares held and voting rights attributable to shareholders owning more than 2% of the share capital of the Sonae Capital, SGPS, SA, as required by article 8(1)(b) of the Portuguese Securities Market Commission (CMVM) Regulation No. 5/2008:

Shareholder	Nr. of Shares	% of Share Capital	% of Voting Rights
Efanor Investimentos, SGPS, S.A. (1)			
Directly Owned	88.859.200	35,544%	36,237%
Through Pareuro, BV (controlled by Efanor)	66.600.000	26,640%	27,160%
Through Maria Margarida Carvalhais Teixeira de Azevedo (Member of the Board of Directors of Efanor)	838.862	0,336%	0,342%
Through Maria Cláudia Teixeira de Azevedo (Member of the Board of Directors of Efanor)	280.495	0,1122%	0,114%
Through Linhacom, S.A. (controlled by the Member of the Board of Directors of Efanor Maria Cláudia Teixeira de Azevedo)	43.912	0,0176%	0,018%
Through Migracom, S.A. (controlled by the Member of the Board of Directors of Efanor Duarte Paulo Teixeira de Azevedo)	161.250	0,0645%	0,066%
Total attributable	**156.783.719**	**62,713%**	**63,937%**
Quaero Capital, SA	12.633.330	5,053%	5,152%
Total attributable	**12.633.330**	**5,053%**	**5,152%**
Azvalor Asset Management, SGIIC, SA	**5.011.941**	**2,005%**	**2,044%**
Total attributable	**5.011.941**	**2,005%**	**2,044%**

(1) Under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code, Efanor ceased to have a controlling shareholder as of 29th November 2017

Part III
CORPORATE GOVERNANCE REPORT
31 December 2017

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDER´S STRUCTURE

I. EQUITY STRUCTURE

1. Share Capital Structure

The share capital of Sonae Capital, SGPS, S.A. (hereinafter referred to as "Company" or "Sonae Capital") is 250,000,000 euros, fully subscribed and paid up, and is divided into 250,000,000 ordinary, book entered and nominative shares each with the nominal value of 1 euro.

All the shares of Sonae Capital have been admitted to trading on the Euronext Lisbon regulated market since 28 January 2008.

2. Restrictions on the transferability and ownership of shares

The Company's shares have no restrictions on their transferability or ownership, nor are there shareholders holding special rights. Accordingly, the shares are freely transferable according to the applicable legal rules.

3. Treasury Shares

The Company held 4,783,433 treasury shares at 31 December 2017, representing 1.913% of the share capital, corresponding to the same percentage of voting rights.

4. Impact of the change of shareholder control of the Company on significant agreements

The Company has not entered into any agreements which contain clauses intended to be defensive measures for the change of shareholder control in the case of takeover bids.

Under the same terms, the Company did not approve any statutory provision or rules or regulations in order to prevent the success of takeover bids.

5. Defensive measures in the case of change of shareholder control

No defensive measures were adopted during the 2017 financial year.

The majority of the share capital of the Company is attributed to a single shareholder. There is also no statutory rule that provides for the limitation of the number of votes that may be held or exercised by a shareholder, whether individually or jointly with other shareholders.

6. Shareholder agreements

The existence of any shareholder agreements with regard to the Company is unknown.

II. SHAREHOLDINGS AND BONDS HELD

7. Qualifying holdings

The shareholders who, at 31 December 2017 and in accordance with the notifications received by the Company, in accordance with article 20 of the Securities Code, have a qualifying interest representing at least 2% of the share capital of Sonae Capital, are the following:

Shareholder	No. of Shares Held	% Share capital with voting rights
Efanor Investimentos, SGPS, S.A.[1]	156.783.719	62,713%
Quaero Capital, S.A.	12.633.330	5,053%
Azvalor Asset Management, SGIIC, S.A.	5.011.941	2,005%

1. As from 29th November 2017, Efanor Investimentos, SGPS, S.A. ceased to have any controlling shareholder, pursuant to the set forth in articles 20 and 21 of the Portuguese Securities' Code.

8. Number of shares and bonds held by the members of the management and supervisory bodies, presented pursuant to Article 447(5) of the Companies Code

The shares and bonds held by members of the management and supervisory bodies in the Company and in companies in a control or group relationship with the Company, either directly or through related persons, are disclosed in an appendix to the annual report of the Board of Directors, as required by article 447 of the Companies Code and article 14(7) of the CMVM Regulation No. 5/2008.

9. Powers of the Board of Directors in respect of share capital increases

The powers granted by the Articles of Association to the Board of Directors of the Company to decide on share capital increase operations ceased to exist in December 2012 and, from that date, such power is exclusively held by the Shareholders' General Meeting, under the legally established terms.

10. Commercial relationships between the holders of qualifying holdings and the Company

In relation to the commercial activities of the businesses that comprise the portfolio of Sonae Capital, there is a set of commercial relationships between the Company and its Subsidiaries and holders of qualifying holdings, or companies held by them.

These transactions form part of the regular business activity of each company and are carried out in accordance with current market practices and conditions. In addition, when related parties are involved, these transactions are scrutinised and, if significant, approved in advance by the Supervisory Board.

No significant business or commercial transactions were carried out in 2017 between the Company and holders of qualifying holdings in the company.

B. GOVERNING BODIES AND COMMITTEES

I. SHAREHOLDERS' GENERAL MEETING

a) Board of Shareholders' General Meeting

11. Identification and positions of the members of the Board of Shareholders' General Meeting and respective term of office

The Shareholders' General Meetings are conducted by the Board of Shareholders' General Meeting, whose members are elected by the shareholders for a term of three years, coinciding with the term of office of the other governing bodies.

The members of the current term of office were elected, for their first term, by decision of the Annual General Meeting of 31 March 2015, for the current term of 2015-2017.

- Manuel Eugénio Pimentel Cavaleiro Brandão (Chairman);

- Maria da Conceição Henriques Fernandes Cabaços (Secretary).

b) Exercise of the right to vote

12. Possible restrictions on the right to vote

The Company's share capital is represented in its entirety by a single category of ordinary shares, each share corresponding to one vote, and there are no statutory limitations to the exercise of the right to vote.

For shareholders to participate in the Shareholders' General Meeting, the only rules that have to be complied with is applicable legislation regarding the "Registration Date" as a relevant moment for proving the quality of shareholder and for exercising the corresponding right to participate in and vote at the Shareholders' General Meeting, as well as the scheme for the participation and voting of shareholders who, on a professional basis, hold shares in their own name but on behalf of clients.

Shareholders may be represented at meetings of the Shareholders' General Meeting upon presentation of a written representation document addressed to the Chairman of the Board of the Shareholders' General Meeting and delivered at the beginning of the meeting, indicating the name and domicile of the representative and the date of the meeting. This communication may also be done by e-mail in accordance with the instructions contained in the notice of meeting.

A shareholder may designate different representatives in respect of the shares held in different securities accounts, without prejudice to the principle of voting unity and to a voting differently allowed to shareholders on a professional basis.

The Company makes available, within the legal deadlines, adequate information - notices of meetings, voting procedures and procedures to be adopted for postal voting, voting by e-mail or by proxy, as well as a draft letter of representation, in Portuguese and English, on its website (www.sonaecapital.pt) in order to ensure, promote and encourage the participation of shareholders in general meetings, either directly or through representatives.

In addition to the Company's website, this documentation is also available to shareholders for consultation at the company headquarters during business hours, as well as in the CMVM Information Disclosure System (www.cmvm.pt), from the date of publication of the notice of meeting.

Shareholders may vote by post on all matters requiring approval of the Shareholders' General Meeting, and the vote may be cast electronically. The means of voting are defined in the notice convening the Shareholders' General Meeting, and a form is available at http://www.sonaecapital.pt/investidores/assembleias-gerais to request the technical elements necessary to vote in this manner.

The Company also makes available to shareholders draft ballot forms in Portuguese and English on its website at (www.sonaecapital.pt), simultaneously with the publication of the Shareholders' General Meeting notice, as well as the corresponding preparatory documents relating to the various items of the agenda, in Portuguese and English.

13. Maximum percentage of the voting rights that may be exercised by a single shareholder or by shareholders that are in any of the relationships established in article 20(1)

There is no limit to the number of votes that may be held or exercised by a single shareholder or group of shareholders.

14. Shareholder decisions which, by statutory imposition, can only be taken with a qualified majority

Pursuant to the provisions of the Articles of Association, the decisions of the Shareholders' General Meeting shall be taken by basic majority, unless otherwise established by law.

II. MANAGEMENT AND SUPERVISION

a) Composition

15. Identification of the adopted governance model

The Company adopts a monistic governance model (composed of Board of Directors, Supervisory Board and Statutory Auditor), as provided for by articles 278 (1) (a) and 413 (1) (b), both of the Companies Code, complemented by a delegation of management powers in an Executive Committee.

The Board of Directors is the body responsible for managing the Company's business, for performing all management acts related to the corporate purpose, determining the strategic orientation of the Company, as well as designating and supervising the performance of the Executive Committee and the specialised committees it sets up.

The Board of Directors considers that the adopted governance model is appropriate to the exercise of the powers of each of the governing bodies, ensuring, in a balanced manner, both its independence and the functioning of the respective interface. Moreover, the specialised committees, restricted to matters of great relevance, maximize the quality and performance of the management body, reinforcing the quality of its decision-making process.

The Executive Committee exercises the powers delegated in it by the Board of Directors for day-to-day matters of the Company and the corporate services.

The other two bodies are responsible for oversight.

The details of the structure adopted, the bodies that comprise it and corresponding functions and responsibilities are presented in the following paragraphs.

16. Statutory rules on procedural and material requirements applicable to the appointment and replacement of members of the Board of Directors

The members of the Board of Directors are elected, in accordance with the law and articles of association, under the terms stated in a proposal approved by the Shareholders' General Meeting.

The articles of association envisage that a director may be elected individually if there are proposals subscribed by shareholders who hold shares individually or jointly with other shareholders representing between ten and twenty percent of the share capital (director elected under the minority rule). The same shareholder may not subscribe to more than one voting list. Each proposal must contain at least the identification of two persons eligible for the same position to be filled. If several proposals are tabled by different shareholders or groups of shareholders, the votes will be taken on all proposals.

The articles of association also establish that in the event of death, resignation or temporary or permanent impediment of any of its members, other than the director elected under the minority rule, the Board of Directors shall ensure that director's replacement by co-opting, and this appointment requires ratification by the shareholders at the first Shareholders' General Meeting held after co-optation. In the event of definitive absence of a Director elected in accordance with the rules set forth in the preceding paragraph, the election shall occur at a Shareholders' General Meeting that is convened.

In the exercise of the Board of Directors' power to co-opt, the Board Nomination and Remuneration Committee is responsible for identifying potential candidates for the position of director with the appropriate profile for the exercise of the management functions.

A director shall be deemed to be definitively absent if he fails to attend two consecutive or interpolated meetings, without presenting a justification that is accepted by the Board of Directors.

The Company is fully convinced that the management and supervisory bodies' adequacy for the roles assigned to them is essential to ensure a suitable composition of the interests of all its stakeholders and is facilitated through creative solutions resulting from the combination of different perspectives and backgrounds. Accordingly, it is fundamental for the Company that when selecting the members of these bodies the shareholders have approved governing body election proposals that are based on diversity criteria, in order to ensure that they have a greater range of knowledge, skills, experience and values.

This conviction is demonstrated by the Company's compliance with the rule for balanced representation of men and women in the management and supervisory bodies of listed companies, even before the publication of Law 62/2017 on 1 August 2017, and also by the principles which guide the Appointments and Remuneration Committee in the performance of the functions regarding the identification of the aforementioned candidates. These responsibilities focus mainly on: i) professional qualification in parallel with the renewal of the composition of the governing bodies in order to ensure compatibility between seniority and the need for diversification of career paths, so as to avoid a monolithic line of thought in group thinking; ii) gender diversity; iii) diversity of knowledge; and iv) age diversity, with no restrictive view regarding the age limits for the performance of corporate roles.

17. Board Composition

In accordance with the Company's articles of association, the Board of Directors may be composed of an even or odd number of members, a minimum of three and a maximum of nine, elected at a Shareholders' General Meeting. The term of office of the

Board of Directors is three years, and its members may be re-elected one or more times. The current term of office of the Board of Directors is the 2015-2017 triennium. It is the Board of Directors that, in accordance with the articles of association, elects its Chairman.

The Board of Directors at 31 December 2017 was composed of seven members, three executive members and four non-executive members, two of whom are independent.

The current members of the Board of Directors who were elected for the 2015-2017 term are listed in the following table:

Name	First appointed	Date of termination of term of office
Duarte Paulo Teixeira de Azevedo	March 2015	31 December 2017
Álvaro Carmona e Costa Portela	March 2011	31 December 2017
Maria Cláudia Teixeira de Azevedo	March 2011	31 December 2017
Ivone Pinho Teixeira	March 2013	31 December 2017
Francisco de La Fuente Sánchez	April 2008	31 December 2017
Paulo José Jubilado Soares de Pinho	April 2008	31 December 2017
Miguel Jorge Moreira da Cruz Gil Mata	April 2016	31 December 2017

18. Executive and Non-Executive Members

Duarte Paulo Teixeira de Azevedo	Chairman – Non-Executive
Álvaro Carmona e Costa Portela	Vice-Chairman – Non-Executive
Maria Cláudia Teixeira de Azevedo	Executive
Ivone Pinho Teixeira	Executive
Miguel Jorge Moreira da Cruz Gil Mata	Executive
Francisco de La Fuente Sánchez	Non-Executive (Independent)
Paulo José Jubilado Soares de Pinho	Non-Executive (Independent)

Non-executive members were appointed on the basis of their prestige in the business, finance, academic and consulting fields, with the aim of strengthening the Board of Directors' competences, namely with regard to the strategy for setting up the business portfolio and the annual financial plan, as well as their revising.

The non-executive members of the Board of Directors, Francisco de La Fuente Sánchez and Paulo José Jubilado Soares de Pinho, are considered independent according to the criterion of independence established in section 18.1 of Annex I of the CMVM Regulation No. 4/2013 and Recommendation II.1.7 of the CMVM (2013).

Independent non-executive directors are under a duty to inform the Company immediately of any occurrence during their term of office that may cause incompatibilities or loss of independence, as required by law.

The current composition of the Board of Directors, in particular regarding the number of independent non-executive directors (2 out of 7 members), ensures the degree of supervision necessary for the activities carried out by the Executive Directors, taking into account the governance model adopted, the size of the company and its free float. The Report of the Board of Directors includes a chapter describing the activities carried out by the non-executive members of the Board of Directors.

19. Professional qualifications of the members of the Board of Directors:

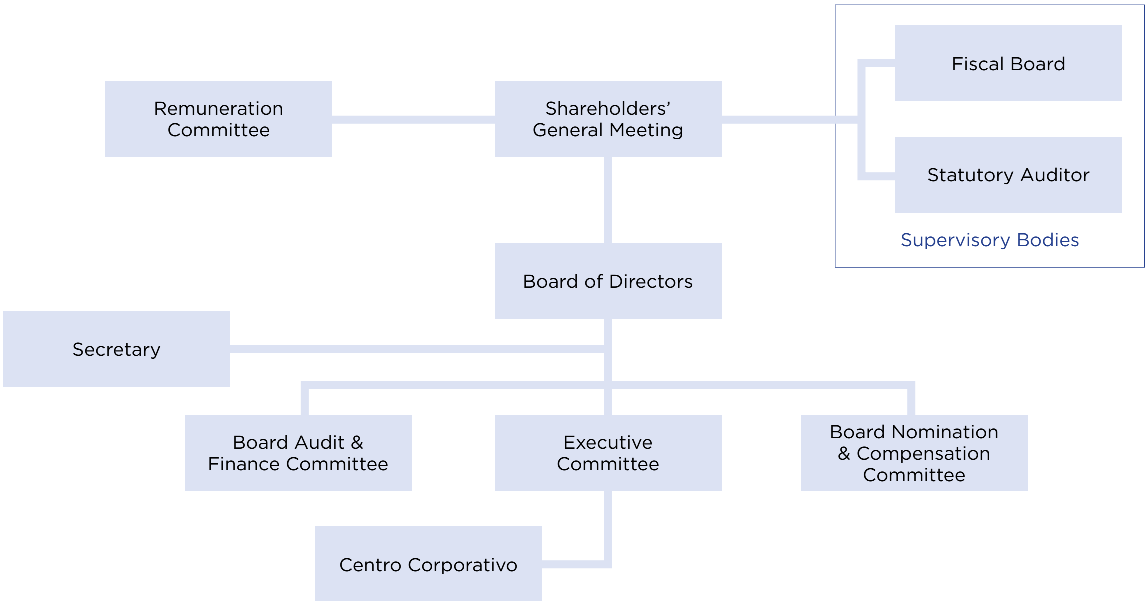
The professional qualifications and other relevant details of the CVs of the members of the Board of Directors are detailed in this report, in the Annex I.

20. Significant family, business and commercial relationships of members of the Board of Directors with shareholders having a qualifying holding

The Chairman of the Board of Directors and the Chief Executive Officer, Duarte Paulo Teixeira de Azevedo and Maria Cláudia Teixeira de Azevedo, respectively, are shareholders and members of the Board of Directors of Efanor Investimentos, SGPS, S.A., a legal person to which the control of the majority of the voting rights in this Company is imputed.

To the best knowledge of the Company, there are no other usual and significant family, business and commercial relationships between shareholders holding qualifying holdings in excess of 2% of the voting rights and members of the Board of Directors.

21. Organisational charts or functional charts relating to the division of powers among the various governing bodies, committees and/or departments of the Company, including information on the delegation of powers, particularly with regard to the delegation of the day-to-day management of the Company



According to the current corporate governance structure, the Board of Directors is responsible for strategic decisions at the business portfolio level and their implementation.

The Board of Directors delegates in the Executive Committee powers for the day-to-day operational management, also controlling the way in which this body functions and how the delegated powers are exercised.

The following powers of the Board of Directors may not be delegated, while all others have been delegated:

- Election of the Chairman of the Board of Directors;
- Co-optation of a substitute member of the Board of Directors;
- Request to convene General Meetings;
- Approval of the Annual Report and Accounts;
- Provision of collateral and personal or real guarantees by the Company;
- Decision to change the registered office or increase the share capital;
- Decision on mergers, spin-offs or transformation of the Company;

- Approval of the business portfolio configuration strategy;
- Approval of the business plan and any significant changes to that plan.
- Definition of the human resources policies applying to senior positions (level G3 and above) in areas that do not fall under the purview of the General Meeting or the Remuneration Committee.

The Corporate Centre plays an instrumental role in supporting the Executive Committee and Board of Directors in the definition and control of the implementation of the defined strategies, policies and objectives. Composed of sovereign functions and shared functions, which are described below, its purpose is to provide transversal services to all Group companies:

- Corporate Finance
- Legal Department
- Corporate Management Planning and Control
- Corporate Human Resources
- Portfolio Development
- Internal Audit
- Risk Management
- Information Systems
- Financial Department
- IOW and Innovation

The Corporate Finance role is to be responsible for defining and implementing financial management strategies and policies, ensuring an integrated and transversal vision of the Group's needs as well as the upkeep of relations with the capital, debt and banking markets. It is also responsible for managing the Group's financial risks and for preparing and monitoring the Group's financial plan.

The Legal area provides legal support in all fields, guaranteeing the defence of the Group's interests and promoting in an integrated and cross-cutting manner the strategy defined by the Board of Directors. It is responsible for monitoring legal compliance, litigation management, the corporate secretariat and the management of the Group's legal risks.

The Corporate Management Planning and Control function is to assist in the strategic development of the Group and in the definition of management information policies and ensure the reporting of consolidated information internally. This function is part of the Investor Relations Office which has the main responsibilities of reporting information to the market and ensuring permanent contact with institutional investors, shareholders and analysts.

Corporate Human Resources is responsible for the definition and implementation of the Group's human resources strategy and policies as well as the planning and management of talent and careers of top managers, under the terms approved by the Board of Directors and Remuneration Committee.

Portfolio Development, including Mergers & Acquisitions, has the mission to support the Board of Directors of Sonae Capital in projects of organisational growth and in the Group's business management, as well as in portfolio optimisation projects including the analysis and negotiation of investment and divestment opportunities.

The Internal Audit function defines and implements the Internal Audit activities by systematically and independently evaluating the Group's activities in order to ensure the effectiveness of the internal management and control systems and processes.

The Risk Management function assists the Board of Directors in the identification, modelling and monitoring of the Group's risks with the aim of ensuring their control and mitigation, as well as making it possible to include the risk dimension in strategic and operational decisions.

The Information Systems function is to ensure the alignment of information systems with the Group's strategy, creating value through the provision of solutions that promote effectiveness, efficiency and innovation of processes.

The sovereign functions report to the Executive Committee of Sonae Capital.

As regards Shared Functions, the mission of the Financial Department, coordinated by a manager of the Corporate Centre, is:

- to optimise the Group's financial flows through the efficient management of external entities, namely customers, suppliers and banks;
- to guarantee an accounting management model that ensures the integrity and availability of accounting, financial and asset information for the whole organisation through an integrated system;
- to coordinate human resources administrative management activities, ensuring alignment with the businesses.

The current organisation of the Corporate Centre of Sonae Capital also envisages the existence of the IOW and Innovation function. The responsibility of this is to, on the one hand, promote a common culture and practices of continuous improvement, within the scope of the IOW - Improving our Work model, cross-cutting all of the Group's companies and, on the other hand, to promote, facilitate and accelerate integrated innovation projects between the different areas in order to increase the Group's competitiveness. At the same time, it also has the responsibility of identifying, promoting, evaluating and exploring project financing opportunities, through incentives and subsidies, within the context of the activities carried out by the different Group companies, in order to boost the performance of each business.

b) Rules of Procedure

22. Existence of rules of procedure of the Board of Directors and place where they can be consulted

The rule of procedure of the Board of Directors is available for consultation on the Company's website (http://www.sonaecapital.pt) (investors tab, Corporate Governance section, Regulations).

23. Number of meetings held and attendance record of each member, as applicable, at meetings of the Board of Directors, the General and Supervisory Board and the Executive Committee

The Articles of Association establish that the Board of Directors must meet at least once every quarter and, in addition, whenever the Chairman or two Directors convene it. During 2017, the Board of Directors met 6 times and the attendance record, either in person or through representation, was as follows:

Duarte Paulo Teixeira de Azevedo	100%
Maria Cláudia Teixeira de Azevedo	100%
Álvaro Carmona e Costa Portela	100%
Ivone Pinho Teixeira	100%
Francisco de La Fuente Sánchez	100%
Paulo José Jubilado Soares de Pinho	100%
Miguel Jorge Moreira da Cruz Gil Mata	100%

The Secretary of the Board of Directors is responsible for the preparation and functioning of the meetings. The Secretary also keeps records of all decisions taken in the minutes of the meetings and sends the agendas of the meetings and supporting documents at least five days in advance, always with a weekend before the date of the meeting.

24. Competent governing bodies to assess the performance of the executive directors

The Remuneration Committee, elected at the Shareholders' General Meeting, is the body responsible for assessing the performance and approving the remuneration of the members of the Board of Directors and other governing bodies, in representation of the shareholders and in accordance with the remuneration policy approved by the Shareholders at the General Meeting.

On the other hand, non-executive members, as part of their supervisory role, monitor in particular the performance of executive directors.

The Board Nomination and Remuneration Committee (CNR), which is solely composed of non-executive directors, supports the Remuneration Committee in the performance of its remuneration responsibilities. These committees may be assisted by international consultants of recognised competence, in order to carry out these functions. The independence of the consultants is guaranteed by their autonomy vis-à-vis the Board of Directors, the Company and the Group, as well as by their broad experience and credibility recognised by the market.

25. Pre-determined criteria for assessing the performance of the executive directors

The performance assessment of executive directors is based on pre-determined criteria, consisting of objective performance indicators set for each period and in line with the overall strategy of growth and positive business performance.

These indicators consist of the business, economic and financial KPIs (Key Performance Indicators), subdivided into collective, departmental and personal KPIs. The collective business KPIs consist of economic and financial indicators that are defined based on the budget, the performance of each business unit, as well as on the consolidated performance of the Company.

Departmental business KPIs, in turn, are similar in nature to the previous ones, and they measure the specific contribution of the director to the performance of the business. Personal KPIs include objective and subjective indicators and are intended to measure compliance with duties and commitments individually taken on by the executive director. Additional information can be found in points 71 to 75 below.

26. Availability of each member of the Board of Directors, indicating the positions held simultaneously in other companies, inside and outside the Group, and other relevant activities carried out by the members of those bodies during the year

The list of positions held by the Company's directors and other relevant activities is included in the appendix I to this Report. Each of the members of the Board of Directors have consistently demonstrated their availability to perform their duties, having regularly attended the meetings of the body and participated in its work.

c) Committees within the management or supervisory body and delegated administrators

27. Identification of Committees established within the Board of Directors and the place where the rules of procedure can be consulted

The committees created by the Board of Directors are the Executive Committee, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

The functioning of the various committees is established in the rules of procedure of the Board of Directors, available for consultation on the Company's website (http://www.sonaecapital.pt) (investors tab, Corporate Governance section, Regulations).

28. Composição da Comissão Executiva

Name	Position
Maria Cláudia Teixeira de Azevedo	Chief Executive Officer
Ivone Pinho Teixeira	CFO
Miguel Jorge Moreira da Cruz Gil Mata	Executive

29. Indication of the powers of each of the committees created and a summary of the activities carried out in the exercise of those powers

Executive Committee

The Executive Committee is empowered to deliberate on all matters that have been delegated by the Board of Directors or related to the day-to-day management of the Company, following the strategic guidelines defined by the Board of Directors and under the aforementioned delegation of powers.

Pursuant to the established policy, the members of the Executive Committee share responsibilities in more than one area, and the allocation of these responsibilities is done according to the profile and experience of each member.

The Executive Committee of the Company shall meet on a monthly basis and at any time a meeting is called in writing, at least 3 days in advance, by the Chief Executive Officer or by a majority of its members. Notwithstanding regular contact between the members of the Executive Committee in the periods between meetings, 18 meetings were held in 2017.

The Executive Committee may only take decisions if the majority of its members are attending or represented. Decisions are taken by majority of the votes cast by the members attending or represented and by those voting by post.

Employees of the Corporate Centre may attend Executive Committee meetings, at the request of one of the Executive Directors, to give support and opinions on certain matters.

The Secretary of the Executive Committee (who is also the Secretary of the Board of Directors) is responsible for the functioning of the Executive Committee and other logistical aspects. The Secretary is also responsible for recording the decisions in the minutes of the meetings and for providing the members of the Executive Committee with the agenda and supporting documents for the meeting, at least three business days prior to the date of the meeting. The fact that the Secretary is the same for both bodies ensures the adequate flow of information between both bodies, allows the timely distribution of information and minimises any problems in the interpretation of requests for clarification, contributing to greater efficiency and effectiveness of the process.

During 2017, the Executive Committee sent the agendas and approved minutes of the respective meetings to the Non-Executive Directors and to the members of the Supervisory Board. The members of the Executive Committee shall provide, in a timely and adequate manner, any information requested by other members of the governing bodies.

Board Audit and Finance Committee

Board Audit and Finance Committee (BAFC) functions under the terms approved by the Board of Directors.

At 31 December 2017, the BAFC is composed of the independent Non-Executive Directors, Francisco de La Fuente Sánchez (Chairman) and Paulo José Jubilado Soares de Pinho.

The BAFC reviews the reports, financial information and financial statements of the Company prior to their approval by the Board of Directors, issues opinions on the reports addressed to shareholders and financial markets as to the adequacy and regularity of the information provided by the Executive Committee, including the internal business control systems, compliance with corporate governance best practices and it accompanies, on behalf of the Board of Directors, the audit and risk management activities and evaluates the processes and procedures in order to ensure the monitoring of internal control and efficient risk management. The BAFC meets with the Statutory Auditor and the Internal Audit team.

Refer to Chapter III of this report for information on risk-taking and control of risks.

The BAFC must meet at least six times a year, prior to the annual and interim disclosure of the results, once before the approval of the consolidated annual budget, once to evaluate the effectiveness of the Company's governance policies and practices and whenever convened by its Chairman, or by the Chairman of the Board of Directors, or by the Chief Executive Officer.

The Secretary of BAFC distributes the agenda and supporting documents to the members of the Committee at least five days before the date of the meeting and with a weekend beforehand. The Secretary also records the decisions taken in the minutes of the meetings.

Board Nomination and Remuneration Committee

The Board Nomination and Remuneration Committee (BNRC) is composed of the Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo, Vice-Chairman Álvaro Carmona e Costa Portela and the independent Non-Executive Director Francisco de La Fuente Sánchez.

The members have been appointed for a period of three years (2015-2017).

The BNRC ordinarily meets once a year, before the meeting of the Remuneration Committee, and whenever such is deemed necessary.

The BNRC operates in accordance with the provisions of the rules of procedure of the Board of Directors. It is responsible for:

- Identifying potential candidates with profiles for the performance of managerial duties (in particular when the Board of Directors performs its role of co-opting members), preparing general information regarding succession plans, contingency plans and talent management, in general for the members of the Board of Directors, as well as for other senior managers;

- Submitting to the Board of Directors a reasoned opinion on the proposal of the Executive Committee regarding remuneration and compensation policy of the members of the Board of Directors, to be submitted to the Board of Directors and subsequently submitted to the Remuneration Committee for its appraisal, in the context of the respective resolution to be put on the table at the General Meeting;

- Analysing, in accordance with the approved internal procedure, the remuneration proposals for the members of the Board of Directors, to be sent to the Remuneration Committee for appraisal, which then decides on the remuneration to be awarded. The proposals must be formulated in accordance with the terms established in the remuneration and compensation policy approved at the Shareholders' General Meeting;

- Supervising the decisions taken by the Executive Committee or by the Board of Directors, through the functional level, regarding the remuneration of executive members (Chief Operating Officer of each business unit) reporting directly to the Executive Committee;

- Advising the Board of Directors on communications received from any of the members of the Board of Directors, within the scope of the process of prior consultation before acceptance by them of other management positions or other roles or of significant activities.

BNRC has at its disposal, in partnership with the Remuneration Committee, the possibility of hiring the services of specialised external entities whose independence, repute and competence are recognised by the market.

III. SUPERVISORY BODIES

a) Composition

30. Identification of the supervisory body

The Supervisory Board and Statutory Auditor are the supervisory bodies of the Company, according to the adopted governance model.

31. Composition of the Supervisory Board

In accordance with the Company's articles of association, the Supervisory Board may be composed of an even or odd number of members, a minimum of three and a maximum of five. The number of members is defined at the Shareholders' General Meeting. The Supervisory Board shall also have one or two substitute members, if it is made up of three or more members, respectively.

The members of the Supervisory Board are elected for three-year terms, jointly with the members of the other governing bodies.

The Supervisory Board appoints its Chairman, if the Shareholders' General Meeting does not do so.

If the Chairman leaves office before the expiry of the respective term of office, the other members must elect a chairman from among themselves to carry out those duties until the end of the term of office. The substitute members must replace current members unable to perform their duties or who have resigned. They shall remain a full member until the next Shareholders' General Meeting, which shall appoint new members to fill the vacant positions. In the event that there are no substitute members, the Shareholders' General Meeting shall appoint new members.

It should also be noted, in compliance with article 245-A (1)(r) and (2) of the Portuguese Securities Code, that for the current year - reference period under the aforementioned regulations, as there were no appointments to the management and supervisory bodies, the diversity policies were not, therefore, applied.

32. Identification of Supervisory Board members considered independent

The members appointed for the current mandate (triennium 2015-2017) and in office are:

Name	Position	First appointed
António Monteiro de Magalhães	Chairman	March 2015
Manuel Heleno Sismeiro	Member	April 2009
Carlos Manuel Pereira da Silva	Member	March 2015 (substitute between December 2007 and March 2015)
Joaquim Jorge Amorim Machado	Substitute	March 2015

All the members of the Supervisory Board are independent, with the exception of Manuel Heleno Sismeiro, pursuant to article 414(5) of the Companies Code and they comply with all the incompatibility rules mentioned in paragraph 1 of article 414-A of the Companies Code. Manuel Heleno Sismeiro has lost independence due to the fact that he has been re-elected for more than two terms.

The members of the Supervisory Board are required to immediately inform the Company of any occurrence during their term of office that may cause incompatibilities or the loss of independence, as required by law.

The Statutory Auditor will be discussed in points 39 to 41 below.

33. Professional Qualifications

The professional qualifications and other relevant details of the CVs of the members of the Supervisory Board are detailed in this report, in the Annex I.

b) Rules of Procedure

34. Place where the rules of procedure can be consulted

The rules of procedure of the Supervisory Board are available for consultation on the Company's website (http://www.sonaecapital.pt) (investors tab, Corporate Governance section, Regulations).

35. Meetings of the Supervisory Board

The Supervisory Board meets at least once every quarter. 7 formal meetings of this body were held in 2017 and the respective attendance rate, in person or through representation, was as follows:

António Monteiro de Magalhães	100%
Manuel Heleno Sismeiro	100%
Carlos Manuel Pereira da Silva	100%

The decisions of the Supervisory Board are approved by simple majority.

36. Availability of each of the members, indicating the positions held in other companies, inside and outside the Group, and other relevant activities carried out by members of the Supervisory Board

Each of the members of the Supervisory Board has consistently demonstrated their availability to perform their duties, having regularly attended the meetings of the body and participated in its work.

The information on other positions held by members of the Supervisory Board, their qualifications and professional experience is available in the curricula vitae included in the Annex I to this report.

c) Powers and duties

37. Description of the procedures and criteria applicable to the intervention of the Supervisory Body for the purpose of contracting additional services from the Auditor

It is the responsibility of the Supervisory Board to approve the provision of additional audit services to be provided by the Auditor.

At the first meeting of each financial year, the Supervisory Board prepares a plan and work schedule for that year which includes, inter alia, the coordination and supervision of the Auditor's work. It shall include the following activities:

- Approval of the annual activity plan of the Auditor;
- Monitoring the work and discussion of the conclusions of the audit work and review of the accounts;
- Supervising the Auditor's independence;

- Joint meeting with the Board Audit and Finance Committee to review issues related to Internal and External Auditing;

- Analysis of services rendered other than audit services in compliance with Recommendation IV.2 of the CMVM Corporate Governance Code of 2013 and applicable legislation.

- In assessing the criteria that backed the contracting of additional services from the Auditor, the Supervisory Board verified the presence of the following safeguards:

- that the contracting of additional services did not affect the independence of the Auditor;

- that the additional services, duly falling within the defined framework, were not prohibited services pursuant to article 77(8) of Law 140/2015;

- that any additional services were provided with high quality, autonomy and also independent from those carried out in the context of the audit process;

- that the necessary factors guaranteeing independence and impartiality are met;

- that the quality system used by PricewaterhouseCoopers (internal control), in accordance with the information it provides, monitors the potential risks of loss of independence or possible conflicts of interest with Sonae Capital and ensures the quality of the services rendered, in compliance with the rules of ethics and independence;

- that the services provided comply with the terms established by Law No. 140/2015 of 7 September, which approves the new Statute of the Order of Statutory Auditors.

38. Other functions of the Supervisory body

In addition to the duties described in the previous point, the Supervisory Board is responsible for, among others:

- Supervising the Company's management;

- Ensuring compliance with the law, the company's memorandum of association and the internally adopted policies;

- Checking the consistency of books, accounting records and supporting documents;

- Verifying, when it deems appropriate and in the manner deemed adequate, the size of cash in hand and stocks of any kind of the assets or securities belonging to the company or received by it as collateral, deposit or for any other reason;

- Checking the accuracy of the accounting documents;

- Verifying whether the report on the corporate governance structure and practices disclosed includes the elements referred to in article 245-A of the Securities Code;

- Verifying that the accounting policies and valuation criteria adopted by the company lead to a correct valuation of assets and results;

- Annually preparing a report on its supervisory action and giving an opinion on the report and accounts and proposals submitted by the Management;

- Convening the Shareholders' General Meeting, when the chairman of the respective board does not do it, and should do so;

- Monitoring the effectiveness of the risk management system, the internal control system and the internal audit system, if such exist;

- Supervising the independence of the internal auditor, particularly as regards the limitations of its organisational independence and verification of the existence of resources in the internal audit activity;

- Receiving reports of irregularities, presented by shareholders, employees of the Company or others;

- Contracting the provision of expert services to assist one or more of its members in the performance of their duties. The hiring and remuneration of experts shall take into account the importance of the matters entrusted to them and the economic situation of the company;

- Proposing to the Shareholders' General Meeting the appointment of the Statutory Auditor;

- Supervising the process of preparation and disclosure of financial information;

- Supervising the audit of the company's accounting and financial statements;

- Supervising the independence of the Statutory Auditor, particularly regarding the provision of additional services;

- Ensuring that, within the company, adequate conditions are provided so that the Statutory Auditor may carry out its duties, be an active liaising partner in the company, and receive the respective reports;

- Issuing a specific and substantiated opinion supporting the decision not to rotate the Auditor, considering the Auditor's independence in that circumstance and the advantages and costs of its replacement;

- The supervisory body is additionally bound to comply with the duties and role established in Law No. 148/2015 of 9 September, which approved the Legal Framework of Audit Supervision, implementing the transposition of Directive 2014/56/EU of the European Parliament and the Council of 16 April 2014 amending Directive 2006/43/EC on annual and consolidated accounts and implementing Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements for statutory audits in public interest entities, in particular those arising from Article 3 of the preliminary decree and Art. 24 of the Legal Framework of Audit Supervision;

- Complying with the other duties contained in the law or the memorandum of association.

For the performance of the duties mentioned above, the Supervisory Board:

- Establishes its annual business plan, at the first meeting of each financial year;
- Obtains from Management, namely through the Board Audit and Finance Committee, the information necessary for the exercise of its activity, in particular the operational and financial evolution of the company, changes in the composition of its portfolio, the terms of the operations performed, content of the decisions taken;
- Approves and monitors the internal and external audit activity plans throughout the financial year and transmits its recommendations to the Board of Directors;
- Monitors the internal risk management system by preparing an annual assessment report and recommendations addressed to Management;
- Receives from the Board of Directors, at least two days before the date of its meeting, the consolidated and individual financial statements and the respective reports, analysing in particular the main changes, the relevant transactions and the corresponding accounting procedures, and receives from the Statutory Auditor its audit certification of the accounting documents, and issues its assessments and decisions;
- Records in writing the reports of irregularities addressed to it, initiating, as appropriate, the necessary measures with the Management, internal and/or external audit and draws up its report thereon;
- Notifies the Management of the checks, inspections and procedures it has carried out and of the results thereof;
- Attends the Shareholders' General Meetings;
- Develops the other duties of surveillance that are imposed by law.

In support of the activity of the Supervisory Board, the Company provides the human and technical resources necessary for the organisation of meetings, preparation of agendas, minutes and supporting documentation and their timely distribution. In addition, these meetings are attended by the internal liaisons considered relevant to the issues under discussion, for presentation and explanation of the issues raised by the Supervisory Board. The items on the agenda of these meetings on matters related to Auditing are discussed, at the discretion of the Supervisory Board, without the presence of employees of the Company.

The Supervisory Board represents the Company before the Auditor and proposes to the Shareholders' General Meeting its appointment, as well as its dismissal, also evaluating the activity performed by the Auditor, ensuring that the appropriate conditions exist within the company for the performance of its services. The Supervisory Board is the company's liaison and first recipient of the respective reports.

The Supervisory Board annually prepares a report on its supervisory action for the year, including an annual assessment of the Statutory Auditor, and it issues an opinion on the management report, the consolidated and individual financial statements and corporate governance report presented by the Board of Directors, in order to comply with the legal deadlines for disclosure at the date established for the Annual General Meeting. The annual report on its audit activity is included in the reports and accounts made available on the Company's website (www.sonaecapital.pt).

The Statutory Auditor is the supervisory body responsible for the legal certification of the Company's financial information. Its fundamental duties are:

- Check the consistency of all the books, accounting records and supporting documents;

- Whenever it deems convenient and through such means as it deems appropriate, verify the size of cash in hand and amounts of assets or securities of any type belonging to the Company or received by the Company as collateral, deposit or for any other purpose;

- Check the accuracy of the financial statements and express its opinion on them in the Legal Certification of Accounts and in the Audit Report;

- Verify that the accounting policies and valuation criteria adopted by the Company result in the correct valuation of the assets and results;

- Perform any necessary examinations and tests for the audit and legal certification of accounts and perform all procedures stipulated by law;

- Verify the enforcement of remuneration policies and systems and the effectiveness and functioning of the internal control mechanisms, reporting any deficiencies to the Supervisory Board, under the terms of and within the scope and limits of its legal and procedural powers;

- Verify whether the corporate governance report includes the elements referred to in article 245-A of the Securities Code;

IV. STATUTORY AUDITOR

39. Identification of the Statutory Audit Firm and the statutory auditor that represents it

The Statutory Auditor Firm of the Company for the 2015-2017 period is PricewaterhouseCoopers & Associados, SROC, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia.

40. Length of Time in Role

The Statutory Auditor is in its third term of office, which, unlike the two previous terms, each lasting two years, lasts for 3 years. It was re-elected for the present term on proposal of the Supervisory Board, at the Shareholders' General Meeting of 31 March 2015. The Company has the same statutory auditor since 2011 in almost all the companies in which it has interests.

41. Other services rendered to the Company

The Statutory Auditor also provides the Company with Audit services as described in the points below.

V. AUDITOR

42. Identification

The Auditor of the Company, designated for the provisions of Article 8 of the Portuguese Securities Code, is PricewaterhouseCoopers & Associados, SROC, registered under no. 9077 at the Portuguese Securities Market Commission, represented by the statutory auditor Hermínio António Paulos Afonso or by António Joaquim Brochado Correia.

In 2017, the representative of the Company's Statutory Audit Firm was Hermínio António Paulos Afonso.

43. Length of Time in Role

The Auditor was elected at the Shareholders' General Meeting on proposal of the Supervisory Board for the first time in 2011, for the 2011-2012 biennium and it is in its third term. The partner that represents it has been working with the Company since that same date.

44. Policy and frequency of rotation of the Auditor and the respective Statutory Auditor partner representing it

The Auditor and the Statutory Auditor partner representing it in the performance of these duties are in the third term of office, and the Company is therefore complying with the recommendations currently in force. Accordingly, non-rotation at the end of three terms of office may only occur for exceptional reasons if, after a careful and weighted assessment, it is concluded that remaining in office beyond that period does not conflict with safeguarding the independence of the Auditor and, once this prerequisite has been satisfied, that the weighing up of the costs and the benefits of their replacement recommends that they remain in office and that the conditions established in article 54 (4) and (5) of Law 140/2015 of 7 September are complied with.

45. Assessment of the Auditor

In accordance with the Company's governance model, the election or dismissal of the Statutory Auditor is decided by the Shareholders' General Meeting, upon proposal of the Supervisory Board.

In addition, the Supervisory Board supervises the performance of the Auditor and the work throughout each year, considers and approves additional work by the auditor and annually conducts an overall assessment of the auditor, which includes an assessment of the auditor's independence.

46. Additional Work

Tax consultancy services and other services (mainly in the area of management consulting) were provided by technicians other than those involved in the audit process in order to ensure the independence of the Auditor. The Board Audit and Finance Committee and the Supervisory Board analysed the scope of the other services and approved them, considering that they did not jeopardise the independence of the Auditors.

The services provided by the Auditor, other than audit services, were previously approved by the Supervisory Board according to the recommended principles. The percentage of such services in the total amount of services provided by PricewaterhouseCoopers & Associados, SROC (PwC) to the Company amounts to 4.4% and is not estimated to represent 30% of the total average of fees received in the last three financial years, by reference to the period established in Article 77(1) of Law No. 140/2015 of 7 September. Considering the amounts involved, within the recommended limits, and the fact that the services are provided by a totally different team from the entity providing audit services, the Auditor's independence and impartiality are assured.

The Auditor reported to the Supervisory Board of the Company all the different audit services provided to the Company, without prejudice to the fact that such services are subject to the prior approval of the latter through the annual communication referred to in article 24(6)(b) of Law No. 148/2015 of 9 September.

Within the scope of its work, the Auditor verified the application of the remuneration policies and systems, as well as the effectiveness and functioning of the internal control mechanisms. It did not identify any material deficiencies that should be reported to the Company's Supervisory Board.

47. Annual remuneration

The total remuneration paid to the Company's External Auditor in 2017 was EUR 156,671 corresponding to the following services:

Services (values in euros)	Total 2017	%	Sonae Capital SGPS	%	Other Group entities	%
Statutory Auditor [1]	**149.816**	95,6	**11.207**	100,0	**138.609**	95,3
Other Reliability Assurance Services [2]	**6.000**	3,8	**0**	0,0	**6.000**	4,1
Other Services [2]	**855**	0,5	**0**	0,0	**855**	0,6
Total	**156.671**	100	**11.207**	100	**145.464**	100

1 Fees agreed for the year.
2 Amounts billed.

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. Rules applying to changes to the Articles of Association

The amendments to the Articles of Association follow the terms of the Companies Code, requiring a two-thirds majority of the votes cast for approval of such resolution.

For the Shareholders' General Meeting to decide on the first call, the Articles of Association require that a minimum of 50% of the issued share capital be in attendance or represented at the General Meeting.

II. REPORTING IRREGULARITIES (WHISTLEBLOWING)

49. Means of and Policy for Reporting Irregularities

Irregularities are defined, within the scope of the Policy and Procedures for Reporting Irregularities in the Company, as facts that violate or seriously jeopardise:

- The compliance with legal, regulatory and deontological principles by the members of the governing bodies and employees of Sonae Capital or of companies controlled by it, in the exercise of their professional positions;
- The assets of the Company and of its controlled companies, as well as the assets of the Company's customers, shareholders, suppliers and business partners, or of any company controlled by it;
- Good management practices and the image or reputation of the Company or any company controlled by it.
- The fundamental features of the policy for reporting irregularities currently in force in the Company are:
- Establishment of procedures for reporting irregularities, namely the provision of a mailbox with exclusive access for the Chairman of the Supervisory Board, along with the receipt by post, that guarantee all employees, shareholders or stakeholders that the report, communication or complaint of irregularities arrives inviolably to the addressee. Although there is a need for the explicit and unequivocal identification of the complainant, this identity must be kept confidential and only known by the Chairman of the Supervisory Board, whenever this is requested in the report or complaint.

- After communicating or becoming aware of a potential irregularity, ensure a rigorous and impartial investigation process, through the access of the Supervisory Board to all relevant documentation that should be made available by the Company for the investigation of irregularities and to prevent access to the investigation procedure by any and all persons who, although indirectly, may have a conflict of interests with the outcome of the investigation process.

- The handling of irregularities, namely the prompt and effective handling of such communications, the implementation of corrective measures, when necessary, and informing the complainant of the outcome of the procedure.

- The communication by the Supervisory Board to the governing bodies of the Company or of companies it controls, whenever necessary, with a view to adopting the measures deemed necessary to remedy the investigated irregularities.

- Prevent the existence of reprisals that may arise from the report made, provided that it is proved that there is no bad faith or participation in any irregularity by the complainant.

According to best corporate governance practices, the Company's Reporting of Irregularities Policy, the main characteristics of which are described above, is available for consultation on the Company's website (www.sonaecapital.pt) and it covers the entire perimeter of the Sonae Capital Group.

The Supervisory Board did not receive in 2017, through the means defined for this purpose, any reports on matters under the scope of this policy.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, bodies or committees responsible for the internal audit and/or implementation of internal control systems

Risk Management is one of the core components of the Sonae Capital Group's culture and a pillar of Corporate Governance, being present in all the management processes. It is a responsibility of all Group employees, at different levels of the organisation.

Sonae Capital attaches primary importance to the implementation of internal control and risk management principles appropriate to the Group's activities. Visibility vis-à-vis the market, the exposure and diversification of business risks and the increasing speed of information transmission make it fundamental to adopt these principles, following a philosophy of value creation, ethical affirmation and social responsibility.

Risk Management is developed with the objective of creating shareholder value through (i) managing and controlling the opportunities and threats that may affect the objectives of Sonae Capital's portfolio and companies, (ii) preventing the occurrence of errors and irregularities and minimizing their consequences; and (iii) maximizing the organization's performance and the reliability of its information, in an ongoing business perspective. It stands out as one of the components of the sustainable development of companies, since, when embodied in coordinated plans and systems of management and control, it contributes to a continuous development of the business through greater knowledge of the uncertainties and threats and more effective management and control of the risks that can affect organisations.

Risk Management is inherent in all management processes and is assumed as a responsibility for all managers and employees of the Group. These are a fundamental element of a conservative risk management culture that is intended to be transversal to all activities and hierarchical levels of the company.

The Risk Management role is to support companies in achieving their business objectives through a systematic and structured approach in identifying and managing risks and opportunities, promoting and supporting the integration of Risk Management into the planning and management control of the respective companies.

The Internal Audit role is to identify and evaluate the effectiveness and efficiency of the management and control of the risks of business processes and information systems, reporting functionally to the Supervisory Board.

It should be noted that the risks concerning the reliability and integrity of accounting and financial information are also evaluated and reported by the External Auditor activity.

51. Explanation, possibly by inclusion of an organisational chart, of the hierarchical and/or functional dependency relationships with other bodies or committees of the Company

Bodies and committees responsible for risk management and internal control

- Board of Directors
- Executive Committee
- Board Audit and Finance Committee
- External Audit
- Internal Audit
- Risk Management
- Corporate Centre

The Board of Directors is the maximum body responsible for the risk management process. The Board of Directors is responsible for defining and approving the Group's risk management policies.

It is the responsibility of the Executive Committee to permanently assess the risks of the Group, approve the action measures/plans, models and mechanisms for the evaluation, control and mitigation of these risks.

The Board Audit and Finance Committee informs the Board of Directors on the adequacy of the internal information provided by the Executive Committee and of the internal control systems and principles, and on the compliance with the Corporate Governance best practices.

Moreover, the Board Audit and Finance Committee supports the Supervisory Board in appointing the Auditor as well as defining the scope and remuneration of its work and it reports to the Board of Directors on the quality and independence of the Internal Auditor and should be consulted by management on the appointment of the Internal Audit manager.

External Audit evaluates and reports the risks of reliability and integrity of accounting and financial information, thus validating the internal control system established for this purpose by Sonae Capital.

Internal Audit, acting as an independent internal advisory body, identifies and evaluates the effectiveness and efficiency of risk management and control of business processes and information systems, as well as the risks of non-compliance with laws, contracts, policies and procedures of the companies. Its activity is reported to and monitored by the Board Audit and Finance Committee, and is also reported to the Supervisory Board.

Regarding the interrelationship between the two Audit bodies, the Board Audit and Finance Committee reviews the scope of Internal Audit work and its relations with the scope of the Auditor's work and analyses with this and with the Internal Audit manager the reports on the review of the annual financial information and on the review of internal control, reporting its findings to the Board of Directors. These reports are issued for the Supervisory Board and for the Board Audit and Finance Committee at the same time.

In turn, Risk Management promotes the performance of procedures and the internal dissemination of best practices, and is responsible for coordinating the entire risk management process of the Sonae Capital Group, collaborating with the risk managers of each business unit in the activities arising from the risk management process, and continuously ensuring the efficiency and effectiveness of the process.

52. Existence of other functional areas with risk control powers

Risk Management, integrated in the Corporate Centre, reports to the Executive Committee. It promotes, coordinates, facilitates and supports the development of Risk Management processes, promoting the inclusion of the risk dimension in strategic and operational decisions. This role and the Internal Audit role are coordinated by managers at the Corporate Centre level of Sonae Capital and their activities are reported and monitored by the Board Audit and Finance Committee of their Board of Directors.

Similar to that which occurs with the Internal Audit and Risk Management roles, the financial and legal risk management role is also coordinated by two managers, at the Corporate Centre level of Sonae Capital and its activities are reported and monitored in the Board Audit and Finance Committee, and also reported to the Supervisory Board.

There are Risk Management Pivots at each business segment level, coordinated by the Group's Risk Management function, which works with the owners of each risk in order to ensure the implementation of the determined action plans, and the permanent update of the risk matrix of each segment.

53. Identification and description of the main types of risks (economic, financial and legal) to which the Company is exposed in the performance of its business activity

53.1 Cross-Cutting Risks

Contextual Risks: The activity developed by the Sonae Capital Group is shaped by the macroeconomic situation and by the profiles of the business segments where it operates. Considering that a large part of the activity of its subsidiaries is currently developed in Portugal, Sonae Capital is exposed to the situation of the Portuguese economy, which is, in turn, greatly shaped by the evolution of the situation in the Euro Zone.

Sonae Capital's activity, business, operating results, financial position, future prospects or ability to achieve its objectives may be potentially adversely affected by a negative development of the economic situation in Portugal or the Euro Zone.

The Sonae Capital Group has several initiatives in order to mitigate this risk, whether through the internationalisation of business or through strict control of costs, or by presenting innovative and differentiating solutions according to the profile of the markets where it operates.

Financial Risks: Sonae Capital is exposed to a diversified set of risks of a financial nature, namely interest rate, foreign exchange risk (transaction and currency translation risks), liquidity and fluctuations in the capital and debt markets, credit (especially relevant in economic recession) and exposure to commodity prices.

Sonae Capital's financial risk management policy aims to minimise the potential adverse effects of financial market volatility and, to this end, a coherent set of systems and processes is implemented at Sonae Capital enabling the timely identification, monitoring and management by the Corporate Finance function.

The volatility of the financial markets has led liquidity risk, credit risk, and capital market and debt fluctuations to take centre stage in corporate priorities for the potential impact on business continuity and development. In fact, the business development of some Sonae Capital subsidiaries may require the reinforcement of Sonae Capital's investment in these subsidiaries, or Sonae Capital may wish to expand its business through organic growth or any acquisitions and business continuity requires the maintenance of liquidity reserves appropriate to the business requirements of the companies. The reinforcement of investment and maintenance of liquidity reserves may be done by means of equity or funds from third parties. Sonae Capital cannot ensure that such funds, if necessary, are obtained under the intended conditions, which may lead to changes or deferrals in the business development objectives or plans, restricting the success of the defined strategic objectives.

In this context, the aforementioned financial risk management systems and processes, centralised in the Company's corporate centre, are established in order to mitigate these risks by ensuring liquidity management through:

(i) short, medium and long-term financial planning based on predictive cash flow models;

(ii) cashbook and working capital control instruments;

(iii) strict customer credit management, and monitoring of risk developments;

(iv) diversification of funding sources and counterparties;

(v) adjustment of the debt maturity profile to the profile of cash flow generation and investment plans;

(vi) maintenance of an adequate level of liquidity by contracting with known banks cash support lines.

Sonae Capital does not contract derivatives or other financial instruments, except those strictly related to the hedging of risks arising from its operational activities and its financing. The risk management policy of the Company and the Group prevents the use of financial derivative instruments for purposes other than the strict hedging of these risks.

Legal, Tax and Regulatory Risks: Sonae Capital and its subsidiaries are subject to extensive and often complex regulations as a result of their activities and compliance requires investment in terms of time and other resources. It has legal and tax advice for this purpose. In fact, Sonae Capital and its businesses have a permanent legal and tax function dedicated to the activity, which works in conjunction with other corporate and sovereign functions so as to ensure, in a preventive manner, the protection of Sonae Capital's interests in strict respect for the fulfilment of its legal duties as well as the enforcement of good practices.

Legal and tax advice is also supported, nationally and internationally, by external professionals selected from reputable firms and according to high standards of competence, ethics and experience. However, Sonae Capital and its subsidiaries may be affected by legal and tax changes in Portugal, the European Union and other countries where it operates. Sonae Capital does not control these changes, or changes in the interpretation of laws by any authority. Any changes in legislation in Portugal, in the European Union or in the countries where Sonae Capital carries out its activities may affect the conduct of the business of Sonae Capital or its subsidiaries and, consequently, hinder or prevent the achievement of the strategic objectives.

Information Systems Risk: Sonae Capital's information systems are characterised by being comprehensive, multifaceted and distributed. In terms of information security, several actions have been developed to mitigate the risk of compromising the confidentiality, availability and integrity of business data, namely off-site backups, implementation of high availability systems, network infrastructure redundancy, verification and control of the quality of flows between applications, access and profile management and reinforcement of data network perimeter protection mechanisms. On a recurrent basis, the Internal Audit function performs audits in various domains: applications, servers and networks, with the objective of identifying and correcting potential vulnerabilities that may have a negative impact on the business as well as ensuring the protection of the confidentiality, availability and integrity of the information.

Following the audit of the management and governance processes in the information systems, based on the Cobit V5 framework, an Information Security project started in 2016 with a view to addressing the recommendations of the audit evaluation as well as outlining strategies and intervention plans to protect Sonae Capital's information and information systems. This project will culminate in the development of an Information Security Management System founded on policies, standards and procedures, based on information security risk management and supported by specific processes with unequivocally identified and qualified managers.

People Risks: Sonae Capital's ability to successfully implement the defined strategies depends on its ability to recruit and retain the most qualified and competent employees for each role. Although Sonae Capital's human resources policy is geared towards achieving these objectives, it is not possible to guarantee that in the future there may be no limitations in this area.

Public Health Risks: Sonae Capital acknowledges that health is an essential cornerstone for the sustained development of its businesses, a differentiating aspect and the driving force behind all its success.

Risk assessment and the definition of measures to minimise these risks are carried out continuously, in conjunction with the business units, particularly through training our staff, close relationships with staff in the workplaces and conducting audits.

Aware that people are its greatest asset, both employees and customers, Sonae Capital is committed to preventing the spread of diseases and improving the internal control environment for systems and equipment used to support its business activities.

This is a fundamental cornerstone of motivation, sustainability and growth.

On this topic, special attention must be paid to the prevention and control procedures and plans implemented generally in the business segments to mitigate the risk of Legionnaires' disease.

Insurable Risks: As regards the transfer of insurable risks (technical and operational), the Group's companies contract cover pursuing an objective of rationalisation by the correct adjustment of the financial structure to the values of the risk capital, based on the permanent changes in the businesses encompassed. Moreover, this architecture was improved by the optimisation of the insurance programme in terms of coverage and retention, consistent with each business, internally ensuring effective insurance management.

53.2 Company Risks

Sonae Capital, as the shareholdings management company (SGPS), directly and indirectly develops management activities over its subsidiaries, and therefore, the fulfilment of the obligations taken on depends on the cash flows generated by its subsidiaries. Sonae Capital therefore depends on the distribution of dividends by its subsidiaries, the payment of interest, the repayment of loans granted and other cash flows generated by those companies. The ability of the invested companies to make available/repay funds to Sonae Capital will depend in part on their ability to generate positive cash flows from their operational activities, as well as on the statutory, legal and fiscal framework applicable to the distribution of dividends and other forms of payment/return of funds to its shareholders.

53.3 Subsidiary Risks

Sonae Capital's portfolio includes a diversified business portfolio, therefore some of the main risks its subsidiaries are exposed to may be sectoral. The main risks are identified below.

53.3.1 Resorts

a. The activities developed by **Resorts** are subject to economic cycles and depend on the growth of tourism and real estate in Portugal. Thus, the tourism operations of this business depend on tourism demand, which is associated with the evolution of both the national and international economy. Any negative economic developments in Portugal or in the main tourist countries for the Portuguese market may have a negative impact on the performance of this activity, due to a reduction in the number of tourists.

b. The success of the sale of **tourism developments** depends on the real estate market in Portugal and the main countries of origin of foreign investors, at the time of its placing on the market (since a significant part of tourism is promoted in the foreign market), and also on the stability of government incentives to direct foreign investment. The new rules for granting residency visas to foreigners wishing to invest in Portugal, under Investment Residency Permits (ARI), also known as 'golden visas', have caused a slowdown in the dynamics of this market segment. Thus, an environment that is less favourable than expected might impact on the business, namely on sales prices and market placement deadlines.

c. The activity developed by the Resorts, as an operator of the **tourism sector** is subject to the supervision of the Directorate General of Tourism and the compliance with specific legislation on this field. A different scenario than expected may jeopardise current expectations about the business, namely, sale prices and deadlines for placing on the market, with a potentially negative impact on the financial situation of this business.

d. The activities of **Atlantic Ferries** and **Tróia Marina** are subject to the terms and deadlines mentioned in the concession contracts entered into: (i) Atlantic Ferries entered into an agreement with APSS (Associação dos Portos de Setúbal e Sesimbra) in 2005 for a public service concession for the inland waterway transport of passengers, light and heavy goods vehicles between Setúbal and the Peninsula of Tróia. The concession is for 15 years and can be extended for successive periods of 5 years, if both parties agree to do so; (ii) Tróia Marina also signed a concession contract with APSS in 2001 for the commercial operation of Tróia Marina, for a period of 50 years. Any breach of contractual obligations may entail significant risks to the activity and impact on the results of these companies.

e. On the Tróia Peninsula, the tourism real estate promotion activity may be affected by possible competition from other developments, especially from the Alentejo coast, Algarve and southern Spain. However, Sonae Capital considers that the **Troia Resort** project is being developed in an area where existing biodiversity and heritage are considered to be differentiating factors of the project which can be capitalised into new tourism services and products with a positive impact on its development.

f. In addition to the potential impact mentioned in the previous paragraph, tourism real estate promotion may also be affected by possible changes in the territorial instruments applicable to the national territory and more specifically on the Tróia peninsula, despite the constant monitoring that Sonae Capital, through its subsidiaries, has made with the competent entities concerning these issues.

e. This business may still be subject to seasonality, whereby abnormally adverse weather conditions during those periods may adversely affect the level of business activity and operating results.

53.3.2 Hospitality

a. This business activity depends on tourism demand, which is associated with the evolution of both the national and international economy. Any negative economic developments in Portugal or in the main tourist countries for the Portuguese market may have a negative impact on the performance of this activity due to a reduction in the number of tourists.

b. This activity is also subject to demand fluctuations related to natural disasters, as well as to social or political factors that may have an impact on the flow of tourists and, consequently, on occupancy rates.

c. The hospitality activity is subject to the supervision of the Directorate General of Tourism and the compliance with specific legislation for this field.

d. The hospitality activity may depend on the competitive intensity - regional and global - of the tourist destination where it is located. Competition between tourist destinations is increasingly aggressive as a result of the growth in demand, the massification of air transport and the emergence of new destinations. However, in addition to its location, Sonae Capital believes that the brand's reputation and the quality of its businesses, particularly in relation to the complementary activities offered (catering, golf and other leisure activities), are important competitive advantages in this sector.

e. The possibility of public health risks in the development of catering activities that jeopardise the health of customers in the respective facilities may imply that the companies in this segment are held accountable in this field, which may have an adverse effect on results, their financial situation and reputation. The business seeks to mitigate possible risks to the catering business and others arising from situations that could pose risks to public health. Of note in this area are:

- the implementation and consolidation of a food safety audit plan aimed at the kitchens and outlets included in the hotel units, as well as all catering stations operated, highlighting and reporting the main findings to the company and giving guidance on corrective actions. This audit plan aims to systematically check compliance with legal norms and internal rules on food safety. The hospitality activity uses tools such as HACCP (Hazard Analysis and Critical Control Points) defined in the Codex Alimentarius - Annex to CAC/RCP 1-1969, Rev. 4 (2003), complying with the requirements specified therein as well as with current legislation, in particular Regulation (EC) No. 852/2004 of the European Parliament and the Council of 29 April 2004, on the hygiene of foodstuffs.

- the implementation since 2015 of a set of best practices in the prevention and control of Legionnaires' disease according to the recommendations made by the Directorate General for Health to reduce the risk of this disease in hotels and tourism developments. The risk of this disease developing is mitigated through the careful application of a set of measures aimed at thermal and/or chemical disinfection of water and the implementation of a periodic inspection, cleaning and maintenance programme for the systems and equipment involved.

53.3.3 Fitness

The most relevant risks in the leisure sector, namely in the **Fitness** segment, where the Sonae Capital Group operates through Solinca Health & Fitness (health clubs), are as follows:

a. The health clubs activity may be impacted by economic developments, notably by a decrease in consumer confidence and a consequent impact on household disposable income.

b. The entry of new competitors, opportunities for consolidation in the market, repositioning of current competitors or the actions they can take to conquer new markets or increase market share (price wars, promotional activity, introduction of new concepts, innovations) may jeopardise the intended market share and business strategy. The response to increased competition may lead to price decrease or the implementation of promotional discounts, which may have an impact on the company's results.

In order to minimise this risk, Solinca Health & Fitness carries out constant benchmarking of its competitors' actions and invests in new formats and products/services, or in the improvement of existing ones, in order to offer its customers an innovative proposal.

c. Making services, equipment and infrastructures available that do not comply with quality levels and the changing needs demanded by customers may expose the company to complaints, hinder customer attraction and loyalty as well as negatively impact on its image and reputation.

Consumers frequently change their preferences and expectations, which requires continuous adaptation and optimisation of the product offer and business concepts. The difficulty or inability to foresee, understand and/or satisfy the frequent variations of the needs and expectations of customers can be reflected in difficulties concerning their loyalty in the medium term.

To anticipate market and consumer trends, Solinca Health & Fitness regularly reviews customer behaviour, satisfaction and loyalty by conducting monthly surveys (Net Promoter Score). The introduction of new concepts, products and/or services is always tested on pilots before being generalised to all clubs. In addition, Solinca Health & Fitness allocates a significant portion of its annual budget to the renewal of equipment and facilities in order to ensure attractiveness and keep up with the challenges imposed by the market.

d. Solinca Health & Fitness may be held liable in the event of accidents or unforeseen circumstances due to inappropriate physical activity that affect the life, health or physical integrity of people, which may have an adverse effect on its reputation and consequently on its results.

Solinca Health & Fitness has several initiatives in place to mitigate this risk, namely the obligation of customers to carry out a medical evaluation questionnaire at the time of enrolment, offering an initial physical evaluation to all customers and encouraging its realisation, training in basic life support for all employees, as well as the existence of occupational accident, property damage and civil liability insurance.

e. Solinca Health & Fitness may be held liable in the event of the existence of public health risks arising from the development of its business activity, which could jeopardise the health of clients in its facilities, with an adverse effect on its reputation and consequently on its results. In this area, it is important to highlight the risk of legionnaires' diseases in places aerosols can form, such as showers, jacuzzis, Turkish baths and saunas.

Since 2012, Solinca Health & Fitness has had a set of initiatives in place in all its health clubs, aimed at reducing the risk of legionnaires' disease. These include thermal and/or chemical disinfection of water and the implementation of a periodic inspection, cleaning and maintenance programme on the systems and equipment involved.

f. Legislative changes (e.g. tax, legal, labour, competition, etc.) may threaten the specific strategies defined by Solinca Health & Fitness in the development of its activities, involve contractual changes with the main stakeholders or dictate an increase in its costs.

53.3.4 Refrigeration and Air Conditioning

The activities related to **Refrigeration** and **Air Conditioning** have specific risks, mostly related to the competition of other companies operating in the same markets and the evolution of the economy. The most relevant risks are related to the following:

a. The activity developed by the Group is shaped by the macroeconomic situation and by the profiles of the markets where it operates. The products developed by the Group have the nature of durable goods, mainly aimed at the real estate and food distribution sectors. The Group's operating activity, as a result, is cyclical and is positively correlated with the cycles of the economy in general and, in particular, with developments in those specific sectors. Accordingly, the Group's business and that of its invested companies may be adversely affected by periods of economic recession, in particular by the deterioration of private investment. The availability of credit in the economy is also relevant to the business, due to the potential impact it has on the real estate market. The Group, through its subsidiaries, is directly represented in Portugal, Brazil and Mozambique, where it produces and sells. These markets have different macroeconomic, political and social profiles and, as such, are experiencing different responses to the global economic and financial crisis. In fact, the pace at which the various markets will emerge from the current crisis is dependent on variables that the Group does not control. Likewise, the possible occurrence of political and/or social tensions in any of the markets may have a material impact that cannot be estimated on the Group's operations and financial situation.

The development of this segment considering the market framework in Portugal is therefore based on the growth of the international component, via exports. The evolution of the world economy, the specific risks of the selected countries and the capacity to conquer new markets could, therefore, have an impact on the activity of this segment.

b. The Group's business is geographically diversified, with subsidiaries located in three different continents, therefore there are transactions and balances in reais and meticais.

The consolidated statements of financial position and the income statement are thus exposed to the currency translation risk (risk relative to the value of capital invested in subsidiaries outside the euro area) and the subsidiaries are exposed to the currency translation risk (risk associated with commercial transactions carried out in a currency other than the euro). The transaction risk arises essentially when there is a currency risk related to cash flows denominated in a currency other than the functional currency of each of the subsidiaries. The cash flows of group companies are largely denominated in their respective local currencies. This is true regardless of the nature of the cash flows, i.e. operational or financial, and allows a considerable degree of natural hedging, reducing the Group's transaction risk. In line with this principle, the Group's subsidiaries only contract financial debt denominated in the respective local currency. The currency translation risk arises from the fact that, in the preparation of the consolidated financial statements of the Group, the financial statements of subsidiaries with a functional currency different from the reporting currency of the consolidated accounts (Euro) have to be Converted into Euros. As exchange rates vary between accounting periods and since the value of the subsidiaries' assets and liabilities do not coincide, volatility is introduced in the consolidated accounts.

In order to minimise potentially adverse effects arising from the unpredictability of financial markets, the Group, besides having an exchange risk management policy and implementing control mechanisms for the identification and determination of exposure, sometimes uses derivative instruments to cover this risk.

53.3.5 Energy

The **Energy** production area focuses mainly on the development and management of cogeneration projects.

Cogeneration is a way of rationalizing energy consumption, since the production of electricity from the energy released during combustion is synonymous with a more efficient use of the fuel used - natural gas in the Sonae Capital projects. In a cogeneration plant there is a reduction in fuel consumption, compared to the production of the same quantities of thermal energy and electricity, separately.

Although this type of electricity generation is a more efficient and environmentally friendly alternative, it nevertheless carries with it certain specific risks that may have an impact on the companies' results. The most relevant risks are as follows:

a. The Sonae Capital Group's cogeneration projects use natural gas as the primary fuel in the combined production of electricity and thermal energy, so the purchase price of this raw material has significant weight on the variable cost structure. Consequently, the volatility of the purchase price of natural gas, normally pegged to the price of oil in international markets and the euro/dollar exchange rate, could translate into a significant impact on the company's results and margin.

It should be noted, however, that the tariff for the sale of electricity by cogeneration units is regulated and also pegged to the evolution of the price of oil in the international markets and the euro/dollar exchange rate, which, by itself, allows exposure to this risk to be significantly reduced. In particular, the electricity sales tariff defined by Ordinance 58/2002, the remuneration scheme applicable to most cogeneration units, and the purchase price of natural gas are highly correlated, giving a considerable level of natural hedging as regards gross margin.

However, DL 23/2010 and Ordinance 140/2012 established a new remuneration scheme for cogeneration in Portugal, applicable to new cogeneration units, which entailed the loss of the hitherto existing natural hedging, since the elasticity of prices to unit variations of the indexing factors is now totally different. The natural gas purchase price has significantly higher sensitivity than the electricity sales tariff, which translates into an increased risk of exposure to the volatility of the natural gas purchase price. This fact will become increasingly relevant as cogeneration facilities move to this new remuneration scheme.

The Sonae Capital Group, in order to mitigate this risk, regularly monitors the development of the natural gas price as well as its future development tendency, assessing at all times the attractiveness of the hedging of this risk by fixing natural gas purchase price over a set period of time, whether with the supplier or through derivative financial instruments.

In addition, as regards the allocation of CO2 emission allowances, the European greenhouse gas emissions allowance trading scheme (ETS) has introduced significant changes in the allocation rules for the period from 2013 onwards. The total quantity of allowances is determined at Community level and the allocation of allowances carried out by auction, with the free allocation still marginally permitted through compliance with benchmarks defined at Community level. The free allocation of allowances follows a downward trend year after year, with a view to its extinction in 2027. The cogeneration units covered by this scheme (rated terminal power above 20MW) will have increasing need to go to the market for CO2 allowances and are exposed to fluctuations in their price.

b. The reduction of thermal energy consumption and default by the host as regards defined contractual clauses, such as exclusivity, take-or-pay, among others, may impact on the revenue of the business, through the reduction of the electricity tariff premium or, ultimately, the loss of legal cogenerator status.

c. The focus and concentration of the business in the cogeneration activity relative to alternative forms of energy could increase the company's risk to external factors and consumption profiles.

In order to minimise this risk, the Sonae Capital Group has established a growth plan for this business segment which provides for investment in renewable energy as well as the internationalisation of the business with a view to the technological and geographical diversification of its portfolio.

d. The cogeneration units have support systems that can be associated with the development of the Legionella bacteria. Of note are the cooling towers, evaporative condensers and air conditioning systems. Special attention is required in places where there is standing or stagnant water, where the water temperature can reach between 35ºC and 50ºC. The following preventive measures have been put in place to attenuate this risk: implementation of maintenance plans according to manufacturers' recommendations, best practices and local conditions; dispensing biocides to ensure reserves above the values deemed necessary for the non-development of bacteria colonies; checking, calibrating and adjusting water treatment dispensing equipment every month; analysis and quality control of the water every month; periodic analysis for the presence of Legionella; and periodic cleaning of the main equipment (cooling towers). In this area, Capwatt has been optimising the measures implemented in the facilities in order to improve the entire prevention and control process, seeking to minimise the risk of Legionella bacteria being found during an inspection.

The following specific risks are identified regarding the production of energy from renewable energy sources:

e. Electricity generation from renewable energy sources is regulated in terms of tariff, so any future tariff fluctuations may translate into significant impacts on the company's results and margin.

f. The amount of energy produced is dependent on the availability of the resource, so lower availability than that initially estimated may impact on the turnover and profitability of the projects. Moreover, one of the greatest challenges in harnessing renewable resources relates to their intermittence, since climatic conditions (wind strength, solar radiation, etc.) are not always favourable when electricity is necessary due to the impossibility or high cost of storage.

In order to minimise this risk, the Sonae Capital Group promotes, under the technical due diligence procedure carried out for each of its projects, a thorough study of the resource in order to define different scenarios and the consequent evaluation of the economic feasibility of the projects.

The Energy production area encompasses the following risks of a more general nature, regardless of the primary energy source used:

g. Energy generation under the special scheme in Portugal has the tariffs predefined by the Portuguese State, as a way of encouraging alternative forms of electricity production that are more efficient and environmentally clean. Consequently, the risks regarding the electricity sale price are currently reduced. Although electricity is sold at a price defined by the Portuguese State for a long period of time, the profitability of the operations depends on the stability in the short, medium and long term of regulatory policies and schemes that support the development of energy efficiency.

Any possible governmental changes to energy policy in the future may prove to be a risk to future projects and to the viability of developing the business in the long term.

h. Energy production is subject to supervision by the Directorate-General for Energy and Geology (DGEG) and the Energy Services Regulator (ERSE), which are the entities responsible for regulating the electricity sector in Portugal. Production must also comply with specific legislation on the field. Any change to the broad legal framework applicable to the sector may entail significant risks for the activity of this segment.

i. The occurrence of extraordinary situations, such as fires, adverse weather and/or accidents, may threaten the company's ability to maintain operations, provide essential services or cover operational costs.

In order to minimise this risk, the Sonae Capital Group conducts regular preventive and safety audits of the facilities and equipment and periodically reviews and adapts the insurance plans for property damage, operating losses and civil liability in force.

j. The absence or inadequate maintenance of equipment, or the lack of control of the service levels of the suppliers (equipment, maintenance and spare parts) that do not ensure adequate functionality, safety and compliance can lead to inefficient processes or cause significant damage to equipment. Furthermore, not adequately using resources, at the lowest cost and the highest yield can impact on the profitability of each project and threaten its feasibility.

k. The abovementioned growth plan implies additional investments, the conditions for which may be limited by the financial environment, the Group's current level of indebtedness and the evolution of its activity and its subsidiaries. Sonae Capital cannot ensure that such funds, if necessary, are obtained under the intended conditions, which may lead to changes or deferrals in the objectives or impair business growth capacity.

53.3.6 Industrial Engineering

The Sonae Capital Group acquired **ADIRA** in 2017. It is a Portuguese-based company dedicated to the development, design, manufacture, production and marketing of machine tools, with the majority of its business activity aimed at foreign markets.

The business activity of **ADIRA** comprises specific risks that may have an impact on the company's results. The most relevant risks are as follows:

a. Changes in the global macroeconomic environment may restrict the company's activity or generate negative impacts on its results.

ADIRA seeks at all times to mitigate this risk by diversifying the destination markets of its exports. It operates in about 40 markets, which represent approximately 80% of its turnover. These markets have different macroeconomic, political and social profiles and, as such, are experiencing different responses to worldwide economic and financial crises.

b. The company's competitive position faces threats from new competitors and the actions of competitors already existing in the market. The company actively monitors technological innovation in the sector and has sought to be a differentiating element in the market, particularly with additive technology and the dematerialisation of machines. It does not expect any disruptive change in the sector that could threaten its competitive position.

c. The machine tools produced by ADIRA are mainly intended for use in the metal products manufacturing sector, in particular the metalworking and metal construction sectors. Accordingly, its operating activity is positively correlated with the cycles of the economy in general and, in particular, with developments in those referred sectors. To this extent, the business may be adversely affected by periods of economic recession, in particular by the deterioration of the level of private investment to grow or technologically renew the productive capacity of its customers.

d. The company is exposed to specific regulations applicable to its activity/sector, namely the Machinery Directive/CE Certification Directive, which aims to regulate the placing on the market and the operational start up of new machines. Changes in laws and regulations or litigation claims that result in a reduction of the company's capacity to conduct business efficiently are not expected.

In order to minimize this risk, ADIRA has external legal advice that allows it to ensure compliance with current laws and regulations and consequently avoid sanctions, fines and penalties that could threaten the company's reputation, business opportunities and potential for expansion.

e. ADIRA uses sheet steel in its production process, the price of which evolves according to the price of steel on international markets. The cost of acquiring this raw material has significant weight in the variable costs structure. Consequently, the volatility of the purchase price of sheet steel could translate into significant impacts on the company's profits and margin. In order to minimise this risk, ADIRA closely monitors the evolution of steel prices in international markets and has a diversified supplier base, among which it seeks to negotiate the best price.

53.3.7 Other Assets

The Sonae Capital Group has a diversified real estate portfolio, the strategic orientation for which is to sell, although subject to a price considered acceptable. However, even if current strategic orientation is to sell, Sonae Capital cannot guarantee the realisation of such or the period when that will occur, especially if no suitable acquisition proposals arise. This real estate portfolio (excluding real estate assets in Tróia) comprises a wide range of assets at different licensing and construction stages, including plots of land with and without construction permits, residential units, construction projects, offices, industrial buildings and commercial spaces, and with extensive geographical dispersion. At 31 December 2017, the date of the most recent valuation of the real estate assets of the Sonae Capital Group carried out by the reference entity Cushman & Wakefield, the valuation amount was EUR 113.7M. The capital employed in this asset block, at 31 December 2017, amounts to EUR 100.3M.

The loss of liquidity of portfolio assets and/or difficulties in placement of these assets on the market may affect the ability to grow the business and the fulfilment of its strategic objectives.

Besides the Sonae Capital Group developing a wide range of activities in various sectors of activity, and therefore exposed to diversified economic cycles, such as Tourism Promotion, Hospitality, Fitness, Energy, Refrigeration and HVAC, Industrial Engineering and the Real Estate Assets, several of these sectors are still very competitive, through the intervention of national and international companies, so the invested companies of Sonae Capital are exposed to heavy competition. The ability of Sonae Capital's subsidiaries to position themselves adequately in the sectors and markets in which they operate may have a significant impact on Sonae Capital's business or the results of its activities.

The Sonae Capital Group regularly monitors the behaviour of the markets in which it operates, seeking at all times to anticipate changes and/or new market trends, in order to offer its customers an innovative and differentiating proposal.

54. Description of the process of identification, evaluation, monitoring, control and risk management

As a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge, Risk Management is integrated throughout Sonae Capital's planning process, with the objective of identifying, evaluating and managing the opportunities and threats that the businesses of Sonae Capital face in pursuit of their value creation goals.

Sonae Capital's management and monitoring of its main risks is implemented through different approaches and agents, including:

Internal Control policies and procedures defined at the central level and at the level of the businesses, in order to guarantee:

- Correct segregation of functions and duties;
- Definition of authority and responsibility;
- Safeguarding of the Group's assets;
- Control, legality and consistency of operations;
- The performance of plans and policies defined by more senior management;
- The integrity and accuracy of accounting records;
- The effectiveness of management and quality of the information produced.

Regular audits are carried out by the Internal Audit team to ensure permanent compliance with established policies and procedures.

Risk Management Process supported by a uniform and systematic methodology, based on the international standard of Enterprise Risk Management - Integrated Framework of COSO (The Committee of Sponsoring Organizations of the Treadway Commission), which includes, in particular:

- Definition of the risk management approach (dictionary of risks, definition of a business risk matrix and a common language);
- Identification and systematisation of the risks that can affect the organisation and each segment, and the appointment of risk owners (employee responsible for monitoring their evolution);
- Assessment and attribution of the degree of criticality and priority of risks, depending on the impact on business objectives and probability of occurrence;
- Identification of the causes of risks and indicators to measure these risks;
- Assessment of risk management strategies (e.g. accept, prevent, mitigate, transfer);
- Development and implementation of risk management action plans and their integration into the planning and management processes of business units and functions;
- Monitoring and reporting on the progress of implementation of the action plan and the evolution of risks

Identification of risks	**Prioritization of risks**	**Risk strategy**	**Assessment and Monitoring**
Identify and assess risks Annually review the matrix, in budget terms	*Establish the importance of each risk in relative terms* *Allocate an owner*	Definition of key risk measures: (i) Tolerated risk profile; (ii) mitigation actions; (iii) transfer	Integrated risk assessment: (i) how to measure, (ii) incorporation into the Business Plan and (iii) aggregate levels of risk and hedging
Business Risk Model (Individual and Aggregate) Follow-up Group		Action Plan	Reporting and Planning

This process comprises the following routines:

(i) Strategic planning includes identifying and assessing the risks of the portfolio and of each existing business unit, as well as the development of new businesses and the most relevant projects, and the definition of strategies for managing those risks;

(ii) On an operational level, the risks of managing the business objectives are identified and evaluated, and risk management actions are planned which are included and monitored within the business unit and functional unit plans;

(iii) In the more cross-cutting risks, in particular in major organisational change projects, contingency plans and business continuity plans, structured risk management programmes are developed with the participation of those responsible for the units and functions involved;

(iv) In relation to the safety risks of physical assets and persons (“technical-operational” risks), audits are carried out on the main units and preventive and corrective actions of the identified risks are implemented. The financial hedging of insurable risks is reassessed on a regular basis;

(v) Financial risk management is carried out and monitored within the scope of the Company’s financial and business functions, centralised in the Corporate Centre the activity of which is reported, coordinated and monitored by the Sonae Finance Committee and the Board Audit and Finance Committee of the Board of Directors;

(vi) Legal, tax and regulatory risk management is carried out and monitored within the scope of the legal and tax function of the Corporate Centre;

(vii) Internal Audit develops annual work plans that include audits of critical business processes, compliance audits, financial audits and audits of information systems.

Actions implemented in 2017

In accordance with the methods defined and implemented in previous years, the risk management processes were integrated with the processes of business management planning and control, from the strategic reflection phase to the operational planning phase. The risk management actions are included in the activity and resource plans of the business units and functional units, and monitored throughout the year.

In 2017, the Enterprise Wide Risk Management activities focused mainly on monitoring progress in the implementation of action plans and assessing their impact on risk perceptions, following the annual cycle of Enterprise Wide Risk Management, which is based on the following activities:

jan feb mar apr may jun jul aug sep oct nov dec

	Set-up/review of the risk management function	**Annual performance of risk management**	**Monitoring and follow-up**	**Review yearly**
Board of Directors	Review of the alignment of risk management with Sonae Capital's strategy Definition/updating of the governance structure	Analysis of the impact of decisions on risk management	Monitoring of the significant risks and the general risk profile of Sonae Capital	Approval of new risk profiles (if applicable)
Executive Committee	Definition of periodic risk reporting mechanisms by business areas	Approval of the risk profile of Sonae Capital at the corporate level and level of each business	Definition and review of risk appetite defined at the corporate and business level Approval of the defined mitigation actions	Approval of new risk portfolios (if applicable)
Corporate Risk Manager	Internal disclosure/ communication of Sonae Capital's risk management policies, procedures and milestones	Aggregation and hierarchy of risks to be handled Support to the Board of Directors for the standardisation and prioritization of the risks of the various businesses Sonae Capital risk profile proposal	Follow-up of the KRIs of Sonae Capital (corporate and business) Follow-up of Sonae Capital's mitigation actions (corporate and business)	Drawing up situation report of the KRIs and mitigation actions of the Group Presenting the situation to the Board of Directors
BU Risk Manager		Assessment of business risks and definition of risk profiles and files and response strategies	Update of KRIs Monthly reporting of KRIs and actions	Analysis of current risks and identification of new critical risks Updating risk files

The Risk Management Department continued to support risk management in the organisation's main projects, namely in the following projects: development of an Information Security Management System, and definition of the governance model and programme for raising cybersecurity awareness.

In 2017, we started the programme to adapt the Group to the standards set forth in the General Data Protection Regulation, approved in May 2016 and applicable from 25 May 2018.

Sonae Capital encourages the continuous training and adoption of the best international methodologies and practices in the Risk Management and Internal Audit areas. In this sense, the Group supports staff in attending a training and knowledge updating programme that includes the international professional certification in Internal Audit organised by the Institute of Internal Auditors - that of Certified Internal Auditor (CIA). The members of the Internal Audit team have obtained this professional certification.

External Audit evaluates and reports on the risks of reliability and integrity of accounting and financial information, thereby validating the internal control system established for this purpose by Sonae Capital, which embodies the clear separation between the preparer and its users and the implementation of various validation procedures throughout the process of preparation and disclosure of financial information.

The **Board Audit and Finance Committee** analyses the risks of the Company, the risk control models and mechanisms adopted and the mitigation measures taken by the Executive Committee. It evaluates their suitability and proposes to the Board of Directors any needs for change in the Company's risk management policy.

55. Main elements of the internal control and risk management systems implemented in the Company with regard to the financial disclosure process

The implementation of an effective internal control environment, particularly in the financial reporting process, is a commitment taken by the Board of Directors of Sonae Capital to identify and improve the most relevant processes for preparing and disclosing financial information, with a view to ensure transparency, consistency, simplicity, reliability and relevance. The internal control system is designed to ensure a reasonable guarantee with regard to the preparation of the financial statements, according to the accounting principles used, and the quality of the financial reporting.

The reliability of the financial information is ensured by the clear separation between preparers and its users and the implementation of various control procedures throughout the process of preparation and disclosure of the financial information.

The internal control system for accounting, preparation and disclosure of financial information includes the following key controls:

- The financial information disclosure process is formalised, the associated risks and controls are identified and the criteria for its preparation and disclosure are duly established and approved and are reviewed periodically;

- There are three main type of controls: high level controls (entity level controls), information system controls and procedural controls. These controls include a set of procedures related to the execution, supervision, monitoring and improvement of processes, with the objective of preparing the company's financial reports;

- The use of accounting principles, which are explained in the notes to the financial statements, is one of the key stepping stones to the control system;

- The plans, procedures and records of the Group companies allow for a reasonable assurance that transactions are only carried out with general or specific authorisation from management and that these transactions shall be recorded in order to enable financial statements compliance with the generally accepted accounting principles. This also ensures that the companies keep up-to-date records of the assets and that these records are checked against the existing assets. Appropriate steps shall be taken whenever discrepancies come to light;

- The financial information is examined by the business unit administrators and the representatives of the results centres on a systematic and regular basis, thus providing for a constant monitoring and budget control;

- During the process of preparing and reviewing the financial information, a schedule is first drawn up and shared with the different areas involved and all the documents are carefully reviewed. This includes reviewing the principles used, checking the accuracy of the information generated and consistency with the principles and policies established and used in previous years;

- The Accounting, Supervision and Reporting central function is responsible for the accounting records and the preparation of the financial statements, ensuring the control over the recording of the business process transactions and the balances on assets, liabilities and equity accounts;

- The consolidated financial statements are prepared every quarter by the Accounting, Supervision and Reporting central function;

- The Management Report is prepared by the Corporate Management Planning and Control Department, with the additional contribution and review from the various support and business areas. The Statutory Auditor also reviews the content of this report and its compliance with the supporting financial information;

- The Corporate Governance Report is prepared jointly by the Legal Department and the Corporate Management Planning and Control Department;

- The Group's financial statements are prepared under the supervision of the Group's Executive Committee. The set of documents comprising the half-yearly and annual reports is sent to the Board of Directors of Sonae Capital for review and approval. Upon the approval, the set of documents on the annual financial statements is sent to the Auditor, and the Statutory Audit Certificate and the External Audit Report are then issued;

- The Statutory Auditor carries out an annual audit on the individual and consolidated accounts. These audits are carried out in accordance with the Technical Standards and Auditing Guidelines of the Portuguese Institute of Statutory Auditors, with the objective of achieving an acceptable level of safety as to whether the financial statements are free of relevant material misstatement. This audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. The estimates and judgements made by the Board of Directors are also evaluated. The audit also includes evaluating the appropriateness of the accounting policies used, their consistent enforcement and disclosure;

- The process of preparing the individual and consolidated financial information and the Management Report is supervised by the Supervisory Board and the Audit and Finance Committee of the Board of Directors. Every quarter, these bodies meet and analyse the individual and consolidated financial statements and the Management Report. The Statutory Auditor submits directly to the Supervisory Board and the Audit and Finance Committee a summary of the key findings from the annual audit on the financial information;

- All those involved in the financial analysis of the

Company are part of the list of people with access to privileged information, and are particularly aware of their obligations, as well as of the penalties arising from the misuse of inside information;

- The internal rules applicable to the disclosure of financial information aim to ensure its timely disclosure and prevent asymmetric access to information by the market.

- The risk factors that could materially affect the accounting and financial reporting include the following:

- Accounting estimates – The most significant accounting estimates are described in the notes to the financial statements. The estimates were based on the best information available while the financial statements were being prepared and on the best knowledge and experience of past and/or present events;

- Balances and transactions with related parties – The most significant balances and transactions with related parties are disclosed in the notes to the consolidated financial statements. These are mainly associated with the operating activities of the Group as well as loan granting and receiving at market prices.

More specific information on how these and other risk factors were mitigated is available in the notes to the consolidated financial statements.

IV. INVESTOR SUPPORT

56. Service responsible for investor support, composition, duties, information made available by this service and contact information

Sonae Capital, SGPS, SA, through its Investor Relations Office, is in constant contact with its shareholders and analysts, providing information that is always up-to-date. In addition, upon request, it provides timely clarification of the relevant facts about the Company's activities, which have made available to public in accordance with the law.

The aim of the Sonae Capital, SGPS, SA Investor Relations Office is to ensure adequate communication with shareholders, investors, analysts and financial markets, in particular with Euronext Lisbon and the Portuguese Securities Commission (CMVM).

When necessary, the Investor Relations Office provides all the information related to relevant events and answers questions from shareholders, investors, analysts and the general public about the financial indicators and information made available to public on the different businesses, keeping a record of the requests received and the answers given.

In strict compliance with the law and the regulations, the Company promptly informs its shareholders and the capital market in general of all the relevant facts related to its activity, avoiding delays between their occurrence and their disclosure, so that informed judgements can be made regarding the progress of the Company's business.

This release is made public through publication on the Portuguese Securities Commission Information Disclosure System (www.cmvm.pt) and on the Company's website (www.sonaecapital.pt).

The Investor Relations Office can be contacted by telephone (+351 22 010 79 03), fax (+351 22 010 79 35), email (ir@sonaecapital.pt) or post (Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia). The Director of the Investor Relations Office is Nuno Parreiro, who can be contacted using the same above numbers and addresses.

57. Representative for Capital Market Relations

The representative for Capital Market Relations is Anabela Nogueira Matos, who can be contacted by telephone (+351 22 010 79 25), fax (+351 22 010 79 35) or email (anm@sonaecapital.pt).

58. Information on proportions and the deadline for replying to information requests received during the year or pending from previous years.

In 2017, the Investor Relations Office received a normal number of requests for information, bearing in mind the importance of the Company in the capital market.

Sonae Capital, SGPS, SA, through its Investor Relations Office, is in constant contact with its shareholders and analysts, providing information that is always up-to-date. In addition, upon request, it provides clarification of the relevant facts about the Company's activities, which have made available to public in accordance with the law. All information requested by investors is analysed and answered in the shortest possible time, by email, post or telephone, whichever is most suitable.

V. WEBSITE

59. Address

Sonae Capital has a website where all the information about the Company is posted. The address is: http://www.sonaecapital.pt.

60. Place where the information under Art. 171 of the Portuguese Companies Code (CVM) can be found

Specific information is available for consultation at the following address:

- http://www.sonaecapital.pt/pt/investidores/identificacao-da-sociedade

61. Place where the Articles of Association and the rules of procedure of the company bodies and/or committees can be found

Specific information is available for consultation at the following addresses:

- http://www.sonaecapital.pt/investidores/estatutos
- http://www.sonaecapital.pt/investidores/governo-da-sociedade/regulamentos

62. Place where names, roles and contact information of the governing bodies, the market relations representative and the Investor Support Office are available

Specific information is available for consultation at the following addresses:

- http://www.sonaecapital.pt/investidores/governo-da-sociedade/orgaos-sociais
- http://www.sonaecapital.pt/investidores/relacoes-com-o-mercado
- http://www.sonaecapital.pt/investidores/apoio-ao-investidor

63. Place where the accounting documents and the calendar of company events are available

Specific information is available for consultation at the following address:

- http://www.sonaecapital.pt/pt/investidores/relatorios-e-contas
- http://www.sonaecapital.pt/investidores/calendario-de-eventos-societarios

64. Place where the Shareholders' General Meeting notice and all related preparatory and subsequent information are disclosed

Specific information is available for consultation at the following address:

- http://www.sonaecapital.pt/pt/investidores/assembleias-gerais

65. Place where the records of all the decisions made at Company General Meetings, the share capital represented and the voting results for the 3 previous years are available

Specific information is available for consultation at the following address:

- http://www.sonaecapital.pt/pt/investidores/assembleias-gerais

D. REMUNERATION

I. DECISION-MAKING POWERS

66. The power for deciding on the remuneration of the governing bodies, the members of the executive committee and the Company managers

Based on the remuneration policy and other payments approved by the Shareholders' General Meeting, the Sonae Capital Remuneration Committee is responsible for approving remuneration and other payments to the Board of Directors, the Supervisory Board and the members of the Shareholders' General Meeting.

With regard to the remuneration of the Executive Directors, the Board Nomination and Remuneration Committee assists the Remuneration Committee, presenting its proposals before any decisions are made.

II. REMUNERATION COMMITTEE

67. Composition of the remuneration committee, including the identification of individuals or companies hired to provide support and a statement on the independence of each member and consultant

The Board of Directors appointed the Board Nomination and Remuneration Committee (BNRC) for the 2015-2017 term of office.

The BNRC is composed of the Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo, Vice-Chairman, Álvaro Carmona e Costa Portela and the independent Non-Executive Director Francisco de La Fuente Sánchez.

The Board Nomination and Remuneration Committee, which is solely composed of non-executive directors, supports the Remuneration Committee in the performance of its duties.

The members of the Remuneration Committee are independent of the board of directors, as explained in the paragraph below.

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors and non-executive member of this body, is on the Remuneration Committee. He was elected to this position by the Shareholders' General Meeting. His participation in the Remuneration Committee corresponds to representation of the shareholder interest, acting in that capacity and not in his capacity as Chairman of the Board of Directors. To ensure these duties are carried out independently, this member abstains from discussing or deciding on matters where conflict of interest exists or may exist.

68. Knowledge and experience of the members of the remuneration committee with regard to the remuneration policy

The professional experience and qualifications of the members of the Remuneration Committee are detailed in the curricula vitae included in the Annex I to this document and enable them to carry out their duties carefully and skilfully. They have the adequate skills to carry out their duties.

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy for the management and supervisory bodies

69.1 Principles

The remuneration policy for the Company's statutory bodies is approved by the Shareholders' General Meeting.

The Shareholders' General Meeting held on 28 April 2017, consistently continuing with the policy previously followed, approved the Remuneration and Compensation Policy in force, in compliance with the provisions of article 2 of Law no. 28/2009 of 19 June.

The remuneration proposals for the members of the statutory bodies are decided based on:

- A general market comparison;
- The practices of comparable companies, including other Sonae Capital business units in comparable situations;
- The individual responsibility and performance assessment of each Executive Director;
- Granting of exclusively fixed remuneration to members of the Shareholders' General Meeting, members of the Supervisory Board and non-executive directors;

The remuneration policy for the members of the governing bodies and managers of Sonae Capital, SGPS, SA in force during the year under review is detailed in the corresponding annex to this report.

The remuneration policy is a formal instrument ensuring alignment between the management team and the interests of the shareholders, insofar as the set of remuneration components is separate from the variable part, whose amount depends on the individual performance and the performance of Sonae Capital. This encourages a long-term interests-oriented company management and behaviours weighing the risks taken.

The structure of the remuneration policy includes control mechanisms, bearing in mind the connection to individual and collective performance, thus preventing excessive risk-taking behaviours. This objective is also reinforced by the fact that each Key Performance Indicator (KPI) is limited to a maximum value.

The remuneration policy for the Company's statutory bodies is approved by the Shareholders' General Meeting. The Remuneration Committee is responsible for preparing the remuneration policy proposal and approving the remuneration of the Board of Directors, including executive and non-executive members, and other Sonae Capital bodies. The members of the Remuneration Committee are elected by the Shareholders' General Meeting, which also sets the corresponding remuneration.

The Board Nomination and Remuneration Committee supports the Remuneration Committee in setting the remuneration for the Executive Directors, preparing remuneration proposals based on relevant information requested by the Remuneration Committee.

Guiding principles for the remuneration policy were established within the principles of corporate governance.

Characteristics of the remuneration policy:

- ***Competitiveness:***

  The Policy is defined in comparison with the global market and the practices of comparable companies, according to information from the main studies carried out in Portugal and in European markets. *Mercer and Hay Group* market studies are presently used as reference.

  Therefore, the remuneration parameters for the members of the governing bodies are set and periodically reviewed in accordance with the remuneration practices of comparable national and international companies, and the potential maximum amounts to be paid to the members of the governing bodies, both individual and aggregate, are in line with market practices. The members of the governing bodies are individually and positively differentiated, considering specific factors, such us the profile and CV of the member, the nature and description of the duties and powers of the governing body in question and of the actual member and the degree of direct correlation between individual performance and business performance, among others.

  The average applicable to senior executives in Europe is used to determine global market values. For remuneration purposes the group of peer companies consists of the societies with securities admitted to trading on *Euronext Lisbon*.

- ***Performance driven:***

  The Policy provides for the attribution of bonuses calculated according to the degree of success of the Company. The variable component of the remuneration is defined so as to link the bonuses to the degree of individual and collective performance. When predefined objectives are not achieved, measured using business and individual KPIs, the value of the short and medium term incentives will be partially or totally reduced.

- ***Alignment with the shareholder interests:***

Part of the Executive Directors variable bonus refers to a 4-year period, including the year to which it relates and the 3-year deferral period. The amount depends on the share performance and the extent to which the medium and long term objectives had been achieved during the deferral period. This ensures an alignment between the director, the interests of the shareholders and the medium term performance, aimed at business sustainability.

- ***Transparency:***

All aspects of the remuneration structure are clear and openly disclosed, internally and externally, through publication of the documents on the Company's website. This communication process helps to promote equity and independence.

- ***Reasonableness:***

  The policy aims at ensuring a balance between the interests of the Company, the market position, the expectations and motivation of the members of the governing bodies and the need to retain talent.

  The Remuneration and Compensation Policy applicable to the governing bodies and Company managers follow EU guidelines, national legislation and the recommendations from the CMVM.

  The Shareholders' General Meeting held on 28 April 2017, consistently continuing with the policy previously followed, approved the Remuneration and Compensation Policy in force, which is guided by the following general principles:

  - Awarding no compensation to the directors or the members of the other governing bodies due to their term of office coming to an end, at its expiration or by early termination, whatever the reason, notwithstanding the Company's duty of compliance with the legal provisions in force concerning this matter;

  - Establishing no benefit scheme, especially retirement benefit plans for the members of the management or supervisory bodies or other managers;

  - Weighting the performance of duties in companies in a control or group relationship with the Company when implementing the remuneration policy,

69.2 Competitiveness of the remuneration policy

The remuneration package for Executive Directors is defined in comparison with the market, based on market studies on remuneration packages for senior executives in Portugal and in Europe. The fixed remuneration for comparable market situations should then correspond to the average market value and the total remuneration should be close to the third quartile of the market.

Who are our comparable/peer companies?

- At Sonae Capital, the remuneration policy is defined in comparison with the global market and the practices of comparable companies, according to information from the main studies carried out in Portugal and in European markets. *Mercer and Hay Group* market studies are presently used as reference.

- The average applicable to senior executives in Europe is used to determine global market values. For remuneration purposes the group of peer companies consists of the societies from the PSI-20.

69.3 Control of the risks related to remunerations

Sonae Capital reviews its remuneration policy annually as part of the risk management process, with a view to creating a remuneration policy that is fully compliant with the expected risk profile. In 2017 no problematic payment practices that may pose relevant risks to Sonae Capital were identified.

When designing the remuneration policy, the need to control behaviours involving excessive risk taking was taken into account, with a balanced relevance assigned to the variable component so as to associate the individual remuneration to collective performance.

Sonae Capital has internal control procedures for the remuneration policy, aimed at identifying potential risks posed by the remuneration policy itself.

On the one hand, the variable remuneration structure is designed so as to discourage risky behaviour, insofar as the remuneration is associated with performance assessment. Definition of objective KPIs enables this method to work as an efficient control mechanism.

On the other hand, Sonae Capital policy does not allow for agreements aimed at minimising the essence of the Medium Term Variable Bonus to be concluded. This restriction includes transactions aimed at eliminating or minimising the risk of fluctuation in share prices.

69.4 Procedures for approval of the remuneration policy

The Board Nomination and Remuneration Committee brings its remuneration proposals for the directors before the Remuneration Committee for approval, in accordance with the internal procedure adopted.

70. Structure of Director Remuneration

70.1 Executive Directors

The fixed remuneration of the Executive Directors is established based on the level of responsibility of the Board of Directors and is reviewed annually.

According to Sonae Capital's remuneration policy, in addition to the fixed remuneration, the Executive Directors also benefit from an incentive plan, also called variable bonus.

The variable bonus is awarded in the first quarter of the year following the year to which it relates and depends on the previous year performance and aims to guide and compensate the board directors for achieving pre-defined objectives. This is divided into two parcels:

a) Short Term Variable Bonus (STVB), paid in cash, through profit sharing or not, in the first half year following the year to which it relates. It may, however, at the discretion of the Remuneration Committee, be paid in shares within the same period, under the same terms and conditions as provided for the Medium Term Variable Bonus;

b) Medium Term Variable Bonus (MTVB), paid after an additional 3-year deferral period and in the year following this period.

The various components of the annual remuneration are clearly shown in the following table:

	Components	Description	Objective	Market position
Fixed	Basic salary	Annual salary (in Portugal the fixed annual salary is paid in 14 parts)	Adequacy to the status and responsibilities of the Director	Average
Variable	Short term variable bonus (STVB)	Performance bonus paid in the first half of the following year, after the income for the year has been calculated	Designed to ensure competitiveness of the remuneration package and a link between the remuneration and the company objectives	Third quartile
	Medium term variable bonus (MTVB)	Compensation deferred for 3 years; the amount established depends on the share performance		Third quartile

The variable bonus may be paid in cash, using any of the payment methods provided for by Law and in the Company's Articles of Association.

There is currently no plan assigning share acquisition options.

70.2 Non-executive Directors

The remuneration of Non-executive Directors is established according to market data and the following principles: (1) attribution of a fixed remuneration (2) attribution of an annual responsibility allowance. No remuneration is paid in the form of a variable bonus.

71. Variable component of the remuneration for Executive Directors

The variable bonus is discretionary in nature and because its value depends on the achievement of objectives payment is not guaranteed. The variable bonus is calculated annually and the value of the predefined objective varies between 30% and 60% of the total annual remuneration (fixed remuneration and objective value of the variable bonus)

The variable component of the remuneration is calculated based on performance assessment of a set of performance indicators relating to the various businesses which are primarily economic and financial in nature – "Key Performance Indicators of Business Activity" (Business KPIs). The content of the performance indicators and their specific weight in determining the effective remuneration provide for the alignment of the Executive Directors with the strategic objectives defined and the compliance with the legal regulations governing the company business.

The value of each bonus has a minimum limit of 0% and a maximum limit of 140% of the predefined target.

72. Deferral of payment of the variable component of the remuneration

Payment of at least 50% of the variable component of the remuneration for the year to which it relates is deferred for a period of 3 years, in a total of four years, as provided for in point 70.1 (Medium Term Variable Bonus).

73. Criteria for awarding and maintaining variable remuneration in shares

1. *Characteristics of the Medium Term Variable Bonus (MTVB)*

   The MTVB is one of the components of Sonae Capital's Remuneration Policy. This component differs from the others as it has a restricted and casuistic character, being subject to the eligibility rules set out for that purpose.

The MTVB allows the eligible persons to share with shareholders the value that is created as a result of their direct influence on the strategy definition and management of the underlying businesses, in the proper measurement of the annual assessment of their performance.

2. *Background to MTVB*

   The MTVB constitutes a way of aligning the executive directors' interests with the company objectives, reinforcing their commitment and strengthening the perception of the importance of their performance for the success of Sonae Capital, reflected in the market capitalisation of the share.

3. *Eligibility Criteria*

   The executive directors of the company and of its subsidiary companies are eligible to be awarded the MTVB. According to the remuneration policy approved by the Board of Directors, the MTVB plan may also apply to employees covered by that policy.

Participants	Reference value of the medium term variable bonus (% of the total variable remuneration target)
Directors Company Executive Directors	At least 50%
Directors Executive Directors of Business Units	At least 50%
Employees	terms to be defined by the Board of Directors of each Company

4. Duration of the Plan

The MTVB is set out on a period of four years, including the year to which it relates and a three-year deferral period.

5. MTVB reference value

The MTVB is valued at the date of attribution using prices which represent the price of the share, in the Portuguese stock market, considering for this effect the most favourable of the following: closing share price of the first day of trading after the Shareholder's General Meeting or the average closing share price (regarding the thirty-day period of trading prior to the Shareholder's General Meeting).

Members entitled to MTVB have the right to acquire a number of shares corresponding to the division between the amount of MTVB granted and the price of the share at the date of attribution calculated under the terms of the previous paragraph. If, after the granting date and before its exercise, dividends are distributed, changes in the nominal value of shares or in the share capital of the company occur or any other change in equity with impact in the economic value of the attributed rights, the number of shares attributed will be adjusted to an equivalent figure considering the effect of the mentioned changes.

In line with the statement of a policy that strengthens the alignment of executive directors with the company's long term interests, the Shareholders' Remuneration Committee may, at its discretion, adjust the percentage discount granted to the executive directors for acquisition of shares, and determine that the executive director contributes to the acquisition of shares up to a percentage that cannot exceed 5% of its share price at the date of the share transmission. All other employees to whom that right is assigned may acquire the shares under the conditions established by the Board of Directors of each Company.

6. Delivery by the Company

When exercising the right to acquire shares, as granted under the scope of the MTVB, the Company retains the right to pay the equivalent value in cash at the vesting date rather than transfer actual shares.

7. Maturity of the MTVB

The acquisition right of the shares attributed by the MTVB become due at the end of the deferral period.

8. Conditions of Exercise of the Right

The right to exercise the acquisition right of shares granted under the plan expires if the contractual link between the member and the company ceases before the three year period subsequent to its attribution, notwithstanding situations included in the following paragraphs.

The right will remain valid in case of permanent incapacity or death of the member, in which case the payment is made to the member or to his/her heirs on the vesting date.

In case of retirement of the member, the attributed right can be exercised in the respective vesting date. To ensure the effectiveness and transparency of the remuneration and compensation policy objectives, it was agreed that the executive directors of the company:

- shall not enter into any agreements, either with the Company, or with third parties, the effect of which is to mitigate the risk associated with the variability of the remuneration determined for them by the Company;
- must not sell, until the end of their term of office, the company shares acquired under the attribution of the variable remuneration up to the limit of twice the total annual remuneration value, with the exception of those that need to be sold in order to pay the taxes on the benefits from those shares.

74. Criteria for attribution of the variable remuneration in options

The Company did not establish any variable remuneration in options.

75. Main parameters and grounds for any annual bonus scheme and other non-pecuniary benefits

The main parameters and grounds for the variable remuneration system are described in the remuneration policy approved by the Shareholders' General Meeting of 28 April 2017, available at www.sonaecapital.pt.

76. Main characteristics of the supplementary pension or early retirement schemes for the directors and date of their individual approval at the general meeting

The Company has no supplementary pension or early retirement schemes in place for Directors.

IV. REMUNERATION DISCLOSURE

77. Indication, on an aggregated and individual basis, of the annual amount of the remuneration received by the members of the Management Bodies from the Company, including fixed and variable remuneration and with a reference to the different components giving rise to the variable remuneration

During 2017, remuneration and other payments made to the members of the Board of Directors were as follows:

Name	Fixed Remuneration	Short Term Variable Remuneration	Deferred Performance Bonus	Total
Board of Directors in office				
Maria Cláudia Teixeira de Azevedo	148.153	63.552	89.100	300.805
Ivone Pinho Teixeira	143.494	46.776	88.045	278.315
Miguel Jorge Moreira da Cruz Gil Mata	129.915	63.791	98.304	292.010
Executive Directors Subtotal	**421.562**	**174.119**	**275.449**	**871.131**
Duarte Paulo Teixeira de Azevedo	142.300	0	0	142.300
Álvaro Carmona e Costa Portela	72.300	0	0	72.300
Francisco de La Fuente Sánchez	27.300	0	0	27.300
Paulo José Jubilado Soares de Pinho	27.300	0	0	27.300
Non-executive Directors Subtotal	**269.200**	**0**	**0**	**269.200**
Total	**690.752**	**174.119**	**275.449**	**1.140.331**

78. Amounts paid in any form by other companies in a control or group relationship or that are subject to common control

No amounts other than those described above were paid by a company in a control or group relationship.

79. Remuneration paid in the form of profit-sharing and/or payment of bonuses and the reasons for granting those bonuses and/or profit-sharing

The variable bonus for the executive directors was attributed based on the performance assessment and the remuneration policy approved at the Shareholders' General Meeting on 28 April 2017, as detailed in point 71 above and shown in the remuneration table under point 77 above.

The bonus paid in the form of profit-sharing is contained in the Short Term Variable Bonus listed in the table under point 77 above.

80. Compensations paid or due to former executive directors in respect of termination of office during the financial year

No compensation to former executive directors is due or was paid.

81. Indication, on an aggregated and individual basis, of the annual amount of the remuneration received by the members of the Company's Supervisory Bodies

In 2017, the members of the Supervisory Board of Sonae Capital, SGPS, SA received the following fixed remuneration (no other type of remuneration was received):

Name	Fixed Remuneration (Values in Euros)
António Monteiro de Magalhães	9.200
Manuel Heleno Sismeiro	7.200
Carlos Manuel Pereira da Silva	7.200
Total	**23.600**

The remuneration received by the Statutory Auditor is detailed in point 47 above.

82. Indication of the remuneration of the Chairman of the Shareholders' General Meeting in the year under review

In 2017, the Chairman of the Board of the Shareholders' General Meeting received the amount of 5,000 euros as fixed remuneration.

V. AGREEMENTS WITH REMUNERATION IMPLICATIONS

83. Contractual restrictions on compensation payable for removal without just cause of a director and its relationship with the variable component of the remuneration

In the event of removal without just cause of the members of the Board of Directors, the policy of the Group determines the payment of the compensation provided for by the law, without any additional compensation. A different value may be negotiated in each situation if deemed more suitable by both parties.

84. Reference to the existence and description, with an indication of the amounts involved, of agreements between the Company and the members of the Board of Directors and Managers, which provide for compensation in case of resignation, removal without just cause or termination of the employment relationship, following a change in the control of the Company

There are no individual agreements with directors defining the calculation method for any compensation in case of resignation, removal without just cause or termination of the employment relationship, following a change in the control of the Company.

VI. PLANS FOR ATTRIBUTION OF SHARES OR STOCK OPTIONS

85. Identification of the plan and of the addressees

The share attribution plan, with the conditions defined in point 73, includes the variable component of the remuneration and is addressed to the Executive Directors, as well as employees of Group companies, under terms to be defined by the Boards of Directors in question.

86. Description of the plan

The attribution plan is described in points 71 to 73.

The remuneration and compensation policy for governing bodies, as well as the share attribution plan in force, were approved at the Annual General Meeting held on 28 April 2017, upon proposal from the Remuneration Committee, as laid down in Art. 2 of Law no. 29/2009 of June, and Recommendation II.3.4 CMVM (2013).

The remuneration policy approved upon the proposal from the Remuneration Committee established the principle of inalienability of the shares accessed by the executive directors of the company under the MTVB, in accordance with Recommendation III.6 CMVM (2013).

The decisions of the Annual General Meeting under review can be consulted at http://www.sonaecapital.pt/investidores/assembleias-gerais.

The ongoing MTVB plans for the executive members of the Board of Directors of Sonae Capital in 2017 can be summarised as follows:

				Granting Date		31.12.2017	
Granting Year	**Vesting Year**	**Number of Participants[1]**	**# shares granted**	**Share Price**	**Value**	**Share Price**	**Value**
2015	2018	2	319.431	0,392 €	125.217 €	0,887 €	283.335 €
2016	2019	3	347.144	0,572 €	198.566 €	0,887 €	307.917 €
2017	2020	3	278.206	0,827 €	230.076 €	0,887 €	246.769 €
Total			**944.781**		**553.860 €**		**838.021 €**

1. As of 31st December 2017

According to the remuneration policy approved, the Executive Directors must not sell, until the end of their term of office, the company shares acquired under the attribution of the variable remuneration up to the limit of twice the total annual remuneration value, with the exception of those that need to be sold in order to pay the taxes on the benefits from those shares.

87. Stock option rights granted to employees of the company

In 2017, the Company did not approve any stock option plan.

88. Mechanisms of control included in any employee share scheme where the voting rights are not exercised directly by the employees

There are no mechanisms of control for employees participating in the share capital Company.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the Company for the purpose of controlling transactions with related parties (on this, see the concept arising from IAS 24)

The transactions between the Company and any related parties are governed by principles of thoroughness, transparency and strict compliance with the market competition rules. These transactions are subject to specific administrative procedures that arise from regulatory requirements, in particular those related to transfer price rules or the rules on voluntary adoption of internal checks and balances, particularly processes for reporting or formal validation, according to the value of the transaction in question.

In 2010, the Supervisory Board adopted the regulation on Company transactions with shareholders holding qualifying holdings (under the terms of Art. 16 and 20 of the Portuguese Securities Code) and its related parties (definition in Art. 20(1) of the Portuguese Securities Code), which establishes the relevant level of transactions carried out from which the Executive Committee must notify the Audit and Finance Committee and the Supervisory Board.

The adoption of this regulation implies that all transactions with related parties above 1 million euros are subject to half-yearly reporting to these two bodies by the Secretary of the Executive Committee. Transactions above 10 million euros must be formally submitted to the prior opinion of the Audit and Finance Committee, the Board of Directors and the Supervisory Board.

Under this regulation, in addition to the notification of the transaction, the Executive Committee shall also submit to the Audit and Finance Committee and the Supervisory Board the procedures established to ensure that the transaction is concluded under normal market conditions and does not entail any conflicts of interest.

After receiving all the relevant information, the Supervisory Board will issue its opinion on the transactions referred to it.

In 2017, the Supervisory Board received regular information on the transactions with related parties and detailed information was provided whenever warranted.

During the year, there was no need for prior approvals under the regulation in force.

90. Indication of the transactions subject to control in the year under review

As described in point 10, there were no significant business or other relationships between the holders of qualifying holdings and the company in 2017.

Business or transactions with holders of qualifying holdings or companies held by them that are not considered significant are part of normal activity of Sonae Capital's subsidiaries and are carried out under normal market conditions.

There were no business or transactions with any member of the board of directors or of the supervisory board in 2017.

The transactions with the Statutory Auditor related to various audit services were approved by the Supervisory Board and are detailed under point 47 of this report.

The transactions with companies in a control or group relationship were carried out under normal market conditions and are part of the Company's normal activity. The following types of transactions should be highlighted:

- Work carried out by the Refrigeration & HVAC business (Sistavac), mainly concerning the development and maintenance of the Sonae Group's chain of stores.
- Rent paid, by the Fitness segment (Solinca), for places held and/or operated by the Sonae Group, particularly by Sonae Sierra;
- Relationships associated with IT/IS services provided by Sonae Group companies, as the Sonae Capital Group has decided to outsource most of these services to specialist companies.

The value of trading and the balances are disclosed in the notes to the consolidated financial statements, as stated in point 92.

91. Description of the procedures and criteria applicable to the intervention of the Supervisory Body for the purpose of conducting a prior assessment of the transactions to be concluded between the Company and holders of qualifying holding or entities with whom they are in a relationship, under the terms of Article 20 of the CVM

The procedures and criteria were already mentioned under point 87 above.

II. ELEMENTS RELATED TO BUSINESSES

92. Indication of the place where the information on related party business relationships is available on the accounting documents, according to IAS 24 or, alternatively, reproduction of the information

Relevant information on related party business relationships is available in note 45 of the Notes to the Consolidated Company accounts and in note 20 of the Notes to the Individual Company accounts, available on the Company's website www.sonaecapital.pt (investors tab, Annual Report and Accounts section).

PART II — ASSESSMENT OF CORPORATE GOVERNANCE

1. Identification of the Corporate Governance Code adopted

This Corporate Governance Report contains a description of the governance structure, policies and practices followed by the Company and meets the standards set out in article 245-A of the Portuguese Securities Code and the duties of information expressed in the Portuguese Securities Commission (CMVM) Regulation No. 4/2013 of 1 August. The report also discloses, in accordance with the comply or explain principle, the Company's compliance with the CMVM recommendations provided for in the Corporate Governance Code, issued by the CMVM in 2013.

This document should be read as an integral part of the Annual Management Report and Consolidated and Individual Financial Statements for 2017.

The Company met the duties of information required in article 3 of Law no. 28/2009 of 19 June, articles 447 and 448 of the Portuguese Companies Code, article 245-A of the Portuguese Securities Code and Regulation No. 5/2008 of the CMVM.

The Company adopted the Corporate Governance Code published by the CMVM in July 2013.

All the legal and regulatory rules referred to in this Report are available at www.cmvm.pt.

2. Analysis of the compliance with the Corporate Governance Code adopted

Sonae Capital has been promoting the implementation and adoption of the corporate governance best practices, basing its policy on high standards of ethics and social responsibility.

The Board of Directors aims to implement an integrated and effective Group management, which will create value for the Company, promoting and ensuring the legitimate interests of shareholders, employees and stakeholders, while encouraging transparency in the relationship with investors and the market.

To this end, we would point out that of the forty recommendations of the new CMVM Corporate Governance Code of 2013, the Company has fully adopted thirty-five, with five not being applicable for the reasons set out below, which constitutes fullest adoption of these recommendations.

Below is a list of the recommendations included in the CMVM Corporate Governance Code, under the terms and for the purpose of article 245-A(1) (o) of the Portuguese Securities Code:

I. COMPANY VOTING AND CONTROL

I.1 Companies shall encourage their shareholders to take part in and vote at the General Meetings, in particular by not setting a number of shares required for one vote that is too high number and implementing the means required for electronic voting

RECOMMENDATION FULLY ADOPTED – POINT 12 OF THIS REPORT

The Company encourages its shareholders to take part in the General Meetings, namely attributing one vote to each share, not limiting the number of votes that can be held or cast by each shareholder and ensuring that the shareholders have the means required for postal or electronic voting.

In addition, the Company publishes in its website, since the date of the notice for each Shareholders' General Meeting, the standard documents designed to facilitate access to the information necessary for issuing of shareholders' communications to ensure their presence at the general meeting, and an email address for clarification of any doubts and receipt of all the notices of participation in the General Meeting.

I.2 Companies must not adopt mechanisms that hamper shareholders' decision-making ability, namely setting a decision-making quorum at a number higher than that provided for by law.

RECOMMENDATION FULLY ADOPTED – POINTS 12, 13 AND 14 OF THIS REPORT

The Company's Articles of Association do not set a decision-making quorum higher than that provided for by law.

I.3 Companies shall not establish mechanisms which have the effect of causing a misalignment between the right to receive dividends or to subscribe for new securities and the voting right of each ordinary share, unless duly grounded depending on the long-term interests of the shareholders.

RECOMMENDATION FULLY ADOPTED – POINTS 12 AND 13 OF THIS REPORT

No mechanism of this kind has been introduced.

I.4 The Articles of Association of companies that provide for a limitation to the number of votes that may be held or exercised by a single shareholder, individually or in agreement with other shareholders, shall also establish that, at least every five years, the maintenance of such provision shall be subject to a resolution at the Shareholders' General Meeting – with no requirements for an aggravated quorum as compared to the legal one – and that upon such resolution all votes cast shall be counted without the operation of such limitation.

RECOMMENDATION NOT APPLICABLE

The Articles of Association do not establish any limitation to the number of votes that can be cast by one shareholder.

I.5 Measures the effect of which is to demand payments or the assumption of obligations by the Company in the event of the transfer of control, or of changes to the composition of the board which prove detrimental to the free transferability of shares and the free assessment by shareholders of the performance of members of the board shall not be established.

RECOMMENDATION FULLY ADOPTED – POINTS 4 AND 84 OF THIS REPORT

The Company does not unilaterally adopt policies causing any of the restrictions listed in the recommendation. Contracts concluded by the Company reflect the protection of company interests, with a view to achieving long term business sustainability under the background of market conditions.

II. SUPERVISION, MANAGEMENT AND AUDITING

II.1 SUPERVISION AND MANAGEMENT

II.1.1 Within the limits set by law, and unless the Company is of a reduced size, the Board of Directors shall delegate day-to-day running of the Company. The powers delegated must be detailed in the Corporate Governance annual report.

RECOMMENDATION FULLY ADOPTED – POINTS 28 AND 29 OF THIS REPORT

The Board of Directors delegated day-to-day running of the Company to the Executive Committee.

II.1.2 The Board of Directors shall ensure that the Company acts in a manner consistent with its objectives and shall not delegate its powers, in particular with regard to: i) definition of the Company's general policies and strategy; ii) definition of the business structure of the group; iii) decisions deemed strategic due to the amount, risk or special characteristics involved.

RECOMMENDATION FULLY ADOPTED – POINT 21 OF THIS REPORT

Non-delegated powers of the Board of Directors follow the rules of this recommendation.

II.1.3 The General and Supervisory Board, in addition to carrying out the supervision duties entrusted to it, shall take on full responsibility in matters of Corporate Governance. This Board should then, by provisions in the articles of association or by equivalent means, be obliged to make judgement on the strategy and main policies of the Company, the definition of the business structure of the group and the decisions deemed strategic due to the amount or risk involved. This Board shall also assess compliance with the strategic plan and implementation of the main Company policies.

RECOMMENDATION NOT APPLICABLE

The governance model adopted does not include a General and Supervisory Board.

II.1.4 Unless the company is of a reduced size and depending on the adopted model, the Board of Directors and the General and Supervisory Board shall set up the necessary Committees in order to:

a) Ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as its own overall performance and further yet, the performance of all existing committees;

b) Study the structure and practices of the adopted governance system and verify its efficiency and propose to the competent bodies measures to be carried out with a view to its improvement.

RECOMMENDATION FULLY ADOPTED – POINTS 27 AND 29 OF THIS REPORT

The Board of Directors has set up two specialized committees, made up of non-executive members, to ensure the quality of the work performed. The Audit and Finance Committee and the Board Nomination and Remuneration Committee are in operation.

II.1.5 The Board of Directors or the General and Supervisory Board, depending on the model used, shall set objectives for risk taking and create systems to control it in order to ensure consistency between the risks actually taken and the established objectives.

RECOMMENDATION FULLY ADOPTED – POINTS 29 AND 51 OF THIS REPORT

The Board of Directors has set up internal risk control systems with the appropriate components.

II.1.6 The Board of Directors shall include a number of non-executive members to ensure an effective capacity for monitoring, supervision and assessment of the other members of the management board.

RECOMMENDATION FULLY ADOPTED – POINTS 18 AND 29 OF THIS REPORT

The Board of Directors consists of a total of seven members, of whom four are non-executive directors.

II.1.7 The non-executive directors shall include an adequate proportion of independent members, in accordance with the governance model, the size of the Company, its shareholder structure and free float.

The independence of the members of the General and Supervisory Board and the Audit Committee is determined under the terms of the legislation in force. In this regard, the company deems independent any member of the Board of Directors who is neither linked to any group of specific interests in the Company not under any circumstance likely to affect their objective analysis and decision making, namely by virtue of:

a. Having worked for the Company or for companies in a control or group relationship for the last three years;

b. Having provided services or established a significant business relationship with the Company or with companies in a control or group relationship for the last three years, whether directly or as a partner, director, manager or officer of an undertaking;

c. Being the beneficiary of remuneration paid by the Company or by companies in a control or group relationship, in addition to the remuneration derived from its position as director;

d. Cohabiting with or being married to, being a direct or collateral relative in line of descent until the third degree of a director or a direct or indirect holder of a qualified holding;

e. Being the holder of a qualified shareholding or acting on behalf of a shareholder of a qualified shareholding.

RECOMMENDATION FULLY ADOPTED – POINT 18 OF THIS REPORT

The Board of Directors includes two independent, non-executive directors who meet the independence criteria in this recommendation.

II.1.8 When Directors that carry out executive duties are requested by other Board Members to supply information, the former shall do so in a timely manner and the information supplied must adequately suffice the request made.

RECOMMENDATION FULLY ADOPTED – POINT 29 OF THIS REPORT

Throughout the year, the Executive Committee discloses its decisions to the Board of Directors on a timely basis. The executive members, by their own initiative or upon request, shall provide to non-executive members and other members of corporate bodies the information they need to fulfil their roles.

II.1.9 The chairman of the executive management body or executive committee shall send the notices convening meetings and minutes of the respective meetings, when applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Financial Matters Committee.

RECOMMENDATION FULLY ADOPTED – POINT 29 OF THIS REPORT

The Chairman of the Executive Committee has made available all information regarding the meetings held to the Chairman of the Board of Directors and to the Chairman of the Supervisory Board.

II.1.10 Should the Chairman of the Board of Directors have an executive role, the Board of Directors shall appoint an independent board director for coordinating the work of the other non-executive members and ensuring that these may decide upon, in an independent and informed manner, or for them to make independent, informed decisions, or find an equivalent mechanism to ensure such coordination.

RECOMMENDATION NOT APPLICABLE

The Chairman of the Board of Directors does not have an executive role.

II.2 SUPERVISION

II.2.1 Depending on the applicable model, the Chairman of the Supervisory Board, of the Audit Committee or of the Financial Matters Committee shall be independent, in accordance with the applicable legal criteria, and shall have the adequate skills to carry out their duties.

RECOMMENDATION FULLY ADOPTED – POINTS 32 AND ANNEX TO THIS REPORT

The Chairman of the Supervisory Board is independent, in accordance with the criteria provided for in Art. 414(5) of the Portuguese Companies Code, and has the skills and experience required to carry out his duties.

II.2.2 The supervisory body shall be the main liaison of the External Auditor and the first recipient of the reports. In particular, it is responsible for proposing the respective remuneration and ensuring that adequate conditions for the supply of the services are in place within the company.

RECOMMENDATION FULLY ADOPTED – POINT 38 OF THIS REPORT

The Supervisory Board interacts with the Statutory Auditor and the Auditor so as to supervise their activity and independence, in the exercise of its functions, and as determined by the operating rules in this Board's Regulation, and receive their reports. Concurrent submission of the reports to the Board of Directors by the Statutory Auditor and Auditor is not regarded by the Company as calling into question the compliance with this recommendation.

II.2.3 The supervisory body shall assess the External Auditor on an annual basis and provide the competent body with advice on dismissal or termination of the service agreement whenever justifiable grounds are present.

RECOMMENDATION FULLY ADOPTED – POINT 38 OF THIS REPORT AND ANNUAL REPORT AND OPINION OF THE SUPERVISORY BOARD

The Supervisory Board shall assess the Auditor on an annual basis and include the assessment in its annual report and opinion, made available along with the other accounting documents at www.sonaecapital.pt (investors tab, Corporate Governance section, General Meetings).

II.2.4 The supervisory body shall assess the operation of the internal control and risk management systems and propose the adjustments deemed necessary.

RECOMMENDATION FULLY ADOPTED – POINT 38 OF THIS REPORT

The Board of Directors proactively implements the internal control and risk management system. The Supervisory Board shall assess the effectiveness of these systems and propose the optimisation measures it deems necessary and comments on those in its annual report and opinion.

II.2.5 The Audit Committee, the General and Supervisory Board and the Supervisory Board shall comment on the work plans and resources allocated to the internal audit services and the services ensuring compliance with the rules applicable to the Company (compliance services). They shall receive reports from these services, namely when matters related to accounts, identification or resolution of conflicts of interest or alleged illegal acts are at issue.

RECOMMENDATION FULLY ADOPTED – POINTS 38 AND 51 OF THIS REPORT

The Supervisory Board shall establish with the Internal Audit the action plan to be developed, supervise its activity, receive regular activity reports, assess the results and findings, checks for the existence of any irregularities and provides the guidelines it deems appropriate.

II.3 SETTING THE REMUNERATION

II.3.1 All members of the Remuneration Committee or equivalent shall be independent of the executive members of the management body and shall include at least one member with knowledge of and experience in remuneration policy issues.

RECOMMENDATION FULLY ADOPTED - POINTS 26 AND 67 OF THIS REPORT

Duarte Paulo Teixeira de Azevedo, Chairman of the Board of Directors and non-executive member of this body was elected to these positions at the Shareholders' General Meeting, upon proposal from the majority shareholder, Efanor Investimentos, SGPS, S.A.. His participation in the Remuneration Committee corresponds to representation of the shareholder interest, acting in that capacity and not in his capacity as Chairman of the Board of Directors. The additional member of the Remuneration Committee is independent.

To ensure these duties are carried out independently, this member abstains from discussing or deciding on matters where conflict of interest exists or may exist. The adoption of this procedure ensures the necessary conditions for independence of the actions of the members and the decisions taken by this body.

II.3.2 No individual or company that provides, or has provided for the last three years, services to the management body itself or to any structure under the management body or that is in a relationship with the Company or that is a Company consultant, should be hired to assist the Remuneration Committee in the performance of its duties. This recommendation also applies to any individual or company related to the Company through contract or service provision agreement.

RECOMMENDATION FULLY ADOPTED – POINT 67 OF THIS REPORT

The Board Nomination and Remuneration Committee, which is solely composed of non-executive directors, supports the Remuneration Committee in the performance of its duties. These duties are supported by international consultants of recognised ability. Their independence is ensured by their independence from the Board of Directors, the Company and the Group and by their wide experience and recognition in the market.

II.3.3 The statement on the remuneration policy for the management and supervisory bodies referred to in article 2 of Law no. 28/2009 of 19 June, should also contain:

a) Identification and explanation of the criteria for deciding the remuneration to be attributed to the members of the governing bodies;

b) Information on the individual and aggregated maximum potential amounts payable to the members of the governing bodies and identification of the circumstances under which these amounts may be due;

c) Information as to the enforceability of the payments for the dismissal or termination of duties of directors.

RECOMMENDATION FULLY ADOPTED: POINTS 69 AND 80 OF THIS REPORT, AS WELL AS THE REMUNERATION POLICY APPROVED ON 28 APRIL 2017.

The statement on the remuneration policy was delivered at the Annual General Meeting on 28 April 2017 and includes the information referred to in this recommendation. Payments for dismissal or termination of duties of directors are not enforceable, notwithstanding the applicable legal provisions.

The statement on the remuneration policy is available at http://www.sonaecapital.pt

II.3.4 The proposal for the approval of the plans for attribution of shares and/or stock options shall be submitted to the general meeting, or depending on the changes in share prices, to members of the governing bodies. Such proposal should contain all the necessary information for a correct assessment of the plan.

RECOMMENDATION FULLY ADOPTED – POINTS 85 AND 86 OF THIS REPORT

The medium term variable remuneration plan, including its implementation, was approved at the Annual General Meeting held on 28 April 2017 and is available at http://www.sonaecapital.pt

II.3.5 The proposal for the approval of any scheme of retirement benefits established on behalf of the members of the governing bodies should be submitted to the general meeting. Such proposal should contain all the necessary information for a correct assessment of the scheme.

RECOMMENDATION NOT APPLICABLE

The remuneration policy approved does not establish any scheme of retirement benefits.

III. REMUNERATION

III.1 The remuneration of the executive members of the management body shall be based on effective performance and shall discourage excessive risk taking.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 28 APRIL 2017

The remuneration of the members of the Board of Directors carrying out executive duties shall be based on the performance of the directors, measured against predetermined criteria and designed so as to align their performance with the Company's sustainability and the stability of the interest of the shareholders, discouraging excessive risk taking.

III.2 The remuneration of the non-executive members of the management body and the remuneration of the members of the supervisory body shall not include any component the value of which depends on the Company performance or its value.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 28 APRIL 2017

The remuneration of the non-executive members of the Board of Directors consists solely of a fixed value and is not linked to the Company performance or its value.

III.3 The variable component of the remuneration shall be globally reasonable in relation to the fixed component of the remuneration. Maximum limits shall be set for all the components.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 28 APRIL 2017

The remuneration policy includes an explicit relationship between the fixed and variable components that is suitable to the profile of the Company and the Group, and the maximum limits established match the practices of comparable companies. The policy is therefore accepted and annually approved by the Shareholders' General Meeting.

III.4 A significant part of the variable remuneration shall be deferred for a period of no less than three years and its payment shall be dependent upon the company's steady positive performance during said period.

RECOMMENDATION FULLY ADOPTED – POINTS 71, 72 AND 86 OF THIS REPORT

In accordance with the remuneration policy approved at the Annual General Meeting held on 28 April 2017, proposed by the Remuneration Committee, a part of no less than fifty per cent of the variable remuneration shall be deferred for a period of three years and its value shall be dependent upon the Company's performance during the said period, as it is pegged to the share price.

III.5 The members of the management body shall not enter into any agreements, either with the Company, or with third parties, the effect of which is to mitigate the risk associated with the variability of the remuneration determined for them by the Company.

RECOMMENDATION FULLY ADOPTED – POINT 73 OF THIS REPORT AND REMUNERATION POLICY

The remuneration policy approved, upon proposal from the Remuneration Committee, at the Shareholders' General Meeting on 28 April 2017 adopted the principle set out in this recommendation.

III.6 Until the end of their term of office, the executive directors must not sell the company shares acquired under the attribution of the variable remuneration system up to the limit of twice the total annual remuneration value, with the exception of those that need to be sold in order to pay the taxes on the benefits from those shares.

RECOMMENDATION FULLY ADOPTED – POINT 73 OF THIS REPORT AND REMUNERATION POLICY

The remuneration policy approved at the Shareholders' General Meeting on 28 April 2017 adopted the principle set out in this recommendation.

III.7 When the variable remuneration includes the attribution of stock options, the beginning of the year shall be deferred for a period of no less than three years

RECOMMENDATION NOT APPLICABLE

The remuneration policy approved does not include the attribution of stock options.

III.8 When the dismissal of a director does not arise from serious breach of duties or unfitness to perform the normal duties but can still be attributable to inadequate performance, the Company must be equipped with the appropriate and sufficient legal instruments to ensure that any compensation or reparation, beyond that legally due, is not enforceable.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 28 APRIL 2017

The Company policy fully complies with this recommendation.

IV. AUDIT

IV.1 The External Auditor, within the scope of its powers, shall verify the implementation of the policies and remuneration systems for the governing bodies as well as the effectiveness and functioning of the internal control mechanisms reporting any deficiencies to the Company's Supervisory Body.

RECOMMENDATION FULLY ADOPTED – POINT 46 OF THIS REPORT

The Statutory Auditor shall comment on its activities in its annual audit report, which is subject to the evaluation of the Shareholders' Annual General Meeting and made available at www.sonaecapital.pt

IV.2 The Company or any entities in a control relationship with the Company shall not hire the External Auditor, or any entities in a group relationship with them or that operate in the same network, for services other than audit services. When there are reasons for contracting such services – which must be approved by the supervisory body and explained in the annual report on Corporate Governance – they shall not represent more than 30% of the total value of the services provided to the Company.

RECOMMENDATION FULLY ADOPTED – POINTS 46 AND 47 OF THIS REPORT

The services provided by the External Auditor, other than audit services, were previously approved by the Supervisory Board, thus fully complying with the CMVM recommendation. The percentage of these services over the total services provided by PricewaterhouseCoopers& Associados, SROC (PwC) to the Company is 4.4%.

IV.3 The companies shall promote the auditor rotation after two or three terms of office, depending on the length of the term of office being of four or three years, respectively. The permanence of the auditor beyond this period must be substantiated in a specific opinion from the supervisory body, expressly considering the Auditor's independence in that circumstance and the advantages and costs of its replacement;

RECOMMENDATION FULLY ADOPTED – POINT 44 OF THIS REPORT

The Auditor and the Statutory Auditor partner representing it in the performance of its duties are still on the third term of office.

V. CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

V.1 Transactions between the Company and the holders of qualifying holdings or entities bound to such holders, under the terms of Art. 20 of the Portuguese Securities Code, shall be carried out under normal market conditions.

RECOMMENDATION FULLY ADOPTED – POINTS 10, 89 AND 90 OF THIS REPORT

The transactions between the Company and any related parties are governed by principles of thoroughness, transparency and strict compliance with the market competition rules. These transactions are subject to specific administrative procedures that arise from regulatory requirements, in particular those related to transfer price rules or the rules on voluntary adoption of internal checks and balances, particularly processes for reporting or formal validation, according to the value of the transaction in question.

V.2 The supervisory or audit body shall establish the procedures and criteria deemed necessary for defining the relevant level of significance of the transactions with holders of qualifying holdings - or with entities with whom they are in a relationship provided for in Art. 20(1) of the Portuguese Securities Code. Transactions of significant relevance require the preliminary opinion of the above mentioned body.

RECOMMENDATION FULLY ADOPTED – POINT 38 OF THIS REPORT

The Company has approved and enforced a formal internal procedure aimed at receiving the opinion of the Supervisory Board and the Audit and Finance Committee before the Executive Committee concludes any transaction with holders of qualifying holdings or with entities with whom they are in a relationship provided for in Art. 20 of the Portuguese Securities Code, when such transactions involve an interest greater than ten million euros. All the transactions concluded with the said entities that exceed one million euros are also subject to half-yearly reporting to these two bodies.

VI. INFORMATION

VI.1 The companies shall provide access to information in their website, in Portuguese and English, which will enable knowledge of their progress and current situation in economic, financial and governance terms.

RECOMMENDATION FULLY ADOPTED - POINTS 59 TO 65 OF THIS REPORT

All the recommended information is available in Portuguese and in English on the Company's website – www.sonaecapital.pt.

VI.2 The companies shall ensure the existence of an investor support and market liaison office that must be able to respond in due time to the investors' requests, keeping a record of the requests received and the response thereof.

RECOMMENDATION FULLY ADOPTED – POINT 56 OF THIS REPORT

The Company has an Investor Support Office which provides regular and relevant information to the investors and the financial community, keeping a record of the relevant communication to enhance the quality of its performance.

3. Other information

There are no recommendations requiring subsequent reasoning for non-compliance or non-enforcement.

Maia, 02 March 2018

The Board of Directors

Duarte Paulo Teixeira de Azevedo
Chairman

Maria Cláudia Teixeira de Azevedo
CEO

Álvaro Carmona e Costa Portela
Member of the Board of Directors

Ivone Pinho Teixeira
CFO

Francisco de La Fuente Sánchez
Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata
Member of the Board of Directors

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

ANNEX TO THE CORPORATE GOVERNANCE REPORT
CURRICULA VITAE OF THE MEMBERS OF THE GOVERNING BODIES

Duarte Paulo Teixeira de Azevedo
Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.

Age: 52
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Chemical Engineering from École Polytechnique Fédérale de Lausanne (1986)
Master in Business Administration - MBA – Porto Business School (1989)

Positions held in other companies:

Chairman of the Board of Directors of Sonae Investimentos, SGPS, S.A.
Chairman of the Board of Directors of Sonae MC – Modelo Continente, SGPS, S.A.
Chairman of the Board of Directors of Sonae Center II, S.A.
Chairman of the Board of Directors of Sonae Indústria, SGPS, S.A.
Chairman of the Board of Directors of Sonae Arauco, S.A.
Chairman of the Board of Directors of Sonae Sierra, S.A.
Chairman of the Board of Directors and Co-CEO of Sonae, SGPS, S.A.
Chairman of the Board of Directors of Migracom, SGPS, S.A.
Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Member of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, S.A.
Member of the Board of Curators of Fundação Belmiro de Azevedo
Member of the European Round Table of Industrialists (ERT)
Member of International Advisory Board of Allianz SE
Member of Consejo Iberoamericano para la Productividad y la Competitividad

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Main professional activities over the last five years:

2009-2014 - Member of the Board of Curators of AEP - Portuguese Entrepreneurship Association
2009–2015 – Chairman of the Board of Trustees of the University of Porto
2012-2015 – Member of the Board of COTEC Portugal
Since 2008 – Member of ERT – European Round Table of Industrialists
Since 2012 - Member of the Board of Curators of Fundação Belmiro de Azevedo
Since 2013 – Member of the International Advisory Board of Allianz, SE
Since 2015 – Member of the Consejo Iberoamericano para la Productividad y la Competitividad (Ibero-American Council for Productivity and Competitiveness)
Since April 2015 - Chairman of the Board of Directors and Co-CEO of Sonae – SGPS, S.A.
Since 2016 - Chairman of the Board of Directors of Sonae Arauco, S.A.

Álvaro Carmona e Costa Portela

Vice-chairman of the Board of Directors of Sonae Capital, SGPS, S.A.

Age: 66
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Mechanical Engineering – FEUP (1974)
Master of Business Management – MBA (Universidade Nova de Lisboa – 1983)
AMP / ISMP – Harvard Business School (1997)

Positions held in the group companies:

Member of the Board of Directors of Capwatt, SGPS, S.A.
Member of the Board of Directors of Race, SGPS, S.A.
Member of the Board of Directors of SC, SGPS, S.A.
Member of the Board of Directors of SC Hospitality, SGPS, S.A.

Positions held in other companies:

Non-executive Director of Casa Agrícola HMR, S.A.
Non-executive Director of COPAM – Companhia Portuguesa de Amidos, S.A.
Non-executive Director of SPDI – SECURE PROPERTY Development & Investment, PLC
Director of the Victor e Graça Carmona e Costa Foundation
Manager of Portela & Portela, Lda.
Member of the Investment Committee of the ECE European Prime Shopping Centre Fund, Luxembourg
Director of Belmiro de Azevedo Foundation
Vice-Chairman of FPAK – Federação Portuguesa de Automobilismo e Karting (Portuguese Motoring and Karting Federation)

Main professional activities over the last five years:

2010-2015 – Non-executive Director of Sonae SGPS, S.A.
2010-2014 – Chairman (until 2012) and Member of the Board of Representatives of the Faculty of Economics, University of Porto
2010-2012 – Trustee of the Urban Land Institute (USA)
2010-2012 – Director of Sonae RP
2010-2014 – Non-executive Chairman of the Board of Directors of MAF Properties, Dubai, UAE
2011-2013 – Member of the Investment Advisory Committee of PanEuropean Property Limited Partnership

Francisco de La Fuente Sánchez
Non-executive Director of Sonae Capital, SGPS, S.A.

Age: 76
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Electrical Engineering – Instituto Superior Técnico (1965)

Positions held in other companies:

Co-opted Member of the General Council of the University of Lisbon
Chairman of the Board of the General Meeting of APEDS – Portuguese Association of Engineers for Social Development
Chairman of the Board of the General Meeting of AAAIST – Association of Alumni of Instituto Superior Técnico
Honorary Chairman of Hidroeléctrica del Cantábrico, S.A.
Member of the Remuneration Committee of Sonae SGPS, S.A. and of Sonaecom, SGPS, S.A.
Member of the Board of Trustees of the Luso-Brazilian Foundation
Member of the Board of Trustees of the Luso-Spanish Foundation
Member of the Board of Trustees of the Hidroeléctrica del Cantábrico Foundation

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Main professional activities over the last five years:

2012-2016 – Chairman of the Board of AAAIST
2010-2015 – Chairman of the Board of the General Meeting of Iberwind – Desenvolvimento e Projectos, S.A.
2007-2013 – Chairman of the General Board of PROFORUM
2007-2013 – Chairman of the National Council of the Engineers Association College of Electrical Engineering
2007-2012 – Guest member of the National Water Board
2007-2012 – Vice-chairman and Non-executive Chairman of the Board of Directors of EFACEC Capital
2009-2016 – Co-opted member of the Instituto Superior Técnico School Board
2005-2012 – Member of Advisory Board of the Forum for Competitiveness
2005-2009 – Chairman of EDP Foundation
2003-2006 – Chairman of the Board of directors of EDP – Energias de Portugal
2000-2003 – Chairman of the Board of Directors and Executive Committee of EDP – Energias de Portugal
Since 2017 – Co-opted member of the General Council of the University of Lisbon
Since 2005 – Member of the Board of Trustees of the Hidroeléctrica del Cantábrico Foundation
Since 2004 – Member of the Board of Trustees of the Luso-Brazilian Foundation
Since 2002 – Member of the Board of Trustees of the Luso-Spanish Foundation

Paulo José Jubilado Soares de Pinho

Administrador Não Executivo da Sonae Capital, SGPS, S.A.

Age: 55
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Economic – Faculty of Economics, Universidade Nova de Lisboa (1985)
MBA – Master of Business Administration – Faculty of Economics, Universidade Nova de Lisboa (1989)
Doctorate in Banking and Finance – City University Business School, London (1994)
Negotiation Analysis – Amsterdam Institute of Finance (2005)
Advanced Course – European Venture Capital and Private Equity Association (2006)
Valuation Guidelines Masterclass – European Venture Capital and Private Equity Association (2007)
Private Equity and Venture Capital Programme – Harvard Business School (2007)

Positions held in other companies:

Chairman of the General Council of the PME-IAPMAI Venture Capital Syndication Fund
Chairman of the Supervisory Board of Novabase, SA
Member of the Board of Directors of Change Partners, SCR, S.A.
Managing Partner of Finpreneur, Ltda.
Academic director of the Lisbon MBA (MIT – Católica – Nova)

Main professional activities over the last five years:

Member of Strategic Advisory Board of the Fast Change Venture Capital Fund
Member of the Board of Directors of Biotecnol, S.A.
Director (representative in Portugal) of Venture Valuation, Switzerland
Senior Consultant at New Next Moves Consultants, Portugal
Associate Professor at the Faculty of Economics, Universidade Nova de Lisboa
Guest Lecturer at Cass Business School, London
Guest Lecturer at the University of Luxembourg

Maria Cláudia Teixeira de Azevedo

Administradora e Presidente da Comissão Executiva da Sonae Capital, SGPS, S.A.

Age: 48
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Management from Universidade Católica do Porto and MBA from INSEAD

Positions held in the group companies:

Chairman of the Board of Directors of Capwatt, SGPS, S.A.
Chairman of the Board of Directors of Race, SGPS, S.A
Chairman of the Board of Directors of SC, SGPS, S.A.
Chairman of the Board of Directors of SC Hospitality, SGPS, S.A
Chairman of the Board of Directors of SC Industrials, SGPS, S.A.
Chairman of the Board of Directors of Troiaresort, SGPS, S.A.

Positions held in other companies:

Chairman of the Board of Directors of Bright Development Studio, S.A.
Chairman of the Board of Directors of Digitmarket – Sistemas de Informação, S.A.
Chairman of the Board of Directors of GRUPO S 21 SEC GÉSTION, S.A.
Chairman of the Board of Directors of S21SEC PORTUGAL – CYBERSECURITY SERVICES, S.A.
Chairman of the Board of Directors of Inovretail, S.A.
Chairman of the Board of Directors of Linhacom, SGPS, S.A.
Chairman of the Board of Directors of PCJ – Público, Comunicação e Jornalismo, S.A.
Chairman of the Board of Directors of Saphety Level – Trusted Services, S.A.
Chairman of the Board of Directors of Sonaecom – Ciber Security and Intelligence Services, SGPS, S.A.
Chairman of the Board of Directors of Praça Foz – Sociedade Imobiliária, S.A.
Chairman of the Board of Directors of TLANTIC PORTUGAL – Sistemas de Informação, S.A.
Chairman of the Board of Directors of WeDo Consulting, Sistemas de Informação, S.A.
Chairman of the Board of Directors of WeDo Technologies Americas, INC.
Member of the Board of Directors of Armilar Venture Partners – Sociedade de Capital de Risco, S.A.
Member of the Board of Directors of BA – Business Angels SGPS, S.A.
Member of the Board of Directors of BA – Capital, SGPS S.A.
Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Member of the Board of Directors of Efanor – Serviços de Apoio à Gestão, S.A.
Member of the Board of Directors of Imparfin, SGPS, S.A.
Member of the Board of Directors of Praesidium Services Limited
Member of the Board of Directors of Público – Comunicação Social, S.A.
Member of the Board Directors of Setimanale – SGPS S.A.
Member of the Board of Directors of Sonaecom, SGPS, S.A.
Member of the Board of Directors of Sonaecom – Serviços Partilhados, S.A.
Member of the Board of Directors of Sonae Investment Management – Software and Technology, SGPS, S.A.
Member of the Board of Directors of WeDo Tecnologies (UK) Limited
Member of the Board of Directors of WeDo Technologies Australia PTY, Limited
Member of the Board of Directors of Vistas da Foz – Sociedade Imobiliária, S.A.
Member of the Board of Directors of ZOPT, SGPS, S.A.
Member of the Board of Directors of NOS – SGPS, S.A.

Sole Administrator of Sekiwi, SGPS, SA
Director of WeDo Technologies Egypt
Director of Sonaecom – Sistemas de Información Espana, S.L.
Manager of WeDo Technologies Mexico, S. De R.L. de C.V.
General Manager at Saphety – Transacciones Electronicas, S.A.S

Main professional activities over the last five years:

Chairman of the Board Directors of WeDo Consulting, Sistemas de Informação, S.A.
Executive Director of Sonaecom, SGPS, S.A.
Executive Director of NOS - SGPS, S.A.
Member of the Board of Directors in the following companies:
Sonae Investment Management – Software and Technology, SGPS, S.A.
Efanor Investimentos, SGPS, S.A.
ZOPT, SGPS, S.A.

Ivone Pinho Teixeira
Administradora Executiva e CFO da Sonae Capital, SGPS, S.A.

Age: 45
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Economics – Porto Faculty of Economics (1995)
Postgraduate Degree in Credit Analysis – ISGB, the Portuguese School of Bank Management (1996)
Postgraduate Degree in International Taxation – Universidade Católica (2004)

Positions held in the group companies:

Chairman of the Board of Directors of Acrobatic Title, S.A.
Member of the Board Directors and Member of Executive Commission of Adira – Metal Forming Solutions, S.A.
Member of the Board of Directors of Aqualuz Tróia – Exploração Hoteleira e Imobiliária, S.A.
Member of the Board of Directors of Atlantic Ferries – Tráfego Local, Fluvial e Marítimo, S.A.
Member of the Board of Directors of Bloco Q – Sociedade Imobiliária, S.A.
Member of the Board of Directors of Capwatt, SGPS, S.A.
Member of the Board of Directors of Capwatt ACE, S.A.
Member of the Board of Directors of Capwatt – Brainpower, S.A.
Member of the Board of Directors of Capwatt Colombo – Heat Power, S.A.
Member of the Board of Directors of Capwatt Engenho Novo – Heat Power, S.A.
Member of the Board of Directors the Complementary Grouping of Companies Capwatt Hectare – Heat Power, ACE
Member of the Board of Directors of Capwatt II – Heat Power, S.A.
Member of the Board of Directors of Capwatt III – Heat Power, S.A.
Member of the Board of Directors of Capwatt Maia – Heat Power, S.A.
Member of the Board of Directors of Capwatt Martim Longo – Solar Power, S.A.
Member of the Board of Directors of Capwatt Vale do Caima – Heat Power, S.A.
Member of the Board of Directors of Capwatt Vale do Tejo – Heat Power, S.A.
Member of the Board of Directors of Casa da Ribeira – Sociedade Imobiliária, S.A.
Member of the Board of Directors of Centro Residencial da Maia – Urbanismo, S.A.
Member of the Board of Directors of Cinclus – Imobiliária, S.A.
Member of the Board of Directors of Contacto Concessões, SGPS, S.A.
Member of the Board of Directors of Country Club da Maia – Imobiliária, S.A.
Member of the Board of Directors of Empreendimentos Imobiliários Quinta da Azenha, S.A.
Member of the Board of Directors of Golf Time – Golfe e Investimentos Turísticos, S.A.
Member of the Board of Directors of Imobeauty, S.A.
Member of the Board of Directors of Imoclub – Serviços Imobiliários, S.A.
Member of the Board of Directors of Imodivor – Sociedade Imobiliária, S.A.
Member of the Board of Directors of Imohotel – Empreendimentos Turísticos, S.A.
Member of the Board of Directors of Imopenínsula – Imobiliária, S.A.
Member of the Board of Directors of Imoponte – Sociedade Imobiliária, S.A.
Member of the Board of Directors of Imoresort – Sociedade Imobiliária, S.A.
Member of the Board of Directors of Imosedas – Imobiliária e Serviços, S.A.
Member of the Board of Directors of Implantação – Imobiliária, S.A.
Member of the Board of Directors of Inparvi, SGPS, S.A.
Member of the Board Directors of Lusobrisa – Produção de Energia Eléctrica, S.A.
Member of the Board of Directors of Marina de Tróia, S.A.
Member of the Board of Directors of Marmagno – Exploração Hoteleira e Imobiliária, S.A.
Member of the Board of Directors of Marvero – Exploração Hoteleira e Imobiliária, S.A.
Member of the Board of Directors of Porto Palácio Hotel – Exploração Hoteleira, S.A.

Member of the Board of Directors of Porturbe – Edifícios e Urbanizações, S.A.
Member of the Board of Directors of Praedium – Serviços, S.A.
Member of the Board of Directors of Praedium II – Imobiliária, S.A.
Member of the Board of Directors of Prédios Privados – Imobiliária, S.A.
Member of the Board of Directors of Predisedas – Predial das Sedas, S.A.
Member of the Board of Directors of Promessa – Sociedade Imobiliária, S.A.
Member of the Board of Directors of QCE – Desenvolvimento e Fabrico de Equipamentos, S.A.
Member of the Board of Directors of Race - Refrigeration & Air Conditioning Engineering, S.A.
Member of the Board of Directors of Race SGPS, S.A.
Member of the Board Directors of SC Industrials, SGPS, S.A.
Member of the Board of Directors of SC, SGPS, S.A.
Member of the Board of Directors of SC – Sociedade de Consultadoria, S.A.
Member of the Board of Directors of SC Assets, SGPS, S.A.
Member of the Board of Directors of SC Finance, BV
Member of the Board of Directors of SC Hospitality, SGPS, S.A.
Member of the Board of Directors of S.I.I. – Soberana – Investimentos Imobiliários, S.A.
Member of the Board of Directors of Sete e Meio Herdades – Investimentos Agrícolas e Turismo, S.A.
Member of the Board of Directors of Soira – Sociedade Imobiliária de Ramalde, S.A.
Member of the Board of Directors of Solinca – Health and Fitness, S.A.
Member of the Board of Directors of Soltróia – Sociedade Imobiliária de Urbanização e Turismo de Tróia, S.A.
Member of the Board of Directors of Sopair, S.A.
Member of the Board of Directors of Sotáqua – Sociedade de Empreendimentos Turísticos de Quarteira, S.A.
Member of the Board of Directors of Spinveste – Gestão Imobiliária, SGII, S.A.
Member of the Board of Directors of Spinveste – Promoção Imobiliária, S.A.
Member of the Board of Directors of The Artist Porto Hotel & Bistro – Actividades Hoteleiras, S.A.
Member of the Board of Directors of The House Ribeira – Exploração Hoteleira, S.A.
Member of the Board of Directors of Tróia Market – Supermercados, S.A.
Member of the Board of Directors of Troiaresort – Investimentos Turísticos, S.A.
Member of the Board of Directors of Troiaresort, SGPS, S.A.
Member of the Board of Directors of Tulipamar – Exploração Hoteleira e Imobiliária, S.A.
Member of the Board of Directors of UP Invest, SGPS, S.A.
Member of the Board of Directors of Urbisedas – Imobiliária das Sedas, S.A.
Member of the Board of Directors of Ventos da Serra – Produção de Energia, S.A.
Member of the Board of Directors of Vistas do Freixo – Empreendimentos Turísticos, S.A.
Member of Management at Carvemagere, Manutenção e Energias Renováveis, Lda
Member of Management at Companhia Térmica Tagol, Unipessoal, Lda.
Member of Management at C.T.E. – Central Termoeléctrica do Estuário, Unipessoal, Lda.
Member of Management at Enerlousado – Recursos Energéticos, Unipessoal, Lda.
Member of Management at Gasflow, Unipessoal, Lda
Member of Management at Guimadira – Máquinas e Ferramentas, Unipessoal, Lda
Member of Management at Ronfegen – Recursos Energéticos, Unipessoal, Lda.
Member of Management at SC For – Serviços de Formação e Desenvolvimento de Recursos Humanos, Unipessoal, Lda.

Main professional activities over the last five years:

Since 2012 – Chief Financial Officer, Sonae Capital Group
2007-2012 – Director of Corporate Finance, Sonae Capital Group

Miguel Jorge Moreira da Cruz Gil Mata

Membro do Conselho de Administração e da Comissão Executiva da Sonae Capital, SGPS, S.A.

Age: 43 anos
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Mechanical Engineering – Faculty of Engineering, University of Porto (1998)
Postgraduate Degree in Industrial Maintenance – Faculty of Engineering, University of Porto (1999)
MBA – School of Management, University of Porto (2003)

Positions held in the group companies:

Chairman of the Board of Directors of the Complementary Grouping of Companies Atelgen, Produção de Energia, ACE
Chairman of the Board of Directors of the Complementary Grouping of Companies Capwatt Hectare – Heat Power, ACE
Chairman of the Board of Directors of the Complementary Grouping of Companies Companhia Térmica do Serrado, ACE
Chairman of the Board of Directors of the Complementary Grouping of Companies Soternix – Produção de Energia, ACE
Chairman of the Board of Directors of Sociedade de Iniciativa e Aproveitamentos Florestais – Energia, S.A.
Chairman of the Board of Sopair, S.A.
Member of the Board of Directors and Chairman of Executive Commission of Adira – Metal Forming Solutions, S.A.
Member of the Board of Directors of Capwatt, SGPS, S.A
Member of the Board of Directors of Capwatt ACE, S.A.
Member of the Board of Directors of Capwatt – Brainpower, S.A.
Member of the Board of Directors of Capwatt Colombo – Heat Power, S.A.
Member of the Board of Directors of Capwatt Engenho Novo – Heat Power, S.A.
Member of the Board of Directors of Capwatt II – Heat Power, S.A.
Member of the Board of Directors of Capwatt III – Heat Power, S.A.
Member of the Board of Directors of Capwatt Maia – Heat Power, S.A.
Member of the Board of Directors of Capwatt Martim Longo – Solar Power, S.A.
Member of the Board of Directors of Capwatt Vale do Caima – Heat Power, S.A.
Member of the Board of Directors of Capwatt Vale do Tejo – Heat Power, S.A.
Member of the Board of Directors of the Complementary Grouping of Companies Feneralt – Produção de Energia, ACE
Member of the Board of Directors of Lusobrisa – Produção de Energia Eléctrica, S.A.
Member of the Board of Directors of QCE – Desenvolvimento e Fabrico de Equipamentos, S.A.
Member of the Board of Directors of Race – Refrigeration & Air, Conditioning Engineering, S.A.
Member of the Board of Directors of Race, SGPS, S.A.
Member of the Board of Directors of SC SGPS, S.A.
Member of the Board of Directors of SC – Sociedade de Consultadoria, S.A.
Member of the Board of Directors of SC Hospitality, SGPS, S.A.
Member of the Board of Directors of SC Industrials, SGPS, S.A.
Member of the Board of Directors of Suncoutim – Solar Energy, S.A.
Member of the Board of Directors of Ventos da Serra – Produção de Energia, S.A.
Member of Management at C.T.E. – Central Termoeléctrica do Estuário, Unipessoal, Lda.
Member of Management at Carvemagere, Manutenção e Energias Renováveis, Lda.
Member of Management at Companhia Térmica, Tagol Unipessoal, Lda.
Member of Management at Enerlousado – Recursos Energéticos, Unipessoal, Lda.
Member of Management at Gasflow, Unipessoal, Lda

Member of Management at Guimadira – Máquinas e Ferramentas, Unipessoal, Lda
Member of Management at Ronfegen – Recursos Energéticos, Unipessoal, Lda.
Member of Management at SC For – Serviços de Formação e Desenvolvimento de Recursos Humanos, Unipessoal, Lda.
Legal Representative of Race – Refrigeration & Air Conditioning Engineering, S.A., Matosinhos "Sucursala Bucaresti"

Positions held in other companies:

Chairman of the Executive Committee of APGEI – Portuguese Association of Industrial Engineering and Management
Chairman of the Executive Committee of COGEN Portugal – Portuguese Association of Co-generation and Energy Efficiency
Member of the Board of IPES – Portuguese Solar Energy Society
Member of Management at Vantipal, Lda.

Main professional activities over the last five years:

Chief Operating Officer at CapWatt (Since 2008)
Chief Operating Officer at Sonae Indústria de Revestimentos (2012 – 2014)
Chief Operating Officer at Euroresinas (2012 – 2014)
Chief Operating Officer at Impaper (2012 – 2014

António Monteiro de Magalhães
Presidente do Conselho Fiscal da Sonae Capital, SGPS, S.A.

Academic Career:

Bachelor's Degree in Economics – Faculty of Economics, University of Porto (1969)

Positions held in other companies:

Partner and Director of António Magalhães & Carlos Santos – Statutory Audit Firm (Since its setup in 1989)
Member of the Supervisory Board of Cin – Corporação Industrial do Norte, S.A

Main professional activities over the last five years:

Chairman of the Supreme Council of the Statutory Auditors Association in 2018/2021
Chairman of the Supreme Council of the Economists in 2018/2021
Chairman of the Supreme Council of the Statutory Auditors Association in 2012/2014 and 2015/2017
Chairman of the Board of the General Meeting of the Statutory Auditors Association in 2009/2011

Manuel Heleno Sismeiro
Membro do Conselho Fiscal da Sonae Capital, SGPS, S.A.

Academic Career:

Accountant, ICL, Lisbon (1964)
Bachelor's Degree in Finance, ISCEF, Lisbon (1971)

Positions held in other companies:

Chairman of the Supervisory Board of the following companies:
Sonae Indústria, SGPS, S.A.
OCP Portugal – Produtos Farmacêuticos, S.A.
Member of the Supervisory Board of Sonae, SGPS, S.A.

Main professional activities over the last five years:

Since 2008 – Special consultant in internal audit and internal control areas

Carlos Manuel Pereira da Silva
Membro do Conselho Fiscal da Sonae Capital, SGPS, S.A.

Academic Career:

Bachelor's Degree in Economics – Faculty of Economics, University of Porto (1978)

Main professional activities over the last five years:

Since 2010 – Statutory Auditor and partner at Armando Magalhães, Carlos Silva & Associados, SROC, Lda.

Part IV
NON-FINANCIAL INFORMATION REPORT

31 December 2017

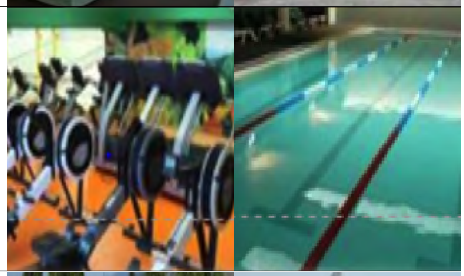
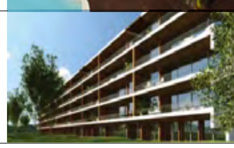
OUR BUSINESSES AND OUR ORGANISATION

Sonae Capital's portfolio includes a set of diverse assets grouped into Business Units and Real Estate Assets. The first block has operations in six different business segments:

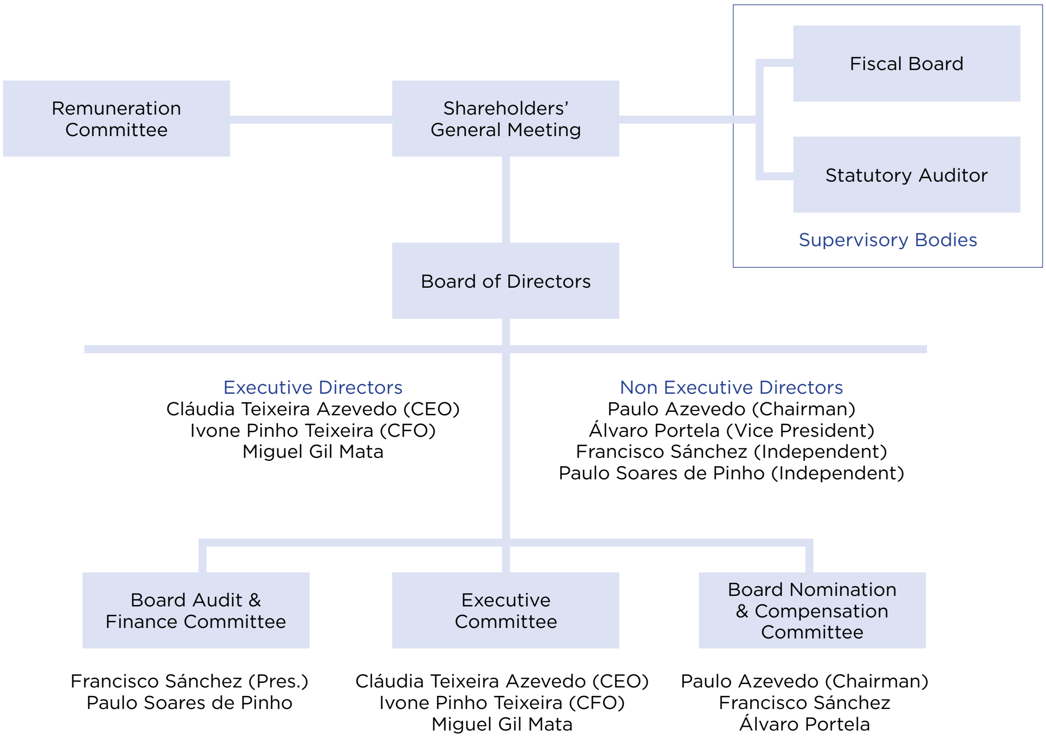
- Troia Resort Operations: development and management of tourism resorts TROIA RESORT..
- Hospitality: management of hotels with an integrated offer of services such as SPA, congress/events center and food & beverage.
- Fitness: management of health clubs – Solinca.
- Energy: Provision of energy services to industries, namely the development and management of energy production facilities focused in cogeneration.
- Refrigeration & HVAC: development of engineering projects and solutions for commercial and industrial refrigeration, design and implementation of Building Management systems and design and implementation of HVAC solutions.
- Industrial Engineering: creation of a cluster of technological -based companies levered in the Portuguese engineering know-how and strongly export driven, of which ADIRA is an example.

The group's current real estate portfolio is divided into two blocks:

- Troia Resort: groups the real estate assets into three areas according to their degree and stage of completion: (i) real estate assets, which include tourist real estate residential units already developed; (ii) assets in operation, which include hotels, Troia Shopping, car parks and other assets; and (iii) macro-plots with a future development project.
- Other Real Estate Assets: include the Sonae Capital Group's remaining real estate assets. This real estate block comprises a diversified range of assets at different licensing and construction stages, including plots of land with and without planning permission, residential units, residential, tourism and commercial construction projects, offices, industrial buildings and commercial spaces, with extensive geographical dispersion.

SONAE CAPITAL	**Troia Operations**	Development and management of tourism resorts	
	Hospitality	Management of hotels with an integrated offer of services	
	Fitness	Management of Health Clubs	
	Energy	Provision of energy services to industries	
	Refrigeration & HVAC	Development of engineering projects and solutions for commercial and industrial refrigeration	
	Industrial Engineering	Creation of a cluster of technological based companies levered in the Portuguese engineering know-how	
	Real Estate Assets	**Troia Resort** Developed Projects Assets in operation Macro-Plots (projects)	
		Outros activos imobiliários Diviserfied set of real estate assets	

The Sonae Capital Group has a strong, stable shareholder structure that favours the development, implementation and execution of a strategy focused on economic and corporate value, based on a transparent governance model and best market practices, combining executive and non-executive duties with independent directors.



According to the current corporate governance structure, the Board of Directors is responsible for strategic decisions at the business portfolio level and their implementation.

The Board of Directors delegates powers for day-to-day operational management to the Executive Committee, also controlling the way in which this body functions and how the delegated powers are exercised.

The following powers of the Board of Directors may not be delegated, but all the others have been delegated:

- Election of the Chairman of the Board of Directors;
- Co-opting a substitute member of the Board of Directors;
- Request to convene General Meetings;
- Approval of the Annual Report and Accounts;

- Provision of collateral and personal or real guarantees by the Company;
- Decision to change the registered office or increase the share capital;
- Decision on mergers, spin-offs or transformation of the Company;
- Approval of the business portfolio configuration strategy;
- Approval of the business plan and any significant changes to that plan.
- Definition of the human resources policies applicable in senior positions (level G3 and above) in areas that do not fall under the purview of the General Meeting or the Remuneration Committee.

The Corporate Centre plays an instrumental role in supporting the Executive Committee and Board of Directors in the definition and control of the implementation of the defined strategies, policies and objectives. Comprising sovereign functions and shared functions, which are described below, its purpose is to provide transversal services to all Group companies:

- Corporate Finance
- Legal Department
- Corporate Management Planning and Control
- Corporate Human Resources
- Portfolio Development
- Internal Audit
- Risk Management
- Information Systems
- Financial Department
- IOW and Innovation

The sovereign functions report to the Executive Committee of Sonae Capital.

As regards Shared Functions, the mission of the Financial Department, coordinated by a manager of the Corporate Centre, is:

- to optimise the Group's financial flows through the efficient management of external entities, namely customers, suppliers and banks;

- to guarantee an accounting management model that ensures the integrity and availability of accounting, financial and asset information for the whole organisation through an integrated system;

- to coordinate human resources administrative management activities, ensuring alignment with the businesses.

The current organisation of the Corporate Centre of Sonae Capital also envisages the existence of the IOW and Innovation function. The responsibility of this is to, on the one hand, promote a common culture and practices of continuous improvement, within the scope of the IOW - Improving our Work model, cross-cutting all of the Group's companies and, on the other hand, to promote, facilitate and accelerate integrated innovation projects between the different areas in order to increase the Group's competitiveness. At the same time, it also has the responsibility of identifying, promoting, evaluating and exploring project financing opportunities, through incentives and subsidies, within the context of the activities carried out by the different Group companies, in order to boost the performance of each business.

FRAMEWORK

Sonae Capital is divulging, for the first time in 2017, non-financial information in the environmental, social and governance areas.

This report is also intended to comply with the requirements of Decree-Law No. 89/2017, published on 28 July 2017.

With regard to the environmental area, Sonae Capital is committed to developing its business conscientiously and with respect for the environment. The main aim is to ensure that the development and area of operation of the different businesses have the least possible adverse impact on the environment, making every effort to reduce and prevent pollutant emissions and encouraging the rational use of material and energy resources.

Sonae Capital has invested significantly in the continuous improvement of its environmental management, seeking to minimise the impact of the activities carried out by its different business on the environment.

Accordingly, at Sonae Capital we care about the efficient use of resources, optimising water and energy consumption and minimising greenhouse gas emissions, without neglecting effective management of the waste generated.

Our focus on continuous improvement in environmental management also allows us to improve our infrastructures and strengthen compliance with legal obligations from an environmental standpoint.

The activity that has been underway at the TROIA RESORT and also, at the Energy segment, will be highlighted in this report. It has not been possible to report environmental information for the other businesses in Sonae Capital's portfolio this year, due to the relevance and the existence, to date, of mechanisms for collecting reliable information.

With regard to the social dimension and to employees and equality between men and women, Sonae Capital, as a benchmark employer on the national market, has proven it is very attractive to technical and young staff with high potential, succeeding in responding to the challenge to attract the new human resources necessary for expanding the activities carried out by the different businesses.

Finally, with regard to respect for human rights and combating corruption and attempted bribery, Sonae Capital's Code of Conduct is a prime example of the company's commitment to showing its stakeholders that its reputation is based on integrity, consistency and transparency.

1. ENVIRONMENTAL DIMENSION

1.1. TROIA RESORT

From the outset, the TROIA RESORT has focused on environmental excellence as a source of competitive advantage and on environmental heritage as a resource capable of creating value as a differentiation factor, or capitalised in new services and products.

With this common vision, the promoter, designers and environmental consultants worked together, sharing information and integrating environmental consultancy as a decisive component in each and every one of the projects. In addition, a policy of maximum transparency was adopted, both with the government and local and regional authorities and also with non-governmental organisations, the media and the public in general.

The methodology used was developed in three stages. First, a strategic environmental study was carried out focused on the urban development plan, which defined the main restrictions and informed of the development of the concept. This was followed by environmental impact studies, which included a strategic environmental assessment of the entire project. Finally, an environmental management system (EMS) was installed and implemented successively for the project, construction and operation phases.

The TROIA RESORT EMS has been certified according to ISO 14001 since 2005 and registered on the Community Eco-Management and Audit Scheme – EMAS since 2008, the only case in Portugal for developments of this nature. In addition, the beaches and the marina have been awarded the Blue Flag.

Aware of the importance of using natural resources efficiently, the different areas in the TROIA RESORT have developed a set of initiatives aimed at continuous improvement of their environmental performance. Of note in this area are the initiatives related to the reduction of water and energy consumption, while not neglecting responsible use and protection of the natural values of the Tróia Peninsula.

Some differentiating initiatives and projects that have contributed not only to reducing the environmental impact, but also to raising awareness among employees, clients and the population in general on this theme, are indicated below.

WATER

In 2017, the total water consumption of the TROIA RESORT was 488,780 m3, representing an increase of 26% compared to 2016. This was as a result of the severe drought, which made extra watering necessary.

Given the high water consumption of the golf course, a set of measures aimed at reducing consumption by the golf course have been implemented in recent years. These measures include the implementation of a new watering system, waterproofing the lake bottom, changing the type of grass in some parts of the golf course to grass that requires less water, strict control of consumption and raising the awareness of employees. These measures permitted a 55% reduction in water consumption for watering the golf course between 2010 and 2016, corresponding to total water savings of 130,182 m3.

ENERGY AND CO2 EMISSIONS

In 2016 (last information available), overall energy consumption in the TROIA RESORT was 6,305 MWh, associated with the emission of 2,261 tonnes of CO2. Around 95% of these emissions are indirect and are associated with the consumption of 5,880 MWh of electricity.

Along with the project to more efficiently manage the water used for watering the golf course TROIA GOLF also opted to use new management and monitoring software at the pumping station, which made it possible to achieve more stable and efficient watering, resulting in a reduction of electricity consumption and CO2 emissions.

Meu Super also implemented a set of measures aimed at improving the store's energy performance. Examples of these measures include the reformulation of the store layout and the cooling system, using more efficient lighting and the installation of an energy rectifier which, between 2010 and 2016, brought about a reduction of 40% in electricity consumption.

Of note in relation to the production of energy from renewable sources is the existence of two solar panel systems at TROIA RESORT. At the Aqualuz Suite Hotel Apartamentos, the system has 100 kW of power and, in 2017, produced around 171 MWh of clean energy. The Clubhouse system at TROIA GOLF has 40 kW of power and produced almost 69 MWh of clean energy in 2017. In 2017, the electricity produced by the photovoltaic panels allowed the emission of over 47 tonnes of CO2 to be prevented.

In the area of mobility, "soft" forms of transport are promoted at the TROIA RESORT, such as cycling, for which there is a cycle lane 5.5 km long. There are also river connections to the peninsula by ferry and catamaran, which provide for a reduction in CO2 emissions, as well as a charging station for electric vehicles.

RESILIENCE AND ADAPTATION TO CLIMATE CHANGE

The Roman Ruins in Tróia are one of the five pilot locations selected for the development of the STORM (*Safeguarding Cultural Heritage through Technical and Organisational Resources Management*) project, along with the Diocletian Baths (Italy), the Rethymno Historical Centre (Crete), the Mellor Heritage Project (the United Kingdom) and the ruins of Ephesus (Turkey).

The STORM project was one of the two winning projects in the *Disaster Resilience & Climate Change* Programme by Horizon 2020, promoted by the European Union. This programme is aimed at creating a communications and technological innovation platform, proposing a set of new predictive models, improved non-invasive and non-destructive methods of surveying and diagnosis for effectively predicting environmental changes and revealing threats, thus attenuating the environmental and human risk that threatens cultural heritage.

BIODIVERSITY

Biodiversity is a differentiation factor in the TROIA RESORT. To date more than 600 species have been identified in the area, of which 233 are flora, 152 are birds, 12 are mammals, 11 are reptiles, 4 are amphibians and 207 are organisms that live in the intertidal zone.

Even in the town, it is possible to find species of high natural value. Examples of these are the pallid swift and the European free-tailed bat, which brought about the construction of alternative structures when the tower they occupied was demolished.

Following the environmental impact assessment procedure of the marina and the new ferry terminal at the TROIA RESORT, the monitoring carried out in 2017 showed the effectiveness of the measures for preventing and minimising the impacts predicted in the environmental impact study, given that, as occurred in previous years, no impacts of a magnitude higher than that predicted, or even significant, were found in any of the target factors of the monitoring programme.

The bottlenose dolphin pod in the Sado is unique in Portugal and one of only a few in Europe that live in estuaries, which is why these dolphins have merited special attention. It is the responsibility of Tróia-Natura S.A. (Tróia Natura), a company held by Sonae Capital, to promote conservation and environmental monitoring campaigns in the Sado Estuary. These are carried out in conjunction with the Institute for Nature and Forest Conservation.

During 2017, the activities of Tróia-Natura focused on carrying out campaigns under the scope of the Action Plan for Safeguarding and Monitoring the Bottlenose Dolphin Pod in the Sado Estuary and publicising the nature assets existing in the Sado Estuary, with a view to their conservation and enhancement.

Of note is the 4th “Protect the Dolphins” campaign which, in the summer months, raised the awareness of the public in general and various people using and sailing in the Sado Estuary regarding the problems experienced by the bottlenose dolphins in the Sado and the need to safeguard and protect them. 2,419 vessels were contacted under the scope of this campaign, which was carried out by an onboard team.

GEO GOLF

In 2017, TROIA GOLF concluded the first phase of its application for certification by GEO GOLF. This official distinction is expected to be granted during 2018.

GEO Certified® is a certification system developed especially to oversee sustainability in the golf industry. This distinction acts as a credible platform for monitoring and communicating real results, based on a logic of continuous improvement in nature, the resources and in the community. Recognition is based on the results of the sustainability assessment of the facilities, according to the most recent indicators defined for golfing.

SOCIETY

Since 2005, the TROIA RESORT has been organising environmental education activities involving national and foreign tourists, the local community and visitors, which covered a total of more than 25,000 participants. The focus of these activities has been the divulgence of a vast natural heritage in the area and raising awareness to the need to conserve and enhance it.

The 1st TROIA BIOBLITZ was held in 2017. This is an intensive inventory of the flora and fauna on the Tróia Peninsula and in the Sado Estuary, in which the public in general was invited to join the teams of researchers and become scientists for a day. Around 230 species were inventoried, the most representative groups being land plants, marine invertebrates and birds.

The TROIA RESORT took part in the international initiative by the Blue Flag Association - Global Action Days – aimed at contributing actively and positively to improving the environment, with a clean-up campaign at the Caldeira de Tróia lagoon and the surrounding area, part of the Rede Natura 2000 nature network and of high value regarding nature conservation.

ATLANTIC FERRIES

In 2017, Atlantic Ferries implemented an integrated management system (IMS) for quality, the environment and occupational health and safety, which is expected to be certified in 2018 according to ISO 9002, 14001 and OHSAS 18001.

The implementation of this project involved focusing on a variety of key areas, such as customer services and the safety and efficiency of operations.

1.2. CAPWATT

CapWatt, Sonae Capital's energy business unit holds and operates dispersed energy production projects through cogeneration, renewable sources (wind and solar) and biogas, always taking into account that natural and human resources need special care and are inseparable, as they are part of the same ecosystem environment.

The aim of minimising the environmental impact of CapWatt's activities was maintained, integrating the environmental perspective into processes and promoting awareness raising and the preservation of environmental values, with growing awareness that our natural habitat depends on a balanced relationship between human beings and nature.

With regard to cogeneration, this is a decentralised resource where electrical energy production and thermal energy production occur simultaneously. This is instead of the separate generation of these energy sources. Thus, its most visible side is the savings that occur in primary energy, which is no longer consumed, and is decisive in reducing emissions of pollutant gases with a greenhouse effect, particularly CO2, NOX and TSP. The cogeneration plants held by CapWatt have engines or turbines that are fuelled mainly by natural gas and that are known for their high overall efficiency.

With regard to prevention and control of pollutant emissions to the atmosphere and according to the law in force, gaseous emissions are monitored and the results are reported to the responsible government body. As a result of the attention paid to preserving operating conditions and respect for the man-environment relationship, the gaseous pollutant emissions arising from energy production meet legal requirements as to the limits of concentration and emission of gases to the atmosphere. This fact is also related to the constant concern about selecting the use of the best available techniques at all times, aimed at developing an integrated prevention policy for controlling atmospheric pollution, as well as avoiding transfers of pollutant discharges from one receiving environment to another.

Despite being the core business, the scope of CapWatt's assets is quite wide-reaching and, at the moment, it has other types of assets based on production through wholly domestic fuels.

Bearing in mind also the scourge of wildfires and in accordance with the legislation in force and under the scope of the system for protecting the forest from fire, fuel break management has been provided for.

Although less publicised in the media, the scope of the renewable energy production facilities is not limited to solar and wind energy projects. Proof of this is CapWatt's focus on two differentiating projects that are based on using biofuels to their full advantage. Thus, CapWatt's first focus on the biofuels area began in 2017, when an electricity production facility based on the use of biogas became part of the company's asset portfolio. This project has total power of 1 MW and is located at the landfill in Chamusca. Using a system to capture the biogas produced in the landfill, the gas is recovered using a motor similar to those used in cogeneration facilities, thus producing electricity in a completely renewable manner. It is also associated with a significant reduction in the amount of greenhouse gases emitted to the atmosphere.

2017 was also a landmark year for CapWatt, as it began the development of the first biomass recovery project. The biomass plant will use waste from wood processing industries as fuel.

The highly efficient energy production processes of the assets operated by CapWatt during 2017 made it possible to prevent the emission of around 30,000 equivalent tonnes of CO2.

Another environmental aspect that is still being duly monitored is the management and treatment of waste, inevitably generated by the business, with the minimisation of its production and careful management of its storage and disposal a main principle. The waste generated is sent to entities licensed for this purpose and the amounts generated are reported to the Portuguese Environment Agency every year.

The optimisation of all the resources and the corresponding minimisation of waste has made all the employees aware and motivated towards ecological practices in order to achieve rational utilisation of natural resources. Several awareness campaigns have been developed for the employees, particularly towards effective implementation and maintenance of selective sorting at source in order to encourage waste recovery through flows and sectors, as well as the efficient use of resources, thus maximising the benefit and minimising the impact.

With regard to Fluorinated Greenhouse Gases (F-gases) and according to the legislation in force, maintenance and leak detection are carried out and the data for the previous calendar year is reported annually to the Portuguese Environment Agency.
An inventory of the existing equipment is also kept.

CapWatt is aware that any business has risks and that professional risks are certainly the most important. Their prevention is based on constant assessment, information, training, promotion and healthcare.

CapWatt is a company that, although still a newcomer to Sonae Capital, has always based its activity on the focus on excellence and continuous improvement. Thus, so that this focus can be globally recognised, the company is in the process of obtaining certification in the areas of the Environment, Occupational Health and Safety and Quality according to ISO 14001, ISO 45001 and ISO 9001, which is expected to be granted in 2018.

2. SOCIAL DIMENSION AND CONCERNING EMPLOYEES AND EQUALITY BETWEEN MEN AND WOMEN

At Sonae Capital, we scrupulously follow national legislation in terms of Human and Workers' Rights, as well as the guidelines of the United Nations and the International Labour Organisation, assuring the elimination of any form of discrimination and promoting a healthy and balanced working environment.

In compliance with the principles defended in the Code of Conduct, at Sonae Capital, we are committed to promoting diversity in all its dimensions, particularly with regard to age, gender, qualifications and professional backgrounds.

At Sonae Capital, we value diversity in qualifications and professional backgrounds. We believe that the work of the teams is enriched through the complementary nature of each individual, so we continue to focus on a corporate culture that promotes innovation and continuous learning, with a strong focus on internal mobility as an instrument of personal development and enhancement. We value the differences in the careers and profiles of our employees.

At Sonae Capital, we encourage a culture of sharing, cooperation and active dialogue that is open to dissenting voices and that is propitious to the appearance of new disruptive ideas. We believe that strengthening the culture of diversity and inclusion should serve as a reference for the employees and their alignment with corporate values and, at the same time, contribute to continuous renewal of the business in line with the expectations of our different stakeholders.

We defend equal opportunities and we do not accept any kind of discrimination in the workplace, whether this is related to age, gender, race, social origin, religion, sexual orientation or physical capacity.

With regard to gender diversity, Sonae Capital seeks to promote this actively throughout the lifecycle of our employees. During recruitment processes, we recommend that the recruiters present a list of candidates that is balanced in terms of representativeness of both genders. We recommend that at all levels in the company, as well as in all the businesses, the teams should be made up of members of both sexes in a balanced fashion. We monitor the performance appraisals, promotions and salary reviews by gender in order to ensure correct and balanced management in all the teams.

At Sonae Capital, we are committed to ensuring our employees a fair salary and personal and professional development based on merit.

In order to ensure a sustained growth rate, Sonae Capital focuses on continuous training for its employees. As a benchmark employer on the national market, Sonae Capital has continued with its campaigns to attract talent at universities. Examples of this are its job fairs, open days and workshops.

In 2017, investment in training resulted in an increase of 8% in the total number of training courses held, recording growth of 28% in the training volume compared to the same period last year. 472 training courses were held, corresponding to a training volume of 35,766 hours.

Occupational Health and Safety is a fundamental part of the management of Sonae Capital.

Our concern with improving occupational health and safety conditions is always present and in line with our broader commitment to provide for the well-being of our employees. Therefore, we focus on a culture of zero accidents and we ensure the necessary conditions for the workplaces to be safe environments propitious to collective well-being.

Sonae Capital respects freedom of association and collective bargaining, as well as union activity, under the terms established by the applicable legislation and in accordance with the Code of Conduct.

Collective bargaining agreements are in place in all of Sonae Capital's business segments:

Company	**Applicable collective bargaining**
Adira	Collective bargaining agreement between AIMMAP and SINDEL
Aqualuz Troia	Company agreement between Aqualuz Troia and Fesaht
Atlantic Ferries	Company agreement between Atlantic Ferries and SIMAMEVIP
PPH The House The Artist Golftime	Collective bargaining agreement between APHORT e a FESAHT

Every year, Sonae Capital has been reinforcing its role in the surrounding community and took part in several social responsibility initiatives during 2017. The following are some examples:

- **Pedrogão Grande:** contribution of goods necessary for immediate assistance to the people affected, as well as twelve volunteers going to help sort the goods sent.

- **Casa do Caminho children's association:** under the scope of the Christmas campaign, goods that the institution said were a priority were collected in order to ensure its normal operation.

- **Support for the Victims of the Fires:** in a global group initiative, Christmas cards were sold allusive to the type of contribution each employee wanted to make. Sonae Capital doubled the value raised.

- **Junior Achievement:** a project aimed at going to a classroom and teaching and raising awareness about a certain topic, adjusted to the target age group. Our employees devote time to going to the selected schools to talk about the topic assigned to them.

- **Braço Direito for a day:** this consists of the volunteer employee being shadowed by a young person for a day, with the aim of giving them real contact with the world of work.

- **Escola de Super Poderes:** participation as mentors implies the "super power" of the volunteer being taught in a variety of institutions once a month. The employee contributes with what they believe they are talented at, for example, cooking, music, surfing, etc.

3. DIMENSION CONCERNING HUMAN RIGHTS AND COMBATING CORRUPTION AND ATTEMPTED BRIBERY ATTEMPTS

Sonae Capital has a Code of Conduct (“Code”) that includes a set of rules and principles of an ethical nature that govern the activity of the Sonae Capital Group companies, the operation of the governing bodies, their staff and business partners.

Due to the particular nature of each business area, the existence of specific codes of conduct in the different companies of the Sonae Capital Group may be justified, as well as regulations, procedures or documents giving guidance on matters of an ethical nature.

In these cases, the principles of this Code of Conduct will apply to everything that is not covered by the applicable legal regulations.

However, if there are conflicts between the principles and the rules described in this Code and the principles established in specific Codes of Conduct, the rules of an ethical nature described in the latter shall prevail.

WHO IS THIS CODE AIMED AT?

The Code is aimed at two groups of people, one internal and one external. Thus, internally, the Code applies to all the members of the governing boards of any company that is part of the Sonae Capital Group, to all employees and service providers and to all who represent Sonae Capital in some way in their relations which clients, suppliers and partners.

The Code is also a guide for the operation of all the entities that have an economic, institutional or social relationship with the Sonae Capital Group. These include, in particular, shareholders, investors, suppliers, clients and business partners.

WHY WAS THIS CODE CREATED?

The Code was created with the fundamental aim of:

a) materialising and sharing the principles that guide the group's activity and the rules of an ethical nature that should guide the behaviour of all its employees and partners;

b) promoting and encouraging the adoption of the principles of operation and the rules of behaviour defined in this Code, in relations between employees and with the stakeholders of Sonae Capital;

c) consolidating the institutional image of Sonae Capital, which should be characterised by excellence, exigence, responsibility and stringency.

HOW IS THE CODE OF CONDUCT DIVULGED?

This Code is disseminated to all employees and partners and is published on the group's website and intranet. When an employment contract or service agreement is signed, each employee or supplier also signs a statement saying they have received the code and stating their individual commitment to comply with it.

Sonae Capital also undertakes to divulge the Code to all its partners and suppliers, who should act in accordance with the rules described here.

VALUES OF SONAE CAPITAL

Ethics and Trust

We have a fundamental commitment to the creation of economic value based on principles of ethics and sustainable development, in the long term, and based on relationships of trust with our stakeholders.

People at the centre of our success

We promote the development of the abilities and skills of everyone through constant challenges, a predisposition towards change and teamwork.

We believe that all of these, supported by an internal culture that encourages meritocracy, are crucial factors for attracting, keeping and developing employees with high capacity and potential.

Ambition

This is our driving force, embodied through the continuous setting of goals which, keeping the resilient and courageous attitude of the organisation constant, stimulate and challenge our skills and add value for our clients.

Innovation

This is at the core and in the origin of our businesses.

We systematically break from the conventional and we have the capacity to surprise the market.

We believe that you also learn through mistakes and failures, but we are aware of the importance of knowing how to balance this factor within normal risk parameters.

Social Responsibility

We have an active sense of social responsibility, contributing to improving our society and we are deeply concerned about the environment and the development of human knowledge.

Frugality and efficiency

We value efficiency and healthy competition, seeking to optimise the use of our resources and maximise their return.

Cooperation and Independence

We take a position of independence and autonomy in relation to central and local powers, but always open and willing to cooperate with the government, with the aim of improving the regulatory, legislative and social framework.

GUIDING PRINCIPLES OF THE ACTIVITIES OF SONAE CAPITAL:

Clients

- We treat our clients professionally, with respect and with loyalty;
- We provide our clients with excellent products and services in the sectors we operate in;
- We provide our clients with the necessary information to make an informed decision and ensure strict compliance with the conditions agreed;
- We respect the privacy of our clients' information and, if it is necessary to transmit personal data, we undertake to ensure that these will not be transmitted without their consent, except when that consent is not legally required or when the need for transmission arises from compliance with a legal obligation.
- We do not adopt commercial practices that could discriminate against clients, exclude competitors from the market or prevent the entry of new ones.

Employees

- We base our human resources management policy on respect for the dignity, diversity and rights of each person. Sonae Capital does not discriminate in its relations with its employees, in situations of recruitment, promotion or dismissal;
- We treat each employee fairly and provide equal opportunities for personal and professional development, providing suitable training and careful and constructive appraisal, valuing each one based on merit and thus allowing them to take on the autonomy and responsibilities associated with their ability and endeavour.
- We respect the balance between our employees' professional and private lives and encourage participation in activities outside of the workplace.
- We implement active policies in the promotion of occupational health, hygiene and well-being for our employees, assuring compliance with the applicable health, hygiene and safety standards;
- We promote team spirit, sharing experiences and common aims and thus mutual assistance between employees.
- Harassment: The values of the Sonae Capital Group do not permit any actions that could constitute harassment, whether moral (mobbing) or sexual. Therefore, we maintain a working environment that respects the physical and psychological integrity of everyone who works at Sonae Capital. Thus, in line with the values and provisions set out in this Code, Sonae Capital has adopted a code of good conduct

with regard to prevention of and reaction to harassment in the workplace. This applies to all the companies in the group and is aimed at identifying "harassment" and contributing actively to preventing it, fighting against it and eliminating it;

- Privacy and Personal Data Protection: We undertake to comply and ensure compliance with the data protection legislation in force at any time in the different places we operate in and to assure the effectiveness of the rights arising from it for our employees.

Diversity Policy

- We are convinced that our success, in a constantly changing world, comes from the people that are part of our group;

- Our essential premise is to ensure that our recruitment processes are aimed both at suiting the characteristics of the candidates to the duties they are tasked with and the existence of different points of view, in order to make the group richer;

- We also believe it is fundamental when selecting the members of the governing and supervisory bodies that the shareholders favour the approval of proposals for electing governing bodies that are based on diversity criteria, in order to ensure that they have a wider range of knowledge, skills, experience and values.

- As such, we believe that the key to our success is the diversity of our people and their different perspectives.

- Thus, Sonae Capital undertakes to make every effort to promote diversity in its staff, as well as to favour policies and recommendations with the same aim with regard to the appointment of its governing and supervisory bodies, particularly in relation to the following criteria and always taking the nature and complexity of the group's activities into account, as well as the social and environmental context of the companies they operate in:

    i. Professional experience: the co-existence of diverse professional careers and backgrounds bring the appropriate know-how to the group's activities and the strategy defined, particularly in the following areas: financial, accounting, legal, corporate governance, securities/derivatives market, industry, investor relations, banking, strategy, corporate social responsibility, risk management, auditing, procurement and asset management, marketing, the environment and sustainability;

    ii. Gender: gender diversity is aimed at promoting the existence of different perspectives and styles, bringing innovation and creativity to the body in question;

iii. Qualifications: the diversity of professional qualifications puts the skills needed for developing its activities and the defined strategy at the disposal of the group, bearing in mind the complexity involved. The inclusion of different areas like engineering, economics, management, law and others promotes the diversity of technical knowledge, which will permit a clearer understanding of the issues, risks and opportunities inherent to the group's activity; and

iv. Age: the group does not have a restrictive view on age limits, because we believe that age diversity will allow experience and innovation to be combined, which could result in a more innovative, streamlined and considered decision-making process.

- Sonae Capital is committed to implementing and monitoring the alignment of this policy with the most advanced standards of corporate governance and reviewing it at a suitable frequency (always with reasonable notice before each annual general meeting – with regard to the recommendations for the governing and supervisory bodies), while also bearing in mind the rules and principles of non-discrimination, particularly for reasons of ethnic origin, race, disability or sexual orientation.

Shareholders and Market

- We observe and develop the necessary measures for compliance with the legal and regulatory duties applicable to Sonae Capital as a publicly traded company;

- We always act to protect the interests of our shareholders and investors, and in order to create shareholder value;

- We guarantee the stringency, transparency and accuracy of the information provided to the shareholders and the market, in accordance with the applicable legal duties and best capital market practices.

- We accept the commitment to operate in a way compatible with the applicable legislation and international best practices in the prevention of money laundering.

Suppliers and Business Partners

- We choose our suppliers based on clear and impartial criteria;

- We treat our suppliers with respect, honouring the commitments we undertake with them;

- We are committed to respecting the industrial and intellectual property rights of our suppliers and business partners whenever we become aware of these during our operations and whenever we need to use them;

- We ensure that our suppliers comply with the ethical, environmental and social standards established in this Code;

Competition

- We respect market rules and criteria, promoting fair and healthy competition and avoiding any activities that could prevent, restrict or distort competition.

- Our relations with our competitors are cordial and we encourage mutual respect, particularly for the intellectual and material property rights of each one.

Public Authorities and Supervisory Authorities

- We respect and ensure scrupulous compliance with the legal and regulatory rules applicable to Sonae Capital's activities;

- We provide public authorities with the cooperation necessary for them to carry out their activities, particularly through the timely provision of any information requested;

- We maintain the independence of Sonae Capital from public institutions and political parties, without prejudice to relationships of a professional nature. We do not, under any circumstances, fund political parties or organisations whose mission is essentially political.

Social Communication

- We guarantee that Sonae Capital will use social media and all existing means of communication ethically and responsibly;

- We avoiding disclosing any information to the media about group companies and activities that has not been authorised beforehand.

Environment

- We use best environmental practices, particularly through promoting eco-efficient management, minimising the environmental impacts arising from our activities and using natural resources sparingly;

- We promote, disclose and encourage our employees, partners, clients and the community in general to adopt good environmental and social practices;

- We promote the use of information and communication technologies that contribute to sustainable development, particularly in combating climate change.

Community

- We promote and take part in initiatives aimed at stimulating the social conscience of all and whose goal is to promote corporate responsibility in the companies and, particularly, in those that contribute to the sustainable development of the Information Society.

INDIVIDUAL RULES OF CONDUCT:

Interpersonal Relationships

- We encourage honesty, respect, cooperation and clear communication with the other employees and stakeholders, thus contributing to maintaining a good working environment.

Responsibilities

- We respect the values of Sonae Capital and the principles set out in this code, both in internal and external relationships;
- These are based on strict compliance with the limits of responsibility assigned;
- We report alleged irregularities (behaviour or circumstances) that could adversely affect the development of the business or the good reputation of Sonae Capital.

Professionalism and Entrepreneurism

- We act responsibly and stringently and seek to perfect and update information, with the aim of continuously improving professional skills;
- We contribute to the group's business consistently, creatively, persistently and with commitment.

Confidentiality and the Use of Privileged Information

- We keep facts or information confidential, respecting the established rules in this regard;
- We do not use privileged information for our own benefit of for the benefit of third parties.

Protection and Use of Sonae Capital's Resources

- We ensure the protection and good state of repair of the Sonae Capital resources used in the performance of our duties or to which access is granted as a result of those duties;

- We use Sonae Capital's resources rationally and efficiently, in order to pursue the aims they are being used to achieve.

Conflicts of Interest

All employees must be loyal to Sonae Capital, and therefore must:

- Avoid intervening in decision processes that directly or indirectly involve organisations with which they work or have worked or people they are or have been linked to through family ties or ties of friendship. If it is impossible to refrain from intervening in these processes, the employees must report the situation to their superior so it can be assessed and a decision made on the need to appoint another person;

- Refrain from taking part in or carrying out any activity, paid or not, in other companies or organisations that could affect compliance with their duties as employees of Sonae Capital, or that could clash with the interests of the company. In this context, employees must refrain, in particular, from engaging in any activity or negotiating, for themselves or for another, in competition with the Sonae Capital companies and disclosing information about its organisation, production methods or businesses.

Gifts and Commercial Offers

- As we are aware that giving and receiving gifts and presents should be preceded by adequate legal and social analysis, in order not to be perceived as a means of unduly influencing the decisions made by Sonae Capital or third parties, we have established in-house rules that must be complied with;

- We do not accept for our own benefit goods, services or any advantages (including Christmas presents) with an individual value of over 100 euros from clients, suppliers, service providers or any other individual or collective entities that have or wish to have a commercial relationship with Sonae Capital. However, if non-acceptance or return is inviable or unadvisable, these goods and services will be assigned to Sonae Capital and be handed over to Sonae Capital's Community Intervention Programme and used for the purposes the managers deem suitable;

- This restriction does not apply to offers or payments of goods or services, such as trips, meals, accommodation or shows that are given by third parties to employees in the course of their duties, under the scope of their duties of representation and in the interest of Sonae Capital;

- The employees must notify the above exceptions to their superior beforehand;

- Employees of Sonae Capital may only offer goods to an external entity provided that, cumulatively, it is done in the name of the company, it is related to its activity and it corresponds to usual habits or practices in the sector. This must be approved by the employees' superior beforehand;

- Under no circumstances may cash, cheques and other goods subject to legal restrictions be offered or accepted, irrespective of the value.

Part V
CONSOLIDATED FINANCIAL STATEMENTS
31 December 2017

SONAE CAPITAL, SGPS, SA — CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

Amounts expressed in euro	Notes	31/12/2017	31/12/2016
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	10	265.431.974	238.784.870
Intangible assets	11	9.822.521	7.615.431
Goodwill	12	47.376.371	37.841.090
Investments in associated companies and joint ventures	6	1.419.028	1.234.900
Other investments	7	578.430	478.855
Deferred tax assets	19	27.774.060	27.380.258
Other non-current debtors	13	6.601.994	2.036.474
Total non-current assets		**359.004.378**	**315.371.878**
CURRENT ASSETS:			
Inventories	14	94.396.634	104.511.954
Trade account receivables	15	24.799.640	18.030.267
Other debtors	16	10.047.909	7.327.649
Income tax receivable	17	3.896.136	4.685.068
Other taxes receivable	17	4.932.769	5.855.313
Other current assets	18	9.326.244	11.848.239
Cash and cash equivalents	20	7.307.069	32.747.208
Total Current Assets		**154.706.401**	**185.005.698**
Assets held for sale	**48**	**2.415.830**	**-**
TOTAL ASSETS	**47**	**516.126.609**	**500.377.576**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	250.000.000	250.000.000
Own Shares	21	(1.305.839)	(1.404.226)
Reserves	21	34.815.731	40.784.083
Retained earnings	21	3.457.708	3.457.708
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital		(6.513.485)	17.594.199
Equity attributable to the equity holders of Sonae Capital		280.454.113	310.431.764
Equity attributable to non-controlling interests	22	10.915.176	9.925.965
TOTAL EQUITY		**291.369.289**	**320.357.729**
LIABILITIES			
Non-current liabilities			
Bank Loans	23	17.218.216	20.532.367
Bonds	23	57.245.810	57.107.711
Obligation under finance leases	24	13.807.082	16.375.972
Other loans	23	197.389	246.178
Other non-current liabilities	26	3.015.213	3.751.701
Deferred tax liabilities	19	21.638.983	19.635.287
Provisions	31	3.079.824	3.079.824
Total non-current liabilities		**116.202.517**	**120.729.040**
Current liabilities			
Bank Loans	23	24.740.268	1.137.237
Obligation under finance leases	24	3.422.578	3.214.278
Other loans	23	48.788	121.930
Trade creditors	28	25.369.800	16.479.554
Other creditors	29	17.625.496	4.690.071
Income tax payable	17	1.443.550	1.288.312
Other taxes payable	17	3.025.841	3.430.692
Other current liabilities	30	23.681.508	24.989.717
Provisions	31	4.403.401	3.939.016
Total Current Liabilities		**103.761.230**	**59.290.807**
TOTAL LIABILITIES		**219.963.747**	**180.019.847**
Liabilities associated with assets held for sale	**48**	**4.793.573**	**-**
TOTAL EQUITY AND LIABILITIES	**47**	**516.126.609**	**500.377.576**

The accompanying notes are part of these financial statements. .

The Board of Directors

SONAE CAPITAL, SGPS, SA — CONSOLIDATED INCOME STATEMENTS BY NATURE FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro	Notes	31/12/2017	31/12/2016 (Restated)
Sales	34	109.513.964	127.069.320
Services rendered	34	67.642.801	57.970.341
Other operating income	35	6.595.430	41.347.525
Cost of sales	14	(72.750.494)	(64.441.769)
Changes in stocks of finished goods and work in progress	36	(6.483.266)	(17.961.863)
External supplies and services	37	(55.737.160)	(58.539.273)
Staff costs	38	(34.963.322)	(31.624.447)
Depreciation and amortisation	10 and 11	(19.441.636)	(15.787.515)
Provisions and impairment losses (Increases)/Decreases	31	(388.874)	124.707
Impairment losses	31	12.947.179	(18.903.397)
Other operating expenses	39	(5.671.948)	(3.330.830)
Operational profit/(loss)		**1.262.675**	**15.922.799**
Financial Expenses	40	118.840	456.645
Financial Income	40	(4.366.919)	(6.737.832)
Net financial income / (expenses)		**(4.248.079)**	**(6.281.187)**
Profit/(Loss) in associated and jointly controlled companies measured using the equity method	6	391.017	350.193
Investment income	41	2.017.071	16.329.928
Profit/(Loss) before taxation		**(577.317)**	**26.321.733**
Taxation	42	1.904.800	(5.802.076)
Profit/(Loss) for the year - continued operations		(2.482.116)	20.519.657
Profit/(Loss) for the year - discontinued operations		(2.919.288)	(1.826.762)
Profit/(Loss) for the year	**43**	**(5.401.404)**	**18.692.895**
Attributable to:			
Equity holders of Sonae Capital		(6.513.485)	17.594.199
Non-controlling interests	22	1.112.088	1.098.695
Profit/(Loss) per share - continued operations			
Basic	45	(0,014527)	0.078710
Diluted	45	(0,014527)	0.078710
Profit/(Loss) per share - discontinued operations			
Basic	45	(0,011799)	(0.007404)
Diluted	45	(0,011799)	(0.007404)

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA — CONSOLIDATED INCOME STATEMENTS BY NATURE FOR THE 4TH QUARTERS OF 2017 AND 2016

Amounts expressed in euro	Notes	4th Quarter 2017 [1]	4th Quarter 2016 [1]
Sales		34.938.378	47.249.879
Services rendered		10.656.361	10.911.223
Other operating income		2.323.994	37.739.581
Cost of sales		(17.129.853)	(22.624.570)
Changes in stocks of finished goods and work in progress		(6.480.343)	(12.189.519)
External supplies and services		(13.968.273)	(15.656.794)
Staff costs		(7.767.900)	(8.658.027)
Depreciation and amortisation		(5.718.982)	(3.955.452)
Provisions and impairment losses (Increases)/Decreases		2.058.939	(18.161.628)
Other operating expenses		(1.929.973)	(838.431)
Operational profit/(loss)		**(3.017.652)**	**13.816.262**
Financial Expenses		117.427	40.755
Financial Income		(962.514)	(1.220.671)
Net financial income / (expenses)		**(845.087)**	**(1.179.916)**
Profit/(Loss) in associated and jointly controlled companies measured using the equity method		**128.020**	**167.414**
Investment income		**285.953**	**(1.665.185)**
Profit/(Loss) before taxation		**(3.448.766)**	11.138.575
Taxation		504.218	4.990.336
Profit/(Loss) for the year - continued operations		(3.952.983)	6.148.239
Profit/(Loss) for the year - discontinued operations		(1.938.635)	(652.349)
Profit/(Loss) for the year		**(5.891.618)**	**5.495.890**
Attributable to:			
Equity holders of Sonae Capital		(6.014.951)	5.331.611
Non-controlling interests		123.338	164.278
Profit/(Loss) per share - continued operations			
Basic		(0,016476)	0,024252
Diluted		(0,016476)	0,024252
Profit/(Loss) per share - discontinued operations			
Basic		(0,007835)	(0,002644)
Diluted		(0,007835)	(0,002644)

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

SONAE CAPITAL, SGPS, SA — CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro	31/12/2017	31/12/2016
Consolidated net profit/(loss) for the period	**(5.401.404)**	**18.692.895**
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	160.485	36.226
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	-	7.380.000
Change in the fair value of assets available for sale	-	-
Change in the fair value of cash flow hedging derivatives	1.366	16.960
Tax related to other comprehensive income captions	-	(3.562)
Other comprehensive income for the period - continued operations	(20.891)	7.429.624
Other comprehensive income for the period - discontinued operations	182.742	-
Total comprehensive income for the period	**(5.239.553)**	26.122.519
Attributable to:		
Equity holders of Sonae Capital	(6.378.650)	25.024.303
Non-controlling interests	1.139.097	1.098.216

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA — CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTERS 2017 AND 2016

Amounts expressed in euro	4th Quarter 2017 [1]	4th Quarter 2016 [1]
Consolidated net profit/(loss) for the period	**(5.891.618)**	**5.495.890**
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	171.459	(65.479)
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	-	(1.842)
Change in the fair value of assets available for sale	-	-
Change in the fair value of cash flow hedging derivatives	-	3.070
Tax related to other comprehensive income captions	-	(645)
Other comprehensive income for the period - continued operations	**(123.179)**	**140.069**
Other comprehensive income for the period - discontinued operations	**230.722**	**(204.965)**
Total comprehensive income for the period	**(5.784.075)**	**5.430.994**
Attributable to:		
Equity holders of Sonae Capital	(5.944.027)	8.430.306
Non-controlling interests	159.952	422.477

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

SONAE CAPITAL, SGPS, SA — CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro

		Attributable to Equity Holders of Sonae Capital													
	Notes	Share Capital	Own Shares	Demerger Reserve (Note 15)	Translation Reserves	Fair Value Reserves	Hedging Reserves	Others Reserves	Sub-Total	Retained Earnings	Subtotal Reserves and Retained Earnings	Net Profit/ (Loss)	Total	Non-Controlling Interests	Total Equity
Balance as at 1 January 2016		**250.000.000**	**(1.426.791)**	**132.638.253**	**(23.350)**	**-**	**(11.956)**	**(84.451.461)**	**48.151.486**	**3.457.708**	**51.609.194**	**(294.678)**	**299.887.725**	**10.247.125**	**310.134.850**
Total consolidated comprehensive income for the period		-	-	-	36.226	-	16.960	7.375.957	7.429.143	-	7.429.143	17.594.199	25.023.342	1.099.177	26.122.519
Appropriation of profit of 2015:															
Transfer to legal reserves and retained earnings		-	-	-	-	-	-	(294.678)	(294.678)	-	(294.678)	294.678	-	-	-
Dividends paid		-	-	-	-	-	-	(14.669.026)	(14.669.026)	-	(14.669.026)	-	(14.669.026)	(1.441.468)	(16.110.494)
(Acquisition)/Sales of own shares		-	22.565	-	-	-	-		-	-	-	-	22.565	-	22.565
Changes in the percentage of capital held in affiliated companies		-	-	-	-	-	-	122.230	122.230	-	122.230	-	122.230	(24.782)	97.448
Other changes		-	-	-	-	-	-	44.928	44.928	-	44.928	-	44.928	45.913	90.841
Balance as at 31 December 2016	21 22	**250.000.000**	**(1.404.226)**	**132.638.253**	**12.876**	**-**	**5.004**	**(91.872.050)**	**40.784.083**	**3.457.708**	**44.241.791**	**17.594.199**	**310.431.764**	**9.925.965**	**320.357.729**
Balance as at 1 January 2017		**250.000.000**	**(1.404.226)**	**132.638.253**	**12.876**	**-**	**5.004**	**(91.872.050)**	**40.784.083**	**3.457.708**	**44.241.791**	**17.594.199**	**310.431.764**	**9.925.965**	**320.357.729**
Total consolidated comprehensive income for the period		-	-	-	133.476	-	1.366		134.842	-	134.842	(6.513.485)	(6.378.645)	1.139.097	(5.239.548)
Appropriation of profit of 2016:															
Transfer to legal reserves and retained earnings		-	-	-	-	-	-	17.594.199	17.594.199	-	17.594.199	(17.594.199)	-	-	-
Dividends paid		-	-	-	-	-	-	(24.521.567)	(24.521.567)	-	(24.521.567)	-	(24.521.567)	(926.710)	(25.448.277)
(Acquisition)/Sales of own shares		-	98.387	-	-	-	-		-	-	-	-	98.387	-	98.387
Changes in the percentage of capital held in affiliated companies		-	-	-	-	-	-		-	-	-	-	-	776.824	776.824
Other changes		-	-	-	-	-	-	824.174	824.174	-	824.174	-	824.174	-	824.174
Balance as at 31 December 2017	21 22	**250.000.000**	**(1.305.839)**	**132.638.253**	**146.352**	**-**	**6.370**	**(97.975.244)**	**34.815.731**	**3.457.708**	**38.273.439**	**(6.513.485)**	**280.454.115**	**10.915.176**	**291.369.289**

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA — CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro	Notes	31/12/2017	31/12/2016	4th quarter 17 [1]	4th quarter 16 [1]
OPERATING ACTIVITIES					
Cash receipts from trade debtors		173.262.850	170.970.202	50.171.297	25.876.821
Cash receipts from trade creditors		(112.288.882)	(115.549.643)	(29.428.050)	(16.742.318)
Cash paid to employees		(33.275.063)	(30.477.923)	(3.512.028)	(6.189.578)
Cash flow generated by operations		**27.698.905**	**24.942.636**	**17.231.219**	**2.944.925**
Income taxes (paid) / received		(335.924)	(1.309.580)	(1.159.983)	(491.727)
Other cash receipts and (payments) relating to operating activities	20	2.045.103	(283.212)	(2.042.846)	(794.337)
Discontinued operations		**(1.021.073)**	**913.036**	**(10.277.979)**	**1.110.266**
Net cash from operating activities (1)		**28.387.011**	**24.262.880**	**3.750.411**	**2.769.127**
INVESTMENT ACTIVITIES					
Cash receipts arising from:					
Investments	46	812.469	37.684.157	76.373	(664.981)
Tangible assets		9.795.270	50.245.367	2.188.592	48.295.078
Intangible assets		242.675	-	242.664	
Subsidies		44.209	226.089	-	-
Interest and similar income		187.197	420.370	87.410	2.437
Loans granted		754.955	5.911.400	100.000	
Dividends	6	280.461	332.859	-	
Others		43.241	-	36.848	
Changes in consolidation perimeter (companies in)	8	3.025.803	478.496	153.969	
		15.186.278	**95.298.738**	**2.885.856**	**47.632.534**
Cash Payments arising from:					
Investments	46	(40.751.829)	(3.250.546)	(3.462.050)	(3.102.100)
Tangible assets		(9.422.548)	(8.658.364)	(3.949.409)	(4.297.019)
Intangible assets		(1.322.472)	(1.090.723)	(521.187)	(662.731)
Loans granted		(33.042)	(62.007)	810	(4.000)
		(51.529.891)	**(13.061.640)**	**(7.931.836)**	**(8.065.850)**
Discontinued operations		**(3.117)**	**3.092**	**(3.117)**	**(3.092)**
Net cash used in investment activities (2)		**(36.343.613)**	**82.234.006**	**(5.043.683)**	**39.563.592**
FINANCING ACTIVITIES					
Cash receipts arising from:					
Loans obtained	23	57.811.852	99.120.884	8.205.325	66.288
Sale of own shares		98.387	144.043	-	-
Others			-		-
		57.910.239	**99.264.927**	**8.205.325**	**66.288**
Cash Payments arising from:					
Loans obtained	24	(44.071.769)	(184.622.318)	(3.138.114)	(57.284.089)
Interest and similar charges		(4.969.782)	(7.122.133)	(1.479.122)	(1.291.863)
Reimbursement of capital and paid in capital		-	-	1.658.113	-
Dividends		(25.088.995)	(16.247.196)	(180.349)	(259.491)
		(74.130.546)	**(207.991.647)**	**(3.139.472)**	**(58.835.443)**
Discontinued operations		**(1.254.189)**	**104.241**	**(1.254.189)**	**(85.459)**
Net cash used in financing activities (3)		**(17.474.496)**	**(108.830.961)**	**3.811.664**	**(58.683.696)**
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(25.427.981)	(2.334.074)	2.519.212	(16.350.977)
Effect of foreign exchange rate		69.959	252.737	(475)	(32.434)
Cash and cash equivalents at the beginning of the period	20	32.731.439	35.318.251	-	-
Caixa e equivalentes cindidos			-		-
Cash and cash equivalents at the end of the period	20	7.233.499	32.731.439	2.519.687	(16.318.544)

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

SONAE CAPITAL, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

(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 5 to 7 ("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:

- Resorts;
- Hotels;
- Fitness;
- Energy;
- Refrigeration and HVAC;
- Other Assets;
- Industrial Engineering.

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

The Shares of Sonae Capital are traded in Lisbon Euronext Stock Exchange.

Shareholders have the ability to change the Financial Statements after they have been approved for issue.

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

2.1 BASIS OF PREPARATION

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS") adopted by the European Union, issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the "International Financial Reporting Interpretations Committee" ("IFRIC"), previously named "Standing Interpretations Committee" ("SIC"), beginning on 1 January 2017.

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 subsidiaries on a going concern basis and under the historical cost convention, except for derivative financial instruments which are stated at fair value.

As at the date of the approval of these consolidated financial statements, the following standards have been endorsed by the European Union

a) In force for 2017 and with no material impact on the consolidated financial statements at 31 December 2017:

Accounting standards	Effective Date (Started on or after)
IAS 7 (amendment), 'Cashflow statement – Disclosure initiative'	1 January 2017
IAS 12 (amendment),'Income taxes – Recognition of deferred tax assets for unrealised losses'	1 January 2017

b) In force for periods subsequent to 31 December 2018:

Accounting standards	Effective Date (Started on or after)
IFRS 9 (new), 'Financial instruments'	1 January 2018
IFRS 15 (new), 'Revenue from contracts with customers	1 January 2018
IFRS 16 (new), 'Leases	1 January 2018
IFRS 4 (amendment), 'Insurance contracts (Applying IFRS 4 with IFRS 9)' transactions'	1 January 2019

There will be no material impacts on future financial statements of the Group when these standards are enforced.

c) In force for periods subsequent to 1 January 2018, but not yet endorsed by the EU:

Accounting standards	Effective Date (Started on or after)
IFRS 17 (new), 'Insurance contracts'	1 January 2021
IFRIC 23 (new), 'Uncertainty over income tax treatment'	1 January 2019
IAS 40 – Investment property	1 January 2018
IFRS 2 – Share-based payment	1 January 2018
Annual amendments to International Financial Reporting Standards – 2014 – 2016	1 January 2017 and 2018
IFRIC 22 – Foreign currency transactions and advance consideration	1 January 2018
IFRS 9 (amendment), 'Prepayment features with negative compensation'	1 January 2019
IAS 28 (amendment), 'Long-term interests in Associates and Joint Ventures'	1 January 2019
Annual amendments to International Financial Reporting Standards – 2014 – 2016	1 January 2019

IFRS 9 – Finantial instruments

IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introducing changes at the level:

i) The classification of financial assets;

ii) Calculation of the impairment of financial assets;

iii) Designation of hedging relationships.

In the scope of the evaluation of the impacts of adopting IFRS 9, the Company / Group evaluated the nature of the financial assets recorded in order to identify the measurement impacts. The financial assets of the Company / Group refer mainly to Loans and accounts receivable. From the analysis carried out, it is clear that the category of customers should be segregated into 3 categories, which will correspond to the model "hold to collect", "hold to collect and sell" and "hold to sell.

The Group already carried out similar analysis by client rating, and impacts were already recognized according to the risk of each individual customer

Thus, this additional segmentation will not result in additional relevant amounts of losses to be recorded, and changes in the timing of impairment records are not expected to generate significant impacts.

IFRS 15 - Revenue from contracts with customers

IFRS 15 is based on the principle that revenue is recognized on the date of transfer of control to the customer, the transaction value being allocated to the different performance obligations assumed to the client and subject to adjustment in the measurement whenever the consideration is variable or subject to a significant financial effect.

With regard to IFRS 15 - Revenue from contracts with customers, the Company / Group analyzed the transactions that give rise to the revenue registration in the Company / Group as follows:

- Resorts;
- Hotels;
- Fitness;
- Energy,
- Refrigeration and HVAC;
- Other Assets.
- Industrial Engineering.

And evaluated the potential impact of adopting IFRS 15 on the future revenue record in terms of amount and period. From the analysis performed, the following situations were identified:

ii) Revenue associated with service package:

The Company / Group estimates that the allocation of the transaction price to the different services offered does not differ from the allocation made under IAS 18, since all services have a determinable sale price;

ii) Deferred income associated with expiring points:

The Company / Group does not estimate any additional revenue

iii) Recognition of advances received from real estate customers due to non-compliance by the client:

The Company / Group does not estimate any additional revenue

From this analysis it is concluded that the impact of the adoption of IFRS 15 in the Company / Group financial statements is not significant.

2.2 CONSOLIDATION PRINCIPLES

The consolidation methods adopted by the Group are as follows:

a) Investments in Group companies

The Group controls an entity when it is exposed to, or has rights to, the variable returns from its involvement with the Entity, and has the ability to affect those returns through the power exercised over the Entity (definition of control normally used by the Group), are included in the consolidated financial statements using the full consolidation method. Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated balance sheet and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 5.

Comprehensive income and other components of equity are attributable to non-controlling interests, even if these captions show negative values.

The acquisition of subsidiaries is recorded using the purchase method. The cost of an acquisition is measured at the fair value of the delivered assets, equity instruments issued and liabilities incurred or assumed at the acquisition date. The costs directly attributable to the acquisition are recorded in the income statement when incurred.

Assets and liabilities of each Group company are measured at their fair value at the date of acquisition and this measurement may be adjusted within 12 months from the date of acquisition. When the Group starts to have control on a subsidiary and already holds a previously acquired shareholding, the fair value of such shareholding contributes to the calculation of goodwill or bad will. Any excess of the cost of acquisition over the Group's interest in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.c). Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognized as income in profit or loss for the period of acquisition, after reassessment of the estimated fair value of net assets acquired. Non-controlling interests include their proportion of the fair value of net identifiable assets and liabilities recognised on acquisition of Group companies.

The results of its subsidiaries companies acquired/sold during the period are included in the income statement since the date of acquisition or until the date of sale.

Adjustments to the financial statements of Group companies are performed, whenever necessary, in order to adapt accounting policies to those used by the Group. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on consolidation. Unrealized losses are also eliminated, but are considered as an impairment indicator for the transferred asset.

Financial investments in companies excluded from consolidation are recorded at acquisition cost net of impairment losses (Note 7).

Whenever the Group has, in substance, control over other entities created for a specific purpose, even if no share capital interest is directly held in those entities, these are consolidated by the full consolidation method. Such entities, when applicable, are disclosed in Note 5.

Subsequent transactions in the disposal or acquisition of shareholding to non-controlling interests, and not involving any change in control, don't generate recognition of gains, losses or goodwill. Any difference between the transaction value and the book value of the traded shareholding is recognized in Equity, in other equity instruments.

b) Investments in associated and in jointly controlled companies

Investments in associated companies (companies where the Group exercises significant influence but does not establish financial and operational policies – usually corresponding to holdings between 20% and 50% in a company's share capital) and in jointly controlled companies are accounted for in accordance with the equity method.

Under the equity method, investments are recorded at cost value, adjusted by the amount corresponding to the Group's share of changes in equity (including net profit) of associated and jointly controlled companies and by dividends received.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets acquired is recognised as goodwill (Note 2.2.c), which is included in the caption Investment in associated and jointly controlled companies. Any excess of the Group's share in the fair value of the identifiable net assets acquired over cost is recognised as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired.

An assessment of the investment in associated and jointly controlled companies is performed when there is an indication that the asset might be impaired and any impairment loss is disclosed in the income statement whenever the shareholding includes goodwill and / or implicit loans / financing.

Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the Group's share of losses exceeds the carrying amount of the investment, this is reported at nil value and recognition of losses is discontinued, unless the Group is committed beyond the value of its investment, or in case it has made payments in favour of the subsidiaries, with the Group recording additional losses.

The Group's share in unrealized gains arising from transactions with associated and jointly controlled companies is eliminated. Unrealized losses are eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

Investments in associated and jointly controlled companies are disclosed in Note 6.

The accounting policies of the joint ventures are amended, where necessary, to ensure that they are applied consistently with those of the Group.

c) Goodwill

The excess of the cost of acquisition of investments in group companies, jointly controlled companies and associated companies over the Group's share in the fair value of the assets and liabilities of those companies at the date of acquisition is shown as Goodwill (Note 12) or as Investments in associated and jointly controlled companies (Note 6).

The excess of the cost of acquisition of investments in foreign companies over the fair value of their identifiable assets and liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Group's currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are disclosed in Currency Translation Reserves.

Goodwill is not amortised, but is subject to impairment tests on an annual basis.

For impairment testing purposes, Goodwill is allocated to the cash generating units to which it belongs, the latter being the smallest identifiable group of assets that generates independent cash flows among themselves. The recoverable amount is determined based on the business plans used in the management of the Group or on valuation reports prepared by independent entities.

Impairment losses identified in the period are disclosed in the income statement under Provisions and impairment losses, and may not be reversed.

Any excess of the Group's share in the fair value of identifiable assets and liabilities in Group companies over costs is recognised as income in the profit and loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets and liabilities acquired.

When the Group reorganizes its activity, implying a change in the composition of its cash-generating units to which goodwill has been allocated, a review of Goodwill's allocation to the new cash-generating units is carried out when appropriate. The reallocation is done through a relative value approach, of the new cash-generating units that are created from the reorganization.

d) Translation of financial statements of foreign companies

Functional and disclosure currency

The items included in the consolidated financial statements are measured using the currency of the economic environment in which the Group operates (functional currency). The Consolidated Financial Statements of the Group and the notes thereto are presented in euros, the functional and disclosure currency of the Group, unless otherwise stated.

Transactions and balances

Exchange gains or losses resulting from the payment / receipt of transactions, as well as the translation of assets and liabilities in foreign currency at the exchange rate at the reporting date, are recognized in the income statement under Financial Expenses or Financial Income if the transactions are related with loans, and Other Income or Other Expenses for all other balances / transactions.

Assets and liabilities denominated in foreign currencies in the individual financial statements of foreign companies are translated to euro using exchange rates at the balance sheet date. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under Currency Translation Reserves. Exchange rate differences that originated prior to 1 January 2004 (date of transition to IFRS) were written-off through Retained earnings.

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the balance sheet date.

Whenever a foreign company is sold (in whole or in part), the share of the corresponding accumulated exchange rate differences is recorded in the income statement as a gain or loss on the disposal, in the caption Investment income.

Whenever a subsidiary in foreign currency is fully disposed of, the accumulated exchange difference is recognized in the income statement as a gain or loss on disposal. If the subsidiary is partially disposed, without loss of control, the accumulated exchange difference is derecognised in its share and transferred to non-controlling interests. If the subsidiary company is partially disposed, with loss of control, the exchange difference is recorded in the income statement.

Exchange rates used on translation of foreign group, jointly controlled and associated companies are listed below:

	31 December 2017		31 December 2016	
	End of the Period	Average of Period	End of the Period	Average of Period
Mozambican Metical	0,01418	0,01399	0,01327	0,01489
Brazilian Real	0,25171	0,278340	0,29150	0,26105
Angolan Kwanza		0,0053	0,00567	0,00545

Source: Bloomberg

2.3 TANGIBLE ASSETS

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition cost, or revaluated acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Tangible assets acquired after those dates are recorded at acquisition cost, net of depreciation and accumulated impairment losses.

The acquisition cost includes the purchase price of the asset, the expenses directly attributable to its acquisition and the costs incurred with the preparation of the asset so that it is placed in condition of use. Financial costs incurred on loans obtained for the construction of tangible assets are recognized as part of the construction cost of the asset.

Depreciation is calculated on a straight line basis, once the asset is available for use, over the expected useful life for each class of assets and disclosed in “Amortisation and depreciation” in the consolidated profit and loss account.

Impairment losses in tangible assets are accounted for in the year when they are estimated, and are disclosed in Impairment losses in the consolidated profit and loss account, except for those relating to Inventories whose impairment is recorded in Cost of goods sold and materials consumed.

Impairment losses are recorded in the year in which they are estimated and booked in Provisions and impairment losses in the Consolidated Income Statement.

Depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings	10 to 50
Plant and machinery	10 to 20
Vehicles	4 to 5
Tools	4 to 8
Fixture and fittings	3 to 10
Other tangible assets	4 to 8

The useful lives of the assets are reviewed in each financial report so that the depreciation practiced is in accordance with the useful life of the assets. The land is not depreciated. Changes to useful lives are treated as a change in accounting estimates and are applied prospectively.

Subsequent costs incurred with renewals and major repairs resulting in an increase in the useful life or the ability to generate economic benefits from an asset, are added to the carrying amount of that asset. Maintenance and repair costs related to tangible assets are recorded directly as expenses in the year they are incurred.

Tangible assets in progress represent fixed assets still under construction/development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or start being used.

Gains or losses on a sale or a disposal of tangible assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale/disposal. These are recorded in the income statement under either “Other operational income” or “Other operational expenses”.

Expenses incurred with the dismantling or removals of assets installed in third-party property are considered as part of the initial cost of the respective assets, when they constitute significant amounts.

2.4 INTANGIBLE ASSETS

When individually acquired, intangible assets are stated at acquisition cost, which comprises: i) the purchase price, including intellectual property costs and fees after deduction of any discounts; and ii) any costs directly attributable to the preparation of the asset to be placed in condition of use.

After the initial accounting, the Group measures its intangible assets according to the cost model.

When acquired within the scope of a business combination, separable from goodwill, intangible assets are initially valued at fair value determined in the application of the purchase method, as stated by IFRS 3 - Business Combinations.

Intangible assets are stated at acquisition cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognised if they are identifiable, if it is probable that future economic benefits will flow from them, if they are controlled by the Group and if their cost can be reliably measured.

Expenditure on research associated with new technical know-how is recognised as an expense recorded in the income statement when it is incurred.

Expenditure on development is recognised as an intangible asset if the Group demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software is recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits is probable are capitalized as intangible assets.

The Group adopted IFRIC 12 – Service Concession Arrangements from 2009 onwards whenever a Group company enters into a service concession arrangement with a public sector entity to provide services to the public. The Troia Marina is the sole service concession arrangement to which this interpretation is applicable. In this case, costs incurred with building the infrastructure for the marina were recorded as an intangible asset which is amortised, on a straight line, over the period of the arrangement, because rights were given to this company to charge users of the public service but has no unconditional contractual right to receive cash from the grantor and bearing the risk of demand. These Intangible Assets are added to the amounts agreed with the grantor for the construction / acquisition of assets for the commercial use of the concession, when these are translated in investments of expansion or requalification in the infrastructures.

Amortisation is calculated on a straight line basis, once the asset is available for use, over the expected useful life which normally is between 3 and 6 years, and are disclosed in Amortisation and Depreciation in the consolidated profit and loss account, except for Troia Marina assets, recorded as Intangible assets under IFRIC 12 - Service Concession Arrangements, which are amortised over the period of the arrangement (50 years).

Whenever there is evidence of impairment of intangible assets, impairment tests are performed in order to estimate the recoverable value of the asset and, when necessary, to record an impairment loss.

The useful lives of the assets are reviewed in each financial report so that the amortization practiced is in accordance with the useful life of the assets. Changes to useful lives are treated as a change in accounting estimates and are applied prospectively.

2.5 ACCOUNTING FOR LEASES

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

Whether a lease is classified as finance or an operating lease depends on the substance of the transaction rather than the form of the contract.

Accounting for leases where the Group is the lessee

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, at the lower of fair value and present value of minimum lease payments up to the end of the lease. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

Tangible fixed assets acquired through finance leases are depreciated by the lower of the two criteria - useful life of the asset or the period of the lease (when the Group has no option to purchase at the end of the lease), or estimated useful life (when the Group Intends to acquire the assets at the end of the contract).

Lease payments under operating lease contracts are recognised as an expense on a straight line basis over the lease term.

Accounting for leases where the Group is lessor

Where the Group acts as a lessor in operating leases, the value of assets leased is maintained in the Group's balance sheet and related rents (net of any incentives granted to the lessee) are taken to the profit and loss account on a straight line basis over the period of the lease.

2.6 GOVERNMENT GRANTS

Government grants are recognised at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Investment subsidies related to the acquisition of fixed assets are recognised as deferred income under other current liabilities that are taken to the income statement, under other operating profit, on a systematic basis over the estimated useful life of the asset.

2.7 IMPAIRMENT OF NON-CURRENT ASSETS, EXCEPT GOODWILL

Assets are assessed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the income statement in provisions and impairment losses (increases/decreases). However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

2.8 BORROWING COSTS

Borrowing costs are normally recognised as an expense in the period in which they are incurred.

Borrowing costs directly or indirectly attributable to the acquisition, construction or production of tangible and real estate projects included under Inventories are capitalised as part of the cost of the qualifying asset. The capitalization of these charges begins after the start of the preparation or construction of the asset and is discontinued when those assets are available for use or when the project concerned is suspended. Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalisation.

2.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the asset or disposal group is available for immediate sale in its present condition. In addition, the sale should be expected to occur within 12 months from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell. These assets are not depreciated since the date they were classified as available for sale, and will remain so until the sale happens or the sale is not likely to happen.

When non-current assets (or disposal groups) no longer meet the conditions to be classified as held for sale, these assets (or disposal groups) will be reclassified according to the nature of the underlying assets and will be remeasured at the lower of: i) The carrying amount before they have been classified as held for sale, adjusted for any depreciation / amortization, or revaluation amounts that have been recognized had those assets not been classified as held for sale ii) by the recoverable amounts of these assets at the date when they are reclassified according to their underlying nature. These adjustments will be recognized in the net income of the year.

2.10 INVENTORIES

Goods for sale and raw materials are stated at the lower of cost, net of discounts obtained or estimated, and net realisable value. Cost is determined on a weighted average basis. Goods for sale include mostly land for real estate developments.

Finished goods and work in progress are stated at the lower of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads (including depreciation of production equipment based on normal levels of activity). Work in progress includes mostly resorts and real estate developments for sale in the normal course of business. Changes in the inventories of finished goods and work in progress during the year are stated in caption Changes in stocks of finished goods and work in progress in the income statement.

Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Differences between cost and net realisable value, if negative, are shown as operating expenses under Cost of sales or Changes in Inventories of finished goods and work in progress, depending on whether they refer to goods for sale and raw materials or finished goods and work in progress.

2.11 PROVISIONS

Provisions are recognised when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

Provisions are measured at the present value of estimated expense to pay the obligation, using a pre-tax interest rate, which reflects the market valuation for the discount period and the risk of the provision in question.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

Provision for judicial claims

Provisions related to lawsuits in which the Group is a defendant. The Group recognizes this provision when it estimates, based on information provided by legal counsel on the progress of the process, that it is likely the Group will have to pay for an indemnity.

Provision for guaranteed income

Provisions regarding the estimation of the current value of the potential charges for the total Guaranteed Income in real estate sales of Troia Resort.

2.12 FINANCIAL INSTRUMENTS

Financial instruments were classified in the categories presented in the consolidated balance sheet as detailed in Note 9.

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available for sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Group has the intention and ability to hold them until the maturity date.

Investments measured at fair value through profit or loss includes investments held for negotiation, which the Group acquires with a view to their disposal within a short time period. They are shown in the consolidated balance sheet as Current Investments.

The Group classifies as investments available for sale, those which are not considered as investments measured at fair value through profit or loss nor as investments held to maturity. These assets are classified as non-current assets, unless there is an intention to dispose of them in a period of less than 12 months from the balance sheet date.

All purchases and sales of investments are recognised on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs, with the exception of the investments measured at fair value through profit or loss.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost, less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, included in Reserves and retained earnings until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period. Impairment losses associated with debt instruments recognized in the consolidated income statement are reversible through profit or loss and impairment losses associated with equity instruments recognized in the consolidated income statement are not reversible through profit or loss.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

Investments are derecognised when the rights to receive the cash flows arising from the said investments expire or are transferred, as well as all the risks and benefits associated with their possession.

b) Non-current loans and accounts receivable

Loans and accounts receivable are booked at amortised cost using the effective interest method less any impairment losses.

Financial income is calculated using the effective interest rate, except for amounts receivable within a very short time period, for which the income receivable is immaterial.

These financial investments arise when the Group supplies money, goods or services directly to a debtor without the intention to negotiate the debt involved.

Loans and accounts receivable are classified as current assets, expect in cases where the maturity date is more than 12 months from the date of the balance sheet, when they are classified as non-current assets. These financial investments are included in the classes identified in Note 9.

c) Customers and other third party debts

Amounts owing from Customers and other third party debts are booked at their nominal value and are subsequently measured at amortized cost and shown in the consolidated balance sheet net of any impairment losses, recognised in the caption Losses due to impairment in receivables in order to reflect their net realisable value. These captions, when current, do not include interest, since the discount impact is considered immaterial.

Impairment losses are booked following the events that have taken place, which indicate objectively and in a quantifiable manner that the whole or a part of the debt will not be received. For this, each Group company takes into consideration market information which demonstrates that:

- The entity involved has significant financial difficulties;
- Significant delays have taken place in payments by the entity involved;
- There is a probability that the debtor will go into liquidation or financial restructuring.

Recognised impairment losses equal the difference between the amount receivable in the accounts and the present value of future estimated cash flows, discounted at the initial effective interest rate, which is considered to be zero. The discount is considered immaterial in those cases where a receipt is expected within less than a year.

d) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

e) Loans

Loans are recorded as liabilities at their nominal value, net of commissions and other financing expenses related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.16. The portion of the effective interest charge relating to commissions and other financing expenses, if not paid in the period, is added to the book value of the loan.

Loans will be classified as current liabilities if the payment is due within 12 months or less, otherwise they will be classified as non-current liabilities.

f) Trade accounts payable and other creditors

Accounts payable and other creditors are stated at their nominal value, subsequent to their initial recognition these items are measured at amortized cost using the effective interest rate method.

g) Derivatives

The Group uses derivatives in the management of its financial risks, only to hedge such risks and/or to optimise funding costs.

Derivatives classified as cash flow hedge instruments are used by the Group mainly to hedge interest rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. Inefficiencies that may exist are shown in the caption Net Financial Income/Expenses in the consolidated income statement.

The Group's criteria for classifying a derivative instrument as a cash-flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The forecasted transaction that is being hedged is highly probable.

Cash-flow hedge instruments used by the Group to hedge the exposure to changes in interest rate of its loans are accounted by its fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption Hedging reserves, and then recognised in net financial income/expenses in the income statement over the same period in which the hedged instrument affects income statement.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction, to the extent that the hedged instrument affects profit and loss. Subsequent changes in fair value are recorded in the income statement.

In those cases in which derivative instruments, in spite of having been negotiated with the abovementioned objectives (essentially derivatives in the form of interest rate options), in relation to which the company did not apply hedge accounting, are initially recorded at cost, if any, and subsequently measured at fair value. The changes in value resulting from the measurement at fair value, calculated using especially designed software tools are included in Net financial charges in the consolidated income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value, and unrealised gains or losses recorded in the consolidated income statement.

In specific situations, the Group may use interest rate derivatives with the goal of obtaining fair value cover. In these situations, derivatives are booked at their fair value in the consolidated financial statements. If this hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedged instrument for which the effective interest rate method is used are amortized through profit and loss over the maturity period of the hedge instrument. In the cases in which the derivative involved is not measured at fair value (in particular borrowings that are measured at amortised cost), the effective share of cover will be adjusted to the accounting value of the derivative covered through the profit and loss account.

h) Equity instruments

Equity instruments are those that represent a residual interest on the Group's net assets and are recorded at the amount received, net of costs incurred with their issuance.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption current bank loans.

2.13 SHARE-BASED PAYMENTS

Share-based payments result from Deferred Performance Bonus Plans that are referenced to the Sonae Capital, SGPS, SA share price and vest within a period of 3 years after being granted.

Share-based payment liabilities are measured at fair value on the date they are granted (after the Annual General Meeting) and are subsequently remeasured at the end of each reporting period, based on the number of shares or share options granted and the corresponding fair value at the closing date (adjusted for the distribution of dividends or movements in capital stock). These obligations are stated as Staff costs and other liabilities, and are recorded on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates, when the Group has the choice to settle the transaction in cash to its market value at the date of its exercise.

2.14 CONTINGENT ASSETS AND LIABILITIES

Whenever one of the criteria for recognition of provisions is not complied with or the existence of the obligation is conditional on the occurrence (or non-occurrence) of a future event, there is a contingent liability. Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

Contingent assets are “possible” assets generated by past events whose existence derives from the confirmation of the future occurrence of one or more uncertain events over which the Group has no control. Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

2.15 INCOME TAX

The tax charge for the year is determined based on the taxable income of companies included in the consolidation perimeter and considers deferred taxation. Current tax is calculated in accordance with the tax rules in force, or with the tax rules substantially considered as being in force at the balance sheet date.

Current income tax is determined based on the taxable income of the companies included in the consolidation perimeter, or optionally, in the groups of companies included in tax consolidations perimeters, in accordance with the tax rules in force in the respective country.

Deferred taxes are calculated using the balance sheet liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognised and expected to reverse in the same period. At each balance sheet date a review is made of the deferred tax assets recognised, which are reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related with: i) initial recognition of the goodwill; ii) The initial recognition of assets and liabilities, that are not from a concentration of activities, and that at the date of the transaction do not affect the accounting or tax result. However, there are no taxable temporary differences related to investments in subsidiaries, since; i) the parent company has the ability to control the reversal period of the temporary difference: ii) It is likely that the temporary difference will not reverse in the near future.

Deferred taxes are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

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 2014 to 2017, 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 31 December 2017.

In the fiscal year 2017, 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 euros subject to and not exempt from Corporate Income Tax, the following state levy fees are levied: 3% over 1,500,000 euros and less than 7,500,000 euros; 5% on the upper part to 7,500,000 euros and up to 35,000,000 euros; and 7% that is levied on the part of the taxable income that exceeds 35,000,000 euros.

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

The Corporate income tax rate in force for 2018 is 21%.

2.16 REVENUE RECOGNITION

The Revenue is the fair value of the amount received or receivable earned from the sale of products and rendering of services by the Group.

Revenue from the sale of goods is recognised in the income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognised net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

Revenue from services rendered is recognised in the income statement taking into consideration the stage of completion of the transaction at the balance sheet date.

Revenue from work in progress is recognized at the end of each year as follows: when total amounts invoiced are higher than the corresponding expenses, the excess is recorded in other current liabilities, and when expenses are higher than the corresponding amounts invoiced the excess is recorded in work in progress.

Revenues arising from contract variations, claims and completion premiums are recorded when these are agreed with the customer, or when negotiations are at an advanced stage and it is probable that these will be favourable to the Group.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be booked in the income statement.

2.17 ACCRUALS

Income and expenses are booked in accordance with the accrual basis of accounting, whereby they are recognized as they are earned, regardless of when the cash is received or paid. The differences between the amounts received and paid and the corresponding income and expenses, are recorded under the captions “Other current assets” and “Other current liabilities”.

Dividends are recognised as income in the year they are attributed to the shareholders.

2.18 BALANCES AND TRANSACTIONS EXPRESSED IN FOREIGN CURRENCIES

Transactions in currencies other than the Euro are translated to Euro using the exchange rate as at the transaction date.

At each balance sheet date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the balance sheet, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

2.19 SUBSEQUENT EVENTS

Events after the balance sheet date and before the financial statements are issued that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the consolidated financial statements. Events after the balance sheet date and before the financial statements are issued that are non-adjusting events are disclosed in the notes when material.

2.20 JUDGEMENTS AND ESTIMATES

The most significant accounting estimates reflected in the financial statements are as follows:

- Useful lives of tangible and intangible assets;

  The main sources of uncertainty resulting from the period in which the assets will be able to use the forecasts of cash flows, estimates of recoverable amounts, obtain market comparable growth rates, discount rates and sensitivity assumptions.

- Analysis of the impairment of goodwill and other tangible and intangible assets;

  The complexity and level of judgment inherent in the model adopted for the calculation of impairment and the identification and aggregation of cash-generating units (CGUs) implies considering this issue as a significant accounting estimate;

- Adjustments to the values of assets and provisions;

  Relevant estimates given the complexity and the degree of judgment inherent to the contingencies, as well as the level of uncertainty associated with the outcome of course proceedings.

- Estimates of future income tax;

  The degree of judgment associated with the assessment of the recoverability of deferred tax assets requires the use of estimates in the projection of future taxable income and in determining the amounts required for its recovery, the event of which always presents a degree of uncertainty.

- Percentage of completion of revenue recognition.

  The map of works that supports the recognition of revenue based on the percentage of completion of construction contracts has several assumptions, essentially as regards the overall budget for construction expenses, expenses already incurred and expenses to be incurred. The degree of uncertainty inherent in estimates of this nature, and the inherent assumptions, implies that these estimates are relevant.

Estimates were based on the best information available at the date of the preparation of the financial statements and on the best knowledge and experience of past and/or current events. These estimates may, however, be affected by subsequent events which are not foreseeable at the present date. Changes to these estimates, which take place after the date of the financial statements, will be recognised prospectively in the income statement, in accordance with IAS 8.

The main estimates and assumptions used relating to future events included in the consolidated financial statements are described in the corresponding notes attached.

2.21 SEGMENT INFORMATION

Financial information regarding business segments is included in Note 47.

3. FINANCIAL RISK MANAGEMENT

The ultimate purpose of financial risk management is to support Sonae Capital in the achievement of its long term strategy, reducing unwanted financial risk and volatility and mitigate any negative impacts in the income statement arising from such risks. Sonae Capital's attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae Capital does not enter into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

The Corporate Finance Department of Sonae Capital is responsible for consolidating and measuring the group's financial risk exposure for reporting and monitoring purposes, being also responsible for submit proposal and implementation of hedging instruments to managing their own currency, interest rate, liquidity and refinancing risks. Exposures are recorded in a main system (Treasury Management System). Risk control and reporting is carried out both at each business level and on a consolidated.

In what concerns to customer and partner´s credit risk management, the Department of Counterparty Risk, as part of the Finance Services, is responsible for assessing and monitoring the clients and partners' risk profile for all the business units as well as the implementation of instruments to mitigate such risks and reporting of exposures and credit quality.

3.1 MARKET RISKS

a) Interest rate risk - POLICY

As a result of maintaining its debt in the consolidated balance sheet at variable rates, and the resulting cash flows from interest payments, the Group is exposed to a Euro interest rate risk.

In view of the fact that:

- The volatility of Group results does not depend only on the volatility of its financial results linked to the volatility of interest rates;
- Under normal market conditions, there is a correlation between the levels of interest rates and economic growth, with the expectation being that the impact of movements in interest rates (and the respective volatility of cash flows to service the debt) can to some extent be compensated by movements in the remaining lines of the profit and loss account, in particular by operational profits or losses;

- The setting up of any form of risk cover structure has an implicit opportunity cost associated with it, the Group policy concerning the mitigation of this risk does not establish the maintenance of any minimum proportion of fixed interest rate debt (converted to fixed rate through use of derivatives), but rather has opted for a dynamic approach to monitoring exposure, which aligns market conditions to the real exposure of the Group, in order to avoid the possibility of exposure that could have a real impact on the consolidated results of the Group.

In view of the above, the Group policy concerning this issue defines a case by case review of each potential transaction, such that any contract for derivatives must follow the following principles:

- Derivatives are not used for trading or speculation;

- Derivatives to be contracted must match exactly the underlying exposures in relation to indices to be used, refixing dates for interest rates and dates for payment of interest, and the amortisation profile of the underlying debt to avoid any mismatch and hedging inefficiencies;

- The maximum financial cost of the entire derivative and underlying exposure must always be known and limited from the date of the derivative contract, with the aim that the resulting level of costs are within the cost of funds considered in the business plans;

- Derivative contracts are only agreed with authorised entities of high prestige, national and international recognition and based on respective credit ratings. It is Sonae Capital policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae Capital's relationships;

- All transactions must be the object of competitive bids, involving at least two financial institutions to ensure optimum conditions;

- All transactions are entered into by using market standard contracts (ISDA - International Swaps and Derivatives Association), with schedules negotiated with each one of the Institutions;

- To determine the fair value of the hedging transactions, the Group uses a range of methods in accordance with market practices, namely option valuation models and discounted future cash flow models, with specific market assumptions (interest and exchange rates, volatilities, etc.) prevailing at the Balance Sheet date. Comparative quotes provided by financial institutions are also used as a valuation benchmark;

- Any transaction that does not comply with all of the above principles must be individually approved by the Board of Directors.

b) Interest rate risk – Sensitivity Analysis

Interest rate sensitivity is based on the following assumptions:

- Changes in interest rates affect interest receivable and payable of financial instruments indexed to variable rates (interest payments, related to financial instruments not defined as hedging instruments for interest rate cash flow hedges). As a result, these instruments are included in the calculation of financial results sensitivity analysis;

- Changes in market interest rates affect income and expenses related to fixed interest rate financial instruments, in cases in which these are recognised at fair value. As such, all financial instruments with fixed interest rates booked at amortised cost, are not subject to interest rate risk, as defined in IFRS 7;

- In the case of instruments designated as fair value hedges of interest rate risk, when changes to the fair value of the hedging instrument, which are attributable to movements in interest rates, are almost completely compensated in the financial results in the same period, these financial instruments are also considered not to be exposed to interest rate risks;

- Changes in market interest rates of financial instruments which were designated as cash flow hedging instruments to cover fluctuations in payments resulting from changes in interest rates, are recorded in reserves, and are thus included in the sensitivity analysis calculation of shareholders' funds (other reserves);

- Changes in market interest rates of interest rate derivatives, which are specified as being part of hedging relationships as defined in IAS 39, affect the results of the company (net gain/loss resulting from the revaluation of the fair value of financial instruments), and are thus included in the calculation of profit and loss sensitivity;

- Changes in the fair value of derivatives and other financial assets and liabilities are estimated by calculating the discounted present value of future cash flows at existing market interest rates at the end of each year, and assuming a parallel variation in interest rate trends;

- The sensitivity analysis is applied to all financial instruments existing at the end of the period.

Given the above mentioned assumptions, if interest rates of financial instruments denominated in euro had been 0.75 percentage points higher/lower, the consolidated net profit before tax of the Group as at 31 December 2017 would have been higher/lower by 466,166 euro (as at 31 December 2016 they would have been higher/lower by 773,310 euro). The impact in equity (excluding the impact on net profit) of the interest rate sensitivity analysis as at 31 December 2017 would have been lower/higher by around 0 euro (as at 31 December 2016 the impact would have been lower/higher by around 0 euro).

c) Exchange rate risk

The Sonae Capital Group, as an all, has an immaterial exposure to exchange rate risk.

However, the refrigeration and air conditioning business has international operations with subsidiaries operating in different jurisdictions and therefore it is exposed to the exchange rate risk.

The Consolidated Statements of Financial Position and Income Statement are exposed to the risk of a change in exchange rates (risk relative to the value of capital invested in subsidiaries outside the Eurozone) and Group's subsidiaries are exposed to the risk of a change in both exchange and transaction rates (risk associated with commercial transactions made in currencies other than the euro). Transaction risk arises when there is exchange risk related to a cash flow in other than a subsidiary local currency. The Group company cash flows are largely denominated in the subsidiary local currency. This is valid independently of the nature of the cash flows, i.e.: operating or financial, and provides a degree of natural hedging, reducing the Group's transaction risk. In line with this reasoning, Group's subsidiaries only contract debt that is denominated in the respective local currency. In turn, the currency conversion risk emerges from the fact that, when preparing the Group's consolidated accounts, the financial statements of the subsidiaries denominated in currencies other than that of the consolidated accounts (euro), must be converted into euros. As exchange rates vary between accounting periods and as the value of the subsidiaries' assets do not match their liabilities, volatility in the consolidated accounts arise as a result of conversion in different periods at different exchange rates.

As a rule, whenever it is possible and economically viable, subsidiaries aim to offset assets and liabilities denominated in the same foreign currency, thus mitigating foreign exchange risks. Also as a general rule, in situations where there is significant exchange rate risk resulting from operating activities involving currencies other than the local currency of each subsidiary, the foreign exchange risk should be mitigated through the use of short-term foreign exchange derivatives contracted by the subsidiary exposed to that risk. Sonae Capital's subsidiaries do not contract exchange rate derivatives for trading, profit making or speculative purposes. As policy, the translation risk as a result of conversion of equity investments in subsidiaries different from Euro is not hedged, since these investments are considered long-term. Gains and losses related to the translation at different exchange rates of Equity investments in foreign non Euro subsidiaries are accounted under the Conversion Reserve, included in Other Reserves and Accumulated Earnings, on the Consolidated Balance Sheet.

In view of the low volume of balances in foreign currency, no exchange rate sensitivity analysis was carried out.

d) Other price risks

The Group is exposed to risks arising from the value of investments made in financial shareholdings. However, these investments are in general made with strategic objectives in mind and not for current trading.

3.2 CREDIT RISK

Credit risks at Sonae Capital arise mainly from (i) debts from customers relating to operational activity, (ii) its relationships with financial institutions in the course of its day to day business activity, and (iii) the risk of noncompliance by business counterparts in portfolio transactions.

Customer Credit: Sonae Capital's credit management is structured according to the particular needs of the businesses that are part of the Group, always taking in consideration:

- Customer credit risk evaluation before the transaction, as well as the rigorous determination of the credit limit adjusted to each customer profile. The analysis is based on pre-established and automatic model that guarantees the rigorous implementation of the principles;
- Automatic and daily monitoring of the customer credit risk and adoption of preventive measures when a modification occurs;
- The mitigation of the credit risk by credit insurance and additional warranties;
- Monitoring of customer accounts with focus proportional to its risk level;
- The establishment of fragmented credit concession processes, through a separation between administrative and decision procedures
- The use of legal measures necessary to recover debts.

The implementation of all these mechanisms has allowed a strict fulfilment of the credit risk policy and also an under the average rate of clients' unfulfillment.

Sonae Capital has established a credit risk management process based on company scoring methodology. The credit risk management policy and its classification methodology enabled Sonae Capital to obtain, in 2017, an average default rate of 0,103%, substantially lower than the average customer default in Portugal, which according to an Intrum Justitia study, turnover of 1,700%. Thus, there is no risk of material non-compliance with the amounts recorded in accounts receivable as at 31 December 2017.

In the normal course of activity collection risk may arise in trade debtors. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on the Group's experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade debtors reflect their fair value.

Financial Institutions: The credit risk is linked to possible noncompliance by financial institutions, to which the Group is contractually bound, in its normal operational activity, term deposits, cash balances and derivatives.

To mitigate this risk, the Group:

- Only executes transactions with counterparts with an Investment Grade minimum grading;
- Diversifies its counterparts, in order to avoid an excessive concentration of credit risk;
- Defines a restricted range of chosen instruments (aimed at not contracting complex instruments, the structure of which is not entirely known), requiring authorization from the Board of Directors to use alternative instruments;
- Regularly monitors total exposures with each counterpart, in order to guarantee compliance with the policy established.

Shareholding Buy/Sale transactions: In the course of its business, the Group is exposed to the credit risk of counterparts with whom it agrees transactions concerning investments in shareholdings. In these cases, the means used to mitigate risks are determined on a one on one basis, in order to take into account the specifics of the transaction, with the constant supervision of the Board of Directors. Despite the variability of the means used, there exists always the possibility of using normal market methods, namely carrying out due diligences, obtaining financial information concerning the counterpart in question, or the pledging of an asset which is released when the financial transaction has been completed, requesting bank guarantees, setting up escrow accounts, obtaining collateral, among others.

Sonae Capital Group's available cash mainly includes bank deposits resulting from cash generated by operations. By geography, bank deposits and short-term investments are distributed as follows:

Deposits and short term investments:	
Portugal	96,57%
Spain	0,23%
Brazil	3,18%
Netherlands	0,01%
Mozambique	0,01%

Presented below the ratings (S&P rating, except in the case of Montepio Geral - Fitch) of the main financial institutions in which Sonae Capital Group had deposits and other investments as at 31 December 2017:

Rating	% of deposits
BBB	90,97%
BB	7,56%
CCC	1,29%
n.d.	0,18%

In accordance with established policy, Sonae Capital Group only carry out bank deposits and other short-term investments with counterparties that have a high national and international prestige based on their respective rating notations and preference should be given to financial institutions that form part of Sonae Capital's relationship banks that have a credit position equal or greater that the amount of the short term investment that Sonae Capital aims to do.

3.3 LIQUIDITY RISK

Sonae Capital has the need, regularly, to raise external funds to finance its activities and investing plans. It holds a long term diversified portfolio, essentially made of, loan´s and structured facilities, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines.

The objective of liquidity risk management is to ensure at any given moment that the Group has the financial capability under favourable market conditions to: (i) comply with its payment obligations when these fall due and (ii) ensure in a timely manner the appropriate financing for the development of its businesses and strategy.

To that end, the Group aims at maintaining a flexible financial structure, so that the process of managing liquidity within the Group includes the following key aspects:

- Centralised liquidity management (cash surpluses and needs) at the holding company level, seeking to optimise the finance function in the Group;
- Financial planning based on cash flow forecasts, both at an individual company and consolidated levels, and for different time periods (weekly, monthly, annual and multiyear);
- Short and long term financial control systems (based on Treasury and Cash Management systems), which allow in a timely manner to identify variances, anticipate financing needs and identify refinancing opportunities;

- Diversification of sources of financing and counterparts;

- Spread of debt maturity dates, aiming at avoiding excessive concentration, at specific points in time, of debt repayments;

- Contracts with relationship Banks, of committed credit lines (of at least six months) and commercial paper programmes, with cancellation clauses which are sufficiently comfortable and prudent, seeking to obtain an appropriate level of liquidity while optimising the amount of commitment commissions payable;

- Negotiation of contract terms which reduce the possibility of early termination of loans.

A liquidity reserve in form of credit lines with its relationship banks is maintained by Sonae Capital, to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms.

Consequentially, Sonae Capital expects to meet all its obligations by means of its operating cash flows and its financial assets as well as from drawing existing available credit lines or contracting new, if needed.

4. CHANGES IN ACCOUNTING POLICIES

Changes in international accounting standards that took effect on or after 1 January 2017 (note 2.1), had no significant impact on the financial statements at 31 December 2017.

International operations (Angola, Mozambique and Brazil) in the Refrigeration & HVAC segment are now considered as held for sale and therefore their contribution to the consolidated results are discontinued operations. In order to maintain the comparability of the information, the 2016 figures are attached in the light of this new reality.

5. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of the share capital held by the Group as at 31 December 2017 and 2016, are as follows:

				Percentage of capital held			
				31 December 2017		31 December 2016	
	Company		Head Office	Direct	Total	Direct	Total
	Sonae Capital SGPS, SA		**Maia**	**Holding**	**Holding**	**Holding**	**Holding**
	Hotels						
	Porto Palácio Hotel, SA	a)	Porto	100,00%	100,00%	100,00%	100,00%
	SC Hospitality, SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	The Artist Porto Hotel & Bistrô - Actividades Hoteleiras, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	The House Ribeira Hotel – Exploração Hoteleira, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Aqualuz Tróia, SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Resorts						
	Atlantic Ferries-Tráf.Loc,Flu.e Marít,SA	a)	Grândola	95,77%	95,77%	95,77%	95,77%
	Golf Time-Golfe e Invest. Turísticos, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imopenínsula - Sociedade Imobiliária, SA	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%
	Marina de Tróia, SA.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Marmagno-Expl.Hoteleira Imob.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Marvero-Expl.Hotel.Im.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	SII - Soberana Invest. Imobiliários, SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Soltroia-Imob.de Urb.Turismo de Tróia,SA	a)	Lisbon	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%
	Troiaresort-Investimentos Turísticos, SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Troiaresort, SGPS, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
	Tulipamar-Expl.Hoteleira Imob.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Fitness						
	Acrobatic Tittle, SA.	a)	Lisbon	10,00%	10,00%	10,00%	10,00%
	Solinca - Health & Fitness, SA	a)	Maia	100,00%	100,00%	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%
	Capwatt II - Heat 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%
	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%
	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%
	CTE - Central Termoeléctrica do Estuário, Lda	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Enerlousado - Recursos Energéticos, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Ronfegen - Recursos Energéticos, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%
1)	Lusobrisa - Produção de Energia Eléctrica, S.A.	a)	Maia	100,00%	100,00%	-	-
1)	Gasflow. Unipessoal, Lda	a)	Maia	100,00%	100,00%	-	-
	Soternix - Produção de Energia, ACE	a)	Barcelos	51,00%	51,00%	51,00%	51,00%
	Suncoutim - Solar Energy, SA	a)	Faro	85,00%	85,00%	85,00%	85,00%
1)	Ventos da Serra - Produção de Energia S.A.	a)	Maia	100,00%	100,00%	-	-
1)	Sociedade de Iniciativa e Aproveitamentos Florestais - Energia, S.A.	a)	Mangualde	90,00%	90,00%	-	-

	Refrigeration and HVAC						
	QCE - Desenvolvimento e fabrico de Equipamentos, SA	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, SA	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%
3)	Spinarq-Engenharia.Energia e Ambiente, SA	a)	Luanda	0%	0%	99,90%	99,90%
	Other Assets						
	Bloco Q-Soc.Imobil,SA	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, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Cinclus Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Contacto Concessões, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Contry Club da Maia-Imobiliaria, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Empreend.Imob.Quinta da Azenha, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Fundo Esp.Inv.Imo.Fec. WTC	a)	Maia	100,00%	100,00%	99,82%	99,82%
	Imoclub-Serviços Imobilários, SA	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, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imoponte - Sociedade Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Imosedas-Imobiliária e Seviços, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Implantação – Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Inparvi SGPS. SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Interlog-SGPS, SA	a)	Lisbon	98,98%	98,98%	98,98%	98,98%
	Porturbe-Edifícios e Urbanizações, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Praedium – Serviços, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Praedium II-Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Prédios Privados Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Predisedas-Predial das Sedas, SA	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, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sete e Meio Herdades-Inv. Agr. e Tur.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
	Société de Tranchage Isoroy SAS,	a)	Honfleur	100,00%	100,00%	100,00%	100,00%
	Soira - Soc. Imobiliária de Ramalde, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Sótaqua - Soc. de Empreend. Turisticos	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Spinveste-Promoção Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Spinveste-Gestão Imobiliária SGII, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Urbisedas-Imobiliária das Sedas, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Vistas do Freixo-Emp.Tur.Imobiliários, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Industrial Engeneering						
4) 7)	SC, INDUSTRIALS, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
1)	Adira - Metal Forming Solutions, S.A.	a)	Porto	100,00%	100,00%	-	-
1)	Guimadira - Máquinas e Ferramentas, Lda.	a)	Vila Nova de Gaia	100,00%	100,00%	-	-
	Others						
	Imobeauty, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC - Sociedade de Consultadoria, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC Finance BV	a)	Amesterdam	100,00%	100,00%	100,00%	100,00%
	SC For - Ser.Formação e Desenvolv.Recursos Humanos, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	UP Invest. SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC. SGPS, SA	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%
3)	Spred. SGPS, SA	a)	Maia	-	-	100,00%	100,00%

1) Company acquired in the year.
2) Discontinued operations
3) Company sell in the year;
4) Transfer of Other Assets;
5) Ex- Sistavac SGPS SA;
6) Ex- Sistavac, SA;
7) Ex – SC Eng.e Promoção Imobiliária SGPS, SA.

a) Majority of voting rights

These group companies are consolidated using the full consolidation method as described in Note 2.2.a).

6. 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 31 December 2017 and 2016 are as follows:

			Percentage of Capital Held								
			31 December 2017								
	C ompany name	Head Office	Direct	Total	Total Assets	Total Liabilities	Total Costs	Total incomes	Shared Capital	Net income	Balance Value
	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										
	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	107.770	2.053.857	650.297	646.087	142.240
					76.563.753	**27.709.455**	**20.860.599**	**26.290.944**	**48.854.299**	**4.130.345**	**1.419.028**

Percentage of Capital Held

31 December 2016

	C ompany name	Head Office	Direct	Total	Total Assets	Total Liabilities	Total Costs	Total incomes	Shared Capital	Net income	Balance Value
	Jointly Controlled Companies										
	Other Assets										
	Andar - Sociedade Imobiliária, SA	Maia	50,00%	50,00%	16.604.641	16.776.815	917.743	-	(172.174)	(917.743)	-
1)	Sociedade de Construções do Chile, SA	Maia	100,00%	50,00%	14.746.910	810.256	63.685	166	13.936.655	(63.520)	-
1)	Vastgoed One - Sociedade Imobiliária, SA	Maia	100,00%	50,00%	12.050.074	610	1.389	135	12.049.464	(1.254)	-
1)	Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100,00%	50,00%	12.054.754	610	1.297	135	12.054.143	(1.162)	-
	Associated Companies										
	Other Assets										
	Lidergraf - Artes Gráficas, Lda	Vila do Conde	24,50%	24,50%	17.937.039	10.378.691	21.305.990	22.539.972	7.558.348	1.233.982	1.138.099
2)	Norscut - Concessionária de Scut Interior Norte, SA	Lisboa	-	-	-	-	-	-	-	-	-
2)	Operscut - Operação e Manu-tenção de Auto-estradas, SA	Lisboa	-	-	-	-	-	-	-	-	-
	Energy										
	Feneralt - Produção de Energia, ACE	Barcelos	25,00%	25,00%	1.036.916	522.770	1.404.866	1.910.592	442.562	438.352	96.801
					74.430.334	**28.489.752**	**23.694.970**	**24.451.000**	**45.868.998**	**688.655**	**1.234.900**

1) Null investment values arise from the adoption of the equity method in Andar – Sociedade Imobiliária, SA, holder of all of these investments;
2) Company sold in 30 September 2016.

The sale value and the transaction net income for the companies sold in caption 2) are as follows:

Company	Sale value (Note 46)	Transaction net income (Note 41)
Norscut - Concessionária de Scut Interior Norte, SA	42.516.000	16.082.072
Operscut - Operação e Manutenção de Auto-estradas, SA	1.750.000	1.726.000
	44.266.000	**17.808.072**

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

Nil balances shown result from the reduction to acquisition cost of amounts determined by the equity method, discontinuing the recognition of its part of additional losses under the terms of IAS 28.

During the periods ended 31 December 2017 and 2016, movements in investments of associated and jointly controlled companies may be summarized as follows:

Company	31 December 2017	31 December 2016
Opening balance as at 1 January	**1.266.842**	**12.992.457**
Acquisitions in the period	-	-
Disposals in the period	(31.948)	(19.168.575)
Equity method	391.017	7.730.200
Dividends received	(206.883)	(287.240)
Change in the consolidation method	-	-
Closing balance as at 31 December	**1.419.028**	**1.266.842**
Accumulated impairment losses (Note 31)	-	(31.943)
	1.419.028	**1.234.900**

The use of the equity method had the following impacts: 391,017 euro recorded on share of results of associated undertakings (350,193 euro at 31 December 2016), and 0 euro in changes in reserves (7,375,957 euro at 31 December 2016).

During the year ended 31 December 2017 dividends were received totalling 206,900 euros (290,000 at 31 December 2016) paid by the companies Lidergraf-graphic arts, Lda and Feneralt-Energy Production, ACE.

Dividends received during the year 2017 differ from those shown in the Statement of Cash Flows due to the receipt of amounts referring to prior years.

There are no contingent liability commitments or significant restrictions on the ability to transfer funds in favour of Sonae Capital by associates and joint ventures.

7. OTHER INVESTMENTS

The head offices, percentage of share capital held and book value of Other Investments as at 31 December 2017 and 2016 are made up as follows::

		Percentage of capital held					
		31 December 2017		31 December 2016		Book value	
Company	Head Office	Direct	Total	Direct	Total	31 December 2017	31 December 2016
Resorts							
Infratróia - Infraestruras de Tróia, E.M.	Grândola	25,90%	25,90%	25,90%	25,90%	64.747	64.747
Other Assets							
Fundo de Investimento Imobiliário Imosonae Dois	Maia	-	-	0,06%	0,06%	-	-
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 Investments						239.699	140.124
Total (Note 9)						**578.430**	**478.855**

As at 31 December 2017 and 2016, movements in investments were as follows:

	31 December 2017		31 December 2016	
	Non-current	Current	Non-current	Current
Investments at acquisition cost				
Opening balance as at 1 January	770.693	-	889.353	-
Acquisitions in the period	71.601	-	23.752	-
Changes in consolidation perimeter	94.187	-	-	-
Disposals in the period	(66.213)	-	(142.412)	-
Closing balance as at 31 December	**870.268**	-	**770.693**	-
Accumulated impairment losses (Note 31)	(291.838)	-	(291.838)	-
	578.430	-	**478.855**	-
Other Investments	**578.430**	-	**478.855**	-

8. CHANGES TO THE CONSOLIDATION PERIMETER

During the period ended 31 December 2017 the following companies were acquired:

		Percentage of capital held	
Company	**Head Office**	**Direct**	**Total**
Gasflow Unipessoal. Lda	Maia	100.00%	100.00%
Lusobrisa - Produção de Energia Eléctrica. S.A.	Maia	100.00%	100.00%
Ventos da Serra - Produção de Energia S.A.	Maia	100.00%	100.00%
Adira - Metal Forming Solutions, S.A.	Porto	100.00%	100.00%
Guimadira - Máquinas e Ferramentas, Lda.	Vila Nova de Gaia	100.00%	100.00%
Sociedade de Iniciativa e Aproveitamentos Florestais - Energia, S.A.	Mangualde	90.00%	90.00%

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

Company	Acquisition date	31 December 2017
Net assets acquired		
Tangible and intangible assets (Notes 10 and 11)	47.333.340	44.752.472
Financial investments	446.520	436.608
Other assets	16.312.080	15.853.106
Cash and cash equivalents	3.025.803	209.174
Other liabilities	(47.310.063)	(38.153.604)
	19.807.680	**23.097.756**

Income statements from the acquired companies

	Acquisition date	Since acquisition date to 31 December 2017
Cost of sales	5.212.374	3.028.792
Changes in stocks of finished goods and work in progress	885.588	(246.003)
External supplies and services	2.673.630	2.072.299
Staff costs	1.565.102	1.359.779
Depreciation and amortisation	1.826.435	3.807.981
Provisions and impairment losses	3.083.126	(15.327)
Other operating expenses	278.418	147.041
Operational expenses	**15.524.673**	**10.154.562**
Sales	11.189.692	9.180.182
Services rendered	644.046	221.091
Other operating income	528.276	497.915
Operational income	**12.362.014**	**9.899.188**
Operational profit/(loss)	**(3.162.659)**	**(255.374)**
Financial income	56.943	4.990
Financial expenses	593.811	339.704
Net financial income / (expenses)	**(536.868)**	**(334.714)**
Investment income	**1.073.179**	**-**
Investment income	**(1.073.179)**	**-**
Profit/(Loss) before taxation	**(4.772.706)**	**(590.088)**
Taxation	(449.112)	(120.467)
Profit/(Loss) for the year	**(5.221.818)**	**(710.555)**
Gain/(Loss) on acquisition (Note 41)	2.414.496	
Acquisition price	26.702.225	
Payments made	25.724.183	
Net cash flow from the acquisition		
Payments made	25.724.183	
Cash and equivalents acquired	**(3.025.803)**	
	22.698.380	

9. FINANCIAL INSTRUMENTS

Financial Instruments, in accordance with the policies described in Note 2.1, were classified as follows:

		Financial Instruments					
Financial Assets	**Note**	**Borrowings and accounts receivable**	**Available for sale**	**Investments held to maturity**	**Sub-Total**	**Assets not covered by IFRS 7**	**Total**
As at 31 de December 2017							
Non-current assets							
Other Investments	7	578.430	-	-	578.430	-	578.430
Other non-current assets	13	6.601.994	-	-	6.601.994	-	6.601.994
		7.180.424	**-**		**7.180.424**	**-**	**7.180.424**
Current Assets							
Trade account receivables	15	24.799.640	-	-	24.799.640	-	24.799.640
Other debtors	16	10.047.909	-	-	10.047.909	-	10.047.909
Cash and cash equivalents	20	7.307.070	-	-	7.307.070	-	7.307.070
		42.154.619	**-**	**-**	**42.154.619**	**-**	**42.154.619**
		49.335.043	**-**	**-**	**49.335.043**	**-**	**49.335.043**
As at 31 de December 2016							
Non-current Assets							
Other Investments	7	478.855	-	-	478.855	-	478.855
Other non-current assets	13	2.036.474	-	-	2.036.474	-	2.036.474
		2.515.329	**-**	**-**	**2.515.329**	**-**	**2.515.329**
Current Assets							
Trade account receivables	15	18.030.267	-	-	18.030.267	-	18.030.267
Other debtors	16	7.327.649	-	-	7.327.649	-	7.327.649
Cash and cash equivalents	20	32.747.208	-	-	32.747.208	-	32.747.208
		58.105.124	**-**	**-**	**58.105.124**	**-**	**58.105.124**
		60.620.453	**-**	**-**	**60.620.453**	**-**	**60.620.453**

Financial Liabilities	Note	Financial liabilities recorded at amortised cost	Available for sale	Financial liabilities recorded at amortised cost	Sub-Total	Liabilities not covered by IFRS 7	Total
As at 31 de December 2017							
Non-current liabilities							
Bank Loans	20 and 23	17.218.216	-	-	17.218.216	-	17.218.216
Bonds	23	57.245.810	-	-	57.245.810	-	57.245.810
Other loans	23 and 24	14.004.471	-	-	14.004.471	-	14.004.471
Other non-current liabilities	26	2.598.398	-	-	2.598.398	416.815	3.015.213
		91.066.895	**-**	**-**	**91.066.895**	**416.815**	**91.483.710**
Current Liabilities							
Bank Loans	20 and 23	24.740.268	-	-	24.740.268	-	24.740.268
Other loans	23	-	-	-	-	-	-
Bonds	23 and 24	3.471.366	-	-	3.471.366	-	3.471.366
Trade Creditors	28	25.369.800	-	-	25.369.800	-	25.369.800
Other current liabilities	29	15.136.329	-	-	15.136.329	2.489.167	17.625.496
		68.717.763	**-**	**-**	**68.717.763**	**2.489.167**	**71.206.930**
		159.784.658	**-**	**-**	**159.784.658**	**2.905.982**	**162.690.640**
As at 31 de December 2016							
Non-current liabilities							
Bank Loans	20 and 23	20.532.367	-	-	20.532.367	-	20.532.367
Bonds	23	57.107.711	-	-	57.107.711	-	57.107.711
Other loans	23 and 24	16.622.150	-	-	16.622.150	-	16.622.150
Other non-current liabilities	26	2.681.126	-	-	2.681.126	1.070.575	3.751.701
		96.943.354	**-**	**-**	**96.943.354**	**1.070.575**	**98.013.928**
Current Liabilities							
Bank Loans	20 and 23	1.137.237	-	-	1.137.237	-	1.137.237
Other loans	23	-	-	-	-	-	-
Bonds	23 and 24	3.336.208	-	-	3.336.208	-	3.336.208
Trade Creditors	28	16.479.554	-	-	16.479.554	-	16.479.554
Other current liabilities	29	3.647.289	-	-	3.647.289	1.042.782	4.690.071
		24.600.288	**-**	**-**	**24.600.288**	**1.042.782**	**25.643.070**
		121.543.642	**-**	**-**	**121.543.642**	**2.113.357**	**123.656.998**

10. TANGIBLE ASSETS

During the periods ended 31 December 2017 and 2016, movements in tangible 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 2016	**53.832.685**	**170.603.037**	**187.369.698**	**1.219.505**	**4.177.053**	**2.081.623**	**14.715.753**	**433.999.354**
Changes in consolidation perimeter (companies in) -Note 8	-	-	3.541.005	-	-	7.875	-	3.548.880
Capital expenditure	-	349.771	2.402.980	8.414	7.450	2.331	5.587.580	8.358.526
Disposals	(11.249.688)	(940.854)	(6.030.400)	(174.977)	(320.662)	(46.132)	(150.754)	(18.913.467)
Exchange rate effect	-	-	(13.955)	(78.710)	2.920	8.930	-	(80.815)
Transfers	6.694.025	(6.869.314)	16.609.042	14.139	250.440	184.655	(17.533.330)	(650.343)
Opening balance as at 1 January 2017	**49.277.022**	**163.142.640**	**203.878.370**	**988.371**	**4.117.201**	**2.239.282**	**2.619.249**	**426.262.135**
Changes in consolidation perimeter (companies in) -Note 8	1.202.850	5.147.730	77.012.467	707.476	108.320	2.632.743	1.231.370	88.042.956
Changes in consolidation perimeter (companies out) - Note 8	-	-	(81.991)	(338.989)	(30.458)	(3.824)	-	(455.262)
Capital expenditure	-	-	(22.308)	(9.693)	(44.381)	(47.951)	-	(124.333)
Capital expenditure	71.449	577.659	911.603	-	4.544	1.730	9.846.816	11.413.801
Disposals	(1.254.450)	(13.222.993)	(4.694.349)	(54.535)	(349.220)	(63.630)	(12.037)	(19.651.214)
Exchange rate effect	-	-	(11.737)	(48.524)	(4.245)	(547)	-	(65.053)
Transfers	562.302	43.558	8.709.449	-	253.304	37.991	(7.136.568)	2.470.036
Closing balance as at 31 December 2017	**49.859.173**	**155.688.594**	**285.701.504**	**1.244.106**	**4.055.065**	**4.795.794**	**6.548.830**	**507.893.066**
Accumulated depreciation								
Opening balance as at 1 January 2016	**-**	**45.239.482**	**91.840.939**	**1.088.202**	**3.524.015**	**1.680.948**	**-**	**143.373.586**
Changes in consolidation perimeter (companies in) – Note 8	-	-	785.898	-	-	1.421	-	787.319
Charges for the period	-	2.746.894	12.067.024	72.506	180.487	79.890	-	15.146.801
Disposals	-	(131.879)	(5.534.674)	(172.980)	(313.778)	(43.816)	-	(6.197.127)
Exchange rate effect	-	-	(2.318)	(57.469)	4.416	7.663	-	(47.709)
Transfers	-	(6.263.893)	6.013.748	453	13.973	16.045	-	(219.675)
Opening balance as at 1 January 2017	**-**	**41.590.603**	**105.170.616**	**930.711**	**3.409.113**	**1.742.151**	**-**	**152.843.194**
Changes in consolidation perimeter (companies in) – Note 8	-	2.493.165	38.579.732	526.652	102.427	537.930	-	42.239.906
Changes in consolidation perimeter (companies out) - Note 8		-	(36.542)	(309.005)	(19.883)	(2.943)		(368.372)
Charges for the period		-	(16.714)	(6.058)	(39.854)	(40.649)		(103.275)
Charges for the period	-	2.696.520	15.212.674	27.887	191.883	98.968	-	18.227932
Disposals	-	(3.382.773)	(2.076.306)	(54.535)	(337.412)	(60.477)	-	(5.911.503)
Exchange rate effect	-	-	(5.764)	(45.406)	(3.013)	(439)	-	(54.622)
Transfers	-	183.459	769.483	2	40	-	-	952.983
Closing balance as at 31 December 2017	**-**	**43.580.974**	**157.597.180**	**1.070.248**	**3.303.301**	**2.274.540**	**-**	**207.826.243**

Accumulated impairment losses								
Opening balance as at 1 January 2016	**7.918.403**	**30.356.898**	**854.496**	**-**	**-**	**-**	**-**	**39.129.797**
Charges for the period	1.218.065	1.315.411	472.540	-	-	-	-	3.006.016
Reversals for the period	(1.533.656)	(5.968.088)	-					(7.501.744)
Opening balance as at 1 January 2017	**7.602.812**	**25.704.221**	**1.327.036**	**-**	**-**	**-**	**-**	**34.634.071**
Changes in consolidation perimeter (companies in) – Note 8	-	-	3.376.858	-	-	-	-	3.376.858
Changes in consolidation perimeter (companies out)	-	-	-	-	-	-	-	-
Charges for the period	472.911	95.492	11.840	-	-	-	-	580.243
Reversals for the period	(2.075.332)	(1.841.028)	(39.963)	-	-	-	-	(3.956.323)
Transfers	-	(543.918)	543.918	-	-	-	-	-
Closing balance as at 31 December 2017 (Note 31)	**6.000.391**	**23.414.767**	**5.219.689**	**-**	**-**	**-**	**-**	**34.634.847**
Carrying amount								
As at 31 December 2016	**41.674.209**	**95.847.815**	**97.380.717**	**57.660**	**708.088**	**497.131**	**2.619.249**	**238.784.870**
As at 31 December 2017	**43.858.782**	**88.692.852**	**122.884.635**	**173.857**	**751.764**	**2.521.253**	**6.548.830**	**265.431.974**

The disposals carried out during the year ended on 31 December, 2017 refer mainly to the sale of the health clubs of Braga and Vasco da Gama belonging to the Real Estate Company Casa da Ribeira.

The main acquisitions carried out during 2017 are essentially associated with the Fitness segment with the opening of new gymnasiums and remodelling of other existing ones.

Impairment losses and reversals of impairment losses for the year 2017 and 2016 are calculated from the assessments of the property assets of Sonae Capital Group, carried out by “Cushman & Wakefield – Consultoria Imobiliária, Unipessoal, Lda.”. The evaluation was performed according to the Professional Standards contained in the RICS Valuation January 2014, published by The Royal Institution of Chartered Surveyors.

The assessments were intended to determine the fair value of the assets concerned, in accordance with the following rules:

1) Market value (most likely amount for which a property may be traded) for part of the portfolio, and

2) An Opinion of Value (when normal valuation criteria is not available and as a result the value arrived at cannot be considered as Market Value) for the remaining portfolio.

The simulation of the valuation, for the year 2017, taking into account a variation in the Market Value of +- 10% and +- 15% for the Opinion of Value is as follows:

VALUATION C&W				
	31 Dec. 2017	31 Dec. 2017 (VM)	31 Dec. 2017 (OV)	31 Dec. 2017 (Book value)
Tourism Assets	**74.094.000**	**74.094.000**	**-**	**59.022.930**
Hotels		74.094.000	-	59.022.930
Troia Resort	**85.377.374**	**58.010.364**	**27.367.010**	**60.323.287**
Assets for sale	63.833.374	36.466.364	27.367.010	42.128.237
Real estate projects	21.544.000	21.544.000	-	18.195.050
Other Assets	**12.599.900**	**6.905.000**	**5.694.900**	**11.246.030**
Assets for sale	6.684.900	4.840.000	1.844.900	5.340.507
Real estate projects	5.915.000	2.065.000	3.850.000	5.905.522
Total	**172.071.274**	**139.009.364**	**33.061.910**	**130.592.247**
Valuation Simulation				
Market Value	+/- 15%	13.900.936		
Opinion of Value	+/- 15%		4.959.287	
Total	**18.860.223**	13.900.936	**4.959.287**	

The evaluations comprised the total of 85 properties held by the Group, of which 50 using the Market value rules, these being the most relevant in terms of net value at 31 December 2017 and 2016. This portfolio consists of number of properties for residential, hotel, retail, office and warehouse use as well as plots of urban and rural land.

The acquisition cost of Tangible assets held by the Group under finance lease contracts amounted as at 31 December 2017 to euro 35,930,642 (35,650,252 euro at 31 December 2016) and their net book value as of those dates amounted to 18,572,598 euro and 20,168,568 euro, respectively (Note 24).

Major amounts included in the caption Tangible assets in progress, refer to the following projects:

	31 December 2017	31 December 2016
Troiaresort	1.671.835	1.657.460
Cogeneration Project	2.240.148	-
Health Clubs Refurbishment	1.280.759	300.884
Industrial Engennering	1.112.976	-
Others	243.112	660.905
	6.548.830	**2.619.249**

11. INTANGIBLE ASSETS

During the periods ended 31 December 2017 and 2016, movements in intangible assets as well as in amortisation and accumulated impairment losses, are made up as follows:

	Intangible Assets				
	Patents and other similar rights	Software	Others	Intangible Assets in progress	Total Intangible Assets
Gross Cost					
Opening balance as at 1 January 2016	**7.789.237**	**3.281.292**	**155.474**	**225.546**	**11.451.549**
Changes in consolidation perimeter (companies in)	-	-	242.000	-	242.000
Capital expenditure	393.800	-	1.154	695.980	1.090.935
Disposals	-	(31.461)	-	-	(31.461)
Exchange rate effect	-	3.922	-	-	3.922
Transfers	6.915	524.516	(114.847)	(538.700)	(122.116)
Opening balance as at 1 January 2017	**8.189.952**	**3.778.269**	**283.781**	**382.826**	**12.634.829**
Changes in consolidation perimeter (companies in) – Note 8	4.868.797	52.042	3.600.331	1.128.122	9.649.292
Changes in consolidation perimeter (companies out)	-	(4.880)	-	-	(4.880)
Capital expenditure	-	(24.584)	-	-	(24.584)
Capital expenditure	(21.900)	95.998	345.038	890.365	1.309.501
Disposals	(332.831)	(183)	-	-	(333.014)
Exchange rate effect	-	(699)	-	-	(699)
Transfers	(3.367.845)	923.249	(225.059)	(881.629)	(3.551.284)
Closing balance as at 31 December 2017	**9.336.173**	**4.819.212**	**4.004.091**	**1.519.684**	**19.679.160**
Accumulated amortization					
Opening balance as at 1 January 2016	**1.522.646**	**2.581.146**	**9.421**	**-**	**4.113.212**
Charges for the period	-	-	208.146	-	208.146
Disposals	178.329	541.678	6.722	-	726.729
Exchange rate effect	-	(31.461)	-	-	(31.461)
Transfers	-	2.772	-	-	2.772
Opening balance as at 1 January 2017	**1.700.975**	**3.094.135**	**224.289**	**-**	**5.019.398**
Changes in consolidation perimeter (companies in) – Note 8	1.570.467	29.000	2.453.146	-	4.052.613
Changes in consolidation perimeter (companies out)	-	(4.880)	-	-	(4.880)
Charges for the period	-	(19.998)	-		(19.998)
Charges for the period	475.163	585.349	153.192	-	1.213.704
Disposals	(88.719)	(1.114)	-	-	(89.833)
Exchange rate effect	-	(699)	-	-	(699)
Transfers	(1.001.524)	-	(1.676)	-	(1.003.200)
Closing balance as at 31 December 2017	**2.656.362**	**3.681.793**	**2.828.951**	**-**	**9.167.105**
Accumulated amortization					
Opening balance as at 1 January 2017	-	-	-	**-**	-
Changes in consolidation perimeter (companies in) – Notes 8 and 31	89.536	-	600.000	**-**	689.536
Closing balance as at 31 December 2017 (Note 31)	**89.536**	**-**	**600.000**	**-**	**689.536**
Carrying amount					
As at 31 December 2016	**6.488.977**	**684.134**	**59.492**	**382.826**	**7.615.431**
As at 31 December 2017	**6.590.275**	**1.137.419**	**575.140**	**1.519.684**	**9.822.521**

At 31 December 2017 and 2016, there are no impairment losses relating to Intangible Assets.

As at December 2017 net assets of Marina de Troia amount to 5,261,284 euro (5,701,558 euro at December 2016) recorded in "Industrial property and other rights".

"APSS – Administração dos Portos de Setubal e Sesimbra, SA" (APSS) signed in 2007 with an Group company a service concession arrangement to build and operate, in the public interest, a marina and support services in Troia, during a period of 50 years from the date of entry into operation. This period may be extended a maximum of 10 years if agreed between the parties. At the end of the service concession arrangement the concession will revert to APSS at no consideration, with some exceptions in the arrangement.

The Group has the right to charge fees for services to be provided under the concession. Maximum fee limits must be approved by the grantor based on a proposal submitted by the Group.

During the concession period the Group has a contractual obligation to maintain the infrastructure in a specific level of serviceability and pays the grantor a fixed fee and a variable fee, the latter based on revenues charged for the service provided.

The grantor may cancel the service concession arrangement whenever public interest is affected, provided that at least the contractual period is over and with at least 1 year notice, in which case the Group is entitled to compensation equal to the net book value of the infrastructure plus lost revenue calculated in accordance with the terms of the contract.

The Group carried out a sensitivity analysis of the recoverable value of the assets of "Marina de Tróia".

The use of a five-year period for projecting cash flows has taken into consideration the extension and intensity of economic cycles to which the Group's activity is subject to.

Calculation of recoverable amounts consisted in projecting operating cash flows over a five year period, thereafter extrapolated using perpetuity and discounted to 31 December 2016. Weighted Average Cost of Capital, before tax, calculated using CAPM (Capital Asset Pricing Model) methodology for this cash generating unit, was used as discount rate. These rates include specific market features and include different risk factors as well as risk-free interest rates for ten-year bonds.

The use of a five-year period for projecting cash flows takes into account the extension and intensity of economic cycles to which "Marina de Tróia" activity is subject to.

Projected cash flows are based on the Group's business plan and are updated annually so as to include changes in the economic outlook of each market where the Group is conducting business.

The impairment tests did not show any impairment loss to be recognized under Intangible Assets at 31 December 2017.

12. GOODWILL

During the periods ended 31 December 2017 and 2016, movements in goodwill, as well as in corresponding impairment losses, are as follows:

	31 December 2017	31 December 2016
Gross amount:		
Opening balance	62.194.124	62.194.124
Increases - acquisition of affiliated companies (Note 8)	10.449.890	-
Decreases - disposals of affiliated companies	563.932	-
Closing balance	**72.080.082**	**62.194.124**
Accumulated impairment losses (Note 31):		
Opening balance	24.353.034	1.301.596
Increases	350.677	23.051.438
Closing balance (Note 31)	**24.703.711**	**24.353.034**
Total	**47.376.371**	**37.841.090**

The increase in impairment losses in 2017 is due to the sale of real estate assets located in Troia.

The Impairment tests to Goodwill were calculated by projecting operating cash flows over a five-year period, thereafter extrapolated using perpetuity and discounted to 31 December 2017. The Sistavac business plan reports an average growth rate of 6,2% with a rate of 17.7% for increase in sales and EBITDA (it is assumed a growth on industrial refrigeration - a strategic focus - on building efficiency and after-sales services). The average growth rate for uFCF is -6.3%, achieved by economies of scale and focus in the business segments with better profitability. The discount rates used are the average rates of the Weighted Average Cost of Capital (WACC).

The WACC rates used were calculated on the specific nature of each business and its respective target capital structures, as follows:

Real Estate	9,12%	**Refrigeration & HVAC- Portugal**	10,12%
Operational Resorts	7,64%	**Hotels**	9,24%
Energy	[7,17% - 8,33%]	**Metal Portugal**	9,89%
Fitness	8,40%		

The Goodwill remains without impairment in the sensitivity tests performed, through assessments by discounted cash flow, making WACC vary 1 p.p.

As at 31 December 2017 and 2016, Goodwill may be split as follows:

	31 December 2017	31 December 2016
Resorts	1.223.235	1.223.234
Hotels	-	-
Fitness	-	-
Energy	3.075.415	622.829
Refrigeration and HVAC	9.619.730	9.619.730
Industrial Engeneering	7.997.303	
Real estate assets	8.031.597	8.031.597
Other Assets	17.429.092	18.343.701
	47.376.371	**37.841.090**

13. OTHER NON-CURRENT DEBTORS

As at 31 December 2017 and 2016, other non-current assets are detailed as follows:

	31 December 2017	31 December 2016
Loans granted to related parties		
Others	907.655	874.613
	907.655	874.613
Impairment losses (Note 31)	(34.916)	(34.916)
	872.739	**839.697**
Trade accounts receivable and other debtors		
Sale of financial investments	505.000	-
Others	4.947.709	1.196.779
	5.452.709	**1.196.779**
Deferred costs		
Financing charges	276.547	-
	276.547	-
Other non-current debtors	**6.601.994**	**2.036.476**

Generally, values included in other non-current debtors bear interest at market rates, and it is estimated that their fair value does not significantly differ from amounts in the balance sheet.

The amount in others, loans granted to related parties, is a loan to the company Andar - Soc. Imobiliária S.A. (note 44).

The amounts considered in others, Trade accounts receivable and other debtors, are essentially related with (i) amount receivable related to the sale of real estate held during the current year and (ii) payment to the State to benefit from a 2002 tax amnesty.

At 31 December 2017 and 2016 the caption Clients and other debtors includes loans granted to related parties and do not have a defined maturity, and therefore are not due. These loans bear interests.

14. INVENTORIES

O detalhe dos Inventários em 31 de December de 2017 e de 2016 é o seguinte, explicitando os valores correspondentes a empreendimentos imobiliários:

	31 December 2017		31 December 2016	
	Total	of which Real Estate Developments	Total	of which Real Estate Developments
Goods for sale	14.765.873	13.282.113	30.621.892	29.396.542
Goods for resale held by third parties	1.731	-	-	-
Raw materials, by-products and consumables	4.677.862	-	1.416.846	-
Finished goods	13.281.182	12.613.221	16.227.654	16.227.654
Sub-products, waste, residues and scrapWork in progress	67.372.682	62.728.774	71.597.057	67.573.121
	100.099.330	**88.624.108**	**119.863.449**	**113.197.317**
Accumulated impairment losses on stocks (Note 31)	(5.702.697)	(5.240.945)	(15.351.494)	(15.340.458)
Total Operations	**94.396.634**	**83.383.163**	**104.511.954**	**97.856.859**

Cost of goods sold as at 31 December 2017 and 2016 amounted to 72,750,494 euro and 64,835,617 respectively, and may be detailed as follows:

	31 December 2017	31 December 2016
Opening Stocks	32.038.738	31.828.075
Exchange rate effect	(79.286)	(156.777)
Changes in consolidation perimeter	1.133.291	(1.647)
Purchases	57.210.904	61.428.800
Adjustments	1.891.710	327.963
Closing Stocks	19.445.466	32.038.738
	72.749.891	**61.395.533**
Impairment losses increases (Note 31)	604	3.440.084
Impairment losses decreases (Note 31)	-	(393.848)
Continued Operations	**72.750.494**	**64.441.769**
Discontinued Operations	**631.454**	**1.113.572**
Total Operations	**73.381.948**	**65.555.341**

Impairment losses and reversals of impairment losses for the years 2017 and 2016 are calculated from the assessments of the property assets of Sonae Capital Group, carried out by “Cushman & Wakefield – Consultoria Imobiliária, Unipessoal, Lda”. (Note 10) and from the real estate disposals that occurred during the current year.

The assessments were intended to determine the fair value of the assets concerned, in accordance with the following rules:

1) Market value (most likely amount for which a property may be traded) for part of the portfolio, and

2) An Opinion of Value (when normal valuation criteria is not available and as a result the value arrived at cannot be considered as Market Value) for the remaining portfolio.

The simulation of the valuation, for the year 2017, taking into account a variation in the Market Value of +- 10% and +- 15% for the Opinion of Value is as follows:

VALUATION C&W				
	31 Dec. 2017	31 Dec. 2017 (VM)	31 Dec. 2017 (OV)	31 Dec. 2017 Book value
Tourism Assets	-	-	-	-
Hotels		-	-	-
Fitness		-	-	-
Troia Resort		57.753.036	31.802.000	29.664.005
Assets for sale	31.802.000	-	31.802.000	12.999.078
Real estate projects	57.753.036	57.753.036	-	16.664.927
Other Assets	101.096.100	97.638.050	3.458.050	55.844.795
Assets for sale	15.755.900	12.297.850	3.458.050	12.932.354
Real estate projects	85.340.200	85.340.200	-	42.912.441
Total	**190.651.136**	**155.391.086**	**35.260.050**	**85 508.800**
Valuation Simulation				
Market Value	+/- 15%	15.539.109		
Opinion of Value	+/- 15%		5.289.008	
Total variaton	**20.828.116**	**15.539.109**	**5.289.008**	

15. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2017 and 2016, trade accounts receivable and other current assets are detailed as follows:

	31 December 2017	31 December 2016
Trade accounts receivable		
Resorts	1.961.426	1.653.662
Hotels	851.832	758.049
Fitness	318.278	170.149
Energy	8.522.609	4.683.723
Refrigeration and HVAC	14.372.081	13.255.090
Other Assets	278.388	361.050
Metal	1.176.944	-
	27.481.558	**20.881.723**
Trade Debtors, bills receivable	74.410	-
Doubtful debtors	3.452.519	1.407.753
	31.008.486	**22.289.475**
Accumulated impairment losses on Trade Debtors (Note 31)	(6.208.847)	(4.259.208)
Total Operations	**24.799.640**	**18.030.267**

In the normal course of activity collection risk may arise in Trade debtors. The amounts presented on the face of the balance sheet are net of impairment losses, which were estimated based on the Group's experience and on the assessment of present economic conditions. As a result, amounts disclosed in Trade debtors reflect their fair value.

As at 31 December 2017 we do not have any reason to believe that normal collection times regarding trade accounts receivable not due for which there are no impairment losses will not be met.

As at 31 December 2017 and 2016, the ageing of Trade Accounts Receivables can be detailed as follows:

Trade Accounts Receivables

31 December 2017	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Holding and Others	Metal	Total
Not Due	**318.446**	**307.590**	**109.346**	**4.309.041**	**8.422.356**	**154.067**	**66.058**	**13.686.904**
Due but not impaired								
0 - 30 days	110.801	144.648	18.882	3.496.385	465.300	17.274	948.326	4.253.290
30 - 90 days	153.385	88.823	129.593	249.435	1.415.019	1.667	176.727	2.037.922
+ 90 days	636.491	27.203	4.740	451.561	2.507.172	24.849	38.101	3.652.016
Total	900.677	260.674	153.215	4.197.381	4.387.491	43.790	1.163.154	11.106.382
Due and impaired								
0 - 90 days	12.356	4.767	-	-	-	3.016	-	20.139
90 - 180 days	166.485	2.488	137	-	-	-	-	169.110
180 - 360 days	14.060	4.499	1.154	-	43.953	-	88.642	63.666
+ 360 days	727.533	447.850	56.374	18.366	2.174.580	445.591	2.003.350	3.870.294
Total	920.434	459.604	57.665	18.366	2.218.533	448.607	2.091.992	6.215.201
Total accumulated before impairments	**2.139.557**	**1.027.868**	**320.226**	**8.524.788**	**15.028.380**	**646.464**	**3.321.204**	**31.008.486**
31 December 2016	**Resorts**	**Hotels**	**Fitness**	**Energy**	**Refrigeration and HVAC**	**Holding and Others**	**Metal**	**Total**
Not Due	**347.424**	**218.663**	**50.908**	**4.365.253**	**9.149.389**	**110.443**	**-**	**14.242.080**
Due but not impaired								
0 - 30 days	97.712	111.751	8.756	300.424	965.274	75.846	-	1.559.763
30 - 90 days	112.922	115.067	73.804	1.859	795.927	69.939	-	1.169.518
+ 90 days	301.117	28.396	5.689	812	694.642	26.054	-	1.056.710
Total	511.751	255.214	88.249	303.095	2.455.843	171.839	-	3.785.991
Due and impaired								
0 - 90 days	2.226	873	-	-	2.430	2.351	-	7.880
90 - 180 days	17.518	685	-	-	1.132	2.276	-	21.611
180 - 360 days	62.894	19.015	-	-	342.346	15.357	-	439.612
+ 360 days	889.979	439.633	59.414	15.375	1.961.041	426.859	-	3.792.301
Total	972.617	460.206	59.414	15.375	2.306.949	446.843	-	4.261.404
Total accumulated before impairments	**1.831.792**	**934.083**	**198.571**	**4.683.723**	**13.912.181**	**729.125**	**-**	**22.289.475**

To determine the recoverability of Trade accounts receivable, the Group reviews all changes to the credit quality of its counterparties since the date of the credit to the date of reporting consolidated financial statements. Credit risk is not concentrated because of the significant number of trade debtors. The Group thus believes that credit risk does not exceed recorded impairment losses for trade accounts receivable doubtful accounts.

16. OTHER DEBTORS

As at 31 December 2017 and 2016, other debtors are made up as follows:

	31 December 2017	31 December 2016
Loans granted to and other amounts to be received from related parties		
Suppliers with a debtor balance (Note 44)	38.897	139.309
	38.897	**139.309**
Other current assets		
Suppliers with a debtor balance	1.153.208	1.222.273
Accounts receivable from the sale of tangible assets	2.859.253	5.920
Accounts receivable from the sale of financial investments	2.862.642	4.088.126
Other debtors	5.129.832	3.875.438
	12.004.935	**9.191.757**
Other debtors	**12.043.832**	**9.331.066**
Accumulated impairment losses on other current assets (Note 31)	(1.995.925)	(2.003.417)
Other debtors	**10.047.909**	**7.327.649**

Loans granted to relate parties bear interest at market rates.

At December 2017, the amounts included in Other Debtors – tangible assets are related to the amount receivable related to the sale of real estate held during the current year.

At December 2017 the sale of financial Investments includes (i) balance receivable for which impairment loss was recorded during the year (ii) balance receivable from the sale of "UPK – Gestão de Facilities e Manutenção S.A." and "BoxLines Navegação S.A."

The caption "Others" is made up of the balances receivable from the WTC fund (559,000 euros), taxes recoverable overseas (2,438,000 euros), amount to be received from Prédios Privados relating to the sale of lots of land (496,000 euros, among others.

As at 31 December 2017 and 2016, ageing of other debtors can be summarised as follows:

Other Debtors		
	31 December 2017	**31 December 2016**
Not Due	**7.596.457**	**4.213.419**
Due but not impaired		
0 – 30 days	313.358	1.047.581
30 – 90 days	265.496	91.291
+ 90 days	1.866.537	3.336.908
Total	2.445.391	4.475.780
Due and impaired		
0 - 90 days	-	-
90 - 180 days	-	-
180 - 360 days	-	112
+ 360 days	1.963.086	502.446
Total	1.963.086	502.558
Total accumulated before impairments	**12.004.935**	**9.191.757**

As at 31 December 2017, we do not have any reason to believe that normal collection times regarding other debtors not due, and for which there are no impairment losses, will not be met.

Values included in other debtors are close to their fair value.

17. TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

As at 31 December 2017 and 2016, taxes recoverable, taxes, and contributions payable are made up as follows:

	31 December 2017	31 December 2016
Tax recoverable		
Income tax receivable		
Amounts withheld	862.380	1.346.472
Payments on account	2.973.835	2.944.835
Income taxation	59.921	393.761
	3.896.136	4.685.068
Other taxes receivable		
VAT	1.943.269	1.768.735
Other taxes	2.989.500	4.086.578
	4.932.769	5.855.313
Total Operations	**8.828.905**	**10.540.381**
Taxes and contributions payable		
Income tax payable		
Income taxation	1.443.550	1.288.312
	1.443.550	1.288.312
Other taxes payable		
VAT	1.612.514	1.350.223
Income taxation - amounts withheld	758.544	983.539
Social security contributions	654.784	737.082
Other taxes	-	359.848
	3.025.841	3.430.692
Total Operations	**4.469.391**	**4.719.004**

The amount in “Other taxes receivable” respects to additional payments of taxes, appeals and complaints to the Portuguese Tax Services.

The 2017 variation results essentially from the discontinuity of the Brazilian operation.

18. OTHER CURRENT ASSETS

As at 31 December 2017 and 2016, other current assets are made up as follows:

	31 December 2017	31 December 2016
Interest receivable	15.434	28.246
Invoicing to be issued for services rendered	1.484.839	899.787
Other income accruals	3.286.306	8.645.817
Deferred costs - External supplies and services	1.382.160	1.155.795
Deferred costs - Rents	627.096	373.360
Deferred costs - Finantial charges	199.521	365.904
Other current assets	2.330.888	379.330
Total Accumulated	**9.326.244**	**11.848.239**

"Other current assets" at 31 December 2017 includes income accruals of works in progress at the end of the year.

19. DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2017 and 2016 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Amortisation and Depreciation harmonisation adjustments	267.271	566.662	4.618.137	4.068.443
Provisions and impairment losses of non-tax deductible	5.238.117	5.320.494	-	-
Write off of tangible and intangible assets	71.250	71.250		-
Write off of accruals		-	-	-
Revaluation of tangible assets		-	93.355	93.307
Tax losses carried forward		21.414.207	-	-
Financial instruments		-	-	-
Write off of stocks		-	393.996	462.815
Taxable temporary differences arising from the fair value of non-current liabilities	-	-	6.544.704	6.529.266
Others		7.644	9.988.792	8.481.456
	27.774.060	**27.380.258**	**21.638.983**	**19.635.287**

The amount considered in other deferred tax liabilities refers to the difference between the tax and accounting gain arising from the sale of Unops 7, 8 and 9 and the revaluation of tangible assets of companies acquired in the year.

During the periods ended 31 December 2017 and 2016, movements in deferred tax are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Opening balance	**27.380.258**	**23.620.310**	**19.635.287**	**10.948.548**
Effect in results (Note 42):				
Amortisation and Depreciation harmonisation adjust- ments	(299.391)	(25.683)	321.017	314.004
Provisions and impairment losses of non-tax deductible	-	-	-	-
Write off of tangible and intangible assets	-	-	-	-
Write off of accruals	-	-	-	-
Revaluation of tangible assets	-	-	-	-
Tax losses carried forward	(703.369)	5.161.816	-	-
Impairment of Assets	(131.659)	(1.361.839)	-	-
Financial Instruments	-	-	-	-
Changes in tax rates	-	-	-	-
Others	(19.998)	(10.784)	(104.253)	8.372.735
	(1.154.417)	**3.763.510**	**216.764**	**8.686.739**
Effect in reserves:				
Financial Intruments	-	-	-	-
Others	(363)	(3.562)	(678)	-
	(363)	**(3.562)**	**(678)**	**-**
Changes in consolidation perimeter (Note 8)	1.548.583	-	1.787.611	-
Others		-	-	-
Closing balance	**27.774.060**	**27.380.258**	**21.638.983**	**19.635.287**

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2017 and 2016, and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

	31 December 2017			31 December 2016		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use						
Generated in 2012	-	-	2017	15.843.716	3.327.180	2017
Generated in 2013	18.852.311	3.958.985	2018	18.024.639	3.785.174	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	47.663.128	10.009.257	2027
Generated in 2016	12.025.566	2.525.369	2028	6.904.762	1.450.000	2028
Generated in 2017	9.173.702	1.926.477	2022	-	-	
	98.623.036	**18.784.361**		**101.972.414**	**21.414.207**	
With a time limit different from the above mentioned	-	-		-	-	
	98.623.036	**20.710.838**		**101.972.414**	**21.414.207**	

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 and liabilities are calculated and annually evaluated using the tax rates in effect, at the date of reversal of the temporary differences.

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

Deferred tax assets were re-assessed against each company's business plans, which are regularly updated.

Since fiscal year 2014, most of the Group's subsidiaries based in Portugal belong to the perimeter of the group of companies that are taxed in accordance with the special taxation regime for company groups ("RETGS"), being Sonae Capital, SGPS, S.A. the dominant company.

Of the analysis made at 31 December 2017, it is concluded that there is a reasonable expectation on the recovery of the recorded deferred tax assets before their date expires.

As at 31 December 2017, tax losses carried forward amounting to 43,912,619 euro (54,752,193 euro as at 31 December 2016), have not originated deferred tax assets for prudential reasons and are detailed as follows:

	31 December 2017			31 December 2016		
	Tax losses carried forward	Tax Credit	Time limit	Tax losses carried forward	Tax Credit	Time limit
With limited time use						
Generated in 2012	-	-	2017	13.872.225	2.913.167	2017
Generated in 2013	25.043.382	5.259.110	2018	25.870.105	5.432.722	2018
Generated in 2014	49.633	10.423	2026	22.249	4.672	2026
Generated in 2015	4.751	998	2027	29.058	6.102	2027
Generated in 2016	19.292	4.051	2028	2.892.333	607.390	2028
Generated in 2017	6.368.844	1.337.457	2022	-	-	
	31.485.902	**6.612.039**		**42.685.969**	**8.964.054**	
Without limited time use	**12.001.155**	**3.000.289**		**11.658.674**	**2.914.669**	
With a time limit different from the above mentioned	**425.562**	**95.258**		**407.549**	**94.305**	
	12.426.717	**3.095.547**		**12.066.224**	**3.008.973**	
	43.912.619	**9.707.586**		**54.752.193**	**11.973.027**	

20. CASH AND CASH EQUIVALENTS

As at 31 December 2017 and 2016, cash and cash equivalents can be detailed as follows:

	31 December 2017	31 December 2016
Cash at hand	30.132	133.923
Bank deposits	7.276.938	32.604.013
Treasury applications	-	9.272
Cash and cash equivalents on the balance sheet	**7.307.069**	**32.747.208**
Bank overdrafts (Note 23)	(73.571)	(15.769)
Guarantee deposit	-	-
Cash and cash equivalents in the statement of cash-flows	**7.233.499**	**32.731.439**

Bank overdrafts include creditor balances of current accounts in financial institutions, and are disclosed in the balance sheet under current bank loans (Note 23).

The caption of other receipts / payments in the Cash Flow Statement includes mainly payments and receipts from other taxes, and settlements and receipts of other operating expenses or income.

Credit risk analysis is in accordance with caption 3.2.

21. 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 euro each.

As at 31 December 2017, Sonae Capital SGPS, S.A. owns 4,783,433 own shares (5,516,226 own shares at 31 December 2016) booked for 1,305,829 euro (1,404,226 euro at 31 December 2016).

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 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Demerger reserve	132.638.253	132.638.253
Translation reserves	146.352	12.876
Fair value reserves	-	-
Hedging reserves	6.370	5.004
Others	(94.517.536)	(88.414.342)
Other reserves and retained earnings	**38.273.439**	**44.241.791**

Demerger reserve

The demerger originated a reserve in the amount of 132,638,253 euro, which has a treatment similar to that of a Legal Reserve. According to Company Law, it cannot be distributed to shareholders, unless the company is liquidated, but can be used to make good prior year losses, once other reserves have been used fully, or for capital increases.

Translation reserves

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

Fair Value Reserves

In this caption is the fair value of the assets available for sale.

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.

Changes in Equity are detailed in the Consolidated Statements of Changes in Equity.

22. NON CONTROLLING INTERESTS

Movements in non-controlling interests in the periods ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Opening balance as at 1 January	9.925.965	10.247.125
Changes in the percentage of capital held in affiliated companies	776.824	(24.782)
Changes resulting from currency translation	27.009	482
Dividends paid	(926.710)	(1.441.468)
Others	-	45.913
Profit for the period attributable to minority interests	1.112.088	1.098.695
Closing balance	**10.915.176**	**9.925.965**

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

23. BORROWINGS

As at 31 December 2017 and 2016, Borrowings are made up as follows:

	31 December 2017		31 December 2016		
	Outstanding amount		Outstanding amount		Repayable on
	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)	-	4.000.000	-	-	Out/2021
Sonae Capital SGPS - commercial paper c)	3.200.000	-	-	-	Mar/2018
Sonae Capital SGPS - commercial paper d)	10.000.000	-	-	-	Jun/2018
Sonae Capital SGPS - commercial paper e)	-	10.000.000	-	-	Fev/2023
Sonae Capital SGPS - commercial paper f)	5.000.000	-			
Sonae Capital SGPS - commercial paper g)	-	-	-	20.000.000	Jun/2021
Up-front fees	-	(16.867)	-	(445.544)	
Others	1.966.697	3.235.083	1.121.468	977.912	
	24.666.697	**17.218.216**	**1.121.468**	**20.532.367**	
Bank overdrafts (Note 20)	73.571	-	15.769	-	
Bank loans	**24.740.268**	**17.218.216**	**1.137.237**	**20.532.367**	
Bond Loans					
Sonae Capital 2014/2019 Bonds h)	-	15.000.000	-	15.000.000	Jul/2021
Sonae Capital 2016/2021 Bonds i)	-	42.500.000	-	42.500.000	Mai/2019
Up-front fees	-	(254.190)	-	(392.289)	
Bond Loans	**-**	**57.245.810**	**-**	**57.107.711**	
Other loans	**48.788**	**197.389**	**117.400**	**246.177**	
Derivatives	**-**	**-**	**4.530**	**-**	
Obligations under finance leases	**3.422.578**	**13.867.519**	**3.214.278**	**16.449.963**	
Up-front fees on finance leases	**-**	**(60.437)**	**-**	**(73.991)**	
	28.211.634	**88.468.497**	**4.473.445**	**94.262.228**	

a) Commercial paper programme, with subscription guarantee, issued on 31 December 2013, with automatic annual renewals up to seven years and six months, unless denunciated by either party.
b) Commercial paper programme, with subscription guarantee, issued on 29 September 2017 and valid to October 2021.
c) Short-term commercial paper programme, issued on 28 March 2008 and valid for a 10-year period, which may be extended at the option of Sonae Capital. Placed in investors or financial institutions and guaranteed by credit lines, with commitment of at least six months to a year, placed in relationship banks.
d) Commercial paper programme, with subscription guarantee, issued on 30 June 2017 with annual payments, unless denounced by either party.
e) Commercial paper programme, with subscription guarantee, issued on 24 February 2017 and valid until February 2023, with semi-annual payments starting in 2019.
f) Commercial paper programme, without subscription guarantee, issued on 20 December 2017 with annual payments, issued to investors.
g) Commercial paper programme, with subscription guarantee, issued on 23 June 2016 and valid up to five years, with annual payments and grace period for one year.
h) Sonae Capital SGPS - 2016/2021 bond loan in the amount of 15,000,000 euro, with a 5 year maturity, and a sole reimbursement on 29 July 2021, unless the issuer requests a full or partial refund (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 euro, with a five year maturity, and a sole reimbursement on 28 May 2019. This bond loan bears interest every six months

The interest rate on bonds and bank loans in force on 31 December 2017 was on average 2.27% (2.69% in 31 December 2016)

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.

Other non-current loans include government reimbursable grants to Group companies, which do not bear interest. Fair value was not calculated for these subsidies due to their low values.

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

	31 December 2017		31 December 2016	
	Nominal value	**Interest**	**Nominal value**	**Interest**
N+1	22.700.000	(2.112.847)	4.468.915	2.557.645
N+2	52.500.000	(1.255.768)	8.786.986	2.280.282
N+3	-	(427.135)	51.245.074	1.368.522
N+4	19.000.000	(410.573)	8.466.613	482.773
N+5	-	(46.667)	22.619.129	422.525
After N+5	-	(2.917)	4.056.251	62.467
Total	**94.200.000**	**(4.255.907)**	**99.642.967**	**7.174.215**

As at 31 December 2017 and 2016, the credit lines available and the amount of contracted lines, can be summarized as follows:

	31 December 2017		31 December 2016	
	Commitments < 1 year	Commitments > 1 year	Commitments < 1 year	Commitments > 1 year
Value of available lines	43.650.000	68.500.000	64.462.766	30.000.000
Value of contracted lines	61.350.000	82.500.000	64.946.405	50.000.000

As at 31 December 2017 the reconciliation of the liabilities whose flows affect the financing activities are detailed as follows:

	31 December 2016	Cash	Non Cash			31 December 2017
			Acquisitions	Up front fees	Changes in Consolidation perimeter	
Non-Current Loans (Note 23 and 26)	96.319.652	(9.576.494)	-	442.231	3.225.679	90.411.068
Current Loans	4.473.445	19.528.358			4.209.831	28.211.634
	100.793.097	**9.951.864**		**442.231**	**7.435.510**	**118.622.702**

24. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2017 and 2016, Obligations under finance leases are made up as follows:

Obligations under finance leases	**Minimum finance lease payments**		**Present value of minimum finance lease payments**	
Amounts under finances leases:	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
N+1	3.698.446	3.549.899	3.422.578	3.214.278
N+2	3.565.384	3.550.020	3.355.296	3.283.104
N+3	3.564.885	3.416.974	3.419.195	3.214.318
N+4	2.848.597	3.416.428	2.763.738	3.276.618
N+5	3.297.885	2.699.879	3.256.291	2.619.305
After N+5	1.096.411	4.119.202	1.072.999	4.056.617
	18.071.609	**20.752.403**	**17.290.098**	**19.664.241**
Future Interest	(781.511)	(1.088.162)		
	17.290.098	19.664.241		

Up-front fees	(60.437)	(73.991)
Current obligations under finance leases	3.422.578	3.214.278
Obligations under finance leases - net of current obligations	**13.807.082**	**16.375.972**

Finance leases are contracted at market interest rates, have defined useful lives and include an option for the acquisition of the related assets. The interest rate of these contracts as at 31 December 2017 was on average 1.74% (1.80% at 31 December 2016).

As at 31 December 2017 and 2016, the fair value of finance leases is close to their book value.

Obligations under finance leases are guaranteed by the reservation of ownership of the leased assets.

As at 31 December 2017 and 2016, the book value of assets acquired under finance leases can be detailed as follows:

	31 December 2017	31 December 2016
Assets acquired under finance leases		
Plant and machinery	18.570.468	20.165.918
Fixtures and Fittings	2.130	2.650
Total tangible assets	**18.572.598**	**20.168.568**

25. DERIVATIVES

Interest rate derivatives

As of 31 December 2017 the Group has no hedging instruments.

Hedging instruments used by the Group as at 31 December 2016 were mainly interest rate options (cash-flow hedges) contracted with the goal of hedging interest rate risks on loans in the amount of 193,263 euro, whose fair value of 4,530 euro is recorded as liabilities in other loans. As at 31 December 2016 all derivatives were hedging derivatives.

These interest rate hedging instruments are valued at fair value as at the balance sheet date, determined by valuations made by the Group using derivative valuation calculation schedules and external valuations when these schedules do not permit the valuation of certain instruments. For options, fair value is determined using the Black-Scholes model and its variants.

The fair value of derivatives is calculated using valuation models based on assumptions which are confirmed by market benchmarks, thus complying with level 2 requirements set on the IFRS 7.

Risk coverage guidelines generally used by the Group in contractually arranged hedging instruments are as follows:

- Matching between cash-flows received and paid, i.e., there is a perfect match between the dates of the re-fixing of interest rates on financing contracted with the bank and the dates of the re-fixing of interest rates on the derivative;
- Perfect matching between indices: the reference index for the hedging instrument and that for the financing to which the underlying derivative relates are the same;
- In the case of extreme rises in interest rates, the maximum cost of financing is limited.

Counterparts for derivatives are selected based on their financial strength and credit risk profile, with this profile being generally measured by a rating note attributed by rating agencies of recognized merit. Counterparts for derivatives are top level, highly prestigious financial institutions which are recognized nationally and internationally.

Fair value of derivatives

The fair value of derivatives is as follows:

	Assets		Liabilities	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Non-Hedge accounting derivatives				
Interest rate	-	-	-	-
Hedge accounting derivatives				
Interest rate (Note 23)	-	-	-	4.530
Other derivatives	-	-	-	-
	-	**-**	**-**	**4.530**

26. OTHER NON-CURRENT CREDITORS

As at 31 December 2017 and 2016 other non-current creditors liabilities can be detailed as follows:

	31 December 2017	31 December 2016
Loans and other amounts payable to related parties		
Plaza Mayor Parque de Ocio, SA (Note 44)	1.739.399	1.825.274
Others	203.172	232.150
	1.942.571	**2.057.424**
Other creditors		
Creditors in the restructuring process of Torralta	650.478	623.702
Fixed assets suppliers	-	-
Others	5.349	-
	655.827	**623.702**
Deferred income		
Investment aid	-	606.056
Obligations by share-based payments (Note 27)	416.815	464.519
Others	-	-
	416.815	**1.070.574**
Pension fund responsabilities		
Other non-current creditors	**3.015.213**	**3.751.701**

In 2017, investment aid amounting to 606,056 euro were reclassified to Tangible Fixed Assets and Intangible Assets as permitted in IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

As at 31 December 2017 and 2016, other creditor's balances maturity can be detailed as follows:

31 December 2017	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other non current creditors	-	-	-	-	655.827	655.827
Total	**-**	**-**	**-**	**-**	**655.827**	**655.827**

31 December 2016	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other non current creditors	-	-	-	-	623.702	623.702
Total	**-**	**-**	**-**	**-**	**623.702**	**623.702**

27. SHARE-BASED PAYMENTS

In 2012 and in previous years, the Sonae Capital Group granted deferred performance bonuses to employees, based on shares of Sonae Capital SGPS, SA to be acquired at nil cost, three years after they were attributed to the employee. In any case, 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 choice 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 31 December 2017 and 2016, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

	Year of grant	Vesting year	Number of participants	Fair Value	
Shares				**31 December 2017**	**31 December 2016**
	2014	2017	6	-	406.269
	2015	2018	6	569.471	512.554
	2016	2019	6	415.708	368.445
	2017	2020	12	419.031	-
Total				**1.404.210**	**1.287.269**

As at 31 December 2017 and 2016, 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:

	31 December 2017	31 December 2016
Other non-current creditors (Note 26)	416.815	464.518
Other current creditors (Note 29)	569.471	406.269
Reserves		(170.768)
Staff Costs (Note 38)	**708.667**	**700.019**

28. TRADE ACCOUNTS PAYABLE

As at 31 December 2017 and 2016 trade accounts payable can be detailed as follows:

		Payable		
	31 December 2017	**Less than 90 days**	**90 to 180 days**	**More than 180 days**
Trade creditors current account				
Resorts	1.350.016	1.233.099	23.393	93.524
Hotels	1.061.426	944.723	90.960	25.742
Fitness	1.401.902	1.314.466	87.436	-
Energy	2.760.413	2.713.385	29.653	17.375
Refrigeration and HVAC	11.801.148	11.631.644	51.060	118.445
Other Assets	733.632	632.611	63.346	37.676
Metal	1.609.632	65.804	190.722	1.353.106
	20.718.170	**18.535.732**	**536.570**	**1.645.868**
Trade creditors - Invoices Accruals	4.651.631	3.960.623	164.295	526.713
Total Operations	**25.369.800**	**22.496.355**	**700.865**	**2.172.581**

		Payable		
	31 December 2016	**Less than 90 days**	**90 to 180 days**	**More than 180 days**
Trade creditors current account				
Resorts	1.632.377	1.449.710	136.321	46.347
Hotels	626.848	538.477	35.702	52.669
Fitness	993.969	973.927	13.001	7.040
Energy	2.548.252	2.547.049	20	1.183
Refrigeration and HVAC	8.914.751	8.464.145	303.384	147.222
Other Assets	538.323	476.278	13.057	48.988
Metal	-	-	-	-
	15.254.520	**14.449.586**	**501.485**	**303.449**
Trade creditors - Invoices Accruals	1.225.034	873.098	309.858	42.078
Total Operations	**16.479.554**	**15.322.684**	**811.343**	**345.527**

29. OTHER CREDITORS

As at 31 December 2017 and 2016 other creditors can be detailed as follows:

		Payable		
	31 December 2017	**Less than 90 days**	**90 to 180 days**	**More than 180 days**
Other creditors				
Fixed assets suppliers	2.392.508	2.173.509	37.954	181.045
Others	12.743.821	1.318.037	255.212	11.170.572
	15.136.329	**3.491.546**	**293.166**	**11.351.617**
Advances from customers and down payments	1.881.047			
	17.017.376			
Related parties	608.120			
Total	**17.625.496**			
		Payable		
	31 December 2016	**Less than 90 days**	**90 to 180 days**	**More than 180 days**
Other creditors				
Fixed assets suppliers	1.164.703	987.300	6.150	171.254
Others	2.482.586	1.333.683	61.764	1.087.139
	3.647.289	**2.320.983**	**67.914**	**1.258.393**
Advances from customers and down payments	838.494			
	4.485.783			
Related parties	204.288			
Total	**4.690.071**			

As at 31 December 2017 and 2016, this caption includes balances payable to other creditors and fixed assets suppliers that do not include interest. The caption includes also advances from customers on promissory sales of Inventories and tangible assets.

The balance of others includes the debt of the purchase of a finantial participation company for 8,750,000 euros (Note 46).

The Board of Directors believes that the fair market value of these payables is approximately their book value, and that effects of discounting these balances are immaterial.

30. OTHER CURRENT LIABILITIES

As at 31 December 2017 and 2016 other current liabilities can be detailed as follows:

	31 December 2017	31 December 2016
Staff Costs	7.590.826	6.376.663
Amounts invoiced for works not yet completed	3.658.159	4.892.128
Accruals of Purchases expenses - Energy segment	-	1.872.405
Interest payable	354.584	408.023
Investment aid	126.309	926.085
Others	11.951.630	10.514.414
Total Operations	**23.681.508**	**24.989.717**

Refrigeration and HVAC is the segment with the most significant contribution to works not yet completed, amounting to 3.6 million euros as at 31 December 2017 (4.8 million euros at 31 December 2016).

The amount included under Others respects to amounts relating to creditors for accrued expenses and income to be recognized.

As at 31 December 2017, the the accruals include expenses with various external supplies and services, remuneration and insurance to be settled in 2018, among others.

31. PROVISIONS AND ACUMULATED IMPAIRMENT LOSSES

Movements in provisions and accumulated impairment losses over the period ended 31 December 2017 and 2016 were as follows:

Captions	Balance as at 1 January 2017	Increases	Decreases	Utilisations	Transfers	Balance as at 31 December 2017
Accumulated impairment losses on:						
Tangible Assets (Note 10)	34.634.071	3.957.099	(3.956.323)	-	-	34.634.847
Intangible Assets (Note 11)	-	689.536	-	-	-	689.536
Goodwill (Note 12 and 41)	24.353.034	350.677	-	-	-	24.703.711
Other Investments (Notes 6.7 and 41)	323.781	-	(31.943)	-	-	291.838
Other non-current assets (Note 13)	34.916	-	-	-	-	34.916
Trade accounts receivable (Note 15)	4.259.204	2.648.681	(498.899)	(200.143)	-	6.208.847
Other current assets (Note 16)	2.003.417	147.342	(154.834)	-	-	1.995.925
Stocks (Note 14)	15.351.494	459.418	(10.108.216)	-		5.702.697
Non-current provisions	**3.079.824**	**-**	**-**	**-**	**-**	**3.079.824**
Current provisions	**3.939.016**	**2.138.438**	**(2.000)**	**(1.672.052)**	**-**	**4.403.401**
Total	**87.978.757**	**10.391.190**	**(14.752.215)**	**(1.872.195)**	**-**	**81.745.545**

Captions	Balance as at 1 January 2016	Increases	Decreases	Utilisations	Transfers	Balance as at 31 December 2016
Accumulated impairment losses on:						
Tangible Assets (Note 10)	39.129.797	3.006.017	(7.501.743)	-	-	34.634.071
Goodwill (Note 12)	1.301.596	23.051.438	-	-	-	24.353.034
Other Investments (Note 6 and 7)	323.781	-	-	-	-	323.781
Other non current assets (Note 13)	34.916	-	-	-	-	34.916
Trade accounts receivable (Note 15)	3.986.937	978.794	(372.415)	(334.112)	-	4.259.204
Other current debtors (Note 16)	565.400	1.506.119	(48.401)	(19.701)	-	2.003.417
Stocks (Note 14)	5.951.751	5.206.562	(1.077.752)	-	5.270.932	15.351.494
Non current provisions	**3.079.824**	**-**	**-**	**-**	**-**	**3.079.824**
Current provisions	**5.357.926**	**764.036**	**(179.078)**	**(2.003.868)**	**-**	**3.939.016**
Total	**59.731.929**	**34.512.966**	**(9.179.389)**	**(2.357.681)**	**5.270.932**	**87.978.757**

On December 2017 and 2016, the amounts recorded in provisions and impairment losses were recognized for prudence; it is not possible to predict when these provisions and impairment charges will result in future cash flows.

During an inventory of assets at 31 March 2016, it was detected that the accounting, in some assets, of the impairment charges from previous years in the amount of 5,270,932 euro was made in the account of Inventories and not in the impairment account. A decision was taken to transfer these amounts to the impairment account and disclose this event in transfers.

As at 31 December 2017 and 2016 increases in provisions and impairment losses can be detailed as follows:

	31 December 2017	31 December 2016
Provisions and impairment losses (Increases\Decreases)	1.705.512	27.831.673
Provisions and impairment losses recorded in cost of goods sold(note 14) and changes in inventories (note 36)	604	5.206.562
Impairment in Investment Income (note 41)	-	1.449.406
Godwill Impairment	350.677	-
Changes in consolidation perimeter	8.328.524	
others increase	**5.873**	**25.325**
Balance increases	**10.391.190**	**8.873.667**
Provisions and impairment losses (decreases)	14.263.817	8.873.667
Decreases in Provisions and impairment losses recorded in cost of goods sold (note 14 and 36)	447.991	1.076.105
Decreases in investments (note 41)	31.943	
Other reversals of impairment losses and provisions to the income statement	(409.938)	(769.236)
Changes in consolidation perimeter	267.628	-
Other decreases	**150.774**	**(1.147)**
Decreases on the balance sheet	**14.752.215**	**9.179.389**

Impairment losses are deducted from the book value of the corresponding asset.

As at 31 December 2017 and 2016 detail of other provisions was as follows:

	31 December 2017	31 December 2016
Judicial claims	2.225.121	1.697.459
Provision for secured income	1.451.279	2.628.037
Others	3.806.826	2.693.345
	7.483.226	**7.018.840**

The amount considered in "Provision for secured income" is calculated estimating the difference between the amount to be charged through the properties leased in Tróia and the secured income to be paid to property owners.

The amount to be charged through the marketing of real estate is estimated based on the average of the values obtained in previous years. It is expected that the provision for secured income, totalling 1,568,000 euro, will generate a cash outflow for the year 2018.

The judicial claims in progress relate essentially to litigation / damages in companies Inparvi SGPS, SA. and Societe de Tranchage Isoroy SAS.

In others, the provisions refer for assets dismantling.

32. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2017 and 2016 the most important contingent liabilities referred to guarantees given and were made up as follows:

	31 December 2017	31 December 2016
Guarantees given:		
on VAT reimbursements	5.199.346	5.199.346
on tax claims	15.163.918	17.589.470
on municipal claims	1.134.224	1.134.224
on loans	16.466.333	3.521.714
Others	9.574.135	10.172.103

Others include the following guarantees:

- 4,222,349 euro as at 31 December 2017 (5,872,865 euro as at 31 December 2016) of guarantees on construction works given to clients;
- 3,766,391 euro as at 31 December 2017 (3,766,391 euro as at 31 December 2016) of guarantees given concerning building permits in the Resorts segments.

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

33. OPERATIONAL LEASES

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognized as income during the period ended 31 December 2017 and 2016 amounted to 3,485,520 euro and 3,511,991 euro, respectively.

Additionally, as at 31 December 2017 and 2016, the Group had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	31 December 2017	31 December 2016
Due in:		
N+1 automatically renewed	1.594.484	3.309.035
N+1	1.171.374	2.116.111
N+2	920.950	1.959.339
N+3	841.753	1.546.687
N+4	731.306	1.427.361
N+5	6.562.400	978.808
After N+5	1.944.238	6.263.417
	13.766.505	**17.600.758**

Lease payments arising from operational leases, in which the Group acts as a lessee, recognized as an expense during the period ended 31 December 2017 and 2016 amounted to 7,668,609 euro and 4,980,633 euro, respectively.This variation took place in the fitness segment whose annual contribution amounted to 2,188,496 euro.

Additionally, as at 31 December 2017 and 2016, the Group had operational lease contracts, as a lessee, whose minimum lease payments (fixed income) had the following payment schedule:

	31 December 2017	31 December 2016
Due in:		
N+1 automatically renewed	2.964.068	3.002.254
N+1	310.811	451.841
N+2	310.811	394.410
N+3	155.015	361.699
N+4	-	185.762
N+5	-	27.371
After N+5	-	52.409
	3.740.705	**4.475.746**

34. TURNOVER

Turnover for the year ended 31 December 2017 and 2016 was as follows:

	31 December 2017	31 December 2016
Sale of goods	94.545.135	101.855.576
Sale of products	14.968.829	25.213.744
	109.513.964	127.069.320
Services Rendered	67.642.801	57.970.341
Continued Operations	**177.156.765**	**185.039.661**
Discontinued Operations	**6.402.261**	**6.287.249**
Total	**183.559.026**	**191.326.910**

The Sale of Products includes amounts from the sale of real estate assets totalling 9.9 million euro as at 31 December 2016 (23.7 million euro at 31 December 2016).

At 31 December 2017 the most significant amounts under IAS 11 - Construction contracts, are as follows:

	Total
Revenue on the works in progress for construction contracts at 31 December 2017	78 997 307
Invoicing on works in progress at 31 December 2017	78 401 688
Amounts not invoiced for works in progress at 31 December 2017	23 599 079
Expenses with works in progress at 31 December 2017	69 243 395
Other current liabilities - Works already invoiced but not yet performed (Note 30)	3 658 159
Inventories for the works in progress at 31 December 2017 (Note 14)	4 253 778

35. OTHER OPERATIONAL INCOME

Other operational income for the year ended 31 December 2017 and 2016 was as follows:

	31 December 2017	31 December 2016
Own work capitalised	676.761	44.284
Gains on sales of assets	2.707.951	36.972.509
Supplementary income	704.752	649.021
Others	2.505.966	3.681.711
Continued Operations	**6.595.430**	**41.347.525**
Discontinued Operations	**(194.214)**	**(431.331)**
Total	**6.401.216**	**40.916.194**

The caption Others includes in the year ended in 2017, (i) government subsidies (207,763 euro); (ii) foreign exchange gains (179,358 euro); (iii) adjustments to prior years associated with Taxes (517,853 euro) and other non-recurring gains related to the sale of assets (179,9361 euro). When compared to the previous year the difference in the amounts comes from non-recurring gains related to the sale of assets in 2016.

The caption “Gains on sales of assets” in 2016 includes the gain obtained in the sale of real estate assets located in Tróia, called UNOP 7, 8 and 9.

36. CHANGES IN INVENTORIES

Changes in Inventories for the years ended 31 December 2017 and 2016 was as follows:

	31 December 2017	31 December 2016
Finished goods	(2.705.566)	(7.410.866)
Work in progress	(4.217.353)	(9.466.774)
	(6.922.919)	(16.877.640)
Impairment losses (note 31)	439.653	(1.084.222)
Continued Operations	**(6.483.266)**	**(17.961.863)**
Discontinued Operations	**(1.103.110)**	**640.818**
Total	**(7.586.376)**	**(17.321.045)**

Changes in Inventories were calculated as follows:

	31 December 2017	31 December 2016
Opening inventories (Note 14)	87.824.711	100.877.564
Exchange rate effect	-	-
Changes in perimeter	1.990.605	69.146
Inventories adjustments	(2.238.533)	3.755.641
Closing inventories (Note 14)	80.653.864	87.824.711
	(6.922.919)	**(16.877.640)**
Impairment losses (Note 31)	-	(1.766.480)
Reversion of impairment losses	439.653	682.258
Continued Operations	**(6.483.266)**	**(17.961.863)**
Discontinued Operations	**(1.103.110)**	**640.818**
Total	**(7.586.376)**	**(17.321.045)**

37. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2017 and 2016, external supplies and services were made up as follows:

	31 December 2017	31 December 2016
Subcontracts	9.329.910	19.439.007
Services	8.077.330	7.248.822
Rents	10.250.087	6.733.833
Fees	1.230.222	835.674
Maintenance	5.440.273	4.619.215
Cleaning, health and safety	3.626.086	2.978.331
Electricity	2.849.290	2.502.136
Travelling expenses	1.121.534	872.442
Publicity	1.120.199	1.224.645
Fuel	701.376	603.052
Security	588.361	503.408
Communication	1.048.780	780.387
Comissions	3.187.248	3.950.027
Other fluids	1.109.474	1.071.333
Insurance	790.635	784.770
Others	5.266.355	4.392.191
Continued Operations	**55.737.160**	**58.539.273**
Discontinued Operations	**3.370.704**	**2.774.364**
Total	**59.107.864**	**61.313.637**

Refrigeration and HVAC is the segment with the most significant contribution to subcontracts, totalling 8 million euros as at 31 December 2017 (19.7 million euros at 31 December 2016). This decrease translates to the completion of the work Parklake.

The caption "Services" includes consultancy services, fees and subcontracting of labour. Compared to the previous year the differences in the amounts are from the increase of fees with consultancy services with ongoing projects in the Energy and Refrigeration and HVAC segments, as well the increase in the subcontracting of labour by the hotel segment.

The increases in “Rents” and “Communication” are mostly explained by the opening of new Solinca Health Clubs.

In “Fees” are included fees with lawyers, musicians and external staff (mainly personal trainers hired to the Fitness segment).

In “Commissions” are included the amounts with services provided by real state agencies and paid by the segments Hotels, Resorts and Other Assets.

The variation of the heading “Travelling expenses” resulted in the prospect of new business and follow-up of other existing ones.

“Maintenance” includes repair and maintenance services primarily for energy and fitness equipment.

In the caption “Others” are included, among others, bank services, water consumptions and costs with transports of goods.

38. STAFF COSTS

As at 31 December 2017 and 2016, staff costs were made up as follows:

	31 December 2017	31 December 2016
Salaries	27.183.087	24.709.345
Social security contributions	5.574.373	4.877.116
Insurance	595.114	598.150
Welfare	92.873	85.960
Other staff costs	1.517.875	1.353.876
Continued Operations	**34.963.322**	**31.624.447**
Discontinued Operations	**3.580.466**	**3.323.807**
Total	**38.543.788**	**34.948.254**

Sonae Capital's average headcount can be detailed as follows:

	31 December 2017	31 December 2016
Resorts	142	140
Hotels	236	277
Fitness	395	265
Energy	70	52
Refrigeration e HVAC	280	508
Industrial Engennering	125	-
Other Assets	120	111
	1.368	**1.353**

The caption "Staff costs" includes 708,667 euro (700,019 euro in 31 December 2016) with liabilities for payments in shares (Note 27).

39. OTHER OPERATIONAL EXPENSES

As at 31 December 2017 and 2016, other operational expenses were made up as follows:

	31 December 2017	31 December 2016
Losses on sales of assets	1.198.653	10.464
Other taxes	694.567	737.245
Property tax	1.328.857	856.535
CO2 Emissions	726.938	304.633
Doubtful debts written-off	-	3.145
Others	1.722.933	1.418.808
Continued Operations	**5.671.948**	**3.330.830**
Discontinued Operations	**50.455**	**348.824**
Total	**5.722.403**	**3.679.654**

The caption "Others" includes in the year ended in 2017, mainly, write-offs of debtor balances, foreign exchange losses, and tax penalties mostly paid in Romania.

40. NET FINANCIAL EXPENSES

As at 31 December 2017 and 2016, net financial expenses were made up as follows:

	31 December 2017	31 December 2016
Expenses:		
Interest payable		
Related with bank loans and overdrafts	429.883	1.873.525
Related with bank non convertible bonds	1.962.390	1.931.018
Related with finance leases	326.204	336.227
Related with hedge accounting derivatives	1.727	17.563
Others	109.377	138.371
	2.829.581	**4.296.704**
Exchange Losses	206	95.171
Payment discounts given	14.161	-
Up front fees	140.717	122.488
Other financial expenses	1.382.254	2.223.469
	4.366.919	**6.737.832**
Income:		
Interest receivable	118.625	407.281
Exchange gains	213	49.363
Cash payment discounts	-	-
Gains in value of hedging derivative instruments	-	-
Other financial income	2	1
	118.840	**456.645**
Continued Operations	**(4.248.079)**	**(6.281.187)**
Discontinued Operations	**(628.726)**	**(497.588)**
Total	**(4.876.805)**	**(6.778.776)**

At 31 December 2017, the caption “Other financial expenses” mainly includes expenses with bank commissions.

41. INVESTMENT INCOME

As at 31 December 2017 and 2016, Investment income was made up as follows:

	31 December 2017	31 December 2016
Dividends	**-**	**119.197**
Adjustment to the liquidation price of "Sodesa SA."	1.448	
Acquisition of Suncoutim Solar Energy S.A.		1.689
Acquisition of Acrobatic Title S.A.		1.359
Adjustment to the liquidation price of "Powercer SA."	4.944	
Adjustment to the selling price of "Box Lines Navegação"	54.840	119.300
Losses on sales of group companies	(116.872)	-
Gains in the acquisition of group companies (Note 8)	2.414.496	-
Gains of investments in group companies	**2.358.856**	**122.348**
Equity settlement in other investments (Note 6)	-	17.808.072
Impairment losses (Note 31)	(318.739)	(1.449.563)
Sale of investment units from "Fundo de Investimento Imobiliário Fechado Imosede"	-	(22.325)
Settlement of the sale agreement of UPK - Gestão de Facilities e Manutenção SA	(23.039)	(247.557)
Gains/(Losses) on sale of other investments	**(341.778)**	**16.088.627**
Others	**(7)**	**(244)**
Investment Income	**2.017.071**	**16.329.928**
Discontinued Operations	-	-
Total Operations	**2.017.071**	**16.329.928**

42. TAXATION

As at 31 December 2017 and 2016, Taxation was made up as follows:

	31 December 2017	31 December 2016
Current tax	533.618	878.846
Deferred tax	1.371.182	4.923.230
Taxation	**1.904.800**	**5.802.076**
Discontinued Operations	**414**	**-**
Continued Operations	**1.905.214**	**5.802.076**

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2017 and 2016 may be summarised as follows:

	31 December 2017		31 December 2016	
	Basis of incidence	Tax amount	Basis of incidence	Tax amount
Profit before income tax (1)	**(577.316)**		**24.494.970**	
Income tax rate in Portugal	21%		21%	
Theorical Income tax		(121.236)		5.143.944
Increases / (Reductions) to the taxable amount:				
Difference between accounting and tax treatment of capital gains/(losses)	(6.628.331)	(1.391.949)	(59.195.383)	(12.431.030)
Share of results of associated companies	(391.017)	(82.114)	(350.193)	(73.541)
Provisions and impairment losses not accepted for tax purposes	(3.404)	(715)	20.752.254	4.357.973
Other permanent differences	(5.612.058)	(1.178.532)	(9.769.302)	(2.051.554)
Use of tax losses carried forward	(897.909)	(188.561)	(147.832)	(31.045)
Recognition of tax losses that have not originated deferred tax assets	25.377.138	5.329.199	28.038.403	5.888.065
Effect of different income tax rates in other countries	-	15.692	-	16.033
Effect of increases or decreases in deferred taxes from previous years	-	1.993.727	-	(3.711.812)
Effect of increases or decreases in deferred taxes from current year	-	(703.369)	-	8.635.041
Municipality tax	-	272.958	-	728.811
Under / (over) taxation estimates	-	(2.231.362)	-	(833.267)
Autonomous taxes and tax benefits	-	301.414	-	164.374
Others	-	(110.351)	-	83
Taxation (2)	**11.267.102**	**1.904.800**	**3.822.917**	**5.802.076**

43. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 31 December 2017 and 2016, the reconciliation of consolidated net profit can be analysed as follows:

	31 December 2017	31 December 2016
Aggregate net profit - continued operations	55.800.698	61.872.177
Aggregate net profit - discontinued operations	(2.702.520)	(990.019)
Harmonisation adjustments	4.490.623	(1.209.365)
Elimination of intragroup dividends	(156.478.402)	(456.894.269)
Share of gains/(losses) of associated undertakings	391.017	62.953
Elimination of intragroup capital gains/(losses)	68.715.926	-
Elimination of intragroup impairment	7.321.776	444.423.881
Adjustments of gains/(losses) of financial shareholdings sale	17.059.486	(28.572.463)
Others	(7)	-
Consolidated net profit for the year - continued operations	**(2.482.116)**	**20.519.657**
Consolidated net profit for the year - discontinued operations	**(2.919.288)**	**(1.826.762)**
Consolidated net profit for the year	**(5.401.404)**	**18.692.895**

44. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2017 and 2016 with related parties are detailed as follows:

	December 2017		December 2016	
Transactions	**Sales and services rendered** (Note 34)	**Purchases and services obtained** (Note 37)	**Sales and services rendered** (Note 34)	**Purchases and services obtained** (Note 37)
Parent company	**-**	**-**		
Associated companies	**26.535**	**20.319**	**56.347**	**28.494**
Feneralt - Produção de Energia, ACE	16.406	21.174	33.898	(1.714)
Lidergraf - Artes Gráficas, Lda	10.129	42.033	22.449	30.208
Other partners and Group companies	**46.732.281**	**6.833.999**	**44.788.940**	**5.098.117**
8ª Avenida - Centro Comercial, SA	-	-	18.476	-
Águas Furtadas - Soc. Agricola, SA	2.506	1.378	2.442	-
Alpêssego - Sociedade Agrícola, SA	6.658	-	4.250	(327)
Casa Agrícola de Ambrães, S.A.	2.398	-	-	-
Aqualuz - Turismo e Lazer, Lda	1.639.787	4.244	-	-
Arrábidashopping- Centro Comercial, S.A.	2.302	-	-	-
Asprela - Sociedade Imobiliária, S.A.	142.474	-	-	-
BB Food Service, SA	353.181	(6.020)	670.222	(12.495)
BOM MOMENTO - Comércio Retalhista, SA	296.486	(34)	10.850	(7.129)
Bright Brands SportsGoods, S.A.	6.231	-	-	-
Bright Development Studio, S.A.	1.738	-	-	-
Cascaishopping- Centro Comercial, S.A.	701.572	(5)	680.007	(884)
Centro Colombo- Centro Comercial, S.A.	877.684	1.164.653	1.139.096	231.646
Continente Hipermercados, S.A.	6.218.922	(33.967)	1.209.406	4.432
Contimobe-Imobil.Castelo Paiva,SA	-	4.830	361.226	4.417
Digitmarket-Sistemas de Informação,SA	261	269.065	75	241.095
Discovery Sports, SA	11.390	-	14.204	(1.283)
Efanor Investimentos, SGPS, S.A.	244	-	46	-
Efanor Serviços de Apoio à Gestão, S.A.	67.364	-	66.850	-
Sierra Spain, Shop. Centers Serv.,S.A.U.	-	-	198	-
Estação Viana - Centro Comercial, S.A.	16	-	140	-
Euroresinas-Indústrias Quimicas,SA	-	7.340	-	17.756
Fashion Division, S.A.	4.292	-	4.184	-
Guimarãeshopping- Centro Comercial, S.A.	2.327	-	-	-
Iberosegur - Sociedade Ibérica de Mediação de Seguros, Lda	1.187	-	-	-
Fundo de Invest. Imobiliário Imosede	92.481	564.639	93.868	523.680
Imosistema-Sociedade Imobiliária,SA	968	-	9.628	(1.572)
Fundo Invest. Imobiliário Imosonae Dois	77.215	-	-	-
Infofield-Informática,SA	-	-	2.132	-
Insco Insular de Hipermercados, S.A.	1.169.751	(2.092)	488.584	(11.189)
LCC LeiriaShopping Centro Comercial SA	13.242	-	1.242	-
Loureshopping-Centro Comercial, S.A.	-	-	37.216	-
Madeirashopping- Centro Comercial, S.A.	-	-	13.145	-
NOS Sistemas S.A.	21.082	1.097.232	-	-
Modelo - Dist.de Mat. de Construção,S.A.	61.605	-	93.855	-
Modelo Continente Hipermercados,SA	24.469.926	1.025.173	30.657.260	534.598
Modelo Continente Hipermercados, Suc.	1.023	10.800	-	9.600
MDS Affinity-Sociedade de Mediação Lda	-	-	1.163	-
MDS Corretor de Seguros, SA	373.594	157	373.644	(9.289)
MDS RE-Mediador de Resseguros, S.G.P.S., S.A.	-	-	472	-
MDS Africa SGPS, S.A.	1.806	-	-	-
MDS Auto - Mediação de Seguros, SA	1.902	-	2.478	-
Herco Consultoria de Risco,SA	11.068	2.687	11.262	3.597
MDS, SGPS, SA	951	-	981	-

Modalfa-Comércio e Serviços,SA	97.537	(603)	82.192	-
MODALLOOP - Vestuário e Calçado, SA	380	-	(5.829)	-
Movelpartes-Comp.para Ind.Mobiliária,SA	1.209	-	297	-
Norteshopping-Centro Comercial, S.A.	30.500	345.477	5.615.113	-
Paracentro - Gest.de Galerias Com., S.A.	46.009	4.600	138.371	3.400
Parklake Shopping, S.A.	7.272.210	(366)	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	3.609	541	88.522	412
Prosa - Produtos e Serviços Agrícolas,S.A.	52.857	2.765	-	-
Público-Comunicação Social,SA	90	8.240	345	2.734
Saphety Level - Trusted Services S.A.	-	150.356	-	149.074
SONAESR - Serviços e logistica, S.A.	27.212	-	40.064	(6.396)
Sempre à Mão - Sociedade Imobiliária,SA	20.218	-	262.640	-
Sonae Financial Services, S.A.	1.874	-	-	-
Sonae Indústria-SGPS,SA	3.362	-	1.112	-
Sonae Arauco Portugal, S.A.	74.369	8.749	59.420	(213)
Sonae Industria de Revestimentos,SA	411.012	331.612	404.227	390.923
SIRS-Soc.Ind.Radiodifusão Sonora,SA	-	25.257	2.423	19.218
Sierra Management Portugal-Gest. CC,S.A.	11.110	770.293	46.392	1.927.998
Socijofra-Sociedade Imobiliária,SA	-	-	38.645	-
Sohi Meat Solut-Distr. Carnes	125.220	53.862	-	-
Sonae Center Serviços II, SA	125.272	526.999	127.789	519.035
Sonae.com,SGPS,SA	-	11.280		1.287
Sonae Investment Management-S.T.,SGPS,S.A.	287	-	-	-
Sonaecom - Serviços Partilhados, S.A	98.451	(149.148)	93.603	(131.729)
Sonaegest-Soc.Gest.Fundos Investimentos	2.882	223.792	5.616	225.400
Sonae MC - Modelo Continente, SGPS, SA	-	-	-	(713)
Sonaerp - Retail Properties, SA	977.433	6.829	1.165.690	35.071
Sonae SGPS, SA	14.633	50.000	13.928	50.000
Sysvalue Consultadoria, Int e Seg SI, S.A.	-	-	538	-
Sport Zone-Comércio Art.Desporto,SA	29.625	52.921	39.296	53.667
Sonae Arauco, S.A.	2.533	-	9.331	-
Textil do Marco,SA	110.860	-	115.682	-
Tableros Tradema,S.L.	1.702	-	8.593	-
Centro Vasco da Gama-Centro Comercial,SA	-	4.878	-	5.854
We Do Consulting-SI,SA	181	295.548	-	317.242
Worten-Equipamento para o Lar,SA	330.141	37	422.035	9.279
ZIPPY - Comércio e Distribuição, SA	25.691	-	44.303	(79)
	46.758.816	**6.854.318**	**44.845.287**	**5.126.611**

Transactions	Interest income (Note 40)	Interest expenses (Note 40)	Interest income (Note 40)	Interest expenses (Note 40)
Parent company				
Associated companies	**41.660**	**-**	**261.447**	**-**
Andar-Sociedade Imobiliária,SA	41.660	-	57.432	-
Norscut - Concessionária de Scut Interior Norte, SA		-	204.015	-
Other partners and Group companies	**-**	**87.804**	**-**	**96.645**
	41.660	**87.804**	**261.447**	**96.645**

	December 2017		December 2016	
Balances	**Accounts receivable** (Notes 15 and 16)	**Accounts payable** (Notes 28 and 29)	**Accounts receivable** (Notes 15 and 16)	**Accounts payable** (Notes 28 and 29)
Parent company			**-**	**-**
Associated companies	**34.294**	**17.105**	**112.744**	**3.074**
Andar-Sociedade Imobiliária,SA	16.054	-	28.347	-
Feneralt - Produção de Energia, ACE	9.333	-	79.716	-
Lidergraf - Artes Gráficas, Lda	8.907	17.105	4.681	3.074
Other partners and Group companies	**7.586.105**	**2.117.281**	**10.717.353**	**1.480.910**

Águas Furtadas - Soc. Agricola, SA	257	-	299	-
Algarveshopping- Centro Comercial, S.A.	21.943	-	16.479	-
Alpêssego - Sociedade Agrícola, SA	2.866	-	292	-
BB Food Service, SA	101.974	1.783	80.579	-
BOM MOMENTO - Comércio Retalhista, SA	157.504	-	4.055	-
Casa Agrícola de Ambrães, S.A.	171	-	-	-
Cascaishopping- Centro Comercial, S.A.	163.696	-	-	-
Centro Colombo- Centro Comercial, S.A.	75.232	199.160	139.374	16.545
Contimobe-Imobil.Castelo Paiva,SA	404	993	77.223	1.500
Continente Hipermercados, S.A.	1.630.860	10.144	350.457	4.945
Digitmarket-Sistemas de Informação,SA	133.948	39.418	106.409	692
Discovery Sports, SA	-	-	2.010	-
Efanor Serviços de Apoio à Gestão, S.A.	2.709	5.512	6.923	5.451
Sonaerp - Retail Properties, SA	390.668	34.839	5.341	58.919
Estação Viana - Centro Comercial, S.A.	-	-	4.445	-
Euroresinas-Indústrias Quimicas,SA	-	10.160	-	12.926
Fashion Division, S.A.	1.364	-	1.364	-
Fundo de Invest. Imobiliário Imosede	13.502	6.410	43.665	44.556
Guimarãeshopping- Centro Comercial, S.A.	163	-	720	-
Herco Consul.Riscos Corret.Seguros, Ltda	-	-	-	1.071
Imosistema-Sociedade Imobiliária,SA	-	-	11.842	-
Infofield-Informática,SA	1.683	-	1.683	-
Insco Insular de Hipermercados, S.A.	523.525	-	108.945	-
LCC LeiriaShopping Centro Comercial SA	9.372	-	2.628	-
Loureshopping-Centro Comercial, S.A.	1.768	-	37.216	-
Madeirashopping- Centro Comercial, S.A.	-	-	42.432	-
MDS Consulting, SA	-	1.918	-	-
MDS Corretor de Seguros, SA	17.948	106.257	33.098	129.892
Mds Knowledge Centre, Unipessoal, Lda	-	-	-	-
MDS RE-Mediador de Resseguros, S.G.P.S., S.A.	838	-	(530)	-
Modalfa-Comércio e Serviços,SA	68.245	-	8.554	-
MODALLOOP - Vestuário e Calçado, SA	6.241	6.235	-	6.235
Modelo - Dist.de Mat. de Construção,S.A.	989	-	94.402	-
Modelo Continente Hipermercados, Suc.	160	-	-	-
Modelo Continente Hipermercados,SA	3.550.053	311.852	6.961.465	260.677
Movelpartes-Comp.para Ind.Mobiliária,SA	494	-	-	-
Norteshopping-Centro Comercial, S.A.	21.699	347.635	-	456.799
Paracentro - Gest.de Galerias Com., S.A.	-	4.000	-	1.700
Parklake Shopping, S.A.	-	117.207	1.924.623	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	1.841	-	7.000	-
Plaza Mayor Parque de Ocio,SA	-	40.300	-	40.300
Prosa - Produtos e Serviços Agrícolas,S.A.	28.772	3.740	-	-
Público-Comunicação Social,SA	-	1.047	-	780
Rio Sul - Centro Comercial, SA	6.334	-	6.334	-
Saphety Level - Trusted Services S.A.	-	53.466	-	35.174
SEKIWI, SGPS., S.A.	273	-	80	-
Sempre à Mão - Sociedade Imobiliária,SA	-	-	38.209	-
Somit Imobiliária,SA	-	-	2.261	-
Sierra Management Portugal-Gest. CC,S.A.	5.357	29.276	87.257	91.435
Sierra Spain, Shop. Centers Serv.,S.A.U.	-	-	210	-
SIRS-Soc.Ind.Radiodifusão Sonora,SA	-	7.824	1.997	3.953
Sohi Meat Solut-Distr. Carnes	119.910	27.332	-	-
Sonae Arauco Portugal, S.A.	19.861	10.890	14.398	(130)
Sonae Arauco, S.A.	544	-	754	-
Sonae Center Serviços II, SA	52.498	183.618	9.808	77.314
Sonae Industria de Revestimentos,SA	185.960	83.380	137.810	106.546
Sonae Indústria-SGPS,SA	830	-	290	-
Sonae SGPS, SA	5.341	50.000	1.265	50.000
Sonae.com,SGPS,SA	-	4.059	-	250
Sonaecom - Serviços Partilhados, S.A	25.460	-	23.587	300
Sonaegest-Soc.Gest.Fundos Investimentos	-	16.849	-	16.657
Sonaerp – Retail Properties, S.A.	-	-	5.341	58.919
SONAESR - Serviços e logistica, S.A.	10.289	-	33.944	-
Spinarq, S.A.	-	-	13.232	-
Sport Zone-Comércio Art.Desporto,SA	2.178	14.337	1.083	8.158
Tableros Tradema,S.L.	215	-	811	-
Textil do Marco,SA	9.101	119	8.817	119
We Do Consulting-SI,SA	20.191	86.412	-	39.800
Worten-Equipamento para o Lar,SA	79.431	9.221	260.645	8.346
ZIPPY - Comércio e Distribuição, SA	5.807	-	1.568	-

	7.620.399	**2.134.386**	**10.830.097**	**1.483.984**

Balances	**Loans obtained** (Note 26)	**Loans granted** (Note 13)	**Loans obtained** (Note 26)	**Loans granted** (Note 13)
Parent Company	**-**	**-**	**-**	**--**
Associated companies	**-**	**872.739**	**-**	**839.697**
Andar-Sociedade Imobiliária,SA	-	872.739	-	839.697
Feneralt - Produção de Energia, ACE	-	-	-	**-**
Other partners and Group companies	**1.710.059**	**-**	**1.825.274**	**-**
Plaza Mayor Parque de Ocio, SA	1.710.059	-	1.825.274	-
	1.710.059	**872.739**	**1.825.274**	**839.697**

Remunerations attributed in 2017 to key management staff of main companies of the Sonae Capital Group (excluding members of the Board of Directors of Sonae Capital, SGPS, SA) amounted to 1,140,331 euro (1,193,592 euro in 2016), of which 690,763 euro (706,413 euro in 2016) are fixed remunerations and 449,568 euro (487,180 euro in 2016) are performance bonuses.

45. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2017 and 2016 were calculated taking into consideration the following amounts:

	31 December 2017	31 December 2016
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	(6.513.485)	17.594.199
Effect of potential shares	-	-
Interest of convertible bonds (net of taxes)	-	-
Net profit taken into consideration to calculate diluted earnings per share	(6.513.485)	17.594.199
Number of shares		
Weighted average number of shares used to calculated basic earnings per share	247.409.380	246.740.156
Weighted average number of shares used to calculated diluted earnings per share	247.409.380	246.740.156
Earnings per share (basic and diluted) - Continued operations	**(0,014527)**	**0,078710**
Earnings per share (basic and diluted) - Discontinued operations	**(0,011799)**	**(0,007404)**
Earnings per share (basic and diluted)	**(0,026327)**	**0,071307**

There are no convertible instruments included in Sonae Capital, SGPS, SA's shares, hence there is no dilutive effect in earnings.

46. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS

As at 31 December 2017 and 2016, cash receipts and cash payments related to investments can be analysed as follows:

	31 December 2017		31 December 2016	
	Amount received	Amount paid	Amount received	Amount paid
Acquisition of "Lusobrisa, SA."	-	5.611.417	-	-
Acquisition of "Ventos da Serra, SA."	-	20.135.622	-	-
Acquisition of "Adira, SA."	-	10.220.186	-	-
Acquisition of "Gasflow, SA."	-	2.947.414	-	-
Acquisition of "Siaf Energia, SA."	-	1.790.843	-	-
Sale of "Norscut, S.A." (Note 6)	-	-	35.226.649	-
Sale of "Operscut, S.A." (Note 6)	-	-	1.726.000	-
Adjustment price of "UPK - Gestão Facilitie Manutenção, SA"	146.832	-	-	-
Sale of units from "Fundo Inv. Imobiliario Imosonae Dois"	-	-	100.466	-
Adjustment to the liquidation price of "Powercer SA."	7.953	-	-	-
Sale of "Spred SGPS SA"	1	-	-	-
Acquisition of "Suncoutim - Solar Energy, SA."	-	-	-	3.084.994
Acquisition of "Acrobatic, SA."	-	-	-	5.000
Adjustment to the selling price of "Box Lines Navegação"	600.000	-	600.000	-
Other	57.683	46.347	31.042	98.163
Cash and Cash equivalents of "Lusobrisa\Ventos da Serra\ Gasflow\ Adira\ Guimadira e Siaf Energia SA" (Note 8)	3 025 803	-	478.496	-
Total Operations	**3.838.272**	**40.751.829**	**38.162.653**	**3.188.157**

47. SEGMENT INFORMATION

In 31 December 2017 and 2016, the following were identified as segments:

- Resorts:
- Hotels
- Fitness
- Energy
- Refrigeration and HVAC
- Other Assets
- Industrial Engineering.

The contribution of the business segments to the income statement of the periods ended 31 December 2017 and 31 December 2016 can be detailed as follows:

31 December 2017

Profit and Loss Account	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Other Assets	Intersegment Adjustments	Consolidated
Turnover	21.669.005	19.768.311	23.247.906	45.218.677	51.240.237	4.269.895	22.320.699	(10.577.965)	177.156.765
Other operational income	3.428.389	579.158	685.539	1.390.374	128.969	145.939	1.280.807	(1.043.744)	6.595.431
Total operational income	25.097.394	20.347.469	23.933.445	46.609.052	51.369.206	4.415.834	23.601.506	(11.621.710)	183.752.196
Operational cash-flow (EBITDA)	3.381.199	(605.280)	1.960.122	14.192.424	962.821	(590.526)	780.870	444.886	20.526.516

31 December 2016

Profit and Loss Account	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Other Assets	Intersegment Adjustments	Consolidated
Turnover	29.510.877	17.001.324	18.087.904	38.230.975	60.891.075	-	32.361.758	(11.044.252)	185.039.661
Other operational income	38.653.460	603.897	343.411	1.205.013	1.180.231	-	757.210	(1.395.697)	41.347.525
Total operational income	68.164.337	17.605.221	18.431.315	39.435.989	62.071.305	-	33.118.969	(12.439.950)	226.387.186
Operational cash-flow (EBITDA)	17.207.785	(2.301.167)	1.868.483	8.466.806	2.895.600	-	3.207.537	-	31.345.045

The contribution of the business segments to the Balance sheets as at 31 December 2017 and 31 December 2016 can be detailed as follows:

31 December 2017

Balance Sheet	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Other Assets	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	108.537.442	12.618.277	10.476.681	67.475.147	9.763.348	17.078.211	121.792.174	(25.110.414)	322.630.866
Investments	49.655.358	10.849.159	25.662	172.389	15.484	1.912.507	301.598.621	(362.231.722)	1.997.458
Other Assets	52.803.428	5.694.754	2.287.983	12.812.445	49.527.629	16.903.442	488.073.988	(436.605.386)	191.498.283
Total Assets	210.996.228	29.162.190	12.790.326	80.459.981	59.306.461	35.894.160	911.464.783	(823.947.522)	516.126.607
Total Liabilities	183.193.486	25.962.972	9.029.069	72.862.309	21.196.764	12.362.419	332.882.297	(437.525.567)	224.757.320
Technical investment	1.889.402	954.495	3.232.316	4.666.123	102.031	96.682	1.792.791	(10.539)	12.723.301
Gross Debt	9.886.023	-	964.151	7.582.867	73.571	4.227.709	93.945.810	-	116.680.131
Net Debt	9.340.181	(334.502)	838.451	7.373.986	(2.590.142)	4.032.147	90.712.940	-	109.373.062

31 December 2016

Balance Sheet	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Other Assets	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	115.857.957	12.729.785	9.145.613	29.695.898	9.853.707	-	131.504.913	(24.546.482)	284.241.391
Investments	46.712.016	10.693.538	11.573	98.948	9.691	-	342.388.894	(398.200.905)	1.713.755
Other Assets	60.237.499	9.948.572	2.537.855	7.882.427	44.978.632	-	538.990.283	(450.152.835)	214.422.433
Total Assets	222.807.472	33.371.895	11.695.041	37.677.273	54.842.030	-	1.012.884.090	(872.900.222)	500.377.579
Total Liabilities	187.208.324	30.113.066	8.944.775	32.545.115	20.914.865	-	350.921.833	(450.628.130)	180.019.848
Technical investment	1.212.720	1.359.711	1.994.065	3.764.716	71.574	-	1.014.124	(2.668)	9.414.242
Gross Debt	11.715.949	-	158.972	9.658.175	515.200	-	76.687.376	-	98.735.673
Net Debt	10.844.588	(102.001)	83.404	8.830.431	(110.543)	-	46.442.585	-	65.988.465

Contribution of the main business segments to the cash-flow statement for the periods ended 31 December 2017 and 2016 can be detailed as follows:

31 December 2017

	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Other Assets	Consolidated
Operational Activities	1.836.098	5.656.897	4.445.759	11.451.148	6.358.210	(3.301.415)	1.940.314	28.387.011
Investment Activities	4.434.346	(881.096)	(1.877.079)	(29.815.432)	34.124	(10.319.669)	2.084.310	(36.340.496)
Finantial Activities	(1.942.886)	(565)	(41.341)	(4.452.337)	(8.028)	(773.238)	(10.256.101)	(17.474.496)
Changes in Cash and Cash Equivalents	(325.517)	232.502	50.132	(618.865)	2.050.128	194.651	(27.011.012)	(25.427.981)

31 December 2016

	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Industrial Engineering	Other Assets	Consolidated
Operational Activities	11.335.626	5.294.061	3.869.228	8.719.751	(7.410.733)	-	1.541.887	23.349.843
Investment Activities	48.045.317	(1.200.951)	(2.211.578)	(5.580.202)	(14.742)	-	43.261.644	82.237.080
Finantial Activities	(2.086.157)	(1.490)	(319.877)	1.588.225	(364.718)	-	(107.544.424)	(108.728.441)
Changes in Cash and Cash Equivalents	57.294.786	4.091.620	1.337.772	4.727.776	(7.790.188)	-	(62.740.907)	(3.141.518)

48. ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

	31 December 2017
Tangible assets	10.872
Intangible assets	2.120
Other non-current assets	66.309
Inventories	25.000
Trade account receivables	592.294
Other debtors	42.829
Income tax receivable	1.448.837
Other current assets	2.418
Cash and cash equivalents	225.153
Assets held for sale	**2.415.830**
Loans	220.586
Trade creditors	602.842
Income tax payable	830.184
Other creditors	(5.257)
Other current liabilities	3.145.218
Liabilities associated with assets held for sale	**4.793.573**

49. FAIR VALUE

Fair value was only considered for the purpose of evaluating the company's tangible fixed assets, intangible assets and inventories, which, despite being recorded at cost, were evaluated in order to test their impairment. The valuations of the Group's real estate assets were made by the company Cushman & Wakefield-Consultoria Imobiliária, Unipessoal, Lda. According to the "RICS Valuation january 2014 - Professional Standards" published by "The Royal Institution of Chartered Surveyors".

Regarding the fair value hierarchy used:

Level 1 - nothing to mention;

Level 2 - real estate valuations of tangible fixed assets and inventories (note 14), considered in the respective tables in column (VM). In fact, these properties have been valued at their market value, which is defined as the estimated amount for the transaction of an asset or liability at the valuation date between a willing buyer and seller without any relationship, after an appropriate period of trading, and in which the parties have acted consciously, prudently and without coercion. For the purpose of valuations at market value, market comparisons were used essentially.

Level 3 - real estate valuations of tangible fixed assets and inventories (note 14), considered in the respective tables in column (OM). It is defined as value opinion when the normal valuation parameters are not met and as such, the reported amount cannot be considered as the market value.

50. COMPLIANCE WITH LEGAL REQUIREMENTS

Decree Law Nr. 185/09 article 11

During the years ended 31 December 2017 and 2016, the following amounts have been paid to the company's external auditor:

	31 December 2017		31 December 2016	
Audit and Statutory Audit [1]	163.155	97,42%	178.002	85,90%
Other Assurance [2]	3.461	2,07%	-	0,00%
Tax Consultancy [2]	-	0,00%	-	0,00%
Other Services [2]	855	0,51%	29.180	14,10%
Total	167.471	100%	207.182	100%

1. Fees agreed for the year.
2 Amounts already paid.

The amount in "Other Services" is related to the provision of work services of reasonable assurance of reliability on the document of accountability regarding the Real Rights of housing and the Services of Tourist Use, to be prepared by the Administrative Entity of the Employee for the purpose of presentation to the holders of the Real Rights of Periodic Housing and to the joint owners.

The amount of "Other services" refers to Training provided to Sonae Capital employees in open enrolment for the entire market.

51. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 31 December 2017.

52. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 2 March 2018.

The Board of Directors

Duarte Paulo Teixeira de Azevedo
Chairman

Maria Cláudia Teixeira de Azevedo
CEO

Álvaro Carmona e Costa Portela
Member of the Board of Directors

Ivone Pinho Teixeira
CFO

Francisco de La Fuente Sánchez
Member of the Board of Directors

Miguel Jorge Moreira da Cruz Gil Mata
Member of the Board of Directors

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

Parte VI
SEPARADED FINANCIAL STATEMENTS

31 December 2017

SONAE CAPITAL, SGPS, SA — BALANCE SHEET AS AT 31 DECEMBER 2017 AND 31 DECEMBER 2016

Amounts expressed in euro	Notes	31/12/2017	31/12/2016
ASSETS			
NON-CURRENT ASSETS			
Tangible assets		27.721	28.660
Investments	4	300.257.447	307.179.610
Investments in associated companies and joint ventures	4	1.125.301	1.125.301
Other investments	4	275.185	275.185
Deferred tax assets	7	16.764.699	14.314.699
Other non-current debtors	5	314.130.162	332.918.086
Total non-current assets		**632.580.515**	**655.841.541**
CURRENT ASSETS			
Other debtors	6	61.331.400	34.507.441
Income tax receivable	6	1.639.593	2.163.794
Other current assets	6	4.316.836	8.991.069
Cash and cash equivalents	8	171.848	27.861.181
Total Current Assets		**67.459.677**	**73.523.485**
TOTAL ASSETS		**700.040.192**	**729.365.026**

EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	250.000.000	250.000.000
Own Shares	9	(1.305.839)	(1.404.226)
Reserves	10	301.630.917	316.888.258
Profit/(Loss) for the year		5.589.342	8.738.316
TOTAL EQUITY		**555.914.420**	**574.222.348**
LIABILITIES			
Non-current liabilities			
Bank Loans	11	14.000.000	19.579.665
Bonds	11	57.245.810	57.107.711
Other non-current liabilities	13	287.354	360.486
Total Non-Current Liabilities		**71.533.164**	**77.047.862**
Current liabilities			
Bank Loans	13	22.700.000	101.559
Trade creditors	11	137.599	15.990.000
Other creditors	11	48.568.841	10.000.000
Other taxes payable	12	50.069	124.763.497
Other current liabilities	13	1.136.099	1.005.369
Provisions		-	151.860.425
Total Current Liabilities		**72.592.608**	**239.217.777**
TOTAL LIABILITIES		**144.125.772**	**155.142.678**
TOTAL EQUITY AND LIABILITIES		**700.040.192**	**729.365.026**

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA — INDIVIDUAL INCOME STATEMENTS BY NATURE FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro	Notas	31/12/2017	31/12/2016
Other operating income	18	118.338	119.999
External supplies and services	14	(1.417.268)	(1.019.054)
Staff costs	16	(1.760.666)	(1.600.084)
Depreciation and amortisation		(2.052)	(1.586)
Other operating expenses	18	(43.634)	(68.472)
Operational profit/(loss)		**(3.105.282)**	**(2.569.197)**
Financial Expenses	17	9.920.503	18.597.345
Financial Income	17	(3.823.607)	(6.052.239)
Net financial income / (expenses)		**6.096.896**	**12.545.106**
Investment income	**17**	**(1.204.460)**	**(7.776.980)**
Profit/(Loss) before taxation		1.787.154	2.198.929
Taxation	19	3.802.188	6.539.387
Profit/(Loss) for the year		**5.589.342**	**8.738.316**

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA — INDIVIDUAL INCOME STATEMENTS BY NATURE FOR THE 4TH QUARTERS OF 2017 AND 2016

Amounts expressed in euro	4th Quarter 2017[1]	4th Quarter 2016
Other operating income	33.006	34.966
External supplies and services	(374.996)	(252.921)
Staff costs	(375.668)	(486.587)
Depreciation and amortisation	(499)	(470)
Provisions and impairment losses (Increases)/Decreases	-	-
Other operating expenses	(7.575)	30.415
Operational profit/(loss)	**(725.732)**	**(674.597)**
Financial Expenses	2.174.024	4.517.936
Financial Income	(949.429)	(1.006.138)
Net financial income / (expenses)	**1.224.595**	**3.511.798**
Profit/(Loss) in associated and jointly controlled companies measured using the equity method	-	-
Investment income	**(18.060.051)**	**(36.601.150)**
Profit/(Loss) before taxation	**(17.561.188)**	**(33.763.949)**
Taxation	2.530.234	6.175.335
Profit/(Loss) for the year	**(15.030.954)**	**(27.588.614)**

The accompanying notes are part of these financial statements.

SONAE CAPITAL, SGPS, SA — INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro	31/12/2017	31/12/2016
Consolidated net profit/(loss) for the period	**5.589.342**	**8.738.316**
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences		
Change in the fair value of assets available for sale		
Change in the fair value of cash flow hedging derivatives		
Tax related to other comprehensive income captions		
Total comprehensive income for the period	**5.589.342**	**8.738.316**

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro

	Share Capital (Note 9)	Own Shares (Note 9)	Legal Reserves (Note 9)	Others Reserves (Note 9)	Retained Earnings	Subtotal	Net Profit/ (Loss)	Total Equity
Balance as at 1 January 2016	**250.000.000**	**(1.426.791)**	**9.463.225**	**309.676.446**	**-**	**319.139.671**	**12.198.782**	**579.911.662**
Total comprehensive income for the period	-	-	-	-	-	-	8.738.316	8.738.316
Appropriation of profit of 2015:								
Transfer to legal reserves and retained earnings	-	-	609.939	-	11.588.843	12.198.782	(12.198.782)	-
Dividends paid	-	-	-	(3.080.184)	(11.588.843)	(14.669.027)	-	(14.669.027)
(Acquisition)/Sales of own shares	-	22.565	-	218.832	-	218.832	-	241.397
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	**250.000.000**	**(1.404.226)**	**10.073.164**	**306.815.094**	**-**	**316.888.258**	**8.738.316**	**574.222.348**
Balance as at 1 January 2017	**250.000.000**	**(1.404.226)**	**10.073.164**	**306.815.094**	**-**	**316.888.258**	**8.738.316**	**574.222.348**
Total comprehensive income for the period	-	-	-	-	-	-	5.589.342	5.589.342
Appropriation of profit of 2016:								
Transfer to legal reserves and retained earnings	-	-		436.916	8.301.400	8.738.316	(8.738.316)	-
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 31 December 2017	**250.000.000**	**(1.305.839)**	**10.073.164**	**291.557.752**	**-**	**301.630.917**	**5.589.342**	**555.914.420**

The accompanying notes are part of these financial statements.

SONAE CAPITAL, SGPS, SA — SEPARATED STATEMENTS OF CASH FLOWS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 AND 2016

Amounts expressed in euro	Notes	31/12/2017	31/12/2016	4th Quarter 2017 (non-audited)	4th Quarter 2016 (non-audited)
OPERATING ACTIVITIES					
Cash receipts from trade debtors		-	9.512	-	-
Cash receipts from trade creditors		1.371.988	1.044.697	403.128	249.189
Cash paid to employees		1.236.535	942.598	247.235	252.656
Cash flow generated by operations		**(2.608.523)**	**(1.977.783)**	**(650.363)**	**(501.845)**
Income taxes (paid) / received		(1.415.190)	740.365	460.336	477.926
Other cash receipts and (payments) relating to operating activities		122.359	(257.554)	1.594.691	(381.603)
Discontinued operations		-	-	-	-
Net cash from operating activities (1)		**(1.070.974)**	**(2.975.702)**	**483.992**	**(1.361.374)**
INVESTMENT ACTIVITIES					
Cash receipts arising from:					
Investments	22	600.001	2.484	-	-
Tangible assets		-	5.000	-	-
Interest and similar income		14.438.065	26.321.767	904.704	1.313.562
Loans granted	6	15.474.868	61.586.657	9.386.631	61.586.657
Dividends	16	18.122.785	34.791.098	-	-
Others		1.951.839	2.745.546	898.086	1.967.613
Changes in consolidation perimeter (companies in)		-	-	-	
		50.587.558	**125.452.552**	**11.189.421**	**64.867.832**
Cash Payments arising from:					
Investments	22	2.792.590	1.107.100	1.723.246	3.137
Tangible assets		1.113	1.706	-	456
Intangible assets		-	-	-	-
Loans granted	6	35.420.988	19.455.015	6.998.005	18.083.987
Others		-	-	-	-
		38.214.691	**20.563.821**	**8.721.251**	**18.087.580**
Discontinued operations		-	-	-	-
Net cash used in investment activities (2)		**12.372.867**	**104.888.731**	**2.468.170**	**46.780.252**
FINANCING ACTIVITIES					
Cash receipts arising from:					
Loans obtained	11	16.700.000	93.850.000	(32.750.000)	-
Sale of own shares		98.387	144.043	98.387	-
Others				(98.387)	-
		16.798.387	**93.994.043**	**(32.750.000)**	**-**
Cash Payments arising from:					
Loans obtained	11	27.653.700	177.598.565	(30.964.828)	58.949.650
Interest and similar charges		3.620.339	6.344.933	1.239.679	1.340.230
Reimbursement of capital and paid in capital		-	-	-	-
Dividends		24.515.574	14.665.371	-	-
Purchase of own shares		-	-	-	-
Others		-	-	-	-
		55.789.613	**198.608.869**	**(29.725.149)**	**60.289.880**
Discontinued operations		-	-	-	-
Net cash used in financing activities (3)		**(38.991.226)**	**(104.614.826)**	**(3.024.851)**	**(60.289.880)**
Net increase in cash and cash equivalents [4] = [1]+[2]+[3]		(27.689.333)	(2.701.797)	97.592	(14.871.002)
Effect of foreign exchange rate	14	-	-	-	-
Cash and cash equivalents at the beginning of the period		27.861.181	30.562.977	-	-
Caixa e equivalentes cindidos		-	-	-	-
Cash and cash equivalents at the end of the period	14	171.848	27.861.181	97.592	(14.871.002)

The accompanying notes are part of these financial statements.
[1] Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2017 (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 Commercial Companies Code.

The Company’s financial statements are presented as required by the Commercial Companies Code. 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 individual financial statements are as follows:

2.1 BASIS OF PREPARATION

The accompanying individual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" – previously named International Accounting Standards – "IAS"), issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the "International Financial Reporting Interpretations Committee" ("IFRIC"), previously named "Standing Interpretations Committee" ("SIC"), beginning on 1 January 2017.

As at the date of the approval of these financial statements, the following standards have been endorsed by the European Union

a) In force for fiscal year 2017:

Accouting standards	Effective Date (started on or after)
IAS 7 – Cash flow statement	1 January 2017
IAS 12 – Income taxes	1 January 2017

b) In force for periods subsequent to 1 January 2018, already endorsed by the EU:

Accouting standards	Effective Date (started on or after)
IFRS 4 – Applying IFRS 4 with IFRS 9)	1 January 2018
IFRS 9 – Financial instruments	1 January 2018
Amendments to IFRS 15 – Revenue from contracts with customers	1 January 2018
IFRS 16 – Leases	1 January 2019

c) In force for periods subsequent to January 1, 2018, but not yet endorsed by the EU:

Accouting standards	Effective Date (started on or after)
Annual improvements to IFRS 2014 - 2016	1 January 2017 / 1 January 2018
IFRS 2 – Share-based payments	1 January 2018
IFRS 9 – Financial instruments	1 January 2019
IAS 28 – Investiments in Associates and Joint Ventures	1 January 2019
Annual improvements to IFRS 2015 – 2017	1 January 2019
IFRS 17 – Insurance contacts	1 January 2021
IFRIC 22 – Foreign currency transactions and advance consideration	1 January 2018
IFRIC 23 – Uncertainty over income tax treatments	1 January 2019
IAS 40 – Investment propoerty	1 January 2018

In assessing the impacts of adopting IFRS 9, the Company assessed the nature of the financial assets recorded in order to identify the measurement impacts. The Company's financial assets refer mainly to Loans and accounts receivable from Group companies. From the analysis carried out, it is clear that the category of customers should be segregated into 3 categories, which will correspond to the model "hold to collect", "hold to collect and sell" and "hold to sell. Similar analysis by client rating was already carried out by the Company, and the impacts were already recognized according to the risk of each individual customer.

Thus, this new segmentation will not result in additional relevant amounts of losses to be recorded, and changes in the timing of impairment records are also not expected to generate significant impacts.

With regard to IFRS 15 - Revenue from contracts with customers, the Company analysed its transactions that give rise to revenue registration and concluded that these are essentially financial results or investments, does not estimate any additional revenue.

From this analysis it is concluded that the impact of the adoption of IFRS 15 in the Company's financial statements is not significant.

2.2 ACCOUNTING FOR LEASES

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee. Wheter a lease is classified as a finance or an operating lease depends on the substance of the transaction rather than the form of the contract."

Accounting for leases where the Group is the lessee

Tangible assets acquired through finance lease contracts are recorded as assets and corresponding obligations as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, at the lower of fair value and present value of minimum lease payments up to the end of the lease. Both the finance charge and the depreciation expense for depreciable assets are taken to the income statement in the period in which they are incurred.

Tangible fixed assets acquired through finance leases are depreciated by the lower of the two criteria - useful life of the asset or the period of the lease (when the Group has no option to purchase at the end of the lease), or estimated useful life (when the Group Intends to acquire the assets at the end of the contract).

Lease payments under operating lease contracts are recognised as an expense on a straight line basis over the lease term.

Accounting for leases where the Group is lessor

Where the Group acts as a lessor in operating leases, the value of assets leased is maintained in the Group's balance sheet and related rents (net of any incentives granted to the lessee) are taken to the profit and loss account on a straight line basis over the period of the lease.

2.3 BORROWING COSTS

Financial charges connected with loans contracted are generally recognised as a cost in accordance with the accruals principle, using for this purpose the effective interest rate method.

2.4 FINANCIAL INSTRUMENTS

a) Investments

Investments are classified into the following categories:

- Held to maturity
- Investments measured at fair value through profit or loss
- Available-for-sale
- Loans and receivables

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and the Company has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or loss are classified as current investments. Available-for-sale investments are classified as non-current assets.

Investments measured at fair value through profit and loss include investments held for negotiation, which the company acquires with a view to disposal within a reasonable period of time and are classified in the balance sheet as current investments.

The Company classifies as available for sale investments those, which are not classified as investments measured at fair value through profit and loss nor as investments held to maturity. These investments are classified as non current assets, unless there is an intention to dispose of them within 12 months of the balance sheet date.

All purchases and sales of investments are recognised on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs, in the case of available for sale investments.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost, less impairment losses.

Gains and losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under Fair value reserve, until the investment is sold or otherwise disposed of, or until its fair value is lower than its carrying amount and that corresponds to an impairment loss, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period.

Gains and losses resulting from changes to the fair value of derivatives valued at fair value are shown in the financial statements in the caption net financial charges/ income.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

In accordance with IAS 27, investments in affiliated and associated undertakings are stated at acquisition cost, less impairment losses.

Loans and accounts receivable are recorded at amortized cost using the effective interest method and deducted from possible impairment losses.

Financial income is calculated at the effective interest rate, except for very short-term receivables of which the amounts to be recognized would be immaterial.

These financial investments arise when the Company delivers money or supplies goods or services directly to a debtor with no intention to negotiate the debt.

Loans and accounts receivable are classified as current assets, except when maturity is greater than 12 months from the balance sheet date, which are classified as non-current.

b) Classification as Equity or Liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

c) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.5. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

d) Trade accounts payable

Trade accounts payable are stated at their nominal value.

e) Derivatives

The Company uses derivatives in the management of its financial risks only to hedge such risks, and/or to optimize funding costs, in accordance with the interest rate risk policy stated in Note 3.1.

The derivatives used by the Company defined as cash-flow hedge instruments relate mainly to interest rate hedge instruments on loans contracted. The indices, calculation methods, dates for re-fixing interest rates and the reimbursement plans for the interest rate hedge instruments are all identical to the conditions established for the underlying contracted loans, and thus qualify as perfect hedges. Inefficiencies that may exist are shown in the caption Net financial income/expenses in the income statement.

The Company's criteria for classifying a derivative instrument as a cash-flow hedge instrument include:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured;
- there is adequate documentation of the hedging relationships at the inception of the hedge;
- the forecast transaction that is being hedged is highly probable.

Cash-flow hedge instruments used by the Company to hedge the exposure to changes in interest rates of its loans are initially accounted for at cost, if any, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity, under the caption Hedging reserves, and then recognised in the income statement over the same period in which the hedged instrument affects profit or loss.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity, under the caption Hedging reserves, are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

In cases in which derivative instruments, in spite of having been negotiated in accordance with the interest rate risk policy stated in Note 3.1, in relation to which the Company did not apply hedge accounting, are initially recorded at cost, if any, and subsequently measured at fair value. Changes in value resulting from the measurement at fair value, calculated using especially designed software tools, are included in Net financial charges in the income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and characteristics are not closely related to economic risks and characteristics of the host contract, and this is not stated at fair value, and unrealized gains or losses arising from these derivatives recorded in the income statement.

In specific situations, the Company may use interest rate derivatives with the goal of obtaining fair value hedging. In these situations, derivatives are booked at their fair value in the profit and loss account. In situations in which the derivative involved is not measured at fair value (in particular borrowings measured at amortised cost), the effective share of hedging will be adjusted to the accounting value of the derivative hedged through the profit and loss account.

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the cash-flow statement, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption current bank loans

2.5 REVENUE RECOGNITION AND ACCRUAL BASIS

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and Other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognised in the income statement.

2.6 SUBSEQUENT EVENTS

Events after the balance sheet date that provide additional information about conditions that existed at the balance sheet date (adjusting events), are reflected in the financial statements. Events after the balance sheet date that are non-adjusting events are disclosed in the notes when material.

2.7 JUDGEMENTS AND ESTIMATES

The most significant accounting estimates reflected in the financial statements are as follows:

a) Useful lives of tangible and intangible assets;

b) Adjustments to the values of assets and provisions;

c) Analysis of the impairment of loans and investments;

d) Calculation of the fair value of derivatives.

Estimates were based on the best information available at the date of the preparation of the financial statements and on the best knowledge and experience of past and/or current events. These estimates may, however, be affected by subsequent events which are not foreseeable at the present day. Changes to these estimates, which take place after the date of the financial statements, will be recognized prospectively in the income statement, in accordance with IAS 8.

The main estimates and assumptions concerning future events included in the financial statements are described in the corresponding notes to the accounts, when applicable.

2.8 PROVISIONS

Provisions are recognised when, and only when, the Group has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

Provisions for future operating losses are not recognized.

Restructuring provisions are recorded by the Group whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

The subjectivity inherent in determining the probability and amount of domestic resources required to pay the obligations may lead to significant adjustments, either by varying the assumptions used or by the future recognition of provisions previously disclosed as contingent liabilities.

2.9 INCOME TAX

Current income tax is determined in accordance with tax rules in force in Portugal, considering the profit for the period.

The Company is subject to a special fiscal regime applicable to Group companies, according article 69 and next of the IRC code (RETGS), being part of a fiscal perimeter whose mother company is Sonae Capital SGPS, SA. Companies being part of the perimeter of the Group of companies subject to this regime calculate and account for Tax Income as on a stand-alone basis. The tax savings attributed to the RETGS is accounted for at the mother company.

Deferred taxes are calculated based on the liability method of the balance sheet and reflect the temporary differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes. Deferred tax assets and liabilities are calculated and annually assessed at the current or announced tax rates to be effective at the expected date of reversal of the temporary differences.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities that do not result from a concentration of activities and that at the date of the transaction do not affect the accounting or fiscal result. However, as regards temporary taxable differences related to investments in subsidiaries, these are not recognized to the extent that: (i) the parent company has the ability to control the period of reversal of the temporary difference; and (ii) it is likely that the temporary difference will not reverse in the near future.

At the end of each fiscal year, these deferred taxes are reviewed and reduced whenever their future use is no longer probable.

Deferred taxes are recorded in the applicable situations according to the balance sheet method, and deferred tax assets are only recognized in the situations in which their recovery is probable.

2.10 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Subsidiaries are all entities (including structured entities) over which Sonae Capital has control. Sonae Capital controls an entity when it is exposed to or has rights over the variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

Joint Ventures correspond to joint agreements through which ventures exercising joint control over the agreement for the purpose of sharing the return obtained from the Joint Venture activity.

The Associates are entities in which Sonae Capital owns between 20% and 50% of the voting rights, or on which Sonae Capital has significant influence.

3. FINANCIAL RISK MANAGEMENT

The main objective of financial risk management is to support the Company in the pursuit of long-term strategy of Sonae Capital, reducing unwanted financial risk, volatility associated and mitigate any negative impacts on the Group's results of such risks. The attitude of Sonae Capital in relation to financial risk management is conservative and prudent, and when used derivative instruments to hedge certain risks related to operating activities of Sonae Capital, does not contract, by policy, derivatives or other financial instruments for speculative purposes or they are not related to the Company's operations.

3.1 MARKET RISKS

a) Interest rate risk – POLICY

As a result of maintaining its debt in the balance sheet at variable rates, and the resulting cash flows from interest payments, the Company is exposed to a Euro interest rate risk.

In view of the fact that:

- The volatility of Company results does not depend only on the volatility of its financial results linked to the volatility of interest rates;
- Under normal market conditions, there is a correlation between the levels of interest rates and economic growth, with the expectation being that the impact of movements in interest rates (and the respective volatility of cash flows to service the debt) can to some extent be compensated by movements in the remaining lines of the profit and loss account, in particular by operational profits or losses;
- The setting up of any form of risk cover structure has an implicit opportunity cost associated with it, the Group policy concerning the mitigation of this risk does not establish the maintenance of any minimum proportion of fixed interest rate debt (converted to fixed rate through use of derivatives), but rather has opted for a dynamic approach to monitoring exposure, which aligns market conditions to the real exposure of the Company, in order to avoid the possibility of exposure that could have a real impact on the results of the Company.

In view of the above, the Company policy concerning this issue defines a case by case review of each potential transaction, such that any contract for derivatives must follow the following principles:

i. Derivatives are not used for trading or speculation;

ii. Derivatives to be contracted must match exactly the underlying exposures in relation to indices to be used, refixing dates for interest rates and dates for payment of interest, and the amortisation profile of the underlying debt;

iii. The maximum financial cost of the entire derivative and underlying exposure must always be known and limited from the date of the derivative contract, with the aim that the resulting level of costs are within the cost of funds considered in the business plans;

iv. Derivative contracts are only agreed with authorised entities, specifically Financial Institutions with a minimum Investment Grade rating, giving preference to Banking Relationship Institutions of the Company;

v. All transactions must be the object of competitive bids, involving at least two financial institutions;

vi. All transactions are entered into by using market standard contracts (ISDA - International Swaps and Derivatives Association), with schedules negotiated with each one of the Institutions;

vii. To determine the fair value of the hedging transactions, the Group uses a range of methods in accordance with market practices, namely option valuation models and discounted future cash flow models, with specific market assumptions (interest and exchange rates, volatilities, etc.) prevailing at the Balance Sheet date. Comparative quotes provided by financial institutions are also used as a valuation benchmark;

viii. Any transaction that does not comply with all of the above principles must be individually approved by the Board of Directors.

b) Interest rate risk – Sensitivity Analysis

Interest rate sensitivity is based on the following assumptions:

i. Changes in interest rates affect interest receivable and payable of financial instruments indexed to variable rates (interest payments, related to financial instruments not defined as hedging instruments for interest rate cash flow hedges). As a result, these instruments are included in the calculation of financial results sensitivity analysis;

ii. Changes in market interest rates affect income and expenses related to fixed interest rate financial instruments, in cases in which these are recognised at fair value. As such, all financial instruments with fixed interest rates booked at amortised cost, are not subject to interest rate risk, as defined in IFRS 7;

iii. In the case of instruments designated as fair value hedges of interest rate risk, when changes to the fair value of the hedging instrument, which are attributable to movements in interest rates, are almost completely compensated in the financial results in the same period, these financial instruments are also considered not to be exposed to interest rate risks;

iv. Changes in market interest rates of financial instruments which were designated as cash flow hedging instruments to cover fluctuations in payments resulting from changes in interest rates, are recorded in reserves, and are thus included in the sensitivity analysis calculation of shareholders' funds (other reserves);

v. Changes in market interest rates of interest rate derivatives, which are specified as being part of hedging relationships as defined in IAS 39, affect the results of the company (net gain/loss resulting from the revaluation of the fair value of financial instruments), and are thus included in the calculation of profit and loss sensitivity;

vi. Changes in the fair value of derivatives and other financial assets and liabilities are estimated by calculating the discounted present value of future cash flows at existing market interest rates at the end of each year, and assuming a parallel variation in interest rate trends;

vii. The sensitivity analysis is applied to all financial instruments existing at the end of the period.

Given the above mentioned assumptions, if interest rates of financial instruments denominated in euro had been 0.75 percentage points higher/lower, the net profit before tax of the Company as at 31 December 2017 would have been higher/lower by 2,039,424 euro (as at 31 December 2016 they would have been higher/lower by 2,408,506 euro).

c) Exchange rate risk

Sonae Capital is not exposed to an exchange risk.

d) Other price risks

The Company is exposed to risks arising from the value of investments made in financial shareholdings. However, these investments are in general made with strategic objectives in mind and not for current trading.

3.2 CREDIT RISK

Credit risk is defined as the probability of a financial loss resulting from failure to meet contractual payment obligations of a counterparty. Sonae is a holding company and has no commercial activity in addition to the normal activities of a portfolio manager participation and providing services to its subsidiaries. As such a regular basis, the Company is only exposed to credit risk arising from financial instruments (investments and deposits in banks and other financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) or loans to subsidiaries.

Credit risks at Sonae Capital arises mainly from (i) its relationships with financial institutions in the course of its day to day business activity, and (ii) the risk of non compliance by business counterparts in portfolio transactions.

(i) Financial Institutions: The credit risk is linked to possible non compliance by Financial Institutions, from which the Company, in its normal operational activity, contracted term deposits, cash balances and derivatives.

To mitigate this risk, the Company:

a) Only executes transactions with counterparts with Investment Grade minimum rating and/or financial institutions with high credit quality, giving preference to banking institutions with which the Company already works;

b) Diversifies its counterparts, in order to avoid an excessive concentration of credit risk;

c) Defines a limited range of eligible instruments (aimed at not contracting complex instruments, whose structure is not entirely known), requiring proper authorization from the Board of Directors for use of other alternative instruments;

d) Regularly monitors total exposures with each counterpart, in order to guarantee compliance with the policy established.

The ratings (S & P rating) of the main institutions of credit where Sonae Capital had deposits and other investments at 31 December 2017 can be detailed as follows:

Rating 2017	Deposits %	Rating 2016	Deposits %
B	100,00%	**B+**	100,00%

In compliance with the established policy, Sonae Capital only constitutes deposits and other short-term financial investments and with prestigious financial institutions and national and / or international recognition, based on the respective ratings, being that the institutions of banking relationship of the Group with a creditor position equal to or greater than the intended application.

(ii) Shareholding Buy/Sale transactions: In the course of its business, the Company is exposed to the credit risk of counterparts with whom it agrees transactions concerning investments in shareholdings. In these cases, the means used to mitigate risks are determined on a one on one basis, in order to take into account the specifics of the transaction, with the constant supervision of the Board of Directors. Despite the wide range of means used, there exists always the possibility of using normal market methods, namely carrying out due diligence, obtaining financial information concerning the counterpart in question, or the pledging of an asset which is released when the financial transaction has been completed.

Face ao anteriormente referido bem como o facto de os saldos a receber serem essencialmente de empresas do grupo, o risco de crédito afigura-se bastante reduzido.

3.3 LIQUIDITY RISK

Sonae Capital has a regular need for external funds to finance its current operations and its expansion plans holding a diversified loan portfolio, which consists mainly of long-term bonds, but also includes a variety of short-term financing transactions, in the form of commercial paper and credit lines.

The objective of liquidity risk management is to ensure at any given moment that the Company has the financial capability under favourable market conditions to: (i) comply with its payment obligations when these fall due and (ii) ensure in a timely manner the appropriate financing for the development of its businesses and strategy.

To that end, the Company aims at maintaining a flexible financial structure, so that the process of managing liquidity within the Company includes the following key aspects:

i. Financial planning based on cash flow forecasts and for different time periods (weekly, monthly, annual and multi year);

ii. Short and long term financial control systems (based on Treasury and Cash Management systems), which allow in a timely manner to identify variances, anticipate financing needs and identify refinancing opportunities;

iii. Diversification of sources of financing and counterparts;

iv. Spread of debt maturity dates, aiming at avoiding excessive concentration, at specific points in time, of debt repayments;

v. Contracts with relationship Banks, of committed credit lines (of at least one year) and Commercial Paper Programmes, with cancellation clauses which are sufficiently comfortable and prudent, seeking to obtain an appropriate level of liquidity while optimising the amount of commitment commissions payable.

vi. Negotiation of contract terms which reduce the possibility of early termination of loans.

Sonae Capital maintains a liquidity reserve in the form of credit lines with its relationship banks, in order to ensure the ability to meet its commitments without having to refinance in unfavourable conditions. Additionally at the end of the year Sonae Capital had a liquidity reserve consisting of cash and cash equivalent.

Sonae Capital believes that it has access to all the necessary financial resources and expects thus meet its short-term commitments, whether through release of funds generated by the business, whether using their financial applications, or if necessary by the existing credit lines or contracting new financing.

Although the Working Capital Fund is negative, liquidity risk is low since the main receivables payable are with group companies, so the payment obligation will be adequate to the availability of Sonae Capital.

4. FINANCIAL INVESTMENTS

As at 31 December 2017 and 31 December 2016 Investments are detailed as follows:

	31 December 2017	31 December 2016
Investments in affiliated and associated undertakings	**349.194.729**	**361.971.915**
Investments in other companies		
Sonae RE - (0,04%)	1.200	1.200
Fundo Invest. Imob. Imosonae Dois - (0,001%)	-	-
Matadouro Alto Alentejo, SA - (0,89%)	1	1
NET Novas Tecnologias, SA - (0,98%)	23.034	23.034
Fundo F HITEC - (6,48%)	250.950	250.950
	349.469.914	362.247.100
Impairment	**(47.811.981)**	**(53.667.004)**
	301.657.933	**308.580.096**

4.1 INVESTMENTS IN AFFILIATED AND ASSOCIATED UNDERTAKINGS

As at 31 December 2017 and 31 December 2016, the detail of Investments in Affiliated and Associated Companies is as shown in the table below:

	31.12.2017			
Company	**% Held**	**Book Value**	**Equity**	**Profit/ (Loss) for the period**
CAPWATT, S.G.P.S., S.A.	100,00%	2.725.000	5.132.247	2.139.631
Fundo Esp de Invest. Imob Fechado WTC	59,87%	42.271.519	72.210.814	4.081.698
Troiaresort, SGPS, S.A.	100,00%	167.132.793	78.750.172	(793.608)
Interlog - SGPS, S.A.	98,94%	21.658.210	21.858.053	5.065
Lidergraf - Artes Gráficas, SA.	24,50%	1.125.301	8.198.240	1.296.983
SC Assets S.G.P.S., SA	100,00%	25.577.659	13.507.379	(314.576)
SC Hospitality, S.G.P.S., S.A.	100,00%	5.857.175	6.272.267	(169.017)
SC Finance B.V.	100,00%	263.698	(4.814.085)	6.022.698
SC-Industrials, S.G.P.S., S.A.	100,00%	34.575.100	24.479.800	23.279.800
Race, SGPS, S.A.	70,00%	32.492.436	40.903.083	252.350
Solinca - Health & Fitness, S.A.	100,00%	15.515.838	1.075.719	(144.724)
Spred, S.G.P.S., S.A.	100,00%	-	-	-

Impairment Losses	
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
Spred, S.G.P.S., S.A.	-

	31.12.2016			
Company	**% Held**	**Book Value**	**Equity**	**Profit/ (Loss) for the period**
CAPWATT, S.G.P.S., S.A.	100,00%	2.725.000	8.022.003	5.294.092
Fundo Esp de Invest. Imob Fechado WTC	59,87%	42.271.519	71.389.116	3.137.593
Troiaresort, SGPS, S.A.	100,00%	167.132.793	79.543.780	(2.001.159)
Interlog - SGPS, S.A.	98,94%	21.658.210	21.852.988	30.161
Lidergraf - Artes Gráficas, SA.	24,50%	1.125.301	7.558.348	1.233.982
SC Assets S.G.P.S., SA	100,00%	25.577.659	13.821.956	(3.476.518)
SC Hospitality, S.G.P.S., S.A.	100,00%	5.857.175	6.746.620	305.336
SC Finance B.V.	100,00%	263.698	(10.836.784)	(964.510)
SC-Industrials, S.G.P.S., S.A.	100,00%	34.575.100	13.873.988	12.673.988
Race, SGPS, S.A.	70,00%	32.492.436	40.650.733	(239.599)
Solinca - Health & Fitness, S.A.	100,00%	14.446.494	151.101	(1.069.344)
Spred, S.G.P.S., S.A.	100,00%	13.846.529	227.094	84.120

Impairment Losses	
SC Assets S.G.P.S., SA	21.565.892
Interlog - SGPS,S.A.	36.864
Troiaresort, SGPS, S.A.	19.344.286
SC Finance BV	-
SC, Industrials, SGPS, S.A.	-
Spred, S.G.P.S., S.A.	12.719.962

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, 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 this impairment tests as at 31 December 2017 and 31 December 2016, the detail of Impairments on Investments in Affiliated and Associated Companies is as shown in the table below:

	31 December 2017	31 December 2016	Variation (Note 17)
Spred, SGPS, SA	-	(12.719.962)	12.719.962
Interlog - SGPS,S.A.	(36.864)	(36.864)	-
Troiaresort, SGPS, S.A.	(11.140.826)	(19.344.286)	8.203.460
SC Assets, SGPS, SA	(25.577.659)	(21.565.892)	(4.011.767)
SC Finance BV	(263.698)	-	(263.698)
SC, Industrials, SGPS, S.A.	(10.792.934)	-	(10.792.934)
	(47.811.981)	**(53.667.004)**	**5.855.023**

a) formerly designated Praedium SGPS, S.A.

The variation in Spred SGPS, SA is related to the disposal of the company.

5. OTHER NON-CURRENT ASSETS

As at 31 December 2017 and 2016, other non-current assets are detailed as follows:

	31 December 2017	31 December 2016
Loans granted to group companies:	(Note 21)	(Note 21)
SC Assets, SGPS, SA	174.450.597	177.691.228
Troiaresort, S.G.P.S., SA	138.805.637	135.742.637
SC Finance BV	5.885.000	5.885.000
Solinca - Health & Fitness, SA	-	2.940.222
SC Hospitality SGPS SA	6.155.000	9.971.000
SC Engª. Promoção Imobiliária, SA	661.000	688.000
	325.957.234	**332.918.086**
Impairment Losses		
SC Assets, SGPS, SA (Note 17)	(11.640.970)	-
SC Finance BV (Note 17)	(462.649)	-
	(12.103.619)	**-**
Income tax withheld	**276.547**	**-**
	314.130.162	**332.918.086**

As at 31 December 2017, loans granted matured as follows:

2019	2020	2021	2022	Total
102.521.234	205.724.000	10.357.000	7.355.000	325.957.234

These assets were not due or impaired as at 31 December 2017. The fair value of loans granted to Group companies is basically the same as their book value.

Loans to group companies interest at market rates and are repayable within a period exceeding one year. The interest rate as at 31 December 2016 stood, in average, at approximately de 2.349% (2016: 4.677%).

6. OTHER CURRENT ASSETS AND INCOME TAX

As at 31 December 2017 and 2016, other current assets and Income tax are made up as follows:

	31 December 2017	31 December 2016
Other Debtors - Group	1.447.535	1.417.349
Loans granted	58.707.800	33.034.900
Other Debtors	1.176.066	55.192
	61.331.400	**34.507.441**
Accrued income	4.094.304	8.608.007
Deferred costs	222.532	383.062
	4.316.836	**8.991.069**
Income tax withheld	1.639.593	2.163.794
	67.287.829	**45.662.304**

The balance registered at Shareholding, other Operations is related to the values transferred from subsidiaries under the IRC regime (RETGS).

As at 31 December 2017 and 2016, the item Loans Granted is related to financial operations with the following subsidiaries:

	31 December 2017	31 December 2016
Loans granted	(Note 21)	(Note 21)
SC Assets, SGPS, SA	73.000	59.000
SC Hospitality, SGPS, SA	454.000	-
CAPWATT, SGPS, S.A.	41.175.000	13.225.200
Inparvi SGPS, SA	69.000	68.000
SC, SGPS, S.A.	14.269.500	13.943.600
Solinca - Health & Fitness, SA	1.186.300	703.400
Spred SGPS SA	-	2.523.500
Troiaresort, S.G.P.S., SA	1.481.000	2.512.200
	58.707.800	**33.034.900**

Loans to group companies interest at market rates and are repayable within a period inferior to one year. The interest rate as at 31 December 2017 stood, in average, at approximately de 1.360% (2016: 3.130%).

The item Other Debtors includes as at 31 December 2017 , includes the amount of 1,173,358 euros related to the Via Maritima credit acquired from the subsidiary Spred SGPS.

The amount recorded in the accrued income includes 3.980.318 euro relating to interest on loans granted to subsidiaries as well as 113.986 euro relating to commissions of guarantees given to subsidiaries (Note 21).

Deferred costs include 183.199 euro 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 2014 to 2017, 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 financial statements as at 31 December 2017.

As mentioned in 2.9 note 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 2017, 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 euros subject to and not exempt from Corporate Income Tax, the following state levy fees are levied: 3% over 1,500,000 euros and less than 7,500,000 euros; 5% on the upper part to 7,500,000 euros and up to 35,000,000 euros; and 7% that is levied on the part of the taxable income that exceeds 35,000,000 euros.

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.

The Corporate income tax rate in force for 2017 is 21%.

As at 31 December 2017 and 2016, the item Income tax is made up as follows:

	31 December 2017	**31 December 2016**
Income tax withheld	849.047	1.325.486
Income tax (advanced payment)	760.611	1.374.287
Income tax	29.935	(535.979)
	1.639.593	**2.163.794**

7. DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2017 and 2016 can be detailed as follows, split between the different types of temporary differences:

	Deferred taxes Assets		Deferred taxes Liabilities	
	31 December 2017	**31 December 2016**	**30 December 2017**	**31 December 2016**
Tax losses carried forward	16.764.699	14.314.699	-	-

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2017 and 2016, tax losses carried forward can be summarized as follows:

	31 December 2017			31 December 2016		
	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	47.663.128	10.009.257	2027
Generated in 2016	12.025.566	2.525.369	2028	6.904.762	1.450.000	2028
Generated in 2017	9.173.702	1.926.477	2022	-	-	
	79.831.899	**16.764.699**		**68.165.233**	**14.314.699**	

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 31 December 2017, resulted that there is reasonable expectation of recovery of deferred tax assets recorded before their date of expiry.

8. CASH AND CASH EQUIVALENTS

As at 31 December 2017 and 2016, cash and cash equivalents can be detailed as follows:

	31 December 2017	31 December 2016
Cash	-	-
Bank deposits	171.848	27.861.181
Cash and cash equivalents in the balance sheet	**171.848**	**27.861.181**
Bank overdrafts	-	-
Cash and cash equivalents in the cash flow statement	**171.848**	**27.861.181**

9. EQUITY

The share capital of Sonae Capital SGPS, SA both in December 2017 and 2016 is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each.

As at 31 December 2017, Sonae Capital SGPS, SA holds 4,783,433 own shares representing 1.913% of the share capital (5,516,226 shares at 31 December 2016), recorded by 1,305,839 euros (1,404,226 euros at 31 December 2016) (Note 10).

10. RESERVES

As at 31 December 2017, and 31 December 2016 this caption can be detailed as follows:

	31 December 2017	31 December 2016
Legal reserves	10.510.080	10.073.164
Free reserves	157.176.745	172.772.616
Demerger reserve	132.638.253	132.638.253
Own shares reserve	1.305.839	1.404.226
	301.630.917	**316.888.258**

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

The overall value of the demerger reserve (Note 1), representing the difference between the book value of the stake in SC, SGPS, SA (382,638,252 euros) which was highlighted Sonae, SGPS, SA for the Company and the amount of capital social Society (250,000,000 euros) which is comparable to the legal Reserve, according to the Companies Code, 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 is positive, 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.

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.

11. LOANS

As at 31 December 2017 and 31 December 2016 this caption included the following loans:

	31 December 2017		31 December 2016	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae Capital SGPS -commercial paper a)	4.500.000	-	-	-
Sonae Capital SGPS - commercial paperl b)	-	4.000.000	-	-
Sonae Capital SGPS - commercial paper c)	3.200.000	-	-	-
Sonae Capital SGPS - commercial paper d)	10.000.000	-	-	-
Sonae Capital SGPS - commercial paper e)	-	10.000.000	-	-
Sonae Capital SGPS - commercial paper f)	5.000.000	-	-	-
Sonae Capital SGPS - commercial paper g)	-	-	-	20.000.000
Up-front fees not yet charged to income statement	-	-	-	(420.335)
	22.700.000	**14.000.000**	**-**	**19.579.665**
Bank overdrafts (Note 8)	-	-	-	-
	22.700.000	**14.000.000**	**-**	**19.579.665**
Bond Loans				
Sonae Capital 2016/2021 Bonds h)	-	15.000.000	-	15.000.000
Sonae Capital 2014/2019 Bonds i)	-	42.500.000	-	42.500.000
Up-front fees not yet charged to income statement	-	(254.190)	-	(392.289)
	-	**57.245.810**	**-**	**57.107.711**
	22.700.000	**71.245.810**	**-**	**76.687.376**

a) Commercial paper programme, with subscription guarantee, issued on 31 December 2013, with automatic annual renewals up to seven years and six months, unless denunciated by either party.

b) Commercial paper programme, with subscription guarantee, issued on 29 September 2017 and valid to October 2021.

c) Short term commercial paper programme, issued on 28 March 2008 and valid for a 10 year period, which may be extended at the option of Sonae Capital. Placed in investors or financial institutions and guaranteed by credit lines, with commitment of at least six months to a year, placed in relationship banks.

d) Commercial paper programme, with subscription guarantee, issued on 30 June 2017 with annual payments, unless denounced by either party.

e) Commercial paper programme, with subscription guarantee, issued on 24 February 2017 and valid until February 2023, with semi-annual payments starting in 2019.

f) Commercial paper programme, without subscription guarantee, issued on 20 December 2017 with annual payments, issued to investors.

g) Commercial paper programme, with subscription guarantee, issued on 23 June 2016 and valid up to five years, with annual payments and grace period for one year.

h) Sonae Capital SGPS - 2016/2021 bond loan in the amount of 15,000,000 euro, with a 5 year maturity, and a sole reimbursement on 29 July 2021, unless the issuer requests a full or partial refund (call option). This bond loan bears interest every six months.

i) Sonae Capital SGPS, SA, 2014/2019 bond loan, with a five year 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 31 December 2016 was on average 2.39%. (em 2016 : 2.88%).

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 case of any Bank institution or commercial paper investor do not renew, at the maturity date, its respective loans, the Company has credit lines available to overcome such renewables

There are no derivative instruments.

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

	31 December 2017		31 December 2016	
	Capital	Interest	Capital	Interest
N+1	22.700.000	(2.112.847)	-	(2.119.111)
N+2	52.500.000	(1.255.768)	5.000.000	(1.970.493)
N+3	-	(427.135)	47.500.000	(1.149.176)
N+4	19.000.000	(410.573)	5.000.000	(343.125)
N+5	-	(46.667)	20.000.000	(342.188)
Afters N+5	-	(2.917)	-	-
	94.200.000	**(4.255.906)**	**77.500.000**	**(5.924.094)**

As at 31 December 2017 and 31 December 2016, available credit lines may be summarised as follows:

	31 December 2017		31 December 2016	
	Commitments		Commitments	
	less than 1Y	over 1 Y	less than 1Y	over 1 Y
Amounts of credit lines available	(43.650.000)	(68.500.000)	63.850.000	30.000.000
Amounts of credit lines contracted	(61.350.000)	(82.500.000)	63.850.000	50.000.000

At 31 December 2017 the reconciliation of the liabilities whose flows affect the financing activities are detailed as follows:

	31 December 2016	Cash	No cash		31 December 2017
			Up-front fees not yet charged to income statement	fair value	
Non current loans	76.687.376	(6.000.000)	(558.435)	.	71.245.810
Current loans (Note 12)	75.502.700	(4.953.700)	-	.	70.549.00
	152.190.076	**(10.953.700)**	**(558.435)**	**.**	**141.794.810**

12. OTHER CREDITORS

As at 31 December 2017 and 2016 other creditors can be detailed as follows:

	31 December 2017	31 December 2016
Other creditors		
Group companies – Short term loans	47.849.000	75.502.700
Other creditors	719.841	1.306.240
	48.568.841	**76.808.940**

As at 31 December 2017 and 2016 the caption loans granted is relative to financial operations granted to the following subsidiaries:

	31 December 2017	31 December 2016
	(Note 21)	(Note 21)
Interlog-SGPS,SA	21.858.000	21.856.000
SC Industrials,SGPS,S.A.	9.347.000	37.421.000
SC For - Serv.de For.e Des. de Rec. Hum., Unip., Lda	11.000	19.700
Sistavac, SGPS, S.A.	16.613.000	13.074.500
SC Hospitality SGPS SA	-	3.131.500
Solinca - Health & Fitness, S.A.	20.000	-
	47.849.000	**75.502.700**

Loans obtained from group companies bear interest at market rates and are repayable within one year. The interest rate as at 31 December 2017 was, in average, approximately 0.080% (2016: 0.182%).

The item Other Creditors, there are included 700,481 euros (Note 21) regarding transfers from subsidiaries of tax estimates under the special regime RETGS.

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

As at 31 December 2017 and 2016 these items were as follows:

	31 December 2017		31 December 2016	
	Current	Non Current	Current	Non Current
Trade creditors	**137.599**	**-**	**92.536**	**-**
Taxes payable - other taxes	50.069	-	70.975	-
Other current liabilities				
Accruals:				
Staff costs	750.007	287.354	664.870	360.486
Interest payable	308.166	-	379.457	-
Other accruals	73.158	-	73.119	-
Deferred income	4.769	-	4.919	-
	1.136.100	**287.354**	**1.122.365**	**360.486**

At 31 December 2017, the items Suppliers, Other Accruals and Staff costs include balances with related entities amounting to 95,520 euro, 50,000 euro and 360 euro respectively (Note 21).

The amount of staff cost (Non-current) refers to deferred compensation payable in periods exceeding one year.

As at 31 December 2017 and 2016 interest payable can be detailed as follows:

	31 December 2017	31 December 2016
Interest payable		
Bank loans	305.672	371.182
Group companies loans (Nota 21)	2.494	8.275
	308.166	**379.457**

As at 31 December 2017 and 2016 the Income tax and Other taxes can be detailed as follows:

	31 December 2017	31 December 2016
Taxes payable - income taxes		
Income taxes	-	-
Taxes payable - other taxes		
Income taxation - amounts withheld	27.300	42.921
VAT	69	55
Social security contributions	22.700	27.998
Stamp tax	-	-
	50.069	**70.975**

14. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2017 and 2016 External Supplies and services can be detailed as follows:

	31 December 2017	31 December 2016
Operational rents	(52.266)	(24.229)
Insurance costs	(39.629)	(41.141)
Travelling expenses	(53.683)	(35.773)
Services obtained	(1.217.573)	(877.016)
Other services	(54.116)	(40.894)
	(1.417.268)	**(1.019.054)**

The variation observed in the item "Services obtained" is mainly due to the increase in the item "Holding cost" in 2017 is approximately 663 thousand euros (432 thousand euros in 2016), which was debited by the subsidiary SC Sociedade de Consultadoria, SA. and Specialized Works - Others category which in 2017 has a value of 134 thousand euros (63 thousand euros in 2016).

As at 31 December 2017, External Supplies and Services included transactions with related entities amounting to 967,316 euros (782,627 euros in 2016) (Note 21).

15. OPERATIONAL LEASES

As at 31 December 2017 and 2016, the Company had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	31 December 2017	31 December 2016
N+1	39.071	17.605
N+2	39.071	-
N+3	39.071	-
N+4	39.071	-
N+5	18.597	-
	174.881	**17.605**

16. STAFF COSTS

As at 31 December 2017 and 2016, staff costs were made up as follows:

	31 December 2017	31 December 2016
Governing bodies' remunerations	(1.225.969)	(1.234.273)
Staff and other sectors remunerations	(291.711)	(168.227)
Social security contributions	(178.145)	(173.514)
Other staff costs	(64.841)	(24.070)
	(1.760.666)	**(1.600.084)**

In 2017 and 2016 the average number of employees was 1 (one).

17. NET FINANCIAL EXPENSES AND INVESTMENT INCOME

As at 31 December 2017 and 31 December 2016, Net Financial Expenses and Investment Income can be detailed as follows:

	31 December 2017	31 December 2016
Interest payable and similar expenses		
Interest arising from:		
Bank loans	(318.015)	(1.776.799)
Bonds	(1.962.390)	(1.845.854)
Other	(50.800)	(162.237)
Other financial expenses	(1.492.402)	(2.267.348)
	(3.823.607)	**(6.052.239)**
Interest receivable and similar income		
Interest income	9.920.503	18.597.345
	9.920.503	**18.597.345**
Net financial expenses	**6.096.896**	**12.545.106**
Reversal of /and Impairment losses (Note 4.1)	(6.248.597)	(45.313.563)
Dividends received	18.122.785	34.791.098
Losses on finantial investments	(15.080.601)	(444)
Other income	2.001.952	2.745.929
Investment income	**(1.204.460)**	**(7.776.980)**

As at 31 December 2017, the amount mentioned in "Interest arising from other" includes interest on current loans obtained from group companies amounting to 50,700 euros (2016: 162,220 euros) (Note 21).

As at 31 December 2017, the amount mentioned in "interest receivable and similar income" includes interest on loans granted to group companies amounting to 9,918,433 euros (2016: 18,587,414 euros) (Note 21).

As at 31 December 2017, the amount mentioned in "Other financial expenses" refers to commissions incurred with the assembly and management of bank loans and bonds.

As at 31 December 2017 and 31 December 2016, the amount of dividends received from affiliated companies was as follows (Note 21):

	31 December 2017	31 December 2016
Lidergraf, SA	114.074	75.222
SC Industrials SGPS, SA	12.673.988	27.271.077
SC Hospitality SGPS SA	305.336	-
Sistavac SGPS, SA	-	700.000
Capwatt SGPS SA	5.029.387	-
Spred SGPS	-	6.744.800
	18.122.785	**34.791.098**

As at 31 December 2017, the amount recorded under "Other income" relates essentially to income obtained from the WTC Fund.

As at 31 December 2017, the amount recorded under the caption Losses on financial Investments, Includes the losses on the disposal of the subsidiary Spred SGPS, SA.

18. OTHER OPERATIONAL PROFIT AND OTHER OPERATIONAL EXPENSES

As at 31 December 2017 and 2016 these items were as follows:

	31 December 2017	31 December 2016
Other operating income		
Other supplementary income - comissions (Note 21)	114.714	111.106
Other	3.624	8.892
	118.338	**119.998**
Other operating expenses		
Taxes	43.390	68.272
Other	244	200
	43.634	**68.472**

19. TAXATION

As at 31 December 2017 and 2016, Taxation was made up as follows:

	31 December 2017	31 December 2016
Current tax	1.352.188	499.905
Deferred tax (Note 7)	2.450.000	6.039.482
	3.802.188	**6.539.387**

19.1 RECONCILIATION OF THE EFFECTIVE INCOME TAX

The reconciliation between profit before income tax and taxation for the periods ended 31 December 2017 and 31 December 2016 is made up as follows:

	31 December 2017		31 December 2016	
	Incidence value	Tax amount	Incidence value	Tax amount
Profit before income tax (1)	**1.787.155**		**2.198.929**	
Tax charge	21%		21%	
Tax charged		**(375.302)**		**(461.775)**
Increases or (decreases) in taxable profit				
Reversal of Impairment losses (Note 17)	(20.923.422)	4.393.919	-	-
Dividends received (Note 17)	(18.122.785)	3.805.785	(34.791.098)	7.306.131
Payment based on shares	33.709	(7.079)	242.478	(50.920)
Impairment losses (Note 17)	27.172.018	(5.706.124)	45.313.563	(9.515.848)
Losses on financial investments	13.846.529	(2.907.771)	-	-
Others	-	-	(6.203)	1.303
Deduction of tax losses	(61.175)	12.847	(61.175)	12.847
Tax osses that did not give rise to deferred tax assets	-	-	-	-
Tax savings (RETGS)		2.269.128		4.984.893
Municipality and state tax		(125.694)		(569.502)
Autonomous taxes		(7.520)		(3.508)
Under/ Over taxation estimates		-		(1.203.713)
Effect of increases or decreases in deferred taxes		2.450.000		6.039.482
Taxation (2) a)	**3.732.029**	**3.802.188**	**12.318.268**	**6.539.387**
Effective tax charge		N/A		N/A

a) Includes deferred taxes on tax losses, generated in 2016, in the amount of EUR 1,450,000

20. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2017 and 2016 were calculated taking into consideration the following amounts:

	31 December 2017	31 December 2016
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	5.589.342	8.738.316
Effect of dilutive potential shares	-	-
Net profit taken into consideration to calculate diluted earnings per share	5.589.342	8.738.316
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	247.409.380	246.740.156
Earnings per share (basic and diluted)	**0,022591**	**0,035415**

21. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2017 and 2016 with related parties are detailed as follows:

	Expenses (Notes 14 and 17)		Income (Notes 17 and 18)	
Transactions	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Parent company	-	-	-	-
Group and associated companies	1.018.016	881.021	28.155.932	53.489.618
	1.018.016	881.021	28.155.932	53.489.618
	Accounts payable (Notes 12 and 13)		**Accounts receivable (Note 6)**	
Balances	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Parent company	-	-	-	-
Group and associated companies	848.854	1.298.085	5.541.839	10.071.566
	848.854	1.298.085	5.541.839	10.071.566
	Lons obtained (Note 12)		**Loans granted (Notes 5 and 6)**	
Balances	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Parent company	-	-	-	-
Group and associated companies	47.849.000	75.502.700	384.665.034	365.952.986
	47.849.000	75.502.700	384.665.034	365.952.986

In 2017, the income include dividends received from group companies in the amount of 18,122,785 euro (2016: 34,791,098 euro).

It should also be noted that the Board of Directors was identified as a related party of Sonae Capital.

22. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS

Cash receipts and payments related to investments during the periods ended 31 December 2017 and 2016 are detailed as follows:

	31 December 2017		**31 December 2016**	
	Receips	Payments	Receips	Payments
Fundo Esp de Invest. Imob IMO-SONAE II	-	-	2.484	-
Fundo Esp de Invest. Imob WTC	-	-	-	214.246
Solinca - Health & Fitness, S.A.	-	1.069.344	-	892.854
Spred, S.G.P.S., S.A.	-	1.723.246	-	-
Third parties	600.001	-	-	-
	600.001	**2.792.590**	**2.484**	**1.107.100**

23. COMPLIANCE WITH LEGAL REQUIREMENTS

Art 5 nr 4 of Decree-Law nr 495/88 of 30 December changed by art 1 of Decree-Law nr 318/94 of 24 December.

In the period ended 31 December 2017 shareholders' loan contracts were entered into with the companies Spred SGPS, SA, SC Assets, SGPS, SA, Troiaresort SGPS, SA e Solinca Health and Fitness, SA.

In the period ended 31 December 2017 short-term loan contracts were entered with the companies SC Industrials, SGPS, SA, SC Hospitality, SGPS, SA, Troiaresort SGPS, SA, Solinca Health and Fitness, SA, Companhia Térmica Tagol, Lda., CAPWATT MAIA-HEAT POW.,SA, CAPWATT MARTIM Longo -S.P.,SA, CAPWATT VALE CAIMA-H.P,SA, CAPWATT, SGPS, S.A, CAPWATT ACE, SC-Sociedade de Consultadoria, SA, SC Assets, SGPS, SA, SC Finance BV, QCE-D.FAB.EQUIPAMENTOS,SA, Race, SA, Race, SA (Matosinhos), SOBERANA Invest.Imobil., SA, Sotáqua-S.Em.Tu.Quarteira, SA, Troiamarket, SA, INPARVI, SGPS, SA, SC SGPS, SA, UP Invest. SGPS, SA, The House Ribeira Hotel, SA, Soternix-Prod.Energia,ACE, Porto Palacio Hotel Exploração Hoteleira, SA, Aqualuz Tróia Exploração Hoteleira, SA,, Marina de Troia, SA,, ATLANTIC FERRIES, SA, CAPWATT II - Energia, SA, GOLF TIME-Golfe e Invest., SA, IMOPENINSULA-SOC.IMOB.,SA, IMOBEAUTY, S.A., IMORESORT-Soc.Imobil.S.A., MARMAGNO-Expl.Hot.Imob.SA, The Artist Porto Hotel & Bistro-Actividades Hoteleiras, SA, TROIARESORT-Inv.T,SA, TULIPAMAR-Expl.Hot.Im.SA

As at 31 December 2017 amounts due by affiliated companies can be summarized as follows:

Loans and Short term loans granted (Note 21)	
Companies	**Closing Balance**
SC Assets, SGPS, SA	174.523.597
SC Hospitality, SGPS, SA	6.609.000
CAPWATT, SGPS, S.A.	41.175.000
Inparvi SGPS, SA	69.000
SC Finance BV	5.885.000
SC, SGPS, S.A.	14.269.500
Solinca - Health & Fitness, SA	1.186.300
Troiaresort, S.G.P.S., SA	140.286.637
SC, Industrials, SGPS, S.A.	661.000
	384.665.034

As at 31 December 2017 amounts due to affiliated companies can be summarized as follows:

Short term loans obtained (Note 21)	
Companies	**Closing Balance**
Interlog-SGPS,SA	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
Sistavac, SGPS, S.A.	16.613.000
Solinca - Health & Fitness, S.A.	20.000
	47.849.000

24. CONTINGENT ASSETS AND LIABILITIES

At 31 December 2017 and 2016, the main contingent liabilities were related to the guarantees provided and were as follows:

	31 December 2017	31 December 2016
Borrowed Warranties		
In going tax proceedings	1.006.210	1.006.210

The company did not record provisions for the events / disputes for which these guarantees were provided because it is the understanding of the Board of Directors that these events will not result in losses for the Group.

25. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 31 December 2017.

26. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on March 2, 2018. However, they are still subject to approval by the General Shareholders' Meeting, in accordance with the commercial legislation in force in Portugal.

The certified acountant

Rui Manuel Machado Morais

Board of Directors

Duarte Paulo Teixeira de Azevedo

Maria Cláudia Teixeira de Azevedo

Álvaro Carmona e Costa Portela

Ivone Pinho Teixeira

Francisco de La Fuente Sánchez

Paulo José Jubilado Soares de Pinho

Miguel Jorge Moreira da Cruz Gil Mata

Part VII
REPORT AND OPINION OF THE FISCAL BOARD

31 December 2017

SONAE CAPITAL

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REPORT AND OPINION OF THE FISCAL BOARD

(Translation of a report originally issued in Portuguese)

To the Shareholders of
Sonae Capital, S.G.P.S., S.A.

In accordance with applicable legislation and the mandate given to the Fiscal Board, we hereby submit our Report and Opinion which covers the report of the Board of Directors and the consolidated and individual financial statements of Sonae Capital, S.G.P.S., S.A. for the year ended 31 December 2017, which are the responsibility of the Company's Board of Directors.

Supervisory activities

During the year, we have monitored the management of the Company, reviewed the development of the operations of the Company and of its main affiliates, and held meetings whenever considered necessary and with the appropriate scope. In face of the subject under review, these meetings were attended by key staff of the finance department, namely the Chief Financial Officer, of the planning and control department and of internal audit and risk management. We have also followed up closely the work of the statutory auditor and external auditor of the Company who kept us informed of the scope and conclusions of the audit work performed. In performing these tasks, the Fiscal Board has obtained from the Board of Directors, Company staff and affiliated companies' staff and from the statutory auditor all the necessary information and explanations, for a proper understanding and assessment of business developments, financial performance and position, as well as of risk management and internal control systems.

We have also reviewed the preparation and disclosure of financial information, as well as the statutory audit performed on the individual and consolidated accounts of the Company, having obtained from the statutory auditor all information and explanations requested. Additionally, within the scope of the mandate given to the Fiscal Board, we examined the individual and consolidated balance sheets as at 31 December 2017, the individual and consolidated statements of profit and loss by nature, statements of cash flows, statements of comprehensive income and statements of changes in equity for the year ended on that date and related notes.

We have also reviewed the report of the Board of Directors and the Corporate Governance Report for the year 2017, issued by the Board of Directors, and the Statutory Auditor's Report issued by the External Auditor of the Company, whose content we agree with.

Considering the above, we are of the opinion that the consolidated and individual financial statements referred to above were prepared in accordance with applicable accounting, legal and statutory standards and give a true and fair view of the assets and liabilities, financial position and results of Sonae Capital, S.G.P.S., SA and of its main affiliates, and that the report of the Board of Directors faithfully describes business developments, performance and financial position of the Company and of its affiliates and the main risks and uncertainties they face. We hereby inform that the Corporate Governance report issued complies with article 245-A of the Portuguese Securities Code.

The Fiscal Board would like to express its gratitude to the Company's Board of Directors and staff for their cooperation.

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Opinion

In face of the above mentioned, we are of the opinion that the Shareholders' General Meeting can approve:

a) The report of the Board of Directors, the individual and consolidated balance sheets as at 31 December 2017, the individual and consolidated financial statements of profit and loss by nature, of cash flows, of comprehensive income and of changes in equity for the year ended on that date and related notes;

b) The profit appropriation proposal of the Board of Directors.

Statement under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code

Under the terms of Article 245, paragraph 1, c) of the Portuguese Securities Code, the members of the Fiscal Board hereby declare that, to their knowledge, the information disclosed in the Report of the Board of Directors and other accounting documents, was prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and results of the Company and of its affiliates.

Moreover, members of the Fiscal Board consider that the Report of the Board of Directors faithfully describes business developments, the performance and the position of the Company and of its affiliates and the main risks and uncertainties they face.

Maia, 2 March 2018

The Fiscal Board,

António Monteiro de Magalhães

Manuel Heleno Sismeiro

Carlos Manuel Pereira da Silva

Part VIII
STATUTORY AUDIT AND AUDITORS' REPORT

31 December 2017

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sonae Capital S.G.P.S., S.A. (the Group), which comprise the consolidated balance sheet as at 31 December 2017 (which shows total assets of Euro 516.126.609 and total shareholders' equity of Euro 291.369.289 including a net loss of Euro 6.513.485), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonae Capital S.G.P.S., S.A. as at 31 December 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Recovery of Fixed Assets and Inventory – Real Estate Assets	
As disclosed in Notes 10 and 14 of the notes to the consolidated financial statements, the balance sheet presents real estate assets recorded under Property, Plant and Equipment and under Inventory (in a total of Euro 130.592 thousan and Euro 85.509 thousand, respectively). The relevance of the amounts in question and the degree of judgment associated with the assessment of the recoverability of these assets justify that it has been considered a key audit matter. The evaluation of the recoverability of this type of asset requires the use of assumptions that always involve some uncertainty, namely cash flow forecasts, estimates of recoverable amounts, obtain market comparable, growth rates, discount rates and sensitivity assumptions.	To avaliate the recovery of real estate assets recorded under Property, Plant and Equipment and under Inventory, and based in the real estate appraisals prepared by independent entities in 2016 and the audit procedures then executed, we have evaluated if the impacts of those evaluations in 2017 financial information are current, threw comparation of the evolution of the real estate market indicators in Portugal from 2016 to 2017 and of real estate transactions carried out during the year 2017 with the net value recorded. We have verified the adequacy of the disclosures in the consolidated financial statements with respect to these assets.
Goodwill Recovery	
The balance sheet presents a Goodwill value of Euro 47.376 thousand. Considering the relevance of the amount and the complexity and level of judgment inherent in the model adopted for the calculation of impairment and the identification and aggregation of cash-generating units (CGUs), this issue was a key audit matter. Disclosures are presented in not 2.2 c) about the accounting policy applicable to the Goodwill and in note 12 of the consolidated financial statements.	In order to evaluate the recoverability of these assets, we obtained and analyzed the impairment tests prepared by the Group. Considering the identification and aggregation of CGUs, we have analyzed the reasonableness of the assumptions used in the forecasts, the market conditions, the sensitivity analyzes and the historical accuracy of the Group in the preparation of forecasts and budgets. We also analyzed the reasonableness of the discount rates used, as well as the perpetuity growth rates, using market comparable and other information in the market, and we reexecuted the model calculations. We have also analysed Goodwill calcuation which results from the entries in the consolidation perimeter in 2017 We have verified the adequacy of the disclosures in the consolidated financial statements.

Key Audit Matter	*Summary of the Audit Approach*
Revenue recognition	
As disclosed in Note 34 of the notes to the consolidated financial statements, the Construction Contracts ongoing at 31.12.2017 revenue amounts to Euro 78.997 thousand. The work map that supports the recognition of revenue based on the percentage of completion of construction contracts has several assumptions, essentially as regards the overall budget for construction expenses, already incurred expenses and expenses to be incurred. Given the uncertainty inherent in estimates of this nature, and the inherent assumptions, they must be continually reviewed and, as such, we consider a key audit matter. Disclosures are presented in notes 34 and 2.16 - policies.	We reconcile the work maps with the values of the balance sheet and the income statement. We reviewed the contracts supporting the work maps, analyzed the reasonableness of the percentage of completion considered taking into account the underlying assumptions and compared the results obtained with the recorded revenue. In order to validate Management's assumptions regarding the recognized margin, we analyze the information available, essentially as it relates to the terms in the contracts signed, the latest projections, the current state of the works, the invoicing made and the reasonableness of the budgets In the past, compared to actual values. We have verified the adequacy of the disclosures in the consolidated financial statements.
Deferred tax-assets recovery	
The balance sheet presents Deferred tax-assets value of Euro 27.774 thousand. The relevance of the amounts in question and the degree of judgment associated with the assessment of the recoverability of deferred tax assets, which requires the use of estimates in the projection of future taxable income and the determination of the taxes required for their recovery, justify that it has been considered a key audit matter. Disclosures are presented in notes 19 and 2.15 - policies.	In order to evaluate the Group's ability to recover these assets, we have analyzed the budgeting models and Management's assumptions and estimates in relation to the Group's probability of generating sufficient future taxable profits to support the estimated recovery of deferred tax assets. We also evaluate the Group's historical accuracy in the preparation of forecasts and budgets, namely by comparing the tax results obtained with those previously forecast. We have reexecuted the calculations of budgeting models. We have verified the adequacy of the disclosures in the consolidated financial statements.
Contingent liabilities	
As disclosed in Note 32 of the notes to the consolidated financial statements, there are tax contingencies for which no provisions have been	The audit procedures we have carried out in this area included understanding of tax and legal contingency assessment procedures; getting and

Key Audit Matter	*Summary of the Audit Approach*
recorded, since Management understands that these events will not result in losses for the Group. The complexity and the degree of judgment inherent in the tax matters in question, as well as the level of uncertainty associated with the outcome, justify that it was a key audit matter. Disclosures are presented in notes 32 and 2.14 - policies.	analysis of disputes affecting the Group; analysis of communications with external experts; obtaining and analysis of the answers obtained to the requests for confirmation of the processes carried out by external lawyers; inquiry to the management and to the legal and tax responsible over the estimates and judgments; obtaining and analyzing the opinion of internal specialists; verification of the assumptions used by Management for non-provisioning. We discussed with the Management and with the legal and tax responsible about the estimates, judgments and decisions taken in order to assess the reasonableness of the probability of outcome for each proceeding in in accordance with IAS 37, supporting the disclosures made and the non-provisioning.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial information set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separate report of the Director's report that includes the non-financial information set forth in article No. 66-B of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Entity in the Shareholders' General Meeting of 31 March 2011 for the period from 2011 to 2012, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 31 March 2015 for the period from 2015 to 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board at the same date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

e) We inform that, besides the audit services, the following additional services, permitted by law and regulation in force, were provided by us to the Group:

2 March 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hermínio António Paulos Afonso, R.O.C.

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sonae Capital S.G.P.S., S.A. (the Entity), which comprise the balance sheet as at 31 December 2017 (which shows total assets of Euro 700.040.192 and total shareholders' equity of Euro 555.914.420 including a net profit of Euro 5.589.342), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonae Capital S.G.P.S., S.A. as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Recovery of financial investments	
As disclosed in the individual financial statements, at 31 December 2017, Sonae Capital, S.G.P.S., S.A. holds financial investments on group companies in the amount of Euro 300 million, which are measured at cost. The valuation of financial investment is considered a key audit matter, because changes caused by events or circumstances that adversely affect the performance of the investees may lead to non-recoverability of the book value of these assets. Impairment tests are performed on the financial investments whenever an event or change in circumstances is identified that indicates that the asset may not be recovered. The valuation model used is the discounted cash flow model. To build this model, management incorporates judgments based on assumptions about cash flow projections, real estate fair value differentials, perpetuity growth rates and discount rate to be applied. Disclosures are presented in notes 2.9 and 4.1 - policies.	In order to validate the assumptions and judgments made by management in the valuation of financial investments, we perform the following procedures: a) assessment of whether or not there is evidence of impairment in financial investments; and b) obtaining and analyzing the impairment tests of the financial investments, in the applicable cases. The analysis of impairment tests, based on discounted cash flow models, involved the following procedures: a) verifiy id the real estate valuations performed by independent entities obtained in 2016 are still current b) analysis of the evolution of real estate market indicators in Portugal from 2016 to 2017 c) comparison of real estate transactions carried out during 2017 with the value of the valuations obtained in 2016 We compare the recoverable amount obtained in the valuations with the book value of the financial investments and appreciate the reasonableness of the impairments recorded by the Entity. We have verified the adequacy of the disclosures in the consolidated financial statements.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Non-financial information set forth in article No. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separate report of the Director's report that includes the non-financial information set forth in article No. 66-B of the Portuguese Company Law, which was published together with the Director's report.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of the Entity in the Shareholders' General Meeting of 31 March 2011 for the period from 2011 to 2012, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 31 March 2015 for the period from 2015 to 2017.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud,

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board at the same date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

2 March 2018

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hermínio António Paulos Afonso, R.O.C.

SONAE CAPITAL