REPORT AND ACCOUNTS

31 december 2016

SONAE CAPITAL

INDEX

Part I
REPORT OF THE BOARD OF DIRECTORS

31 december 2016

We are now in a privileged position to even more clearly address the fulfilment of our vocation as an investment holding, seeking out growth and value creation opportunities in the selected new business areas and in the development of our new investment theme – Exporting Portuguese Engineering.

Paulo Azevedo,
Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

2016 was a year when the progress made in previous years was consolidated in the shape of a conservative financial structure suitable to the Group's asset portfolio and businesses. The year was indelibly marked by the conclusion of the shareholdings' sale process in road concessions, the beginning of the macro plots sale process in Tróia for the development of a reference project and the continued improvement in the competitive position of each one of our businesses.

As a result of the performance achieved and particularly the generation of 97M€ of Free Cash Flow, at the end of the year, the Company achieved a quite conservative capital structure. In addition, the Company has a number of non-produtive or non-strategic assets that is important to continue to place on the market. Of special note are the real estate assets – houses, plots and macro plots – in Tróia Peninsula, not only for their financial dimension, but also for the positive externalities in the operational improvement of the running of the resort and the valuation that this implies for the other assets. As a result of the current market conditions, positive results are still expected from the sale of real estate assets and, therefore, the Company is in a privileged position for continuing to finance the growth of its existing operations. The expansion plan underway in the Fitness segment and the pursuit, in the Energy area, of non-organic growth routes (cogeneration and renewable energy) should be noted.

Moreover, we are now in a privileged position to even more clearly address the fulfilment of our vocation as an investment holding, seeking out growth and value creation opportunities in the selected new business areas and in the development of our new investment theme – Exporting Portuguese Engineering. Our capacity to demonstrate and to generate economic and social value through this new growth route will be critical for us to be able to continue to count on the support of our Shareholders.

Therefore, arising from the conservative financial structure achieved at the end of the year, the Board of Directors has decided to propose, as it did last year, a shareholder remuneration policy in the form of dividend payments. These will be supported by the Group's results and the income made on the sale of non-strategic assets, subject to maintaining a capital structure suitable to the Group's asset portfolio and businesses and the funding of the different growth routes selected.

The Management Team has shown the necessary resilience, persistence and adroitness in implementing the strategy defined, with the success that the results have been showing. The Board of Directors remain confident that the Team will be just as successful in the future in enabling growth opportunities, whether in the scope of its existing businesses or in its scope as an investment holding, in new businesses to be selected.

Finally, we express our special appreciation to all the Teams in the Sonae Capital Group, for their commitment and their merit for the successful results achieved, as well as all the shareholders of our Governing Bodies and all our partners: clients, suppliers, shareholders and financiers.

Paulo Azevedo
Chairman of the Board of Directors

The results achieved during the year confirm our commitment and engagement to implement the defined strategy and demonstrate solid performance

Cláudia Azevedo, CEO

1. CEO'S MESSAGE AND MAIN HIGHLIGHTS

"2016 was marked by important milestones in the implementation of the Corporate strategy. These embodied:

- (i) reconfiguration of the Group's business portfolio with the conclusion of the sale of interests in businesses associated with the road concessionaires, Norscut and Operscut, for a total value of 43M€;

- (ii) the sale of UNOPs 7/8/9, in Tróia, for 50M€, for developing a tourism project of excellence that will bring important positive externalities to the rest of the resort, an important landmark for the progress of the entire peninsula of Tróia and the surrounding region;

- (iii) the continuous improvement and strengthening of the competitive position of most of our current businesses;

- and (iv) sales achieved (14.8M€) and the implementation of measures leading to the sale of an additional set of non-strategic real estate assets, which is an advantageous means of financing future growth options.

The results achieved during the year confirm our commitment and engagement to implement the defined strategy and demonstrate solid performance, which can be observed in the significant improvement of EBITDA (+28%), Net Profit which grew 13.3x to 18.7M€ and a further significant reduction of 83.2M€ in Net Debt, down to 66M€, a conservative figure for the Group's type of business and assets held.

In terms of strengthening and improving the competitive position of most of our businesses, we highlight the following in comparison with the previous year:

- (i) Tróia Resort: the year was marked by the sale of UNOPs 7/8/9. Moreover, despite the lower sales of residential units, as a result of the expected slowdown in the "golden visa" market, the average value of the units sold improved and there was a clear improvement in the operations that support the resort, as a result of better efficiency levels and a greater number of visitors;

- (ii) There are still profitability challenges for Hospitality, despite the registered improvements. The significant growth of Turnover (+17%) and EBITDA (+28%) is to be noted. The start of the implementation of an expansion process is of particular importance, following a capital light model. This expansion comprised the opening of a new operation in Porto, which made a positive contribution to the segment right in the first (incomplete) year of operation;

- (iii) Also in Fitness the expansion process accelerated, with 5 new openings during the year (one in 2015), which drove significant growth in the number of members (+27%), Turnover (+19%) and EBITDA (+18%), with no relevant material impact on the profitability of the segment (EBITDA margin of 11.9%);

- (iv) In the Energy segment, due to the expected decrease in the number of operating cogeneration plants and the decline of oil prices, there was a fall in Top Line (-24%) and EBITDA (-15%), partly offset by investments in new operations (2MW), which were only conducted at the end of the year and without material impact on profit or loss;

- (v) Finally, the Refrigeration & HVAC segment registered a fall of EBITDA (-36%) wholly due to lower levels of business activity and profitability of the international operations, as domestic operations continued to generate higher Turnover (+27%) and EBITDA (+13%) than those of the previous year.

In addition, the sale, as referred to above, of a set of non-strategic financial and real estate assets totalling 57.8M€ is worth mentioning, and which, combined with the sale of the aforementioned Macro-Plots in Tróia and the operational performance of each of our businesses, led to another significant reduction (83.2M€) of Net Debt to 66.0M€. This fact allows us to be more optimistic in relation to future growth options. It is important to highlight, in this regard, the steps being taken to strengthen the competitive position of our strategic energy segment, where additional acquisitions and greenfield investments in cogeneration or renewable operations will be considered provided they meet the pre-defined internal requirements of profitability. We also proceeded with the analysis of different sectors and industries in the existing areas of competence, with a view to possible integration in the Group's business portfolio. This is a crucial step towards the effective implementation of our strategic purpose.

Generation of the Group's results and, in particular, the sale of non-strategic assets, notwithstanding our positive expectations regarding the development of interesting investment opportunities, allows the company to propose very significant shareholder remuneration for the second consecutive year, while maintaining adequate capital structure and the ability to finance identified growth options. The Board of Directors will present to the Shareholders' General Meeting a proposal for shareholder remuneration of 25M€ in the form of a dividends payout.

A final word of thanks to all employees for their performance and commitment to the Group and the implementation of its strategy, which enabled the achievement of historical, sound and sustained results for the future."

Claúdia Azevedo

CEO

Operating Income

232,5 M€

increase of
▲ 28,3%

ebitda

30M€

increase of
▲ 27,6%

net profit

18,7M€

increase of
▲ 17,3M€

66M€

decrese by
▼ 83,2M€

net debt

free cash flow (levered)

97,1M€

Significant growth of the main financial indicators, confirm the strong operational performance attested by consolidated net profit of 18.7M€ and the sustained reduction by 83.2M€ of the net debt level.

Total Consolidated Operating Income rose to 232.5M€, an increase of 28.3% over the previous year, driven by the following factors:

- Operating income growth in the Resorts segment of 115%, corresponding to 37.1M€, based on the sale of UNOPs 7/8/9. 24 deeds of sale of real estate units in the resort were signed during 2016, compared to 32 the previous year, partially mitigated by an average sale value 6.6% higher. Moreover, a fractional sale deed was also signed in 2016, a product launched during the summer. By the closing date of this report, two more deeds had already been signed and 6 promissory purchase and sale contracts and reservations of stock were still on the portfolio;

- The Fitness segment posted turnover growth of 19.1%, due to the continued increase in the number of active members (+27%) and the average monthly fee (+6%);

- The Refrigeration & HVAC segment, driven by domestic operations, namely by exports (work carried out from Portugal in different countries), drove turnover up by 18.9%;

- Hospitality also registered growth of 17.4%, with all hotels recording significant increases in occupancy rate and average prices. The new Hotel “The House”, inaugurated in April, also contributed to these results.

- The Energy segment turnover moved in the opposite direction, as expected, falling by 24.4% as a result of the decrease in the number of operating cogeneration plants and the unfavourable evolution of oil prices;

- The growth of 18.1M€ in the “Other” item was mainly due to the signing of a set of deeds for sale of real estate assets. Of note was the sale of 81 City Flats apartments, totalling 6.9M€, and of another set of real estate assets. Moreover, at the date of this report, promissory sale contracts had been signed for a diverse range of real estate assets totalling 14.5M€.

Consolidated EBITDA amounted to 30.0M€, generating a margin of 15.6%. This is an increase of 27.6% over the previous year, due to:

- In Resorts, as a result of the capital gain generated by the sale of UNOPs 7/8/9 in the approximate amount of 14.5M€. The improvement in most of the operations that support the resort should also be mentioned, due to the greater number of visitors and improved efficiency, particularly the tourism operations component – Troia Residence – and Atlantic Ferries;

- Hospitality, as a result of the growth in turnover, recorded an improvement of 28.3%, with all operations showing significant growth. The positive contribution of Hotel "The House", opened during the year 2016, is to be highlighted;

- The Fitness segment also registered an increase of 18.4%, due to the increase in the number of members and the average monthly fees, and despite the costs necessary to support the opening of 5 new clubs.

- The Refrigeration & HVAC segment declined 36.5%, following the turnover performance of international operations. It should be noted that the domestic operation recorded an improvement of 12.6%, due to the high growth registered in the number of contracts delivered during 2016;

- Energy, as expected, fell by 15.2%. It should be noted that an improvement of 17.7% was already observed in the 4th quarter, for a comparable base of operating cogeneration plants;

- The "Other" segment recorded a decrease of 66.3% which, as explained in previous quarters, results from the capital gain generated by the sale of real estate assets in 2015.

Consolidated Net Profit amounted to 18.7M€, representing an improvement of 17.3M€ from the previous year. In addition to the already referred 6.5M€ improvement of EBITDA, also to be highlighted are the 13.5M€ increase in Results of Investments and Associated Companies, and the 1.8M€ reduction of net financial costs due to the lower Debt and the refinancing process in order to adjust the financial cost to Sonae Capital's risk profile.

Free Cash Flow (levered) amounted to 97.1M€ benefiting from the overall business units operational improvement and, most importantly, from the sale of non-strategic real estate and financial assets.

As a result of the generation of liquidity and the distribution of dividends in 2016, Consolidated Net Debt decreased by 83.2M€ to 66.0M€, a very conservative result given the Group's type of business and the assets held.

2. OVERALL PERFORMANCE

The operational and financial performance during 2016 was clearly positive. It was driven by the continued improvement in the competitive position of most of the businesses, combined with the significant sale of the shareholdings in road concession operators (Norscut and Operscut) for a total value of 43M€ and the sale of the first macro-plots block in Tróia for 50M€, for the development of a reference project that will bring important development not only to the Tróia peninsula but also to the entire surrounding region. This resulted in a better economic and financial performance compared to previous years, as shown by EBITDA, Net Profit and Net Debt.

2.1. CONSOLIDATED PROFIT AND LOSS STATEMENT

Consolidated Profit and Loss Account			
Million euro	**FY 2016**	**FY 2015**	**▲ 16/15**
Total Operational Income	**232.52**	**181.28**	**+28.3%**
Turnover	**192.94**	**169.60**	**+13.8%**
Resorts	31.13	29.68	+4.9%
Hospitality	17.00	14.48	+17.4%
Fitness	18.09	15.19	+19.1%
Energy	38.23	50.58	-24.4%
Refrigeration & HVAC	67.18	56.50	+18.9%
Others & Eliminations	21.32	3.17	>100%
Other Operational Income	39.58	11.68	>100%
EBITDA, excluding Guaranteed Income Provisions (1)	**30.38**	**24.52**	**+23.9%**
Resorts	17.57	4.18	>100%
Hospitality	-2.30	-3.21	+28.3%
Fitness	2.16	1.82	+18.4%
Energy	7.81	9.21	-15.2%
Refrigeration & HVAC	1.97	3.09	-36.5%
Others & Eliminations	3.18	9.43	-66.3%
Provisions for Guaranteed Income	-0.36	-0.99	+63.8%
EBITDA	**30.02**	**23.53**	**+27.6%**
Amortization & Depreciation	-15.87	-15.72	-1.0%
Provisions & Impairment Losses	0.37	0.00	-
Non-recurrent costs/income (2)	0.08	0.06	+33.4%
EBIT	**14.59**	**7.87**	**+85.5%**
Net Financial Expenses	-6.78	-8.60	+21.2%
Investment Income and Results from Assoc. Undertakings	16.68	3.13	>100%
EBT	**24.49**	**2.40**	**>100%**
Taxation	-5.80	-0.41	<-100%
Net Profit - Continued Businesses	**18.69**	**1.99**	**>100%**
Net Profit - Discontinued Businesses	**0.00**	**-0.59**	**-**
Net Profit - Total	**18.69**	**1.40**	**>100%**
Attributable to Equity Holders of Sonae Capital	17.59	-0.29	-
Attributable to Non-Controlling Interests	1.10	1.69	-35.0%

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

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

Consolidated Operating Income rose to 232.5M€, a significant increase of 28.3% from the previous year. It should be noted that the Other Operating Income item includes movements related to the sale of the macro-plots in Tróia, classified as tangible assets and, therefore, not considered for the purposes of turnover.

Consolidated turnover in 2016 amounted to 192.9M€, corresponding to a growth of 13.8% from the previous year. Double-digit improvements were recorded in all business segments, with the exception of the Energy segment. Consolidated EBITDA amounted to 30.0M€, an increase of 27.6% from the previous year, generating a margin of 15.6%, 1.7pp above the comparable figure in 2015.

Turnover performance is explained by the contribution of

(i) Resorts: an increase of 4.9% which, despite the lower number of deeds signed – 24 deeds were signed during 2016 compared to 32 registered in 2015 – benefitted from a higher average value of the units sold as well as clear improvement of the operations that feed the resort, namely Atlantic Ferries (+9.0% to 5.9M€) and Troia Residence (+36.1% in accommodation revenues);

(ii) Hospitality, continuing to show positive performance and double-digit growth (+17.4%), due to the improvement in the main operating indicators, namely, the occupancy rate and RevPar;

(iii) the Fitness segment, grew by 19.1%, mainly owing to the 27% growth in the average number of active members, or 3.6% excluding openings – increasing penetration in existing clubs – and the 5.7% increase in average monthly fees;

(iv) Energy which, as expected, declined by 24.4%, also affected by oil price developments;

(v) Refrigeration & HVAC, an increase of 18.9% or 10.7M€ over the previous year, wholly driven by the domestic operation as international operations recorded a decrease of 25.9%, due to lower levels of business activity.

Consolidated EBITDA in 2016 amounted to 30.0M€, an improvement of 27.6% over 2015. EBITDA performance is clearly marked by the aforementioned sale of the macro-plots in Tróia, which generated a capital gain of approximately 14.5M€. The remaining units continued to evolve in line with the performance of turnover, continuing to show gains in efficiency and additional profitability. Conversely, the international operations of the Refrigeration & HVAC segment (Brazil and Angola) performed negatively due to the lower level of business activity, affecting the performance of the segment as a whole. It should be noted for this segment that domestic operations, through the strengthening of export activity, performed positively in terms of both turnover (+27.0%) and EBITDA (+12.6%). The “Other” segment, which includes sales of non-strategic real estate assets, records a decrease in EBITDA, despite the amount of sales achieved, by virtue of the significant margin generated in 2015 with the sale of one asset in particular (Duque de Loulé), which generated a capital gain of approximately 6.0M€.

Consolidated Net Profit rose to positive 18.7M€, an increase of 17.3M€ from the previous year. Of note was:

(i) in addition to the already highlighted growth in EBITDA (+6.5M€);

(ii) the 13.5M€ increase in Results of Investments and Associated Companies, mainly due to the capital gain generated by the sale of the Norscut and Operscut shareholdings;

(iii) the 1.8M€ decrease in net financial charges, as a result of lower Net Debt and lower financing costs following the Group's refinancing to adjust the cost to the risk profile and the adjustment of the average lifetime of debt as a form of supporting the strategic plan;

and (iv) despite higher tax costs of 5.4M€, as a result of the Profit before Taxes.

2.2. CAPEX

Capex in 2016 rose to 12.7M€, a reduction of 12.8% from 2015. The main contributors of Capex were in the Energy segment (mainly related to the acquisition of two photovoltaic parks of 1MW each, totalling 5.7M€), the Fitness segment due to the expansion plan, and Hospitality, mainly related to the opening of the new hotel, “The House”, in Porto.

Total Capex amounts to 4.5% of total Fixed Assets, 0.1pp lower than the previous year.

2.3. CAPITAL STRUCTURE

Net Debt at the end of 2016 amounted to 66.0M€, 83.2M€ below the level registered at the end of 2015 and, as in previous quarters, the lowest level since the Group’s spin-off in 2007.

This result was mainly due to the performance of consolidated FCF, which included during the year the conclusion of the sale of shares in the road concession operators (Norscut and Operscut), for a total amount of 43M€ and the sale of the macro-plots in Tróia for 50M€. Also to be highlighted, due to the materiality of the amounts involved, is the revenue related to the sale of non-strategic real estate assets, amounting to approximately 9.3M€.

The Capital Structure, as a result of the reduction in net debt, also recorded significant improvements, visible in the favourable 27.5 pp evolution of the Debt to Equity ratio to 20.6%.

Consolidated Balance Sheet

Million euro	Dec 2016	Dec 2015	Dec16/Dec15
Total Assets	**500.4**	**574.0**	**-12.8%**
Tangible and Intangible Assets	246.4	258.8	-4.8%
Goodwill	37.8	60.9	-37.9%
Non-Current Investments	1.7	13.6	-87.4%
Other Non-Current Assets	29.4	31.5	-6.6%
Stocks	104.5	126.8	-17.6%
Trade Debtors and Other Current Assets	47.7	47.2	+1.2%
Cash and Cash Equivalents	32.7	35.3	-7.3%
Total Equity	**320.4**	**310.1**	**+3.3%**
Total Equity attributable to Equity Holders of Sonae Capital	310.4	299.9	+3.5%
Total Equity attributable to Non-Controlling Interests	9.9	10.2	-3.1%
Total Liabilities	**180.0**	**263.9**	**-31.8%**
Non-Current Liabilities	**120.7**	**121.0**	**-0.2%**
Non-Current Borrowings	94.3	103.9	-9.3%
Deferred Tax Liabilities	19.6	10.9	+79.3%
Other Non-Current Liabilities	6.8	6.1	+11.7%
Current Liabilities	**59.3**	**142.9**	**-58.5%**
Current Borrowings	4.5	80.6	-94.4%
Trade Creditors and Other Current Liabilities	54.8	62.3	-12.0%
Total Equity and Liabilities	**500.4**	**574.0**	**-12.8%**
Net Capital Employed	**386.3**	**459.3**	**-15.9%**
Fixed Assets	284.2	319.7	-11.1%
Non-Current Investments (net)	4.7	28.0	-83.3%
Working Capital	97.4	111.6	-12.7%
Capex (end of period)	12.7	14.6	-12.8%
% Fixed Assets	4.5%	4.6%	
Net Debt	**66.0**	**149.2**	**-55.8%**
% Net Capital Employed	17.1%	32.5%	
Debt to Equity	20.6%	48.1%	
Net Debt excluding Energy	43.9	126.2	-65.2%
Capital Structure Ratios			
Loan to Value (Real Estate)	8.6%	21.8%	
Net Debt/EBITDA (recurrent)	2.38x	2.20x	

Given the different types of assets that make up the Sonae Capital portfolio the capital structure should be evaluated taking into account the coexistence of businesses that generate recurrent EBITDA, measured by the Net Debt/EBITDA ratio and Real Estate Assets, which should be evaluated on the basis of their market value. The implicit Loan To Value (LTV) and Net Debt/EBITDA ratios of the non-Real Estate business stood at 8.6% and 2.38x, respectively, taking into account the valuation of the Group's real estate assets at the end of 2016. These translate into fairly conservative and comfortable ratios in light of Sonae Capital business portfolio structure.

Net Capital Employed decreased by 15.9% over the previous year, to 386.3M€, as a result of the 11.1% reduction in fixed assets, 83.3% in non-current investments (due to the sale of Norscut and Operscut) and 12.7% in working capital. Capex amounted to 12.7M€ and represented 4.5% of total fixed assets.

3. SEGMENTS PERFORMANCE

Total Consolidated Operating Income and EBITDA, in million euro

operating income   EBITDA

RESORTS

69,3
17,2

variation 16/15
operating income ▲ > 100%
EBITDA ▲ > 100%

FITNESS

18,3
2,2

variation 16/15
operating income ▲ 18,3%
EBITDA ▲ 18,4%

HOSPITALITY

17,6
-2,3

variation 16/15
operating income ▲ 17,2%
EBITDA ▲ 28,3%

ENERGY

38,8
7,8

variation 16/15
operating income ▼ 24,4%
EBITDA ▼ -15,2%

REFRIGERATION & HVAC

67,9
2,0

variation 16/15
operating income ▲ 18,7%
EBITDA ▼ -36,5%

3.1. RESORTS

Profit and Loss Account — Resorts			
Million euro	**FY 2016**	**FY 2015**	**▲ 16/15**
Total Operational Income	**69.26**	**32.14**	**>100%**
Turnover	**31.13**	**29.68**	**+4.9%**
Other Operational Income	38.13	2.46	>100%
Total Operational Costs	**-51.69**	**-27.96**	**-84.8%**
Cost of Goods Sold	-27.14	-4.18	<-100%
Change in Stocks of Finished Goods	-7.41	-5.49	-34.9%
External Supplies and Services	-10.07	-11.78	+14.5%
Staff Costs	-3.92	-3.77	-3.8%
Other Operational Expenses	-3.14	-2.74	-14.8%
EBITDA excluding Guaranteed Income Provisions (1)	**17.57**	**4.18**	**>100%**
Provisions for Guaranteed Income	-0.36	-0.99	+63.8%
EBITDA	**17.21**	**3.19**	**>100%**
EBITDA Margin (% Turnover)	55.3%	10.7%	+44.6 pp
Capex	**1.21**	**1.44**	**-15.7%**
EBITDA-Capex	**16.00**	**1.75**	**>100%**

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

2016 will be indelibly marked as the year the Resorts segment made the significant sale of the macro-plots called UNOPs 7/8/9, for 50M€, for the development of a project of excellence.

This project is extremely important for the future development of the resort and it incorporates important positive externalities for the businesses and assets already in operation. Moreover, it will decisively contribute to development, not only of the entire Tróia peninsula but also the surrounding region.

In 2016, 24 deeds of residential units in Troia Resort were signed (6 in Q1, 5 in Q2, 4 in Q3 and 9 in Q4 of 2016), plus one fractional deed, resulting from a product launched during the summer. By the closing date of this report, two more deeds had already been signed and 6 promissory purchase and sale contracts and reservations have been made and the deposit paid. It should be noted that, as expected and already mentioned in previous releases, there was a slowdown in the "golden visas" market during 2016, partially mitigated by the recovery of other European markets, namely the domestic market, and by the improvement of the average sale value of units. 375 deeds of sale on residential units of the Troia Resort complex had been signed by 31 December 2016.

Turnover amounted to 31.1M€, an increase of 4.9% over 2015, benefiting from a positive sales mix and the overall improvement in the contribution of the operations that support the Resort, due to the greater number of visitors. The growth recorded by Atlantic Ferries (+9.0% to 5.9M€) and Troia Residence (+36.1% in accommodation revenue) were notable in this respect.

EBITDA for the year was 17.21M€, 5.4x EBITDA of the previous year, mainly due to the capital gain achieved with the sale of the macro-plots for the approximate amount of 14.5M€. The improved profitability of operations supporting the resort, namely Atlantic Ferries (+41% to 2.08M€), only partially offset the lower margin generated by real estate sales.

For prudence reasons, and following the traditional conservative approach that should govern the accounting principles, we have reported in Provisions, at the time of the sale, the present value of potential costs for the Guaranteed Income period on real estate sales in Tróia Resort (by the difference between the rate of guaranteed income and a conservative expectation of commercial operation). This amounted to 0.36M€ in 2016, compared to 0.99M€ in 2015, as a result of sales recorded in 2016 and a more favourable mix, particularly given the slowdown of the “golden visas” market.

Capex in 2016 remained at controlled levels, falling below that registered in 2015 and contributing, together with EBITDA performance, to the 14.25M€ improvement in the value of EBITDA-Capex.

3.2. FITNESS

Profit and Loss Account — Fitness			
Million euro	**FY 2016**	**FY 2015**	**▲ 16/15**
Total Operational Income	**18.32**	**15.48**	**+18.3%**
Turnover	**18.09**	**15.19**	**+19.1%**
Other Operational Income	0.23	0.29	-20.4%
Total Operational Costs	**-16.16**	**-13.66**	**-18.3%**
Cost of Goods Sold	-0.10	-0.12	+10.6%
External Supplies and Services	-9.73	-8.59	-13.3%
Staff Costs	-5.41	-4.16	-30.1%
Other Operational Expenses	-0.91	-0.79	-15.4%
EBITDA	**2.16**	**1.82**	**+18.4%**
EBITDA Margin (% Turnover)	11.9%	12.0%	-0.1 pp
Capex	**1.84**	**1.31**	**+40.5%**
EBITDA-Capex	**0.32**	**0.51**	**-38.3%**

The Fitness segment continues to improve its competitive position, which is confirmed by the 27% growth in the average number of active members.

The opening of 5 new clubs during 2016 is to be highlighted, namely in Guimarães, Maia, Porto-Foz, Laranjeiras and Ermesinde. The Solinca brand currently operates 17 health clubs. It should also be noted that on a comparable basis, excluding openings, the number of active members grew positively by 3.6%, increasing penetration in existing clubs.

Turnover in 2016 increased 19.1% to 18.09M€. The positive evolution of average monthly fees (+5.7%) also stands out. EBITDA amounted to 2.16M€, a significant improvement of 18.4% from the previous year. This corresponds to a margin of 11.9%, in line with the previous year, despite the require effort in terms of costs with the expansion plan and the time needed for the new clubs to reach “cruising speed”.

Capex in 2016 amounted to 1.84M€, 40.5% higher than in 2015, due to the investments required to support the expansion plan.

3.3. HOSPITALITY

Profit and Loss Account — Hospitality			
Million euro	FY 2016	FY 2015	▲ 16/15
Total Operational Income	**17.58**	**15.00**	**+17.2%**
Turnover	**17.00**	**14.48**	**+17.4%**
Other Operational Income	0.58	0.52	+11.8%
Total Operational Costs	**-19.88**	**-18.21**	**-9.2%**
Cost of Goods Sold	-1.71	-1.61	-6.3%
External Supplies and Services	-11.49	-10.50	-9.4%
Staff Costs	-6.03	-5.58	-8.1%
Other Operational Expenses	-0.65	-0.53	-23.8%
EBITDA	**-2.30**	**-3.21**	**+28.3%**
EBITDA Margin (% Turnover)	-13.5%	-22.2%	+8.6 pp
Capex	**1.36**	**0.16**	**>100%**
EBITDA-Capex	**-3.66**	**-3.37**	**-8.7%**

In order to adjust information comparability, the contribution of the hotel operation of Lagos (Aqualuz Lagos) in 2015 was excluded.

Turnover of the Hospitality segment in 2016, in line with the trend observed in previous years and following market developments, consolidated the positive trajectory and posted a 17.4% increase in relation to the previous year to 17.0M€.

This performance was mainly due to the growth of the occupancy rate by 4pp and ARR by 7.6%. The number of nights sold, in the same period, grew by 15.8% over all hotel units of the Group and RevPar increased by 17.3%.

The increase in turnover due to the positive performance of the operational indicators coupled with the optimisation and cost saving measures implemented in recent years, led to EBITDA in 2016 posting an improvement of 28.3% (+0.91M€) to negative 2.30M€, from the previous year. It should be noted that the new hotel "The House Ribeira Porto Hotel" in Porto, inaugurated during the year, has already positively contributed to EBITDA, with occupancy rates and average prices in line with the market for this zone.

The EBITDAR value of the Hospitality segment in the period, excluding the value of rents, it should be noted, amounted to positive 2.46M€, an improvement of 1.05M€ compared to 2015, with all operations posting positive performances.

Capex in the segment amounted to 1.36M€, which essentially reflects the investment in the opening of the new hotel "The House Ribeira Porto Hotel" during Q2 of 2016, contributing to a 8.7% decrease in EBITDA-Capex compared to the previous period.

3.4. ENERGY

Profit and Loss Account — Energy			
Million euro	**FY 2016**	**FY 2015**	**▲ 16/15**
Total Operational Income	**38.80**	**51.03**	**-24.0%**
Turnover	**38.23**	**50.58**	**-24.4%**
Other Operational Income	0.57	0.45	+27.6%
Total Operational Costs	**-30.99**	**-41.82**	**+25.9%**
Cost of Goods Sold	-23.46	-34.07	+31.1%
External Supplies and Services	-4.43	-4.19	-5.8%
Staff Costs	-2.32	-2.87	+19.2%
Other Operational Expenses	-0.78	-0.69	-12.8%
EBITDA	**7.81**	**9.21**	**-15.2%**
EBITDA Margin (% Turnover)	-20.4%	18.2%	+2.2 pp
Capex	**7.21**	**6.24**	**+15.5%**
EBITDA-Capex	**0.60**	**-2.96**	**-79.7%**

Turnover of the Energy segment in 2016, as expected, decreased 24.4% to 38.23M€. The contributing factors were: (i) lower electricity sale prices, pegged to oil price developments; and (ii) the lower number of cogeneration plants in operation, due to the discontinuation of two plants, one in 2015 and another in 2016, and the change of licensing framework for another one.

In line with the performance of turnover, EBITDA decreased by 15.2% to 7.81M€. Nonetheless, the EBITDA margin improved by 2.2pp from the previous year to 20.4%. It should be noted that EBITDA in the fourth quarter, on a comparable basis, already showed a positive evolution of 17.7% over the previous year.

Capex, mainly driven by the acquisition of two photovoltaic parks of 1MW each (total of 5.7M€) amounted to 7.21M€, 15.5% higher than the previous year. This rise contributed to a deterioration of EBITDA-Capex of 2.36M€.

3.5. REFRIGERATION & HVAC

Profit and Loss Account — Refrigeration & HVAC			
Million euro	FY 2016	FY 2015	▲ 16/15
Total Operational Income	**67.90**	**57.20**	**+18.7%**
Turnover	**67.18**	**56.50**	**+18.9%**
Other Operational Income	0.72	0.71	+1.7%
Total Operational Costs	**-65.93**	**-54.11**	**-21.9%**
Cost of Goods Sold	-27.19	-23.10	-17.7%
Change in Stocks of Finished Goods	1.95	0.19	>100%
External Supplies and Services	-26.57	-19.01	-39.8%
Staff Costs	-12.59	-11.59	-8.7%
Other Operational Expenses	-1.53	-0.59	<-100%
EBITDA	**1.97**	**3.09**	**-36.5%**
EBITDA Margin (% Turnover)	2.9%	5.5%	-2.6 pp
Capex	**0.07**	**0.16**	**-55.5%**
EBITDA-Capex	**1.90**	**2.93**	**-35.4%**

Turnover in the Refrigeration & HVAC segment in 2016 amounted to 67.2M€, an increase of 18.9% over the previous year. The volume of international activity of the Refrigeration & HVAC business (consolidating exports originating in Portugal and direct sales abroad) accounted for 38% of consolidated turnover for the year, 9pp above the 2015 figure.

The different performance of international operations (Brazil, Angola and Mozambique) and domestic operations is notable. International operations were severely impacted by a business downturn which, together with the review of the margins of some works in progress, significantly penalised EBITDA in 2016.

In the case of domestic operations, turnover amounted to 60.76M€, an increase of 27.0% over the previous year. This was driven by, in addition to the core segment of Refrigeration, the award of an important contract in Romania, and despite the smaller margin generated when compared with other segments. As regards EBITDA, domestic operations recorded 3.24M€, corresponding to a margin of 5.5% and an increase of 12.6% over the previous year.

Additionally, it should be noted that, at the end of the year, the Backlog in the domestic operations amounted to 25.5M€ (equivalent to 5 months of of the domestic operations Turnover).

Investment remained at low levels, so EBITDA-Capex of 1.9M€ was mainly the result of the performance of EBITDA.

3.6. OTHER ASSETS

Within the classification of non-startegic assets, and in this sense available for sale, the Sonae Capital Group includes Real Estate and Financial Assets.

Of note where financial holdings are concerned is the conclusion of the process of selling the shareholdings in the businesses associated with road concessions, namely Norscut and Operscut, with full receipt of the sale price of approximately 43M€. This is an important milestone in the crystallisation of value and the disposal of non-strategic assets.

In response to current market trends and demand for the assets included in the current real estate portfolio, 81 deeds of sale for City Flats apartments were signed during the year. The stock available for sale has been practically exhausted.

Moreover, a diverse set of real estate assets was sold, totalling 14.8M€ (6.6M€ of which had already been received in 2015), and also promissory sale contracts have been signed on an additional set of assets, in the amount of 14.5M€.

The capital employed in this asset block (real estate) amounted to 107.4M€ for the year ending 31 December 2016.

Under our commitment to provide the market with the best possible financial information, we also updated the Sonae Capital Group's real estate assets valuation report, conducted by the reference entity Cushman & Wakefield (the Evaluation Summary Report is available on the company's website www.sonaecapital.pt). Sonae Capital's real estate assets (excluding properties located in the Boavista Complex owned by the WTC real estate investment fund, in which the Group owns all the units) was valued at 397.5M€, at 31 December 2016. The current valuation compared to the previous valuation made at 30 September 2014 for the same asset base shows a slight increase of 0.3%, demonstrating the resilience of our portfolio of real estate assets.

It should be noted that the Troia Resort assets were valued at 188.7M€, an increase of 2.6% from the previous report for the same asset base. We kept the same reporting structure to provide a better perception of the types of asset, individualising the Operating Assets (other than the Resort) which, between hotels and fitness clubs, were valued at 82.6M€ (+13.5% from the previous evaluation). The remaining assets, dispersed in nature and geographically, were valued at 126.3M€, a decrease of 9.5% on a comparable basis over the previous report.

4. OUTLOOK

2016 is indelibly marked by the sale of the shareholdings in the road concessionaires and the sale of the Macro-plots in Tróia, both of crucial importance for the implementation of the defined corporate strategy. The general strengthening of our business and the consequent strengthening of the competitive position provide confidence and an increased dose of ambition for the pursuit and acceleration of the implementation of the strategy defined for each of the businesses.

It will be especially relevant during 2017, once an adequate and even conservative capital structure has been reached, to pursue the incorporation of new businesses with a strong potential for creation of shareholder value within the Group's areas of competence. The underlying objective is to progressively implement our strategic purpose.

Important steps will continue to be taken in the business segments, to sustain and improve the competitive position of each business, namely:

- At Troia Resort, we will remain committed to enhancing and selling the existing stock, not losing from sight the improvement of all resort operations. One of our main focuses for the areas not yet developed will continue to be placing them on the market in order to ensure the development of reference real estate projects adapted to each of the remaining macro-plots. For this task we will benefit from the accumulated experience and the positive externalities resulting from the sale of UNOPs 7/8/9 for the development of a project of excellence.

- In the Energy area, the Group will continue to be on the lookout for new business opportunities, both in Portugal and in other markets, provided they comply with pre-defined profitability and risk criteria. In Portugal we will be attentive to a wide range of technologies, while in the international markets we will focus our attention on existing competences associated with cogeneration.

- In the Hospitality segment, we will remain focused on improving the profitability and competitive position of current operations, looking for opportunities to replicate the successful "The House" model, while not neglecting the search for alternative solutions that improve the overall competitive positioning.

- In the Fitness business, new opportunities for creating value will be sought at the same time as, after the opening of 5 new clubs in 2016, we will continue to implement the already defined expansion plan following a capital light philosophy.

- In the Refrigeration & HVAC business, after restructuring and the strategic repositioning process has been completed, we will continue to focus on opportunities in this segment that create value, with special emphasis on the Refrigeration segment and the internationalization process, through exports.

We remain expectant of the improved economic and financial conditions of the country and of financial markets in general. We will also keep focused – through a specific unit for this purpose – on the disposal of the real estate assets portfolio, one of the fundamental aspects for the effective implementation of the Corporate Strategy. This is of particular relevance because the necessary financial discipline and making the levels of net indebtedness adequate to the types of business and assets of the Group will continue to guide the assumptions and objectives to be defined for each of the business areas and the Group in general.

Lastly, and as stated at the beginning, given the results achieved in 2016 and based on the expectation of future results, namely with regard to the continued disposal of non-strategic assets, we will take firm steps to implement our corporate strategy.

5. PROPOSED ALLOCATION OF NET INCOME

In view of the achievement of an equity structure deemed balanced and the gains from the sale of non-strategic assets, the Board of Directors of Sonae Capital approved a proposal to distribute a gross dividend of 25 million euros to shareholders. This dividend will be derived from the appropriation of profits for the financial year and distribution of free reserves, corresponding to a gross dividend of 0.10€ per share.

The global dividend of 25 million euros shall exclude the amount of the dividend that would be allocated to shares that, at the dividend payout date, are held by the company itself or its subsidiaries, and which should continue to be allocated to free reserves.

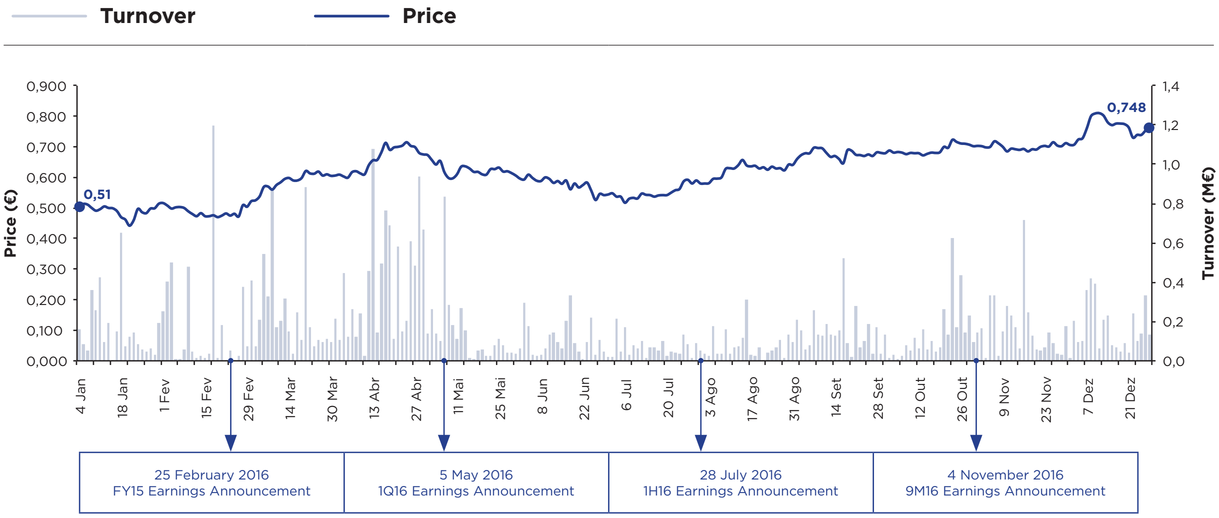
This proposal requires the final approval of the Shareholders' General Meeting.

6. SHARE PRICE PERFORMANCE

Sonae Capital's share 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 amount: 250,000,000 shares	
Treasury stock: As at 31 December 2016, the company owns 5,516,226 own shares.	

During 2016, Sonae Capital's share price increased by 46.7%, closing the year at 0.748€. This performance was once again much higher than that of the Portuguese Stock Market Index (PSI20), which depreciated 11.9% in the same period.

Sonae Capital Share in 2016



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

Euronext Lisbon	**2016**	**2015**
Closing price N-1	0.510	0.261
Maximum price	0.810 (12.12.2016)	0.514 (18.12.2015)
Minimum price	0.442 (20.01.2016)	0.216 (12.01.2015)
31 December N	0.748	0.510
Transactions		
Average daily quantity	273.068	252.366
Total shares traded	70.178.592	64.605.616
Total volume (million euros)	42.3	25.9
Average daily volume (million euros)	0.17	0.10
Market capitalisation 31/12/N (million euros) (a)	187.0	127.5

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

Relevant events announced to the market during 2016 were:

- The sale of the shareholdings in the road concessions, namely Norscut – Concessionária de Auto-Estradas, SA and Operscut – Operação e Manutenção de Auto-Estradas, SA, for a total value of approximately 43M€;
- The signature of a Promissory Purchase Agreement for a set of real estate assets in Troia, designated as UNOP 7,8 and 9, for the global amount of 50M€, being already assured the receipt of the total amount of the transaction;
- The enlargement of the number of members of the Board of Directors from 6 to 7 and the election to the vacant position of Miguel Jorge Moreira da Cruz Gil Mata;
- The approval at the Shareholders' General Meeting of a dividend payout for 2015 of the gross amount per share of 0.06€;
- The change in the composition of qualifying holdings in the Company, in particular Briarwood Capital Partners being classified as a qualified investor (4.985%). Conversely, BPI Global Investment Fund sold part of its shareholding below the minimum required amount (2%) to be classified as a qualified investor.

7. OTHER INFORMATION

7.1. INDIVIDUAL FINANCIAL STATEMENTS

The net profit of Sonae Capital, SGPS, SA, the holding company of the Group, was 8,738,315.63€. This profit compares with 12,198,781.85€ the previous year. It was positively impacted by an improvement of approximately 2.5M€ in investment results, which partially offset the lower results of the financial function in about 6.6M€.

The profit of the year already reflects in the amount of 190.693€ 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(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 7 April 2016.

7.2. OWN SHARES

The Company disposed of 398,345 shares during 2016, for the total amount of 241,397€ (reference price of 0.606€ 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 2016, Sonae Capital held 5,516,226 own shares, representing 2.206% of its share capital.

7.3. ACTIVITY CARRIED OUT BY NON-EXECUTIVE BOARD MEMBERS

During 2016, 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.

7.4. PROFIT APPROPRIATION PROPOSAL

Sonae Capital, SGPS, SA, as the holding company of the Group, posted a positive net profit of 8,738,315.63€ in 2016. The Board of Directors proposes to the Shareholders' General Meeting that this amount be transferred to Legal Reserve (436,915.78€) and for the dividends payout (8,301,399.85€). Since the proposed gross dividend is 0.10€ per share, free reserves in the amount of 16,698,600.15€ are intended to be used for the aforementioned dividends payout.

7.5. SUBSEQUENT EVENTS

There were no subsequent corporate events to highlight.

7.6. 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, 23 February 2017

The Board of Directors

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

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 non-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.

In order to continue providing the best financial information, not only to the consolidated level, but also to each of the business segment level, and aligned with the best market practices, the units sold during the year 2015, namely the hotel operation of Lagos (Aqualuz Lagos) and the General Maintenance business (UPK) of the Refrigeration & HVAC segment, are now reported as discontinued operations. In accordance to this, the 2015 information was restated.

GLOSSARY

HVAC
Heating, Ventilation and Air Conditioning.

OPERATIONAL CASH FLOW
EBITDA – Capex.

CPCV
Promissory Sale Contract.

EBITDA
Operating Results (EBIT) + Amortization and Depreciation + Provisions and Impairment Losses + Impairment Losses of Real Estate Assets in stocks(included in Cost of Goods Sold) – Reversal of Impairment Losses and Provisions (included in Other Operating 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 in Troiaresort

EBITDAR
EBITDA + Rents for buildings.

NET DEBT
Non-Current Loans + Current Loans – Cash and Cash Equivalents – Current Investments.

CAPEX
Investment in Tangible and Intangible Fixed Assets.

GEARING: DEBT TO EQUITY
Net Debt/ Equity.

LOAN TO VALUE
Net Debt of Real Estate Assets/Valuation of Real Estate Assets.

Part II
APPENDIX TO THE REPORT OF THE BOARD OF DIRECTORS

31 december 2016

STATEMENT

Pursuant to article 245, paragraph 1(c) of the Securities Code

The individual signatories declare that, to the best of their knowledge, the Report of the Board of Directors, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation have been prepared in accordance with the applicable International Financial Reporting Standards. They give a true and fair view, in all material respects, of the assets and liabilities, financial position and consolidated and individual results of Sonae Capital, SGPS, S.A. and the companies included in the consolidation perimeter, and that the Report of the Board of Directors faithfully describes the main events occurring in 2016 and their impacts, where applicable, to the evolution of the business, performance and financial position of Sonae Capital, SGPS, S.A. and the companies included in the consolidation perimeter, and includes a description of the main risks and uncertainties they face.

Maia, 23 February 2017

The Board of Directors

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

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

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

Disclosure of the number of shares and other securities issued by the Company that are held by members of the Management and Supervisory Bodies or by Directors, as well as by persons closely related thereto pursuant to article 248-B of the Portuguese Securities Code, and descriptive of transactions in respect of those securities during the year under review:

	Date	Additions		Reductions		Position as at 31.12.2016	Balance as at 31.12.2016
		Quantity	Av. Price €	Quantity	Av. Price €		Quantity
Belmiro Mendes de Azevedo (**)							
Efanor Investimentos, SGPS, SA (1)						Dominant	
Sonae Capital, SGPS, SA							837,000
Maria Margarida Carvalhais Teixeira de Azevedo (**)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae Capital, SGPS, SA							1,862
Duarte Paulo Teixeira de Azevedo (*) (**) (b)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (2)						Dominant	
Maria Cláudia Teixeira de Azevedo (*) (**) (***)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Linhacom, SGPS, SA (3)						Dominant	
Sonae Capital, SGPS, SA	31.03.2016	169,105	0,606				169,105
Álvaro Carmona e Costa Portela (*)							
Sonae Capital, SGPS, SA							24,942
Obrigações Sonae Capital/2014-2019							1
Paulo José Jubilado Soares de Pinho (*)							
Sonae Capital, SGPS, SA							12,650
Pessoa estreitamente relacionada (a)							8,125
Miguel Jorge Moreira da Cruz Gil Mata (*)							
Sonae Capital, SGPS, SA							697,931

	Date	Purchases		Sales		Position as at 31.12.2016	Balance as at 31.12.2016
		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, SGPS, 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
(b) shares previously held by a family member are no longer attributable because the legal basis for the attribution has ceased arising from article 248 B, no.4, paragragh a) of the Portuguese Securities Code.

APPENDIX REQUIRED BY ARTICLE 448 OF THE PORTUGUESE COMPANIES ACT

Number of shares held by shareholders with more than 10%, 33% or 50% of the share capital of Sonae Capital, SGPS, SA:

	Number of shares as at 31.12.2016
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) Belmiro Mendes de Azevedo is, under the terms of paragraph b number 1 of Article 20 and number 1 of Article 21 of the Portuguese Securities Code, the "ultimate beneficial owner", as he is the controlling shareholder of Efanor Investimentos, SGPS, SA and the latter wholly owns Pareuro BV.

QUALIFIED SHAREHOLDINGS

Shareholders holding more than 2% of the share capital of Sonae Capital, SGPS, SA, complying with Article 8(1)(b) of the 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%	36.346%
Through Pareuro, BV (controlled by Efanor)	66,600,000	26.640%	27.241%
Through Belmiro Mendes de Azevedo (Chairman of the Board of Directors of Efanor)	837,000	0.335%	0.342%
Through Maria Margarida Carvalhais Teixeira de Azevedo (Member of the Board of Directors of Efanor)	1,862	0.001%	0.001%
Through Maria Cláudia Teixeira de Azevedo (Member of the Board of Directors of Efanor)	169,105	0.068%	0.069%
Through Linhacom, SGPS, S.A. (controlled by the Member of the Board of Directors of Efanor Maria Cláudia Teixeira de Azevedo)	43,912	0.018%	0.018%
Through Migracom, S.A. (controlled by the Member of the Board of Directors of Efanor Duarte Paulo Teixeira de Azevedo)	161,250	0.065%	0.066%
Total attributable	**156,672,329**	**62.669%**	**64.083%**
Argos Funds	5,181,429	2.073%	2.119%
Total attributable	**5,181,429**	**2.073%**	**2.119%**
Santander Asset Management - Sociedade Gestora de Fundos de Investimento Mobiliários, SA			
Through Santander Acções Portugal Fund (managed by Santander Asset Management)	4,910,760	1.964%	2.009%
Through Santander PPA Fund (managed by Santander Asset Management)	484,869	0.194%	0.198%
Total attributable	**5,395,629**	**2.158%**	**2.207%**
Briarwood Chase Management LLC			
Through Briarwood Capital Partners LP Fund	12,463,711	4.985%	5.098%
Total attributable	**12,463,711**	**4.985%**	**5.098%**

(1) Belmiro Mendes de Azevedo is, under the terms of Article 20(1)(b) and of Article 21(1) of the Portuguese Securities Code, the "ultimate beneficial owner", as he is the controlling shareholder of Efanor Investimentos, SGPS, SA and the latter wholly owns Pareuro BV.

Part III
CORPORATE GOVERNANCE REPORT
31 december 2016

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

A. SHAREHOLDER´S STRUCTURE

I. CAPITAL 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€, fully subscribed and paid up, and is divided into 250,000,000 ordinary, book entered and bearer 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 5,156,226 treasury shares at 31 December 2016, representing 2.206% 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 2016 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 2016 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. Shares Held	% Share capital with voting rights
Efanor Investimentos, SGPS, S.A.[1]	156,672,329	62,669%
Briarwood Chase Management LLC	12,463,711	4,985%
Santander Asset Management	5,395,629	2,158%
Argus Funds	5,181,429	2,073%

1 Belmiro Mendes de Azevedo is, pursuant to article 20(1)(b) and article 21(1) of the Securities Code, the ultimate beneficial owner since he controls Efanor Investimentos SGPS, SA and this, in turn, fully controls Pareuro BV.

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 are 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 2016 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 legal 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 is 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 minorities rule, the Board of Directors shall promote 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.

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, at least 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 2016 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:

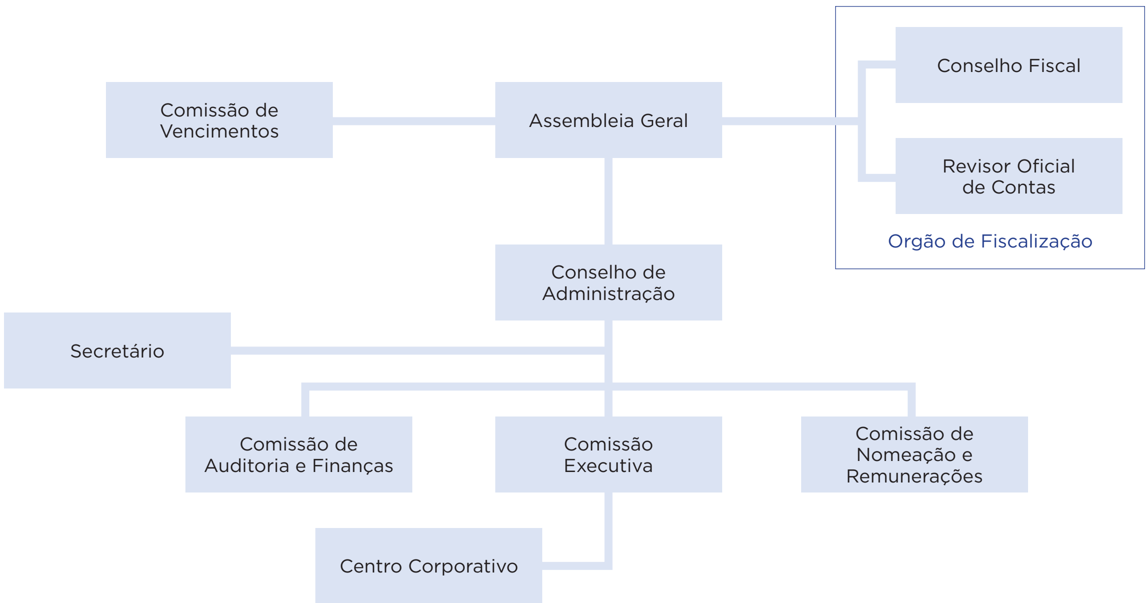
The professional qualifications and other relevant details of the CVs of the members of the Board of Directors are detailed in this report, in the respective annex.

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, and they are the children of Belmiro Mendes de Azevedo, a natural person to whom, in turn, the control of said company Efanor Investimentos, SGPS, SA is indirectly 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.

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

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 ensuring 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 for the Shared Functions, the Financial Department's mission 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 function is coordinated by a director at the Corporate Centre level.

b) Functioning

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

The rules of procedure of the Board of Directors are 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 2016, the Board of Directors met 9 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 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 board of directors and delegates

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. Composition of the Executive Committee[1]

Name	Position
Maria Cláudia Teixeira de Azevedo	Chief Executive Officer
Ivone Pinho Teixeira	CFO
Miguel Jorge Moreira da Cruz Gil Mata [1]	Executive Director

1 Appointed by the Board of Directors on 7 April 2016.

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, 16 meetings were held in 2016.

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 2016, 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

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

At 31 December 2016, 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 to the BNRC 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:

- (i) 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;

- (ii) 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;

- (iii) 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;

- (iv) Supervising the decisions taken by the Executive Committee regarding the remuneration of executive members reporting directly to the Executive Committee;

- (v) 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 significant roles of 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. SUPERVISION

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, at least 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.

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 respective annex.

b) Functioning

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 2016 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 have 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 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 External Auditor

It is the responsibility of the Supervisory Board to approve the provision of additional audit services to be provided by the External 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 External Auditor's work. It shall include the following activities:

- Approval of the annual activity plan of the External Auditor;
- Monitoring the work and discussion of the conclusions of the audit work and review of the accounts;
- Supervising the External 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 External Auditor, the Supervisory Board verified the presence of the following safeguards:

- that the contracting of additional services did not affect the independence of the External 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 as of 1 January 2016, 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:

- Supervise the Company's management;
- Ensure compliance with the law, the company's memorandum of association and the internally adopted policies;
- Check the consistency of books, accounting records and supporting documents;
- Verify, 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 in guarantee, deposit or for other reasons;
- Check the accuracy of the accounting documents;
- Verify whether the report on the corporate governance structure and practices disclosed includes the elements referred to in article 245-A of the Securities Code;
- Verify that the accounting policies and valuation criteria adopted by the company lead to a correct valuation of assets and results;
- Annually prepare a report on its supervisory action and give an opinion on the report and accounts and proposals submitted by the Management;
- Convene the Shareholders' General Meeting, when the chairman of the respective board does not do it, and should do so;
- Monitor the effectiveness of the risk management system, the internal control system and the internal audit system, if such exist;
- Supervise 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;
- Receive reports of irregularities, presented by shareholders, employees of the Company or others;
- Contract 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;

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

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

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

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

- Ensure 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;

- Issue a specific and substantiated opinion supporting the decision not to rotate the External Auditor, considering the External 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 Scheme 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 preambular decree and Art. 24 of the Legal Regime of Audit Supervision;

- Comply 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 with the External 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 extent of cash and amounts of any type, of assets or securities 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 of the Company for the 2015-2017 period is Pricewaterhouse-Coopers & 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 two terms, will last 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. EXTERNAL AUDITOR [1]

42. Identification

The External Auditor of the Company, designated for the terms 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 2016, the representative of the Company's Statutory Audit Firm was Hermínio António Paulos Afonso.

43. Length of Time in Role

The External 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 External Auditor and the respective Statutory Auditor partner representing it

The External 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. The frequency of rotation of the External Auditor and the Statutory Auditor partner representing it will be assessed according to the best practices in matters of corporate governance, where applicable.

45. Assessment of the External 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 External 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.

(1) Appointed "Auditor" in accordance with Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014

46. Additional Work

Tax consultancy services and other services were provided by technicians other than those involved in the audit process in order to ensure the independence of the External 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 External 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 14.1% 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 External Auditor's independence and impartiality are assured.

The External 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 External 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 2016 was 207,182€ corresponding to the following services:

Services	Total 2016	%	Sonae Capital SGPS	%	Other Group entities	%
Statutory Auditor [1]	**178,002**	85,9	**35,707**	100,0	**142,295**	83,0
Other Services [2]	**29,180**	14,1	**0**	0,0	**29,180**	17,0
Total	**207,182**	100	**35,707**	100	**171,475**	100

1 Fees agreed for the year.
2 Amounts invoiced.

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 2016, 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 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 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 External 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 External 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.

In May 2011, Portugal formalised a memorandum of understanding with the Troika relative to the Programme for Economic and Financial Stabilisation, which provided 78 billion € in funding to Portugal, disbursed over a period of up to three years and subject to the implementation of a set of budgetary and structural measures. With the end of the Stabilization Programme in May 2014, and despite the adjustments implemented, doubts remain about the evolution of the Portuguese economy.

In view of the foregoing, 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 are implemented at Sonae Capital enabling the timely identification, monitoring and management by the Corporate Finance function.

The current state 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 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 impede 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.

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 which 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 on in new tourism services and products with a positive impact on its development.

f. 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 of this segment are held accountable in this field, which may have an adverse effect on results, the financial situation and reputation. The business uses a system to control food quality and safety of the processes and products, thus seeking to mitigate possible risks to the catering business and others arising from situations that could pose risks to public health. Accordingly, we also stress 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 action. 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 with Regulation (EC) No. 852/2004 of the European Parliament and the Council of 29 April 2004, on the hygiene of foodstuffs.

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 reduced prices or to 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. 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:

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, Angola 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, kwanzas 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 natural hedging existing to then, 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.

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

d. 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.

e. 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:

f. Energy generation under the special schemes 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.

g. 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.

h. 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.

i. 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.

j. 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 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 2016, 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 137.5M€. The capital employed in this asset block, at 31 December 2016, amounts to 107.4M€.

The loss of liquidity of portfolio assets and/or difficulties in placement of these assets on the market may affect the ability to grow of 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 and the Real Estate and Financial 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 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 2016

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 2016, 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

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 of 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 of 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 External 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. VI. 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 address.

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 2016, 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 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 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 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 can be consulted 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 can be consulted 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 can be consulted 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 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 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 7 April 2016, 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 7 April 2016, 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 2016 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	VAnnual 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 calculate	Designed to ensure competitiveness of the remuneration package and a link between the remuneration to 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 can, 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 7 April 2016, available at www.sonaecapital.pt.

76. Main characteristics of the supplementary pension or early retirement schemes for the directors and the 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 2016, remuneration and other payments made to the members of the Board of Directors, were as follow

Name	Fixed Remuneration	Short Term Variable Remuneration	Deferred Performance Bonus	Total
Board of Directors in office				
Maria Cláudia Teixeira de Azevedo	143,533	58,800	97,354	299,687
Ivone Pinho Teixeira	139,040	41,702	105,915	286,657
Miguel Jorge Moreira da Cruz Gil Mata (1)	90,063	10,514	0	100,577
Executive Directors Subtotal	**372,636**	**111,016**	**203,269**	**686,921**
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	44,800	0	0	44,800
Paulo José Jubilado Soares de Pinho	34,800	0	0	34,800
Non-executive Directors Subtotal	**294,200**	**0**	**0**	**294,200**
Total	**666,836**	**111,016**	**203,269**	**981,121**

(1) Member elected at the Shareholder's General Meeting on 7 April 2016 and remunerated from that date. The remuneration prior to that date was paid through controlled company Capwatt Brainpower SA, as shown in point 78.

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

The remuneration of Miguel Jorge Moreira da Cruz Gil Mata, director of Sonae Capital, attributed by the controlled and in a group relationship company, until 7 April 2016, is described in the following table:

Name	Fixed Remuneration	Short Term Variable Remuneration	Deferred Performance Bonus	Total
Miguel Jorge Moreira da Cruz Gil Mata	39,577	40,921	131,973	212,471

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 7 April 2016, 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 2016, 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 2016, the Chairman of the Board of the Shareholders’ General Meeting received the amount of 5,000€ 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 according in each situation if deemed more suitable by both parties.

84. Reference to the existence and description, with an indication of the amounts involved, 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 7 April 2016, 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 2016 can be summarised as follows:

				Data atribuição		31.12.2016	
Granting Year	**Vesting Year**	**Number of participants**[1]	**# shares granted**	**Share Price**	**Value**	**Share Price**	**Value**
2014	2017	2	210,386	0,461 €	97,058 €	0,748 €	157,369 €
2015	2018	2	287,391	0,392 €	112,571 €	0,748 €	214,968 €
2016	2019	3	312,053	0,573 €	178,650 €	0,748 €	233,416 €
Total			**809,830**		**388,279 €**		**605,753 €**

1. As at 31 December 2016

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 options rights granted to employees of the company

In 2016, 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 party (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 2016, 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 2016.

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 2016.

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 shops.
- 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.

In addition to regular transactions, the following should also be pointed out:

- Acquisition in a regulated market and at market prices of six Shares of the WTC Closed-end Special Real Estate Investment Fund (WTC Fund), for the sum of 3,136.83€, which were acquired by Sonae Group companies;
- Sale in a regulated market and at market prices of 1,464 Shares of the Closed-end Real Estate Fund “Imosonae Dois”, for the sum of 102,567.84€, which were acquired by Sonae Group 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 2016.

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 best corporate governance 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. VOTING AND CORPORATE CONTROL

I.1 Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically

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 the date of the notice for each Shareholders' General Meeting, the standard documents designed to facilitate access to information, transmission 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 shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater 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 intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.

RECOMMENDATION FULLY ADOPTED – POINTS 12 AND 13 OF THIS REPORT

No mechanism of this kind has been introduced.

I.4 The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails – without super quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.

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 that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.

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 OVERSIGHT

II.1 SUPERVISION AND MANAGEMENT

II.1.1 Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.

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 accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group iii) decisions considered strategic due to the amount, risk and particular 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 its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.

RECOMMENDATION NOT APPLICABLE

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

II.1.4 Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to:

a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees;

b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their 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 applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.

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 ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the 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 Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to.

a. Having been an employee at the company or at a company holding a controlling or group relationship within the last three years;

b. Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal person;

c. Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member;

d. Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings;

e. Being a qualifying shareholder or representative of a qualifying shareholder.

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 board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.

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 provide clarifications, by their own initiative, as well in response to requests from non-executive members and other members of corporate bodies, so that the latters have the necessary information to fulfil their roles.

II.1.9 The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chairman of the Financial Matters Board, the convening notices and minutes of the relevant meetings.

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 If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for 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 Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant 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 representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.

RECOMMENDATION FULLY ADOPTED – POINT 38 OF THIS REPORT

The Supervisory Board interacts with the Statutory Auditor and the External 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 External Auditor is not regarded by the Company as calling into question the compliance with this recommendation.

II.2.3 The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.

RECOMMENDATION FULLY ADOPTED – POINT 28 OF THIS REPORT AND ANNUAL REPORT AND OPINION OF THE SUPERVISORY BOARD

The Supervisory Board shall assess the External 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 board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be 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 decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.

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 REMUNERATION SETTING

II.3.1 All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.

RECOMMENDATION FULLY ADOPTED

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 two additional members of the Remuneration Committee are 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 Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.

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 A statement on the remuneration policy of the management and supervisory bodies referred to in Article 2 of Law No. 28/2009 of 19 June, shall also contain the following:

a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies ;

b) Information regarding the maximum potential, in individual terms, and the maximum potential, in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable;

c) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.

RECOMMENDATION FULLY ADOPTED: POINTS 69 AND 80 OF THIS REPORT, AS WELL AS THE REMUNERATION POLICY APPROVED ON 7 APRIL 2016.

The statement on the remuneration policy was delivered at the Annual General Meeting on 7 April 2016 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 Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said 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 7 April 2016 and is available at http://www.sonaecapital.pt

II.3.5 Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.

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 board shall be based on actual performance and shall discourage taking on excessive risk-taking.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016

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 non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016

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 remuneration shall be reasonable overall in relation to the fixed component of the remuneration and maximum limits should be set for all components.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016

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 should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that 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 7 April 2016, 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 Members of the Board of Directors shall not enter into contracts with the company or with third parties which intend to mitigate the risk inherent to remuneration variability set 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 7 April 2016 adopted the principle set out in this recommendation.

III.6 Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.

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

The remuneration policy approved at the Shareholders' General Meeting on 7 April 2016 adopted the principle set out in this recommendation.

III.7 When the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.

RECOMMENDATION NOT APPLICABLE

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

III.8 When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due on inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.

RECOMMENDATION FULLY ADOPTED – POINTS 69 TO 76 OF THIS REPORT AND REMUNERATION POLICY APPROVED ON 7 APRIL 2016

The Company policy fully complies with this recommendation.

IV. AUDITING

IV.1 The external auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate bodies as well as the efficiency and effectiveness of the internal control mechanisms and report any shortcomings to the supervisory body of the company.

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 entity with which it maintains a control relationship shall not engage the external auditor or any entity with which it finds itself in a group relationship or that incorporates the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - said should not exceed more than 30% of the total value of services rendered 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 14.1%.

IV.3 Companies shall support auditor rotation after two or three terms whether four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement;

RECOMMENDATION FULLY ADOPTED – POINT 44 OF THIS REPORT

The External 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 RELATED PARTY TRANSACTIONS

V.1 The company's business with holders of qualifying holdings or entities with which they are in any type of relationship pursuant to article 20 of the Portuguese Securities Code, shall be conducted during 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 oversight board shall establish procedures and criteria that are required to define the relevant level of significance of business with holders of qualifying holdings - or entities with which they are in any of the relationships described in article 20/1 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that 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 Companies shall provide, via their websites in both the Portuguese and English languages, access to information on their progress as regards the economic, financial and governance state of play.

RECOMMENDATION FULLY ADOPTED

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

VI.2 Companies shall ensure the existence of an investor support and market liaison office, which responds to requests from investors in a timely fashion and a record of the submitted requests and their processing, shall be kept.

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, 23 February 2017

The Board of Directors

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

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 AND REMUNERATION POLICY

Duarte Paulo Teixeira de Azevedo
Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.

Age: 51
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Chemical Engineering from École Polytechnique Fédérale de Lausanne (1986)
MBA – Porto Business School (1989)

Positions held in the group companies:

Positions held in other companies:

Chairman of the Board of Directors of Sonae MC – Modelo Continente, SGPS, S.A.
Chairman of the Board of Directors of Sonae – Specialized Retail, 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, SA
Chairman of the Board of Directors of Sonae Sierra, SA
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.

Main professional activities over the last five years:

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 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)

Álvaro Carmona e Costa Portela

Vice-chairman of the Board of Directors of Sonae Capital, SGPS, S.A.

Age: 65
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 SC, SGPS, S.A.
Member of the Board of Directors of Sistavac, 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 the Belmiro de Azevedo Foundation

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: 75
Nationality: Portuguese

Academic Career:

Bachelor's Degree in Electrical Engineering – Instituto Superior Técnico (1965)

Positions held in the group companies:

Positions held in other companies:

Chair of the Board of the General Meeting of APEDS – Portuguese Association of Engineers for Social Development
Chair 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 Ibero-America Forum
Member of the Board of Trustees of the Luso-Spanish Foundation
Member of the Board of Trustees of the Hidroeléctrica del Cantábrico Foundation

Main professional activities over the last five years:

2012-2016 – Chairman of the Board of AAAIST
2010-2015 – Chair 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
2005-2012 – Member of Advisory Board of the Forum for Competitiveness
2009-2016 – Co-opted member of the Instituto Superior Técnico School Board
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 2003 – Member of the Ibero-America Forum
Since 2002 – Member of the Board of Trustees of the Luso-Spanish Foundation

Paulo José Jubilado Soares de Pinho

Non-executive Director of Sonae Capital, SGPS, S.A.

Age: 54
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 the group companies:

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

Director and Chairman of the Executive Committee of Sonae Capital, SGPS, S.A.

Age: 47
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 Troiaresort, SGPS, S.A.
Chairman of the Board of Directors of Capwatt, 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.
Member of the Board of Directors of Sistavac, 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 Efanor – Serviços de Apoio à Gestão, 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 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 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 Efanor Investimentos, SGPS, 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 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 ZOPT, SGPS, S.A.
Member of the Board of Directors of NOS – SGPS, S.A.
Member of the Board of Trustees of the Belmiro de Azevedo Foundation
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:

Executive Director of Sonaecom, SGPS, S.A.
Executive Director of Zon Optimus, SGPS, S.A.
Member of the Board of Directors in the following companies:
Sonae Investment Management – Software and Technology, SGPS, S.A. (previously called Sonaecom Sistemas de Informação, SGPS, S.A.)
Sonae Matrix Multimédia
WeDo Consulting, Sistemas de Informação, S.A.
Efanor Investimentos, SGPS, S.A.
ZOPT, SGPS, S.A.

Ivone Pinho Teixeira

Executive Director and CFO of Sonae Capital, SGPS, S.A.

Age: 44
Nationality: Portuguese

Academic Career:

Licenciatura em Economia – Faculdade de Economia do Porto (1995)
Pós-Graduação em Análise Crédito – Instituto Superior de Gestão Bancária (1996)
Pós Graduação em Fiscalidade Internacional – Universidade Católica (2004)

Positions held in the group companies:

Chairman of the Board of Directors of Acrobatic Title, S.A.
Member of the Board of Directors of Aqualuz Tróia – Exploração Hoteleira e Imobiliária, S.A.
Chairman of the Board of Directors of UP Invest, SGPS, 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 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 SC – Engenharia e Promoção Imobiliária, 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 Sistavac, S.A.
Member of the Board of Directors of Sistavac, SGPS, 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 Spred, SGPS, 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 Urbisedas – Imobiliária das Sedas, 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 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
Member of the Board of Directors and the Executive Committee of Sonae Capital, SGPS, S.A.

Age: 43
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
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 QCE – Desenvolvimento e Fabrico de Equipamentos, S.A.
Member of the Board of Directors of SC SGPS, S.A.
Member of the Board of Directors of Sistavac, S.A.
Member of the Board of Directors of Sistavac, SGPS, S.A.
Member of the Board of Directors of Spred, SGPS, S.A.
Member of the Board of Directors of Suncoutim – Solar Energy, 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 Ronfegen – Recursos Energéticos, Unipessoal, Lda.
Member of Management at SC For – Serviços de Formação e Desenvolvimento de Recursos Humanos, Unipessoal, Lda.

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
Chairman of the Supervisory Board of Sonae Capital, SGPS, S.A.

Academic Career:

Bachelor's Degree in Economics – Faculty of Economics, University of Porto (1969)

Positions held in the group companies:

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 the following companies:
Montepio Holding, SGPS, S.A.
Montepio Investimento, S.A.
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 2012/2014 and 2015/2017
Chairman of the Board of the General Meeting of the Statutory Auditors Association in 2009/2011

Manuel Heleno Sismeiro
Member of the Supervisory Board of Sonae Capital, SGPS, S.A.

Academic Career:

Contabilista, ICL, Lisboa (1964)
Licenciatura em Finanças, ISCEF, Lisboa (1971)

Positions held in the group companies:

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.
Chairman of the General Meeting of Segafredo Zanetti (Portugal) – Comercialização e Distribuição de Café, 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
Member of the Supervisory Board of Sonae Capital, SGPS, S.A.

Academic Career:

Bachelor's Degree in Economics – Faculty of Economics, University of Porto (1978)

Positions held in the group companies:

Positions held in other companies:

Main professional activities over the last five years:

Since 2010 – Statutory Auditor and partner at Armando Magalhães, Carlos Silva & Associados, SROC, Lda.

ANNEX TO THE STATEMENT FROM THE REMUNERATION COMMITTEE ON THE REMUNERATION POLICY FOR THE GOVERNING BODIES AND COMPANY MANAGERS

REGULATION ON THE CRITERIA FOR AWARDING AND MAINTAINING VARIABLE REMUNERATION IN SHARES

1. Background to the Medium-Term Variable Bonus (MTVB)

The MTVB is an integral part of the annual variable bonus and 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.

2. Eligibility Criteria

The variable annual bonus attributed to the executive directors of the company and its affiliates, and to the employees with responsibilities in a strategic context, is subject to deferral. Level of deferral of the variable annual bonus:

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

3. 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.

4. Maturity of the MTVB

The acquisition right of the shares attributed by the MTVB become due at the end of the 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 can, 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. 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.

Part IV
CONSOLIDATED FINANCIAL STATEMENTS
31 december 2016

SONAE CAPITAL, SGPS, SA — CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

Amounts expressed in euro	Notes	31/12/2016	31/12/2015
ASSETS			
NON CURRENT ASSETS:			
Tangible assets	10	238,784,870	251,495,972
Intangible assets	11	7,615,431	7,338,337
Goodwill	12	37,841,090	60,892,528
Investments in associated companies and joint ventures	6	1,234,900	12,960,522
Other investments	7	478,855	597,515
Deferred tax assets	19	27,380,258	23,620,310
Other non-current debtors	13	2,036,474	7,871,931
Total non-current assets		**315,371,878**	**364,777,107**
CURRENT ASSETS			
Inventories	14	104,511,954	126,761,744
Trade account receivables	15	18,030,267	19,375,097
Other debtors	16	7,327,649	9,003,693
Income tax receivable	17	4,685,068	3,795,910
Other taxes receivable	17	5,855,313	8,831,026
Other current assets	18	11,848,239	6,169,502
Cash and cash equivalents	20	32,747,208	35,318,251
Total current assets		**185,005,698**	**209,255,223**
TOTAL ASSETS	**47**	**500,377,576**	**574,032,330**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	250,000,000	250,000,000
Own Shares	21	(1,404,226)	(1,426,791)
Reserves and retained earnings	21	44,241,791	51,609,194
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital		17,594,199	(294,678)
Equity attributable to the equity holders of Sonae Capital		310,431,764	299,887,725
Equity attributable to non-controlling interests	22	9,925,965	10,247,125
TOTAL EQUITY		**320,357,729**	**310,134,850**
LIABILITIES			
NON CURRENT LIABILITIES:			
Bank Loans	23	20,532,367	46,693,174
Bonds	23	57,107,711	42,123,598
Obligation under finance leases	24	16,375,972	14,809,541
Other loans	23	246,178	297,289
Other non-current creditors	26	3,751,701	3,033,619
Deferred tax liabilities	19	19,635,287	10,948,548
Provisions	31	3,079,824	3,079,824
Total non-current liabilities		**120,729,040**	**120,985,593**
CURRENT LIABILITIES:			
Bank Loans	23	1,137,237	17,725,702
Bonds	23	-	59,982,062
Obligation under finance leases	24	3,214,278	2,546,998
Other loans	23	121,930	337,920
Trade creditors	28	16,479,554	17,167,600
Other creditors	29	4,690,071	11,562,222
Income tax payable	17	1,288,312	945,628
Other taxes payable	17	3,430,692	2,624,731
Other current liabilities	30	24,989,717	24,661,098
Provisions	31	3,939,016	5,357,926
Total Current Liabilities		**59,290,807**	**142,911,887**
TOTAL LIABILITIES	**47**	**180,019,847**	**263,897,480**
TOTAL EQUITY AND LIABILITIES		**500,377,576**	**574,032,330**

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 2016 AND 2015

Amounts expressed in euro	Notes	31/12/2016	31/12/2015
Sales	34	127,164,481	104,387,059
Services rendered	34	64,162,429	59,222,865
Other operating income	35	40,916,196	18,892,024
Cost of sales	14	(65,555,341)	(60,854,177)
Changes in stocks of finished goods and work in progress	36	(17,321,045)	(5,983,889)
External supplies and services	37	(61,313,637)	(52,274,779)
Staff costs	38	(34,948,254)	(31,944,706)
Depreciation and amortisation	10 and 11	(15,873,543)	(15,716,598)
Provisions and impairment losses (Increases)/decreases	31	(18,958,006)	(439,207)
Other operating expenses	39	(3,679,654)	(7,510,900)
Operational profit/(loss)		**14,593,626**	**7,867,692**
Financial Expenses	40	(7,623,434)	(10,264,529)
Financial Income	40	844,658	1,664,711
Net financial income / (expenses)		**(6,778,776)**	**(8,599,818)**
Profit/(Loss) in associated and jointly controlled companies measured using the equity method	6	350,193	3,976,671
Investment income	41	16,329,928	(844,951)
Profit/(Loss) before taxation		**24,494,971**	**2,399,594**
Taxation	42	(5,802,076)	(409,237)
Profit/(Loss) for the year - continued operations		18,692,895	1,990,357
Profit/(Loss) for the year - discontinued operations		-	(594,004)
Profit/(Loss) for the year	**43**	**18,692,895**	**1,396,353**
Attributable to:			
Equity holders of Sonae Capital		17,594,199	(294,678)
Non-controlling interests	22	1,098,695	1,691,031
Profit/(Loss) per share - continued operations			
Basic	45	0,071307	0,001215
Diluted	45	0,071307	0,001215
Profit/(Loss) per share - discontinued operations			
Basic	45	n,a,	(0,002411)
Diluted	45	n,a,	(0,002411)

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE CAPITAL, SGPS, SA — CONSOLIDATED INCOME STATEMENTS BY NATURE FOR THE FOURTH QUARTERS OF 2016 AND 2015

Amounts expressed in euro	Notes	4th QUARTER 2016 [1]	4th QUARTER 2015 [1]
Sales		47,267,977	48,781,139
Services rendered		12,919,144	(4,943,255)
Other operating income		37,603,131	2,159,942
Cost of sales		(23,032,099)	(14,086,635)
Changes in stocks of finished goods and work in progress		(12,270,429)	(3,284,357)
External supplies and services		(16,471,687)	(16,356,207)
Staff costs		(9,705,947)	(7,401,641)
Depreciation and amortisation		(3,979,511)	(3,888,043)
Provisions and impairment losses (Increases)/decreases		(18,353,433)	(409,476)
Other operating expenses		(941,291)	(1,036,674)
Operational profit/(loss)		**13,035,860**	**(465,207)**
Financial Expenses		(1,264,056)	(2,104,493)
Financial Income		212,198	575,591
Net financial income / (expenses)		**(1,051,858)**	**(1,528,902)**
Profit/(Loss) in associated and jointly controlled companies measured using the equity method		167,414	989,985
Investment income		**(1,665,185)**	**(862,197)**
Profit/(Loss) before taxation		**10,486,231**	(1,866,321)
Taxation		(4,990,336)	387,873
Profit/(Loss) for the year - continued operations		5,495,890	(1,478,448)
Profit/(Loss) for the year - discontinued operations		-	(177,457)
Profit/(Loss) for the year		**5,495,890**	**(1,655,905)**
Attributable to:			
Equity holders of Sonae Capital		5,331,611	(2,348,716)
Non-controlling interests		164,278	692,812
Profit/(Loss) per share - continued operations			
Basic		0,021608	(0,099077)
Diluted		0,021608	(0,099077)
Profit/(Loss) per share - continued operations			
Basic		0,00000	0,014498
Diluted		0,00000	0,014498

The accompanying notes are part of these financial statements.
[1] Prepared in accordance with IAS 34 - Interim Financial Reporting
Unaudited Financial Statements

The Board of Directors

SONAE CAPITAL, SGPS, SA — CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 AND 2015

Amounts expressed in euro	31/12/2016	31/12/2015
Consolidated net profit/(loss) for the period	**18,692,895**	**1,396,353**
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	36,226	146,452
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	7,380,000	1,588,081
Change in the fair value of assets available for sale	-	750,961
Change in the fair value of cash flow hedging derivatives	16,960	228,041
Tax related to other comprehensive income captions	(3,562)	293,476
Other comprehensive income for the period – continued operations	7,429,624	2,420,059
Other comprehensive income for the period – discontinued operations	-	
Total comprehensive income for the period	**26,122,519**	3,816,412
Attributable to:		
Equity holders of Sonae Capital	25,023,342	2,085,740
Non-controlling interests	1,099,177	1,730,672

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 OF 2016 AND 2015

Amounts expressed in euro	4th QUARTER 2016 [1]	4th QUARTER 2015 [1]
Consolidated net profit/(loss) for the period	**5,495,890**	**(1,655,904)**
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	(65,045)	(41,930)
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	(1,842)	419,002
Change in the fair value of assets available for sale	-	(90,943)
Change in the fair value of cash flow hedging derivatives	3,070	5,637
Tax related to other comprehensive income captions	(645)	(27,643)
Other comprehensive income for the period – continued operations	**(64,941)**	**264,123**
Other comprehensive income for the period – discontinued operations	**-**	**-**
Total comprehensive income for the period	**5,430,949**	**(1,391,781)**
Attributable to:		
Equity holders of Sonae Capital	5,262,176	(2,086,958)
Non-controlling interests	169,297	695,177

The accompanying notes are part of these financial statements.
[1] Prepared in accordance with IAS 34 - Interim Financial Reporting
Unaudited Financial Statements

The Board of Directors

SONAE CAPITAL, SGPS, SA — CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 AND 2015

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	Other Reserves and Retained Earnings	Sub total Reserves and Retained Earnings	Net Profit/ (Loss)	Total	Non-Control-ling Interests	Total Equity
Balance as at 1 January 2015		**250,000,000**	**(1,486,301)**	**132,638,253**	**(130,882)**	**(750,961)**	**(239,276)**	**(75,237,394)**	**56,279,740**	**(6,832,009)**	**297,961,430**	**9,375,864**	**307,337,294**
Total consolidated comprehensive income for the period		-	-	-	107,532	750,961	227,320	1,294,605	2,380,418	(294,678)	2,085,740	1,730,672	3,816,412
Appropriation of profit of 2014													
Transfer to legal reserves and retained earnings		-	-	-	-	-	-	(6,832,009)	(6,832,009)	6,832,009	-	-	-
Dividends paid		-	-	-	-	-	-	-	-	-	-	(1,079,240)	(1,079,240)
(Acquisition)/Sales of own shares		-	59,510	-	-	-	-	-	-	-	59,510	-	59,510
Changes in the percentage of capital held in affiliated companies		-	-	-	-	-	-	(219,830)	(219,830)	-	(219,830)	219,830	-
Other changes		-	-	-	-	-	-	875	875	-	875	(1)	874
Balance as at 31 December 2015		**250,000,000**	**(1,426,791)**	**132,638,253**	**(23,350)**	**-**	**(11,956)**	**(80,993,753)**	**51,609,194**	**(294,678)**	**299,887,725**	**10,247,125**	**310,134,850**
Balance as at 1 January 2016		**250,000,000**	**(1,426,791)**	**132,638,253**	**(23,350)**	**-**	**(11,956)**	**(80,993,753)**	**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	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	-	-	-
Dividends paid	21	-	-	-	-	-	-	(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	(24,782)	97,448
Other changes		-	-	-	-	-	-	44,928	44,928	-	44,928	45,913	90,841
Balance as at 31 December 2016		**250,000,000**	**(1,404,226)**	**132,638,253**	**12,876**	**-**	**5,004**	**(88,414,342)**	**44,241,791**	**17,594,199**	**310,431,764**	**9,925,965**	**320,357,729**

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 2016 AND 2015

Amounts expressed in euro	Notes	31/12/2016	31/12/2015	4th QUARTER 16 [1]	4th QUARTER 15 [1]
OPERATING ACTIVITIES					
Cash receipts from trade debtors		177,185,015	179,322,909	46,499,499	42,023,545
Cash receipts from trade creditors		(119,332,922)	(109,671,262)	(35,515,506)	(29,811,416)
Cash paid to employees		(33,700,997)	(34,110,758)	(9,450,173)	(8,287,973)
Cash flow generated by operations		**24,151,096**	**35,540,889**	**1,533,820**	**3,924,156**
Income taxes (paid) / received		(1,437,556)	(628,184)	(1,009,753)	(403,498)
Other cash receipts and (payments) relating to operating activities	20	1,549,339	(5,377,976)	2,245,058	(2,047,162)
Net cash from operating activities (1)		**24,262,879**	**29,534,729**	**2,769,125**	**1,473,496**
INVESTMENT ACTIVITIES					
Cash receipts arising from:					
Investments	46	37,684,157	35,935,067	(1,143,477)	12,050,733
Tangible assets	35	50,246,646	15,494,817	48,296,357	890,195
Subsidies to investment		226,089	-	-	-
Interest and similar income		430,595	2,189,792	12,662	1,083,566
Loans Granted	13	5,911,400	13,693,513	-	13,693,513
Dividends	6 and 41	332,859	13,634,340	-	13,294,657
Changes in consolidation perimeter (companies in)	46	478,496	-	478,496	(339,683)
		95,310,242	**80,947,529**	**47,644,038**	**41,012,664**
Cash Payments arising from:					
Investments	8 and 46	(3,188,157)	(26,143)	(3,039,711)	(280)
Tangible assets		(8,672,960)	(13,547,643)	(4,311,615)	(4,512,524)
Intangible assets		(1,090,723)	(416,113)	(662,731)	(128,765)
Loans granted		(62,007)	(1,015,749)	(4,000)	(161)
		(13,013,847)	**(15,005,648)**	**(8,018,057)**	**(4,641,730)**
Net cash used in investment activities (2)		**82,296,395**	**65,941,881**	**39,625,981**	**36,370,934**
FINANCING ACTIVITIES					
Cash receipts arising from:					
Loans obtained	23 and 24	99,318,907	16,100,000	264,311	7,000,000
Sale of own shares		144,043	72,435	-	-
		99,462,950	**16,172,435**	**264,311**	**7,000,000**
Cash Payments arising from:					
Loans obtained	23 and 24	(184,814,438)	(73,800,598)	(57,286,509)	(11,997,041)
Interest and similar charges	40	(7,232,276)	(9,477,026)	(1,402,006)	(2,295,162)
Dividends	21 and 22	(16,247,196)	(924,617)	(259,491)	(888)
Purchase of own shares		-	(12,925)	-	(12,925)
		(208,293,910)	**(84,215,166)**	**(58,948,006)**	**(14,306,016)**
Net cash used in financing activities (3)		**(108,830,960)**	**(68,042,731)**	**(58,683,695)**	**(7,306,016)**
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(2,271,686)	27,433,879	(16,288,589)	30,538,414
Effect of foreign exchange rate	18	252,737	264,504	(32,434)	46,456
Cash and cash equivalents at the beginning of the period	20	35,318,251	8,148,876	49,049,983	4,826,293
Cash and cash equivalents at the end of the period	20	32,731,439	35,318,251	32,731,439	35,318,251

The accompanying notes are part of these financial statements.
[1] Prepared in accordance with IAS 34 - Interim Financial Reporting
Unaudited Financial Statements

The Board of Directors

SONAE CAPITAL, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 AND 2015

(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.

The non-strategic assets (including non-tourism real estate assets and financial shareholdings) are included in the segment “Other assets”

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 2016.

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 2016 and with no material impact on the consolidated financial statements at 31 December 2016:

Accounting standards	Effective Date (Started on or after)
IAS 1 – Presentation of financial statements	1 January 2016
IAS 16 and IAS 38 – Calculation methods of depreciation and amortization	1 January 2016
IAS 16 and IAS 41 – Agriculture: Bearer plants	1 January 2016
IAS 19 – Employee benefits	1 February 2015
IAS 27 – Separate financial statements	1 January 2016
Amendments to IFRS 10, 12 and IAS 28: Investments in associates and joint ventures – Application of the consolidation exception	1 January 2016
IFRS 11 – Joint arrangements	1 January 2016
Annual amendments to International Financial Reporting Standards – 2010 - 2012	1 February 2015
Annual amendments to International Financial Reporting Standards – 2012 - 2014	1 January 2016

b) In force for periods subsequent to 31 December 2017:

Accounting standards	Effective Date (Started on or after)
IFRS 9 – Financial instruments	1 January 2018
IFRS 15 – Revenue from contracts with customers	1 January 2018

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 2017, but not yet endorsed by the EU:

Accounting standards	Effective Date (Started on or after)
IAS 7 – Statement of Cash Flows	1 January 2017
IAS 12 – Income taxes	1 January 2017
IAS 40 – Investment property	1 January 2018
IFRS 2 – Share-based payment	1 February 2018
IFRS 4 – Insurance contracts (amendments regarding the interaction of IFRS 4 and 9)	1 January 2018
Amendments to IFRS 15 - Revenue from contracts with customers	1 January 2018
IFRS 16 – Leases	1 January 2019
Annual amendments to International Financial Reporting Standards – 2014 – 2016	1 January 2017 and 2018
IFRIC 22 – Foreign currency transactions and advance consideration	1 January 2016

It is expected that the enforcement of these standards and interpretations, with the exception of IFRS 15 and 16, will not generate material impacts in the Group financial statements. However, the material effects of these standards are still under review.

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

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 2016		31 December 2015	
	End of the Period	Average of Period	End of the Period	Average of Period
Mozambican Metical	0,01327	0,01489	0,01918	0,02320
Brazilian Real	0,29150	0,26105	0,23193	0,27451
Angolan Kwanza	0,00567	0,00545	0,00679	0,00757

Source: Bloomberg

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.

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 a 50
Plant and machinery	10 a 20
Vehicles	4 a 5
Tools	4 a 8
Fixture and fittings	3 a 10
Other tangible assets	4 a 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.

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 (normally in March of each year) 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. 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.

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 2013 to 2016, 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 2016.

In the fiscal year 2016, 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 2017 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;
- Analysis of the impairment of goodwill and other tangible and intangible assets;
- Adjustments to the values of assets and provisions;
- Estimates of future income tax;
- 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 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 2016 would have been higher/lower by 773,310 euro (as at 31 December 2015 they would have been higher/lower by 1,055,902 euro). The impact in equity (excluding the impact on net profit) of the interest rate sensitivity analysis as at 31 December 2016 would have been lower/higher by around 0 euro (as at 31 December 2015 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.

According to Intrum Justitia, during 2016 the client's unfulfillment rate in Portugal was 2.3% of the sales, in Europe 3.1%, whereas Sonae Capital achieved a 0.35% rate.

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	98,74%
Angola	1,21%
Spain	0,04%
Brazil	-
Netherlands	-
Mozambique	-

Apresentam-se de seguida os ratings (notação S&P, excepto no caso do Montepio Geral – Fitch) das principais Instituições de Crédito onde o Grupo Sonae Capital tinha depósitos e outras aplicações financeiras a 31 de Dezembro de 2016:

Rating	% of deposits
BB+	0,10%
BB-	10,50%
B+	88,10%
n.d.	1,20%

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.

Additionally, Sonae Capital held, as at 31 December 2015, cash and cash equivalents and current investments.

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 2016 (note 2.1), had no significant impact on the financial statements at 31 December 2016.

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 2016 and 2015, are as follows:

				Percentage of capital held			
				31 December 2016		31 December 2015	
	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%
3)	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%
4)	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%
1)	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						
6)	Acrobatic Tittle, S.A.	a)	Lisbon	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 - SCSGPS, 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%
	Soternix - Produção de Energia, ACE	a)	Barcelos	51,00%	51,00%	51,00%	51,00%
6)	Suncoutim – Solar Energy, SA.	a)	Faro	85,00%	85,00%	-	-

	Refrigeration and HVAC						
	QCE - Desenvolvimento e fabrico de Equipamentos, SA	a)	Matosinhos	100,00%	70,00%	100,00%	70,00%
	Sistavac, SA	a)	Matosinhos	100,00%	70,00%	100,00%	70,00%
	Sistavac, SGPS, SA	a)	Matosinhos	70,00%	70,00%	70,00%	70,00%
	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%
	Spinarq Moçambique, Lda	a)	Maputo	70,00%	70,00%	70,00%	70,00%
	Spinarq-Engenharia,Energia e Ambiente,SA	a)	Luanda	99,90%	99,90%	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-Eng. e promoção imobiliária,SGPS,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%
2)	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%
	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)	Amsterdam	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%
5)	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%
	Spred, SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%

1) Ex-Imoareia - Invest. Turísticos, SGPS, SA;
2) Ex- Praedium, S.G.P.S., S.A;
3) Ex- Sonae Turismo, SGPS, SA;
4) Ex- The Artist Ribeira, SA;
5) Ex- SC Hospitality, SGPS, SA;
6) Company acquired in the year.
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 2016 and 2015 are as follows:

			Percentage of Capital Held								
			31 December 2016								
	Company name	Head Office	Direct	Total	Total Assets	Total Liabilities	Total Costs	Total income	Share 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	Lisbon			-	-	-	-	-	-	-
2)	Operscut - Operação e Manutenção de Auto-estradas, SA	Lisbon			-	-	-	-	-	-	-
	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**

	Company name	Head Office	Percentage of Capital Held – 31 December 2016 – Direct	Total	Total Assets	Total Liabilities	Total Costs	Total income	Share Capital	Net income	Balance Value
	Other Assets										
	Andar - Sociedade Imobiliária, SA										
	Sociedade de Construções do Chile, SA	Maia	50,00%	50,00%	16,601,678	15,689,545	913,295	-	912,133	(913,295)	
1)	Vastgoed One - Sociedade Imobiliária, SA	Maia	100,00%	50,00%	14,746,390	748,215	478,001	97,288	13,998,175	(380,713)	
1)	Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100,00%	50,00%	12,047,839	720	756	-	12,047,118	(756)	
1)	**Associated Companies**	Maia	100,00%	50,00%	12,052,426	720	749	-	12,051,705	(749)	
	Other Assets										
	Lidergraf - Artes Gráficas, Lda										
	Norscut - Concessionária de Scut Interior Norte, SA	Vila do Conde	24,50%	24,50%	17,380,421	11,722,546	23,609,998	24,530,934	5,657,875	920,936	975,156
2)	Operscut - Operação e Manutenção de Auto-estradas, SA	Lisboa	36,00%	36,00%	437,718,268	405,046,568	40,521,621	51,002,998	32,671,700	10,481,377	11,761,812
2)	**Energy**	Lisboa	15,00%	15,00%	2,564,420	1,255,652	3,498,708	4,720,261	1,308,768	1,221,553	24,000
	Feneralt - Produção de Energia, ACE										
	Feneralt - Produção de Energia, ACE	Barcelos	25,00%	25,00%	1,267,185	832,081	1,873,475	2,295,950	435,105	422,475	199,546
					514,378,626	**435,296,047**	**70,896,603**	**82,647,431**	**79,082,579**	**11,750,828**	**12,960,514**

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 2016 and 2015, movements in investments of associated and jointly controlled companies may be summarized as follows:

Company	31 December 2016	31 December 2015
Opening balance as at 1 January	**12,992,457**	**20,762,638**
Acquisitions in the period	-	8,000
Disposals in the period	(19,168,575)	-
Equity method	7,730,200	5,564,752
Dividends received	(287,240)	(13,342,933)
Change in the consolidation method	-	-
Closing balance as at 31 December	**1,268,842**	**12,992,457**
Closing balance as at 31 December	(31,943)	(31,943)
	1,234,900	**12,960,514**

The use of the equity method had the following impacts: 350,194 euro recorded on share of results of associated undertakings (3,976,671 euro at 31 December 2015), and 7,380,000 euro in changes in reserves (1,588,081 euro at 31 December 2015).

During the year ended 31 December 2016 dividends were received totalling 290,000 euros (13,342,933 at 31 December 2015) paid by the companies Lidergraf-graphic arts, Lda and Feneralt-Energy Production, ACE.

7. OTHER INVESTMENTS

The head offices, percentage of share capital held and book value of Other Investments as at 31 December 2016 and 2015 are made up as follows:

		Percentage of capital held					
		31 December 2016		31 December 2015			
Company	Head Office	Direct	Total	Direct	Total	31 December 2016	31 December 2015
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%	0,06%	0,06%	-	124,892
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
Other investments						140,124	133,892
Total (Note 9)						**478,855**	**597,515**

As at 31 December 2016 and 2015, movements in investments were as follows:

	31 December 2016		31 December 2015	
	Non-current	Current	Non-current	Current
Investments at acquisition cost				
Opening balance as at 1 January	889,353	-	879,446	-
Acquisitions in the period	23,752	-	9,907	-
Disposals in the period	(142,412)	-	-	-
Transfers	-	-	-	-
Closing balance as at 31 December	**770,693**	**-**	**889,353**	**-**
Accumulated impairment losses (Note 31)	**(291,838)**	**-**	**(291,838)**	**-**
	478,855	**-**	**597,515**	**-**
Investments held for sale				
Fair value as at 1 January	-	-	33,493,884	-
Disposals in the period	-	-	(34,244,847)	-
Transfers	-	-	-	-
Increase/(Decrease) in fair value	-	-	750,963	-
Fair value as at 31 December	-	-	-	-
Accumulated impairment losses (Note 31)	-	-	-	-
Fair value (net of impairment losses) as at 31 December	-	-	-	-
Other Investments	**478,855**	**-**	**597,515**	**-**

These investments are recorded at acquisition cost less impairment losses.

Imosede Real Estate Investment Fund was fully sold in 2015, with a loss in Investment Income of 263,315 euros (Note 41).

8. CHANGES TO THE CONSOLIDATION PERIMETER

During the period ended 31 December 2016 the following companies were acquired:

		Percentage of capital held At the date of disposal	
Company	**Head Office**	**Direct**	**Total**
Acrobatic Title, SA.	Faro	10,00%	10,00%
Suncoutim – Solar Energy, SA.	Lisbon	85,00%	85,00%

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

Empresa	Acquisition Date	31 December 2016
Net assets acquired		
Tangible and intangible assets (Notes 10 and 11)	2,795,415	2,795,415
Other assets	188,129	1,105,245
Cash and cash equivalents	478,496	584,195
Other liabilities	(21,549)	(815,457)
	3,440,489	**3,669,398**
Total equity	**3,440,488**	**3,391,714**
Income statements from the acquired companies		
External supplies and services	171,448	233,646
Staff costs	-	16,757
Depreciation and amortisation	344,923	385,033
Provisions and impairment losses	2,000	2,000
Other operating expenses	1	66,778
Operational profit/(loss)	**518,372**	**704,214**
Sales	-	21
Services rendered	616,790	753,887
Other operating expenses	2,094	3,989
Other operating income	**618,884**	**757,897**
Operational profit/(loss)	**100,511**	**53,683**
Financial Income	-	-
Financial Expenses	-	1,946
Net financial income / (expenses)	**-**	**(1,946)**
Profit/(Loss) before taxation	**100,511**	**51,737**
taxation	-	-
Profit/(Loss) for the year	**100,511**	**51,737**
Gain/(Loss) on acquisition	3,048	
Acquisition price	3,339,994	
Payments made	3,089,994	
Net cash flow from the acquisition		
Payments made	3,089,994	
Cash and equivalents acquired	**(478,496)**	
	2,611,498	

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**	**Invest-ments held to maturity**	**Sub-total**	**Assets not covered by IFRS 7**	**Total**
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**
As at 31 de December 2015							
Non-current Assets							
Other Investments	7	597,515	-	-	597,515	-	597,515
Other non-current assets	13	7,871,931	-	-	7,871,931	-	7,871,931
		8,469,446	**-**	**-**	**8,469,446**	**-**	**8,469,446**
Current Assets							
Trade account receivables	15	19,375,097	-	-	19,375,097	-	19,375,097
Other debtors	16	9,003,693	-	-	9,003,693	-	9,003,693
Cash and cash equivalents	20	35,318,251	-	-	35,318,251	-	35,318,251
		63,697,041	**-**	**-**	**63,697,041**	**-**	**63,697,041**
		72,166,487	**-**	**-**	**72,166,487**	**-**	**72,166,487**

Financial Liabilities	Note	Financial liabilities recorded at amortised cost	Liabilities not covered by IFRS 7	Total
As at 31 de December 2015				
Non-current liabilities				
Bank Loans	23	20,532,367	-	20,532,367
Bonds	23	57,107,711	-	57,107,711
Other loans	23	16,622,150	-	16,622,150
Other non-current liabilities	26	2,681,126	1,070,575	3,751,701
		96,943,354	**1,070,575**	**98,013,929**
Current Liabilities				
Bank Loans	20 and 23	1,137,237	-	1,137,237
Other loans	23 and 24	3,336,208	-	3,336,208
Bonds	23	-	-	-
Trade Creditors	28	16,479,554	-	16,479,554
Other current liabilities	29	3,647,289	1,042,782	4,690,071
		24,600,288	**1,042,782**	**25,643,070**
		121,543,642	**2,113,357**	**123,656,999**
As at 31 de December 2016				
Non-current liabilities				
Bank Loans	23	46,693,174	-	46,693,174
Bonds	23	42,123,598	-	42,123,598
Other loans	23 and 24	15,106,830	-	15,106,830
Other non-current liabilities	26	2,721,247	312,372	3,033,619
		106,644,849	**312,372**	**106,957,221**
Current Liabilities				
Bank Loans	20 and 23	17,725,702	-	17,725,702
Other loans	23 and 24	2,884,918	-	2,884,918
Bonds	23	59,982,062	-	59,982,062
Trade Creditors	28	17,167,600	-	17,167,600
Other current liabilities	29	2,951,833	8,610,389	11,562,222
		100,712,115	**8,610,389**	**109,322,504**
				-
		207,356,964	**8,922,761**	**216,279,725**

10. TANGIBLE ASSETS

During the periods ended 31 December 2016 and 2015, 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 2015	**53,697,478**	**168,591,970**	**172,941,915**	**1,493,339**	**5,006,029**	**2,197,777**	**11,880,186**	**415,808,694**
Changes in consolidation perimeter (companies out) (Note 8)	-	(48,781)	(2,031,168)	(46,937)	(369,605)	(81,957)	(413,843)	(2,992,291)
Capital expenditure	-	331,308	1,324,552	61,425	9,552	3,607	12,189,440	13,919,884
Disposals	(2,733,066)	(9,597,599)	(5,162,834)	(222,774)	(564,352)	(70,369)	(5,025)	(18,356,019)
Exchange rate effect	-	-	(25,237)	(81,884)	(17,382)	(13,333)	-	(137,836)
Transfers	2,868,273	11,326,139	20,322,470	16,336	112,811	45,898	(8,935,005)	25,756,922
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)
Closing balance as at 31 December 2016	**49,277,022**	**163,142,640**	**203,878,370**	**988,371**	**4,117,201**	**2,239,282**	**2,619,249**	**426,262,135**
Accumulated depreciation								
Opening balance as at 1 January 2015	**-**	**43,962,399**	**85,079,785**	**1,260,756**	**4,219,029**	**1,751,497**	**-**	**136,273,466**
Changes in consolidation perimeter (companies out) (Note 8)	-	(48,508)	(1,805,772)	(18,152)	(319,764)	(76,558)	-	(2,268,754)
Charges for the period	-	2,684,671	11,855,388	140,857	209,095	86,333	-	14,976,344
Disposals	-	(1,357,968)	(3,268,129)	(222,016)	(559,944)	(62,970)	-	(5,471,027)
Exchange rate effect	-	-	(9,527)	(58,860)	(12,715)	(10,137)	-	(91,240)
Transfers	-	(1,112)	(10,806)	(14,383)	(11,686)	(7,217)	-	(45,204)
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)	-	(6,197,128)
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)
Closing balance as at 31 December 2016	**-**	**41,590,603**	**105,170,616**	**930,711**	**3,409,113**	**1,742,151**	**-**	**152,843,194**
Accumulated impairment losses								
Opening balance as at 1 January 2015	**7,829,144**	**30,168,842**	**826,526**	**-**	**-**	**-**	**-**	**38,824,512**
Charges for the period (Note 31)	89,259	188,056	27,970	-	-	-	-	305,285
Opening balance as at 1 January 2016	**7,918,403**	**30,356,898**	**854,496**	**-**	**-**	**-**	**-**	**39,129,797**
Charges for the period (Note 31)	1,218,065	1,315,411	472,540	-	-	-	-	3,006,017
Reversals for the period (Note 31)	(1,533,656)	(5,968,088)	-	-	-	-	-	(7,501,743)
Closing balance as at 31 December 2016	**7,602,813**	**25,704,222**	**1,327,036**	**-**	**-**	**-**	**-**	**34,634,071**
Carrying amount								
As at 31 December 2015	**45,914,282**	**95,006,657**	**94,674,263**	**131,303**	**653,038**	**400,675**	**14,715,753**	**251,495,971**
As at 31 December 2016	**41,674,209**	**95,847,815**	**97,380,718**	**57,660**	**708,088**	**497,131**	**2,619,249**	**238,784,870**

In December 2015 transfers of real estate projects, from inventories to tangible assets, totalled 20,877,300 euro. Those assets will be used for renting. Regarding the divestments of tangible fixed assets, the most significant amount is related to the sale of the land plot "Duque de Loulé".

The disposals carried out during the year are mainly sales of real estate assets located in Tróia.

The major acquisitions made during the year are essentially from the Energy segment (acquisition of two photovoltaic parks of 1MW each, in the total amount of 5,7 million euro), from the Fitness segment, in pursuit of the expansion plan, and from the Hotels segment, related, above all, with the opening of the new hotel The House in Porto.

Impairment losses and reversals of impairment losses for the year 2016 and 2015 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 2016, taking into account a variation in the Market Value of +- 10% and +- 15% for the Opinion of Value is as follows:

AVALIAÇÃO C&W				
	31 December 2016	31 December 2016 (VM)	31 December 2016 (OV)	31 December 2016 Valor Contabilistico
Tourism Assets	**82,594,000**	**74,094,000**	**8,500,000**	**67,492,101**
Hotels	74,094,000	74,094,000	-	60,874,537
Fitness	8,500,000	-	8,500,000	6,617,564
Troia Resort	**188,654,810**	**117,272,700**	**71,382,110**	**96,831,568**
Assets for sale	109,357,774	37,975,664	71,382,110	62,174,630
Real estate projects	79,297,036	79,297,036	-	34,656,938
Other Assets	**126,274,100**	110,678,000	15,596,100	78,990,008
Assets for sale	29,211,900	22,465,800	6,746,100	23,726,806
Real estate projects	97,062,200	88,212,200	8,850,000	55,263,201
Total	**397,522,910**	**302,044,700**	**95,478,210**	**243,313,677**
Valuation Simulation				
Market Value	+/- 10%	30,204,470		
Opinion of Value	+/- 15%		14,321,732	
Total	**44,526,202**	**30,204,470**	**14,321,732**	

The evaluations comprised the total of 108 properties held by the Group, of which 46 using the Market value rules, these being the most relevant in terms of net value at 31 December 2016 and 2015. 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 2016 to euro 35,650,252 (35,601,106 euro at 31 December 2015) and their net book value as of those dates amounted to 20,168,568 euro and 21,995,999 euro, respectively (Note 24).

Major amounts included in the caption Tangible assets in progress, refer to the following projects:

	31 December 2016	31 December 2015
Tróia	1,657,460	8,091,116
Cogeneration Project	-	52,083
Health Clubs Refurbishment	300,884	1,208,506
Others	660,905	5,364,048
	2,619,249	**14,715,753**

11. INTANGIBLE ASSETS

During the periods ended 31 December 2016 and 2015, 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 dos activos Intangíveis
Gross Cost					
Opening balance as at 1 January 2015	**7,846,758**	**2,877,589**	**466,858**	**217,498**	**11,408,703**
Changes in consolidation perimeter	-	-	-	-	-
(companies out) (Note 8)	-	(43,811)	-	(2,925)	(46,736)
Capital expenditure	14,040	189	200,883	429,266	644,378
Disposals	-	(36,187)	(492,681)	-	(528,868)
Exchange rate effect	-	(7,801)	-	-	(7,801)
Transfers	(71,561)	491,313	(19,586)	(418,293)	(18,127)
Opening balance as at 1 January 2016	**7,789,237**	**3,281,292**	**155,474**	**225,546**	**11,451,549**
Changes in consolidation perimeter	-	-	242,000	-	242,000
(companies in) (Note 8)	-	-	-	-	-
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)
Closing balance as at 31 December 2016	**8,189,952**	**3,778,269**	**283,781**	**382,826**	**12,634,829**
Accumulated amortization					
Opening balance as at 1 January 2015	**1,380,363**	**1,994,300**	**9,421**	**-**	**3,384,083**
Changes in consolidation perimeter (companies out) (Note 8)	-	(39,928)	-	-	(39,928)
Charges for the period	184,688	626,224	-	-	810,912
Disposals	-	(41,694)	-	-	(41,694)
Exchange rate effect	-	(5,668)	-	-	(5,668)
Transfers	(42,405)	47,912	-	-	5,507
Opening balance as at 1 January 2016	**1,522,646**	**2,581,146**	**9,421**	**-**	**4,113,212**
Changes in consolidation perimeter (companies in) (Note 8)	-	-	208,146	-	208,146
Charges for the period	178,329	541,678	6,722	-	726,729
Disposals	-	(31,461)	-	-	(31,461)
Exchange rate effect	-	2,772	-	-	2,772
Closing balance as at 31 December 2016	**1,700,975**	**3,094,135**	**224,289**	**-**	**5,019,398**
Carrying amount					
As at 31 December 2015	**6,266,592**	**700,147**	**146,053**	**225,546**	**7,338,337**
As at 31 December 2016	**6,488,978**	**684,135**	**59,492**	**382,826**	**7,615,431**

At 31 December 2016 and 2015, there are no impairment losses relating to Intangible Assets.

As at December 2016 net assets of Marina de Troia amount to 5,701,558 euro (5,849,778 euro at December 2015).

“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 2016.

12. GOODWILL

During the periods ended 31 December 2016 and 2015, movements in goodwill, as well as in corresponding impairment losses, are as follows:

	31 December 2016	31 December 2015
Gross amount		
Opening balance	62,194,124	62,291,840
Increases - acquisition of affiliated companies	-	-
Closing balance	**62,194,124**	**62,194,124**
Accumulated impairment losses:		
Opening balance	1,301,596	1,301,596
Increases	23,051,438	0
Closing balance	**24,353,034**	**1,301,596**
Total	**37,841,090**	**60,892,528**

The increase in impairment losses in 2016 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 2015. The Sistavac business plan reports an average growth rate of 6% with a rate of 20.4% 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 19.5%, 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	9,57%	**Energy - photovoltaic**	7,01%
Operational Resorts	9,13%	**Refrigeration & HVAC- Portugal**	7,86%
Energy- cogeneration	8,15%	**Other assets**	8,02%

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 2016 and 2015, Goodwill may be split as follows:

	31 December 2016	31 December 2015
Resorts	1,223,234	24,274,672
Hotels	-	-
Fitness	-	-
Energy	622,829	622,829
Refrigeration and HVAC	9,619,730	9,619,730
Other Assets	26,375,298	26,375,298
	37,841,090	**60,892,528**

13. OTHER NON-CURRENT DEBTORS

As at 31 December 2016 and 2015, other non-current assets are detailed as follows:

	31 December 2016	31 December 2015
Loans granted to related parties		
Norscut - Concessionária de Scut Interior Norte, SA	-	5,911,400
Others	874,613	812,606
	874,613	6,724,006
Impairment losses (Note 31)	(34,916)	(34,916)
	839,697	**6,689,090**
Trade accounts receivable and other debtors		
Others	1,196,779	1,182,841
Impairment losses (Note 31)	-	-
	1,196,779	**1,182,841**
Other non-current debtors	**2,036,476**	**7,871,931**

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 variation in loans granted on 31 December 2016 to the previous year is due to the receipt of a loan granted to an associated company sold in the previous year.

The amounts considered in others, Trade accounts receivable and other debtors, are essentially related with (i) payment to the State to benefit from a 2002 tax amnesty (ii) pecuniary deliveries in the context of ongoing lawsuits.

At 31 December 2016 and 2015 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

Inventories as at 31 December 2016 and 2015 can be detailed as follows, highlighting the value attributable to real estate developments:

	31 December 2016		31 December 2015	
	Total	of which Real Estate Developments	Total	of which Real Estate Developments
Raw materials, by-products and consumables	1,416,846	-	1,441,888	-
Goods for sale	30,621,892	29,396,542	30,394,043	29,000,343
Finished goods	16,227,654	16,227,654	23,487,868	23,487,868
Work in progress	71,597,057	67,573,121	77,389,696	75,405,755
	119,863,449	**113,197,317**	**132,713,495**	**127,893,966**
Accumulated impairment losses on stocks (Note 31)	(15,351,494)	(15,340,458)	(5,951,751)	(5,939,087)
	104,511,954	**97,856,859**	**126,761,744**	**121,954,879**

Cost of goods sold as at 31 December 2016 and 2015 amounted to 65,555,341 euro and 60,854,177 respectively, and may be detailed as follows:

	31 December 2016	31 December 2015
Opening Stocks	31,828,075	32,130,186
Exchange rate effect	(156,777)	(169,621)
Changes in consolidation perimeter	(1,647)	(13,794)
Purchases	62,499,698	61,044,198
Adjustments	370,493	(261,412)
Closing Stocks	32,038,738	31,828,075
	62,509,105	**60,901,482**
Impairment losses (Note 31)	3,440,084	804
Reversion of impairment losses (Note 31)	(393,848)	(48,109)
Continued operations	**65,555,341**	**60,854,177**
Discontinued operations		**284,071**
Total operations	**65,555,341**	**61,138,248**

Impairment losses and reversals of impairment losses for the years 2016 and 2015 are calculated from the assessments of the property assets of Sonae Capital Group, carried out by “Cushman & Wakefield – Consultoria Imobiliária, Unipessoal, Lda”.

15. TRADE ACCOUNTS RECEIVABLE

As at 31 December 2016 and 2015, trade accounts receivable and other current assets are detailed as follows:

	31 December 2016	31 December 2015
Trade accounts receivable		
Resorts	1,653,662	1,405,548
Hotels	758,049	1,009,200
Fitness	170,149	143,316
Energy	4,683,723	6,944,235
Refrigeration and HVAC	13,255,090	11,658,890
Other Assets	361,050	438,689
	20,881,723	**21,599,878**
Doubtful debtors	**1,407,753**	**1,762,156**
	22,289,475	23,362,034
Accumulated impairment losses on Trade Debtors (Note 31)	**(4,259,208)**	**(3,986,937)**
Total Operations	**18,030,267**	**19,375,097**

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 2016 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 2016 and 2015, the ageing of Trade Accounts Receivables can be detailed as follows:

	Trade Accounts Receivable						
31 December 2016	**Resorts**	**Hotels**	**Fitness**	**Energy**	**Refrigeration and HVAC**	**Holding and Others**	**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**
31 December 2015	**Resorts**	**Hotels**	**Fitness**	**Energy**	**Refrigeration and HVAC**	**Holding and Others**	**Total**
Not Due	**335,298**	**229,825**	**2,198**	**5,563,518**	**7,032,975**	**181,700**	**13,345,514**
Due but not impaired							
0 - 30 days	34,226	136,099	1,722	1,269,302	962,635	158,079	2,562,063
30 - 90 days	172,439	312,347	200	88,593	1,714,124	36,258	2,323,961
+ 90 days	178,011	16,071	19,236	7,447	896,340	25,458	1,142,563
Total	384,676	464,517	21,158	1,365,342	3,573,099	219,795	6,028,587
Due and impaired							
0 - 90 days	5,430	3,623	2,012	-	5,397	-	16,462
90 - 180 days	3,692	4,272	1,170	-	17,371	-	26,505
180 - 360 days	17,852	11,804	3,218	-	77,462	-	110,336
+ 360 days	840,173	471,193	141,981	15,375	1,955,226	410,682	3,834,630
Total	867,147	490,892	148,381	15,375	2,055,456	410,682	3,987,933
Total accumulated before impairments	**1,587,121**	**1,185,234**	**171,737**	**6,944,235**	**12,661,530**	**812,177**	**23,362,034**

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 2016 and 2015, other debtors are made up as follows:

	31 December 2016	31 December 2015
Loans granted to and other amounts to be received from related parties		
Others	139,309	74,506
	139,309	**74,506**
Other Debtors		
Suppliers with a debtor balance	1,222,273	458,365
Sale of assets	5,920	10,525
Sale of financial investments	4,088,126	4,656,580
Others	3,875,438	4,369,117
	9,191,757	**9,494,587**
Other Debtors	**9,331,066**	**9,569,093**
Accumulated impairment losses on Other Debtors (Note 31)	(2,003,416)	(565,400)
Total financial instruments (Note 9)	**7,327,649**	**9,003,693**
Total Operations	**7,327,649**	**9,003,693**

Loans granted to relate parties bear interest at market rates.

At December 2016 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 (1,056,000 euros), taxes recoverable overseas (633,000 euros), among others.

As at 31 December 2016 and 2015, ageing of other debtors can be summarised as follows:

Other Debtors

	31 December 2016	31 December 2015
Not Due	**4,213,419**	**1,219,772**
Due but not impaired		
0 - 30 days	1,047,581	457,467
30 - 90 days	91,291	1,452,350
+ 90 days	3,336,908	5,816,248
Total	4,475,780	7,726,065
Due and impaired		
0 - 90 days	-	-
+ 360 days	502,446	548,749
Total	502,558	548,749
Total accumulated before impairments	**9,191,757**	**9,494,587**

As at 31 December 2016 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 2016 and 2015, taxes recoverable and taxes and contributions payable are made up as follows:

	31 December 2016	31 December 2015
Tax recoverable		
Income tax receivable		
Amounts withheld	1,346,472	611,016
Payments on account	2,944,835	3,502,382
Income taxation	393,761	(317,488)
	4,685,068	3,795,910
Other taxes receivable		
VAT	1,768,735	7,812,029
Other taxes	4,086,578	1,018,997
	5,855,313	8,831,026
Total Operations	**10,540,381**	**12,626,936**
Taxes and contributions payable		
Income tax payable		
Income taxation	1,288,312	945,628
	1,288,312	945,628
Other taxes payable		
VAT	1,350,223	1,157,441
Income taxation - amounts withheld	983,539	714,652
Social security contributions	737,082	496,234
Other taxes	359,848	256,404
	3,420,692	2,624,731
Total Operations	**4,719,004**	**3,570,359**

The amount in “Other taxes receivable” includes 2,706,000 euro in additional payments to the Portuguese Tax Services and also from complaints and reviews to the said body. Also included is an amount of 1,341,000 euro paid in Brazil of prepaid tax on revenues.

18. OTHER CURRENT ASSETS

As at 31 December 2016 and 2015, other current assets are made up as follows:

	31 December 2016	31 December 2015
Interest receivable	28,246	42,156
Invoicing to be issued for services rendered	867,824	1,381,730
Deferred costs - External supplies and services	1,155,795	1,121,317
Deferred costs - Rents	373,360	291,265
Other current assets	9,423,015	3,333,034
Total Operations	**11,848,239**	**6,169,502**

"Other current assets" at 31 December 2016 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 2016 and 2015 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Amortisation and Depreciation harmonisation adjustments	566,662	592,345	4,068,443	3,754,439
Provisions and impairment losses of non-tax deductible	5,320,494	6,682,330	-	-
Write off of tangible and intangible assets	71,250	71,250	-	-
Write offs of accruals	-	-	-	-
Revaluation of tangible assets	-	-	93,307	93,307
Tax losses carried forward	21,414,207	16,252,396	-	-
Financial instruments	-	-	-	-
Write off of stocks	-	-	462,815	548,376
Taxable temporary differences arising from the fair value of non-current liabilities	-	-	6,529,266	6,543,174
Others	7,644	21,990	8,481,456	9,252
	27,380,258	**23,620,310**	**19,635,287**	**10,948,548**

During the periods ended 31 December 2016 and 2015, movements in deferred tax are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Opening balance	**23,620,310**	**23,718,439**	**10,948,548**	**11,709,284**
Effect in results (Note 42):				
Amortisation and Depreciation harmonisation adjustments	(25,683)	(26,953)	314,004	608,630
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	5,161,816	188,709	-	-
Impairment of Assets	(1,361,839)	(80,662)	-	-
Financial Instruments	-	-	-	(1,353,851)
Changes in tax rates	-	-	-	-
Others	(10,784)	(24,635)	8,372,735	(301,641)
	3,763,510	**56,459**	**8,686,739**	**(1,046,862)**
Effect in reserves:				
Financial Instruments	-	-	-	286,989
Others	(3,562)	(6,487)	-	(863)
	(3,562)	**(6,487)**	**-**	**286,126**
Changes in consolidation perimeter	-	(148,101)	-	-
Others	-	-	-	-
Closing balance	**27,380,258**	**23,620,310**	**19,635,287**	**10,948,548**

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2016 and 2015, and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

	31 December 2016			31 December 2015		
	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	15,843,716	3,327,180	2017	20,023,107	4,204,852	2017
Generated in 2013	18,024,639	3,785,174	2018	18,024,639	3,785,174	2018
Generated in 2014	13,536,168	2,842,595	2026	11,725,573	2,462,370	2026
Generated in 2015	47,663,128	10,009,257	2027	27,619,048	5,800,000	2027
Generated in 2016	6,904,762	1,450,000	2028	-	-	2028
	101,972,414	**21,414,207**		**77,392,368**	**16,252,396**	
With a time limit different from the above mentioned	-	-		-	-	
	101,972,414	**21,414,207**		**77,392,368**	**16,252,396**	

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 2016, 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 2016, tax losses carried forward amounting to 54,752,193 euro (75,631,592 euro as at 31 December 2015), have not originated deferred tax assets for prudential reasons and are detailed as follows:

	31 December 2016			31 December 2015		
	Tax losses carried forward	Tax Credit	Time limit	Tax losses carried forward	Tax Credit	Time limit
With limited time use						
Generated in 2012	13,872,225	2,913,167	2017	15,178,378	3,187,459	2017
Generated in 2013	25,870,105	5,432,722	2018	27,046,176	5,679,697	2018
Generated in 2014	22,249	4,672	2026	22,249	4,672	2026
Generated in 2015	29,058	6,102	2027	20,217,314	4,245,636	2027
Generated in 2016	2,892,333	607,390	2028	-	-	2028
	42,685,969	**8,964,054**		**62,464,117**	**13,117,465**	
Without limited time use	**11,658,674**	**2,914,669**		**-**	**-**	
With a time limit different from the above mentioned	**407,549**	**94,305**		**18,874,767**	**4,758,800**	
	12,066,224	**3,008,973**		**18,874,767**	**4,758,800**	
	54,752,193	**11,973,027**		**81,338,884**	**17,876,265**	

20. CASH AND CASH EQUIVALENTS

As at 31 December 2014 and 2015, cash and cash equivalents can be detailed as follows:

	31 December 2016	31 December 2015
Cash at hand	133,923	111,450
Bank deposits	32,604,013	35,201,904
Treasury applications	9,272	4,897
Cash and cash equivalents on the balance sheet	32,747,208	35,318,251
Bank overdrafts (Note 23)	(15,769)	-
Cash and cash equivalents in the statement of cash-flows	32,731,439	35,318,251

The balances of cash and cash equivalents in the periods ended 31 December 2016 and 2015 are as follows:

Foreign currency	Amount	Exchange rates used on translation	**Euro**
Mozambican Metical	(178,991)	0,01327	**(2,375)**
Brazilian Real	47,046	0,2915	**13,714**
Angolan Kwanza	98,613,142	0,00567	**559,137**

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 2016, Sonae Capital SGPS, S.A. owns 5,516,226 own shares (5,914,571 own shares at 31 December 2015) booked for 1,404,226 euro (1,426,791 euro at 31 December 2015).

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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Demerger reserve	132,638,253	132,638,253
Translation reserves	12,876	(23,350)
Fair value reserves	-	-
Hedging reserves	5,004	(11,956)
Other reserves and retained earnings	(88,414,342)	(80,993,753)
Reserves and retained earnings	44,241,791	51,609,194

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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Opening balance as at 1 January	10,247,125	9,375,864
Changes in hedging reserves	-	721
Changes in the percentage of capital held in Group companies	(24,782)	219,830
Changes resulting from currency translation	482	38,920
Dividends paid	(1,441,468)	(1,079,240)
Others	45,913	(1)
Profit for the period attributable to minority interests	1,098,695	1,691,031
Closing balance	**9,925,965**	**10,247,125**

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

23. BORROWINGS

As at 31 December 2016 and 2015, Borrowings are made up as follows:

	31 December 2016		31 December 2015		
	Outstanding amount		Outstanding amount		Repayable on
	Current	Non-Current	Current	Non-Current	
Bank loans					
Sonae Capital SGPS - commercial paper a)	-	-	8,250,000	-	Jun/2021
Sonae Capital SGPS - commercial paper b)	-	-	-	30,000,000	Dez/2017
Sonae Capital SGPS - commercial paper c)	-	-	3,250,000	1,500,000	Mai/2017
Sonae Capital SGPS - commercial paper d)	-	-	1,200,000	4,800,000	Mar/2020
Sonae Capital SGPS - commercial paper e)	-	20,000,000	-	-	Jun/2021
Sonae Capital SGPS f)	-	-	3,290,000	9,047,500	Set/2019
Up-front fees	-	(445,544)	-	(255,080)	
Others	1,121,468	977,912	1,735,702	1,600,754	
	1,121,468	**20,532,367**	**17,725,702**	**46,693,174**	
Bank overdrafts (Note 14)	15,769	-	-	-	
Bank loans	**1,137,237**	**20,532,367**	**17,725,702**	**46,693,174**	
Bond Loans					
Sonae Capital 2011/2016 Bonds	-	-	10,000,000	-	
Sonae Capital 2016/2021 Bonds	-	15,000,000			Jul/2021
SC, SGPS, S.A. 2008/2018 Bonds	-	-	50,000,000	-	
Sonae Capital 2014/2019 Bonds	-	42,500,000	-	42,500,000	Mai/2019
Up-front fees	-	(392,289)	(17,938)	(376,402)	
Bond Loans	**-**	**57,107,711**	**59,982,062**	**42,123,598**	
Other loans	**117,400**	**246,177**	**311,968**	**297,289**	
Derivatives (Note 18)	**4,530**	**-**	**25,952**	**-**	
Obligations under finance leases (Note 24)	**3,214,278**	**16,449,963**	**2,546,998**	**14,886,301**	
Up-front fees on finance leases	**-**	**(73,991)**	**-**	**(76,760)**	
	4,473,445	**94,262,228**	**80,592,682**	**103,923,602**	

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 27 December 2012 and valid up to December 2017.
c) Commercial paper programme, with subscription guarantee, issued on 7 May 2014 and valid for a three year period, with semi-annual payments. This commercial paper programme has been totally refunded.
d) Commercial paper programme, with subscription guarantee, issued on 18 March 2015 and valid up to March 2020, with annual payments. This commercial paper programme has been totally refunded.
e) 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.
f) Bank loan guaranteed by a mortgage on real estate, started on 2 June 2011 and valid up to September 2019, with quarterly payments. This loan has been totally refunded. The said mortgage was cancelled during the year.

As at 31 December 2016, borrowings of the Group were as follows:

- 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.

- 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.

The interest rate on bonds and bank loans in force on 31 December 2016 was on average 2.69% (2.83% in 31 December 2015)

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 2016		31 December 2015	
	Nominal value	**Interest**	**Nominal value**	**Interest**
N+1	4,468,915	2,557,645	80,584,669	4,867,436
N+2	8,786,986	2,280,282	39,321,659	3,938,199
N+3	51,245,074	1,368,522	7,644,816	2,421,339
N+4	8,466,613	482,773	49,335,366	1,074,827
N+5	22,619,129	422,525	3,505,904	87,101
After N+5	4,056,251	62,467	4,824,098	109,720
	99,642,967	**7,174,215**	**185,216,512**	**12,498,622**

As at 31 December 2016 and 2015, the credit lines available and the amount of contracted lines, can be summarized as follows:

	31 December 2016		31 December 2015	
	Commitments < 1 year	Commitments < 1 year	Commitments < 1 year	Commitments < 1 year
Value of available lines				
Tourism	-	-	-	-
Energy	-	-	-	-
Refrigeration and HVAC	612,766	-	741,161	-
Other Assets	-	-	-	-
Holding and Others	63,850,000	30,000,000	53,799,398	24,400,000
	64,462,766	**30,000,000**	**54,540,559**	**24,400,000**
Value of contracted lines				
Tourism	-	-		
Energy	-	-	-	-
Refrigeration and HVAC	1,096,405	-	1,424,885	-
Other Assets	-	-	-	-
Holding and Others	63,850,000	50,000,000	62,049,398	54,400,000
	64,946,405	**50,000,000**	**63,474,283**	**54,400,000**

24. OBLIGATIONS UNDER FINANCE LEASES

As at 31 December 2016 and 2015, Obligations under finance leases are made up as follows:

Obligations under finance leases	**Minimum finance lease payments**		**Present value of minimum finance lease payments**	
Montantes a pagar por locações financeiras:	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
N+1	3,549,899	2,814,372	3,214,278	2,546,998
N+2	3,550,020	2,814,372	3,283,104	2,592,843
N+3	3,416,974	2,814,372	3,214,318	2,640,100
N+4	3,416,428	2,750,944	3,276,618	2,624,899
N+5	2,699,879	2,286,141	2,619,305	2,204,362
After N+5	4,119,202	4,933,818	4,056,617	4,824,098
	20,752,403	**18,414,019**	**19,664,241**	**17,433,300**
Future Interest	(1,088,162)	(980,718)		
	19,664,241	17,433,301		

Up-front fees		(76,760)
Current obligations under finance leases	3,214,278	2,546,998
Obligations under finance leases - net of current obligations	**16,375,972**	**14,809,541**

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 2016 was on average 1.80% (1.63% at 31 December 2015).

As at 31 December 2016 and 2015, 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 2016 and 2015, the book value of assets acquired under finance leases can be detailed as follows:

	31 December 2016	**31 December 2015**
Assets acquired under finance leases		
Land and Buildings	-	-
Plant and machinery	20,165,918	21,992,829
Vehicles	-	-
Tools	-	-
Fixtures and Fittings	2,650	3,170
Total tangible assets	**20,168,568**	**21,995,999**

25. DERIVATIVES

Interest rate derivatives

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 (25,952 euro at 31 December 2015) is recorded as liabilities in other loans. As at 31 December 2016 and 31 December 2015, all derivatives are 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 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Non-Hedge accounting derivatives				
Interest rate	-	-	-	-
Hedge accounting derivatives				
Interest rate (Note 23)	-	-	4,530	25,952
Other derivatives	-	-	-	-
	-	**-**	**4,530**	**25,952**

26. OTHER NON-CURRENT CREDITORS

As at 31 December 2016 and 2015 other non-current creditors liabilities can be detailed as follows:

	31 December 2016	31 December 2015
Loans and other amounts payable to related parties		
Plaza Mayor Parque de Ocio, SA (Note 44)	1,825,274	1,928,510
Others	232,150	230,846
	2,057,424	**2,159,356**
Other creditors		
Creditors in the restructuring process of Torralta	623,702	561,891
Others		
	623,702	**561,891**
Deferred income		
Obligations by share-based payments (Note 27)	464,519	312,372
	464,519	**312,372**
Other creditors	**3,751,701**	**3,033,619**

As at 31 December 2016 and 2015, other creditor's balances maturity can be detailed as follows:

31 December 2016	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other creditors	-	-	-	-	623,702	623,702
Total	**-**	**-**	**-**	**-**	**623,702**	**623,702**

31 December 2015	N+1	N+2	N+3	N+4	N+5	Total
Fixed assets suppliers	-	-	-	-	-	-
Other creditors	-	-	-	-	561,891	561,891
Total	**-**	**-**	**-**	**-**	**561,891**	**561,891**

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 2016 and 2015, 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 2016**	**31 December 2015**
	2013	2016	6	-	579,291
	2014	2017	6	406,269	272,420
	2015	2018	6	512,554	335,036
	2016	2019	6	368,445	-
Total				**1,287,269**	**1,186,747**

As at 31 December 2016 and 2015, 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 2016	31 December 2015
Other non-current creditors (Note 26)	464,518	312,372
Other current creditors (Note 29)	406,269	579,291
Reserves	170,768	34,317
Staff Costs (Note 38)	**700,019**	**857,346**

28. TRADE ACCOUNTS PAYABLE

As at 31 December 2016 and 2015 trade accounts payable can be detailed as follows:

		A pagar		
	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
	15,254,520	**14,449,586**	**501,485**	**303,449**
Trade creditors - Invoices Accruals	1,225,034	873,098	309,858	42,078
Total	**16,479,554**	**15,322,684**	**811,343**	**345,527**

		A pagar		
	31 December 2016	**Less than 90 days**	**90 to 180 days**	**More than 180 days**
Trade creditors current account				
Resorts	1,744,931	1,315,687	33,588	395,656
Hotels	667,938	554,915	27,641	85,382
Fitness	755,298	741,367	2,391	11,540
Energy	3,410,076	3,325,996	80,878	3,202
Refrigeration and HVAC	8,519,106	8,234,815	231,330	52,961
Other Assets	785,412	735,273	24,454	25,685
	15,882,761	**14,908,053**	**400,282**	**574,426**
Trade creditors - Invoices Accruals	1,284,839	1,136,608	109,197	39,034
Total	**17,167,600**	**16,044,661**	**509,479**	**613,460**

29. OTHER CREDITORS

As at 31 December 2016 and 2015 other creditors can be detailed as follows:

		Payable		
	31 December 2016	Less than 90 days	90 to 180 days	More than 180 days
Other creditors				
Fixed assets suppliers	1,164,703	1,066,800	6,150	171,254
Others	2,482,586	1,333,683	61,764	1,087,139
	3,647,289	**2,400,483**	**67,914**	**1,258,393**
Advances from customers and down payments	838,494			
	4,485,783			
Related parties	204,288			
Total	**4,690,071**			

		Payable		
	31 December 2016	Less than 90 days	90 to 180 days	More than 180 days
Other creditors				
Fixed assets suppliers	1,273,301	857,257	390,544	25,500
Others	1,678,532	636,061	49,476	992,995
	2,951,833	**1,493,318**	**440,020**	**1,018,495**
Advances from customers and down payments	8,291,899			
	11,243,732			
Related parties	318,490			
Total	**11,562,222**			

As at 31 December 2016 and 2015, 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 and down payments from financial institutions regarding the discount of letters of credit over customers. 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 2016 and 2015 other current liabilities can be detailed as follows:

	31 December 2016	31 December 2015
Staff Costs	6,376,663	5,902,111
Amounts invoiced for works not yet completed	4,892,128	3,219,828
Accruals of Purchases expenses - Energy segment	1,872,405	2,321,743
Interest payable	408,023	611,463
Investment aid	926,085	1,447,902
Others	10,514,414	11,158,051
Total Operations	**24,989,717**	**24,661,098**

Refrigeration and HVAC is the segment with the most significant contribution to works not yet completed, amounting to 4.8 million euros as at 31 December 2016 (2.4 million euros at 31 December 2015).

31. PROVISIONS AND ACUMULATED IMPAIRMENT LOSSES

Movements in provisions and accumulated impairment losses over the period ended 31 December 2016 and 2015 were as follows:

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 (Notes 6 and 7)	323,781	-	-	-	-	323,781
Other non-current debtors (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	15,351,493
Non-current provisions	**3,079,824**	**-**	**-**	**-**	**-**	**3,079,824**
Current provisions	**5,357,926**	**764,036**	**(179,078)**	**(2,003,868)**	**-**	**3,939,016**
	59,731,929	**34,512,966**	**(9,179,389)**	**(2,357,681)**	**5,270,932**	**87,978,757**

Captions	Balance as at 1 January 2015	Increases	Decreases	Utilisations	Balance as at 31 December 2015
Accumulated impairment losses on:					
Tangible Assets (Note 10)	38,824,512	305,285	-	-	39,129,797
Goodwill (Note 12)	1,301,596	-	-	-	1,301,596
Other Investments (Notes 6 and 7)	323,781	-	-	-	323,781
Other non-current debtors (Note 13)	34,916	-	-	-	34,916
Trade accounts receivable (Note 15)	4,356,479	298,264	(617,895)	(49,910)	3,986,937
Other current debtors (Note 16)	6,356,348	85,434	(75,105)	(5,801,277)	565,400
Stocks (Note 14)	6,292,456	804	(341,509)	-	5,951,751
Non-current provisions	**3,079,824**	**-**	**-**	**-**	**3,079,824**
Current provisions	**5,642,201**	**1,512,681**	**(294,286)**	**(1,502,670)**	**5,357,926**
	66,212,114	**2,202,468**	**(1,328,795)**	**(7,353,857)**	**59,731,929**

On December 2016 and 2015, 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 2016 and 2015 increases in provisions and impairment losses can be detailed as follows:

	31 December 2016	31 December 2015
Provisions and impairment losses (increases)	27,831,673	2,202,544
Provisions and impairment losses recorded in cost of goods sold (note 14) and changes in inventories (note 36)	5,206,562	-
Impairment in Investment Income (note 41)	1,449,406	-
Other increases	**25,325**	**(76)**
Balances increases	**34,512,966**	**2,202,468**
Provisions and impairment losses (decreases)	8,873,667	1,742,723
Decreases in Provisions and impairment losses recorded in cost of goods sold (note 14)	1,076,105	335,571
Other reversals of impairment losses and provisions to the income statement	(769,236)	(854,676)
Exchange rate effect	-	55,231
Changes in consolidation perimeter	-	20,614
Other decreases	**(1,147)**	**29,332**
Balance decreases	**9,179,839**	**1,328,795**

Impairment losses are deducted from the book value of the corresponding asset.

As at 31 December 2016 and 2015 detail of other provisions was as follows:

	31 December 2016	31 December 2015
Judicial claims	1,697,459	2,033,391
Provision for secured income	2,628,037	3,838,298
Others	2,693,345	2,566,061
	7,018,840	**8,437,750**

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 1,467,138 euro, will generate a cash outflow for the year 2017.

32. CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2016 and 2015 the most important contingent liabilities referred to guarantees given and were made up as follows:

	31 December 2016	31 December 2015
Guarantees given:		
on VAT reimbursements	5,199,346	5,105,475
on tax claims	17,589,470	9,956,905
on municipal claims	1,134,224	1,134,224
on loans	3,521,714	202,898
Others	10,172,103	12,082,176

Others include the following guarantees:

- 5,872,865 euro as at 31 December 2016 (6,114,365 euro as at 31 December 2015) of guarantees on construction works given to clients;

- 3,766,391 euro as at 31 December 2015 (5.264.966 euro as at 31 December 2014) 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 2016 and 2015 amounted to 3,511,991 euro and 2,787,429 euro, respectively.

Additionally, as at 31 December 2016 and 2015, the Group had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	31 December 2016	31 December 2015
Due in:		
N+1 automatically renewed	3,309,035	3,314,032
N+1	2,116,111	629,063
N+2	1,959,339	495,476
N+3	1,546,687	439,448
N+4	1,427,361	439,448
N+5	978,808	231,697
After N+5	6,263,417	41,575
	17,600,758	**5,590,739**

Lease payments arising from operational leases, in which the Group acts as a lessee, recognized as an expense during the period ended 31 December 2016 and 2015 amounted to 4,980,633 euro and 4,804,731 euro, respectively.

Additionally, as at 31 December 2016 and 2015, the Group had operational lease contracts, as a lessee, whose minimum lease payments (fixed income) had the following payment schedule:

	31 December 2016	31 December 2015
Due in:		
N+1 automatically renewed	3,002,254	2,262,169
N+1	451,841	1,285,020
N+2	394,410	854,093
N+3	361,699	654,289
N+4	185,762	536,417
N+5	27,371	401,731
After N+5	52,409	784,355
	4,475,746	**6,778,074**

34. TURNOVER

Turnover for the year ended 31 December 2016 and 2015 was as follows:

	31 December 2016	31 December 2015
Sale of goods	101,950,737	87,779,979
Sale of products	25,213,744	16,607,080
	127,164,481	104,387,059
Services Rendered	64,162,429	59,222,865
Total Operations	**191,326,910**	**163,609,924**
Discontinued Operations	**-**	**6,523,231**
Total Operations	**191,326,910**	**170,133,155**

The Sale of Products includes amounts from the sale of real estate assets totalling 23.7 million euro as at 31 December 2016 (14.5 million euro at 31 December 2015).

At 31 December 2016 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 2016	69,447,836
Invoicing on works in progress at 31 December 2016	70,389,514
Amounts not invoiced for works in progress at 31 December 2016	25,789,532
Expenses with works in progress at 31 December 2016	59,638,656
Other current liabilities - Works already invoiced but not yet performed (Note 30)	4,892,130
Inventories for the works in progress at 31 December 2016	3,950,452

35. OTHER OPERATIONAL INCOME

Other operational income for the year ended 31 December 2016 and 2015 was as follows:

	31 December 2016	31 December 2015
Own work capitalised	44,284	2,206,574
Gains on sales of assets	36,972,481	8,814,591
Supplementary income	650,656	829,669
Others	3,248,775	7,131,190
Total	**40,916,196**	**18,982,024**
Discontinued Operations	**-**	**(1,592,259)**
Total Operations	**40,916,196**	**17,389,764**

At December 2015 in the amount of gains on disposal of assets, about 6 million are related to the sale of the non-strategic asset "Duque de Loulé".

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.

The caption "Others" includes in the year ended in 2016, (i) government subsidies (353,604 euro); (ii) foreign exchange gains (523,965 euro) and other non-recurring gains related to the sale of assets (621,551 euro). When compared to the previous year the difference in the amounts comes from non-recurring gains obtained in 2015.

36. CHANGES IN INVENTORIES

Changes in Inventories for the years ended 31 December 2016 and 2015 was as follows:

	31 December 2016	31 December 2015
Finished goods	(7,410,866)	(5,491,839)
Work in progress	(8,825,957)	(779,513)
	(16,236,823)	(6,270,652)
Impairment losses (note 31)	(1,084,222)	287,462
Continued Operations	**(17,321,045)**	**(5,983,889)**
Discontinued Operations		**699**
Total Operations	**(17,321,045)**	**(5,983,190)**

Changes in Inventories were calculated as follows:

	31 December 2016	31 December 2015
Opening inventories	100,877,564	131,721,679
Inventories adjustments	3,183,970	(24,573,463)
Closing inventories (Note 14)	87,824,711	100,877,564
	(16,236,823)	**(6,270,652)**
Impairment losses	(1,766,480)	-
Reversion of impairment losses	682,258	287,462
Total Operations	**(17,321,045)**	**(5,983,190)**

At 31 December 2015 in "Inventories adjustments" are included 20,877,300 euro related to real estate assets transferred to tangible fixed assets (Note 10).

37. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2016 and 2015, external supplies and services were made up as follows:

	31 December 2016	31 December 2015
Subcontracts	20,819,643	14,783,338
Services	7,452,218	6,520,249
Rents	7,241,209	6,639,093
Fees	892,312	794,322
Maintenance	4,684,762	3,979,136
Cleaning, health and safety	2,995,987	2,693,317
Electricity	2,508,611	2,157,965
Travelling expenses	1,085,759	1,094,162
Publicity	1,227,040	1,981,627
Fuel	698,573	750,149
Security	522,773	541,404
Communication	846,860	833,097
Commissions	3,950,027	3,690,177
Other fluids	1,073,753	1,166,832
Insurance	810,422	740,886
Others	4,503,688	3,909,024
Continued Operations	**61,313,637**	**52,274,779**
Discontinued Operations	**-**	**2,100,514**
Total Operations	**61,313,637**	**54,375,292**

Refrigeration and HVAC is the segment with the most significant contribution to subcontracts, totalling 19.7 million euros as at 31 December 2016 (13.8 million euros at 31 December 2015).

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.

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.

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 2016 and 2015, staff costs were made up as follows:

	31 December 2016	31 December 2015
Salaries	27,452,653	25,318,932
Social security contributions	4,970,530	4,502,515
Insurance	673,907	650,770
Welfare	187,726	168,926
Other staff costs	1,663,438	1,303,563
Continued Operations	**34,948,254**	**31,944,706**
Discontinued Operations	**-**	**2,893,229**
Total Operations	**34,948,254**	**34,837,935**

Sonae Capital’s average headcount can be detailed as follows:

	31 December 2016	31 December 2015
Resorts	140	143
Hotels	277	263
Fitness	265	182
Energy	52	48
Refrigeration and HVAC	508	507
Other Assets	111	107
	1,353	**1,250**

The caption "Staff costs” includes 700,019 euro (857,346 euro in 31 December 2015) with liabilities for payments in shares (Note 27).

39. OTHER OPERATIONAL EXPENSES

As at 31 December 2016 and 2015, other operational expenses were made up as follows:

	31 December 2016	31 December 2015
Losses on sales of assets	10,464	298,719
Other taxes	794,671	790,633
Property tax	856,535	710,196
CO2 Emissions	304,633	376,436
Doubtful debts written-off	3,145	3,614
Others	1,710,206	5,331,303
Continued Operations	**3,679,654**	**7,510,900**
Discontinued Operations	**-**	**6,124**
Total Operations	**3,679,654**	**7,517,024**

The caption “Others” includes in the year ended in 2016, mainly, write-offs of debtor balances and foreign exchange losses. When compared to the previous year the difference in the amounts comes from non-recurring gains incurred in 2015 that where not repeated during this year.

40. NET FINANCIAL EXPENSES

As at 31 December 2016 and 2015, net financial expenses were made up as follows:

	31 December 2016	31 December 2015
Expenses:		
Interest payable		
Related with bank loans and overdrafts	1,943,228	2,991,827
Related with bank non-convertible bonds	1,931,018	2,759,434
Related with finance leases	336,227	364,654
Related with hedge accounting derivatives	17,563	230,796
Others	183,603	155,428
	4,411,638	**6,502,139**
Exchange Losses	848,311	1,266,215
Payment discounts given		533
Up-front fees	122,488	-
Other financial expenses	2,240,998	2,495,703
	7,623,434	**10,264,590**
Income:		
Interest receivable	417,506	1,161,357
Exchange gains	427,151	492,910
Other financial income	1	10,444
	844,658	**1,664,711**
Net financial expenses	**(6,778,776)**	**(8,599,879)**
Discontinued Operations	**-**	**(167,761)**
Total Operations	**(6,778,776)**	**(8,767,579)**

At 31 December 2016 the caption "Other financial expenses" mainly includes expenses with bank commissions.

41. INVESTMENT INCOME

As at 31 December 2016 and 2015, Investment income was made up as follows:

	31 December 2016		31 December 2015	
Dividends		**119,197**		**205,358**
Adjustment to the selling price of Box Lines Navegação	119,300		108,650	
Acquisition of Suncoutim Solar Energy S.A.	1,689			
Acquisition of Acrobatic Title S.A.	1,359			
Sale of Aqualuz - Turismo e Lazer, Lda			(1,112,341)	
Sale of UPK - Gestão de Facilities e Manutenção, SA			116,836	
Gains on disposal of investments in group companies		**122,348**		**(886,855)**
Equity settlement in other investments (Note 6)	17,808,072		-	
Impairment losses (Note 31)	(1,449,563)		-	
Settlement of the sale agreement of UPK - Gestão de Facilities e Manutenção, SA	(247,557)			
Sale of investment units from Fundo de Investimento Imobiliá-rio Fechado Imosede	(22,325)		(263,315)	
Income from Fundo de Investimento Imobiliário Fechado Imosede			100,922	
Income from Fundo de Investimento Imobiliário Imosonae Dois			31,235	
Sale of investment units from Fundo de Investimento Imobiliário Imosonae Dois	(21,529)			
Gains/(Losses) on sale of other investments		**16,088,627**		**(131,158)**
Others		**(244)**		**(32,296)**
Investment Income	**-**	**16,329,928**	**-**	**(844,951)**
Discontinued Operations		-		31,805
Total Operations		**16,329,928**		**(813,146)**

42. TAXATION

As at 31 December 2016 and 2015, Taxation was made up as follows:

	31 December 2016	31 December 2015
Current tax	878,846	1,529,880
Deferred tax	4,923,230	(1,120,643)
Taxation	**5,802,076**	**409,237**
Discontinued Operations	**-**	**13,096**
Total Operations	**5,802,076**	**422,333**

The reconciliation between the profit before taxation and the tax charge for the periods ended 31 December 2016 and 2015 may be summarised as follows:

	31 December 2016		31 December 2015	
	Valor incidência	Valor imposto	Valor incidência	Valor imposto
Profit before income tax (1)	**24,494,970**		**1,818,686**	
Income tax rate in Portugal	21%		21%	
Theorical Income tax		5,143,944		381,924
Increases / (Reductions) to the taxable amount:				
Difference between accounting and tax treatment of capital gains/(losses)	(59,195,383)	(12,431,030)	(56,568,878)	(11,879,464)
Share of results of associated companies	(350,193)	(73,541)	(3,976,671)	(835,101)
Provisions and impairment losses not accepted for tax purposes	20,752,254	4,357,973	342,002	71,821
Other permanent differences	(9,769,302)	(2,051,554)	(4,648,725)	(946,411)
Use of tax losses carried forward	(147,832)	(31,045)	(730,917)	(153,493)
Recognition of tax losses that have not originated deferred tax assets	28,038,403	5,888,065	63,622,494	13,360,724
Effect of different income tax rates in other countries	-	16,033	-	(413,104)
Effect of increases or decreases in deferred taxes from previous years	-	-3,711,812	-	5,611,291
Effect of increases or decreases in deferred taxes from current year	-	8,635,041	-	(6,661,346)
Municipality tax	-	728,811	-	892,520
Under / (over) taxation estimates	-	(833,267)	-	932,788
Autonomous taxes and tax benefits	-	164,374	-	60,184
Others	-	83	-	-
Taxation (2)	**3,822,917**	**5,802,076**	**(142,008)**	**422,333**

43. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 31 December 2016 and 2015, the reconciliation of consolidated net profit can be analysed as follows:

	31 December 2016	31 December 2015
Aggregated net profit	60,882,158	(24,013,556)
Harmonisation adjustments	(1,209,365)	(3,807,715)
Elimination of intragroup dividends	(456,894,269)	(39,204,648)
Share of gains/(losses) of associated undertakings	62,953	(9,366,260)
Elimination of intragroup capital gains/(losses)	-	82,573,807
Elimination of intragroup impairment	444,423,881	(57,304,713)
Adjustments of gains/(losses) on assets disposals	-	4,142,033
Adjustments of gains/(losses) of financial shareholdings sale	(28,572,463)	48,377,405
Others		
Consolidated net profit for the year	**18,692,895**	**1,396,353**

44. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2016 and 2015 with related parties are detailed as follows:

	December 2016		December 2015	
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 a)	**-**	**-**	**-**	**-**
Associated companies	**56,912**	**28,494**	**309,335**	**30,481**
Andar-Sociedade Imobiliária,SA	-	-	-	25
Feneralt - Produção de Energia, ACE	33,898	(1,714)	40,880	-
Lidergraf - Artes Gráficas, Lda	22,449	30,208	87,276	30,434
Norscut - Concessionária de Scut Interior Norte, SA	565	-	181,179	-
Vastgoed One	-	-	-	11
Vastgoed Sun	-	-	-	11
Other partners and Group companies	**44,788,940**	**5,098,117**	**37,794,559**	**4,848,710**
8ª Avenida - Centro Comercial, SA	18,476	-	-	-
Águas Furtadas - Soc. Agricola, SA	2,442	-	2,705	-
Alpêssego - Sociedade Agrícola, SA	4,250	(327)	3,524	7
Arrábidashopping - Centro Comercial, SA	-	-	2,241	-
Azulino Imobiliária, S.A.	-	-	1,600	-
BB Food Service, SA	670,222	(12,495)	832,167	(1,406)
Bom Momento - Restauração, S.A.	10,850	(7,129)	68,406	(270)
Cascaishopping Centro Comercial, SA	680,007	(884)	238,060	-
Centro Colombo Centro Comercial, SA	1,139,096	231,646	966,832	191,857
Centro Vasco da Gama Centro Comercial,SA	-	5,854	-	-
Chão Verde-Soc. de Gestão Imobiliária,SA	-	-	33,798	-
Citorres - Sociedade Imobiliária, SA	-	-	8,916	-
Contimobe - Imobiliária Castelo Paiva,SA	361,226	4,417	796,032	5,438
Continente Hipermercados, SA	1,209,406	4,432	684,227	(8,404)
Digitmarket-Sistemas de Informação,SA	75	241,095	(4,468)	194,645
Discovery Sports, SA	14,204	(1,283)	17,969	(830)
Ecociclo - Energia e Ambiente, SA	-	-	247	-
Efanor Investimentos, SGPS, S.A.	46	-	153	(5,510)
Efanor Serviços de Apoio à Gestão, S.A.	66,850	-	64,333	-
Estação Viana Centro Comercial, SA	140	-	-	-
Euroresinas-Indústrias Quimicas,SA	-	17,756	-	10,097
Fashion Division, S.A.	4,184	-	46,792	-
Fundo de Invest.Imobiliário Fec. Imosede	93,868	523,680	210,854	560,289
Fundo Invest. Imobiliário Imosonae Dois	-	-	638,336	-
Gaiashopping I Centro Comercial, SA	-	-	5,281	-
Gaiashopping II Centro Comercial, SA	-	-	10,022	-
Guimarãeshopping Centro Comercial, SA	-	-	5,539	-
Herco Consultoria de Risco, S.A.	11,262	3,597	3,829	3,397
Imoplamac Gestão de Imóveis, SA	-	-	105	-
Imosistema - Sociedade Imobiliária, SA	9,628	(1,572)	-	-
Infofield - Informática, SA	2,132	-	4,316	-
Insco Insular de Hipermercados, S.A.	488,584	(11,189)	162,488	(2,077)
LCC LeiriaShopping Centro Comercial SA	1,242	-	31,131	-
Loureshopping-Centro Comercial, S.A.	37,216	-	-	(27)
Madeirashopping Centro Comercial, SA	13,145	-	52,527	(63)
Maiequipa - Gestão Florestal, SA	-	-	232	-
MDS - Corretor de Seguros, SA	373,644	(9,289)	367,501	(34,682)
MDS Affinity-Sociedade de Mediação Lda	1,163	-	1,268	-
MDS Auto - Mediação de Seguros, SA	2,478	-	2,537	-
MDS RE - Mediador de resseguros	472	-	142	-

MDS, SGPS, SA	981	-	4,789	-
Modalfa - Comércio e Serviços, SA	82,192	-	112,021	(27)
Modalloop - Vestuário e Calçado, SA	(5,829)	-	20,667	-
Modelo - Dist.de Mat. de Construção,S.A.	93,855	-	3,960	-
Modelo Continente Hipermercados, SA	30,657,260	534,598	19,813,927	385,612
Modelo Continente Hipermercados, Suc.	-	9,600	-	9,600
Modelo.com-Vendas por Correspondência,SA	-	-	528	-
Movelpartes-Comp.para Ind.Mobiliária,SA	297	-	6,267	324
Norteshopping Centro Comercial, SA	5,615,113	-	2,064,605	(697)
Nova Equador P.C.O. e Eventos	-	-	6,874	2,122
Paracentro - Gestão de Galerias Com., SA	138,371	3,400	-	-
Parklake Shopping, S.A.	-	-	4,331,009	-
Pharmacontinente - Saúde e Higiene, SA	88,522	412	99,196	152
Plaza Mayor Parque de Ocio, SA	-	-	-	-
Portimaoshopping C.Comercial SA	-	-	502,179	-
Project 4, Srl	-	-	1,231	-
Público - Comunicação Social, SA	345	2,734	(1,344)	10,375
QCE-Desenv. e Fabrico de Equipamentos,SA	-	-	-	(209,917)
Raso - Viagens e Turismo, S.A.	-	-	285,075	292,039
Rio Sul - Centro Comercial, SA	-	-	133,540	-
Saphety Level - Trusted Services, SA	-	149,074	-	150,070
SC For - Serviços de Formação e Desenv. de Recursos Humanos, Unipe., Lda	-	-	-	(13,769)
SDSR - Sports Division SR, S.A.	39,296	53,667	252,252	63,253
Sempre à Mão - Sociedade Imobiliária, SA	262,640	-	-	-
Sesagest - Proj. Gestão Imobiliária, SA	-	-	445,000	-
Sierra Portugal, SA	46,392	1,927,998	1,763,384	1,860,287
Sierra Spain Shop. Centers Serv., S.A.U.	198	-	-	-
Soc.Ind.Radiodifusão Sonora,SA	2,423	19,218	3,999	19,788
Socijofra - Sociedade Imobiliária, SA	38,645	-	34,051	-
Sonae Arauco, S.A.	9,331	-	10,973	-
Sonae Center Serviços II, SA	127,789	519,035	172,209	520,731
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	59,420	(213)	90,260	(4,190)
Sonae Indústria - Management Services,SA	-	-	2,634	(41)
Sonae Industria de Revestimentos,SA	404,227	390,923	544,209	269,471
Sonae Indústria-SGPS,SA	1,112	-	1,048	-
Sonae MC - Modelo Continente, SGPS, SA	-	(713)	-	-
Sonae SGPS, SA	13,928	50,000	9,924	50,000
Sonaecenter Serviços, SA	-	-	2,021	-
Sonaecom - Serviços Partilhados, S.A	93,603	(131,729)	90,300	(213,723)
Sonaecom, SGPS, SA	-	1,287	-	271
Sonaegest-Soc.Gest.Fundos Investimentos	5,616	225,400	-	220,864
Sonaerp - Retail Properties, SA	1,165,690	35,071	578,023	55,522
SONAESR - Serviços e logistica, SA	40,064	(6,396)	49,061	-
Sondis Imobiliária, SA	-	-	167,286	-
Sysvalue-Consult.,Int. e Seg. em S.I.,SA	538	-	-	-
Tableros Tradema,S.L.	8,593	-	8,759	-
Têxtil do Marco, SA	115,682	-	111,129	-
Torre Ocidente, Imobiliária,SA	-	-	6,777	-
Viajens y Turismo de Geotur España, S.L.	-	-	20,111	71
We Do Consulting-Sist. de Informação, SA	-	317,242	(1,992)	469,303
Worten - Equipamento para o Lar, SA	422,035	9,279	762,779	(873)
Zippy - Comércio e Distribuição, SA	44,303	(79)	26,196	(369)
	44,845,852	**5,126,611**	**38,103,894**	**4,879,191**

Transactions	Interest income (Nota 40)	Interest expenses (Nota 40)	Interest income (Nota 40)	Interest expenses (Nota 40)
Parent company a)	**-**	**-**	**-**	**-**
Associated companies	**261,447**	**-**	**986,897**	**-**
Andar-Sociedade Imobiliária,SA	57,432	-	56,609	-
Norscut - Concessionária de Scut Interior Norte, SA	204,015	-	930,288	-
Other partners and Group companies	**-**	**96,645**	**-**	**110,567**
Plaza Mayor Parque de Ocio, SA	-	96,645	-	110,567
	261,447	**96,645**	**986,897**	**110,567**

	December 2016		December 2015	
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 a)	-	-	-	-
Associated companies	**112,744**	**3,074**	**79,083**	**6,302**
Andar-Sociedade Imobiliária,SA	28,347	-	28,843	-
Feneralt - Produção de Energia, ACE	79,716	-	8,771	-
Lidergraf - Artes Gráficas, Lda	4,681	3,074	2,381	6,302
Norscut - Concessionária de Scut Interior Norte, SA	-	-	31,135	-
Powercer - Soc.de Cogeração da Vialonga,SA	-	-	7,953	-
Other partners and Group companies	**10,717,353**	**1,480,910**	**10,106,073**	**8,946,752**
Águas Furtadas - Soc. Agricola, SA	299	-	573	-
Algarveshopping- Centro Comercial, SA	16,479	-	16,479	-
Alpêssego - Sociedade Agrícola, SA	292	-	591	-
BB Food Service, SA	80,579	-	93,934	-
Bom Momento - Restauração, S.A.	4,055	-	1,435	-
Centro Colombo Centro Comercial, SA	139,374	16,545	304,786	-
Contimobe - Imobiliária Castelo Paiva,SA	77,223	1,500	-	2,519
Continente Hipermercados, SA	350,457	4,945	88,815	172
Digitmarket-Sistemas de Informação,SA	106,409	692	121,235	21,025
Discovery Sports, SA	2,010	-	1,597	-
Ecociclo - Energia e Ambiente, SA	-	-	101	-
Efanor Investimentos, SGPS, S.A.	-	-	12,038	-
Efanor Serviços de Apoio à Gestão, S.A.	6,923	5,451	14,197	5,422
Estação Viana Centro Comercial, SA	4,445	-	4,445	-
Euroresinas-Indústrias Quimicas,SA	-	12,926	-	5,214
Fashion Division, S.A.	1,364	-	1,537	-
Fundo de Invest.Imobiliário Fec. Imosede	43,665	44,556	68,255	115,639
Fundo Invest. Imobiliário Imosonae Dois	-	-	-	(2,585)
Geotur Consolidada	-	-	-	653
Guimarãeshopping Centro Comercial, SA	720	-	720	-
Herco Consultoria de Risco, S.A.	-	1,071	2,434	1,285
Imoplamac Gestão de Imóveis, SA	-	-	73	-
Imosistema - Sociedade Imobiliária, SA	11,842	-	-	-
Infofield - Informática, SA	1,683	-	512	-
Insco Insular de Hipermercados, S.A.	108,945	-	-	88,120
LCC LeiriaShopping Centro Comercial SA	2,628	-	5,957	-
Loureshopping-Centro Comercial, S.A.	37,216	-	-	-
Madeirashopping Centro Comercial, SA	42,432	-	52,527	-
Maiequipa - Gestão Florestal, SA	-	-	95	-
MDS - Corretor de Seguros, SA	33,098	129,892	15,729	62,806
MDS RE - Mediador de resseguros	(530)	-	(838)	-
Modalfa - Comércio e Serviços, SA	8,554	-	9,674	-
Modalloop - Vestuário e Calçado, SA	-	6,235	6,711	-
Modelo - Dist.de Mat. de Construção,S.A.	94,402	-	2,928	-
Modelo Continente Hipermercados, SA	6,961,465	260,677	3,915,357	515,088
Norteshopping Centro Comercial, SA	-	456,799	2,062,837	7,107,934
Paracentro - Gestão de Galerias Com., SA	-	1,700	-	-
Parklake Shopping, SA	1,924,623	-	857,862	-
Pharmacontinente - Saúde e Higiene, SA	7,000	-	58,588	133
Plaza Mayor Parque de Ocio, SA	-	40,300	-	40,300
Portimaoshopping C.Comercial SA	-	-	32,481	-
Project 4, Srl	-	-	52	-
Público - Comunicação Social, SA	-	780	-	-
Raso - Viagens e Turismo, S.A.	-	-	10,132	29,393
RIOSUL - Rio Sul - Centro Comercial, SA	6,334	-	6,349	-
Saphety Level - Trusted Services, SA	-	35,174	-	30,602
SDSR - Sports Division SR, S.A.	1,083	8,158	21,912	10,500
SEKIWI, SGPS, S.A	80	-	-	-
Sempre à Mão - Sociedade Imobiliária, SA	38,209	-	-	-
Sierra Developments, SGPS, SA	-	-	1,449,407	-
Sierra Portugal, SA	87,257	91,435	72,834	184,478
Sierra Spain Shop. Centers Serv., S.A.U.	210	-	-	-
SIRS-Soc.Ind.Radiodifusão Sonora,SA	1,997	3,953	1,796	11,080
Somit Imobiliária, SA	2,261	-	-	-

Sonae Arauco, S.A.	754	-	4,616	-
Sonae Center Serviços II, SA	9,808	77,314	159,205	141,974
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	14,398	(130)	54,166	2,264
Sonae Industria de Revestimentos,SA	137,810	106,546	236,108	172,713
Sonae Indústria-SGPS,SA	290	-	216	-
Sonae SGPS, SA	1,265	50,000	3,416	50,000
Sonaecenter Serviços, SA	-	-	25	-
Sonaecom - Serviços Partilhados, S.A	23,587	300	56,626	-
Sonaecom, SGPS, SA	-	250	-	271
Sonaegest-Soc.Gest.Fundos Investimentos	-	16,657	-	16,785
Sonaerp - Retail Properties, SA	5,341	58,919	82,332	156,293
SONAESR - Serviços e logistica, SA	33,944	-	110	33,758
Spinarq, SA	13,232	-	-	-
Sport Zone España-Com.Art.de Deporte,SA	-	-	525	-
Tableros Tradema,S.L.	811	-	4,443	-
Têxtil do Marco, SA	8,817	119	9,134	-
We Do Consulting-Sist. de Informação, SA	-	39,800	-	142,813
Worten - Equipamento para o Lar, SA	260,645	8,346	130,552	103
Worten España Distribución, SL	-	-	43,904	-
Zippy - Comércio e Distribuição, SA	1,568	-	4,548	-
	10,830,097	**1,483,984**	**10,185,156**	**8,953,054**

Balances	**Loans obtained** (Note 26)	**Loans granted** (Note 13)	**Loans obtained** (Note 26)	**Loans granted** (Note 13)
Parent company a)	**-**	**-**	**-**	**--**
Associated companies	**-**	**839,697**	**-**	**6,689,090**
Andar-Sociedade Imobiliária,SA	-	839,697	-	777,690
Feneralt - Produção de Energia, ACE	-	-	-	5,911,400
Other partners and Group companies	**1,825,274**	**-**	**1,928,510**	**-**
Plaza Mayor Parque de Ocio, SA	1,825,274	-	1,928,510	-
	1,825,274	**839,697**	**1,928,510**	**6,689,090**

a)The parent company is Efanor Investimentos, SGPS, SA;

Remunerations attributed in 2016 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 1,193,592 euro (1,087,527 euro in 2015), of which 706,413 euro (563,392 euro in 2015) are fixed remunerations and 487,180 euro (524,135 euro in 2015) are performance bonuses.

45. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2016 and 2015 were calculated taking into consideration the following amounts:

	31 December 2016	31 December 2015
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	17,594,199	(294,678)
Net profit taken into consideration to calculate diluted earnings per share	17,594,199	(294,678)
Number of shares		
Weighted average number of shares used to calculated basic earnings per share	246,740,156	246,341,811
Weighted average number of shares used to calculated diluted earnings per share	246,740,156	246,341,811
Earnings per share (basic and diluted) – continued operations	0,071307	0,001215
Earnings per share (basic and diluted) – discontinued operations	-	(0,002411)
Earnings per share (basic and diluted)	0,071307	(0,001196)

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 2016 and 2015, cash receipts and cash payments related to investments can be analysed as follows:

	31 December 2016		31 December 2015	
	Recebimentos	Pagamentos	Recebimentos	Pagamentos
Sale of units from Fundo de Investimento Imobiliário Fechado Imosede,	-	-	34,011,844	-
Income from Fundo de Investimento Imobiliário Fechado Imosede.	-	-	100,921	-
Sale of Norscut, S.A.	35,226,649	-	-	-
Sale of Operscut, S.A.	1,726,000	-	-	-
Sale of units from Fundo de investimento Imobiliario Imosonae Dois.	100,466	-	-	-
Sale of Sear - Sociedade Europeia de Arroz, S.A.	-	-	-	-
Sale of Saúde Atlantica - Gestão Hospitalar, S.A. and its affiliates	-	-	768,969	-
Acquisition of Suncoutim - Solar Energy, S.A.	-	3,084,994	-	-
Acquisition of Acrobatic, S.A.		5,000		
Adjustment to the selling price of Box Lines Navegação.	600,000	-	600,000	-
Other	31,042	98,163	453,333	26,143
Cash and cash equivalents from Suncoutim and Acrobatic	478,496			
Total Operations	**38,162,653**	**3,188,157**	**35,935,067**	**26,143**

47. SEGMENT INFORMATION

In 31 December 2016 and 2015, the following were identified as segments:

- Resorts:
- Hotels
- Fitness
- Energy
- Refrigeration and HVAC
- Other Assets:

The contribution of the business segments to the income statement of the periods ended 31 December 2016 and 31 December 2015 can be detailed as follows:

31 December 2016								
Profit and Loss Account	**Resorts**	**Hotels**	**Fitness**	**Energy**	**Refrigeration and HVAC**	**Other Assets**	**Intersegment Adjustments**	**Consolidated**
Turnover	29,510,877	17,001,324	18,087,904	38,230,975	67,178,324	32,361,758	(-11,044,252)	191,326,910
Other operational income	38,653,460	603,897	343,411	1,205,013	748,900	757,210	(-1,395,697)	40,916,196
Total operational income	68,164,337	17,605,221	18,431,315	39,435,989	67,927,223	33,118,969	(-12,439,950)	232,243,104
Operational cash-flow (EBITDA)	17,214,585	(-2,300,910)	2,158,639	7,808,140	1,966,640	3,177,171	(-199)	30,024,066

31 Dezembro 2015								
Profit and Loss Account	**Resorts**	**Hotels**	**Fitness**	**Energy**	**Refrigeration and HVAC**	**Other Assets**	**Intersegment Adjustments**	**Consolidated**
Turnover	25,123,883	14,482,117	15,191,172	50,584,114	60,603,990	16,080,636	(-18,455,988)	163,609,924
Other operational income	7,154,234	486,548	415,210	1,284,117	802,752	6,715,048	2,124,115	18,982,024
Total operational income	32,278,117	15,026,273	15,606,382	51,868,231	57,605,666	22,795,684	(-12,588,406)	182,513,039
Operational cash-flow (EBITDA)	2,848,138	(-3,210,179)	1,610,771	9,723,439	3,187,271	9,426,982	-	23,586,422

The contribution of the business segments to the Balance sheets as at 31 December 2016 and 31 December 2015 can be detailed as follows:

31 December 2016

Balance Sheet	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	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 Liabi-lities	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

31 December 2015

Balance Sheet	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Other Assets	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	149,956,529	12,436,077	9,005,028	26,895,189	9,993,052	111,446,972	-6,010	319,726,837
Investments	41,797,580	10,705,291	27,638	213,433	4,283	360,907,202	-400,097,398	13,558,029
Other Assets	76,197,823	8,070,031	2,747,073	10,745,078	42,435,788	593,656,434	-493,104,764	240,747,465
Total Assets	267,951,933	31,211,399	11,779,739	37,853,700	52,433,123	1,066,010,608	-893,208,172	574,032,331
Total Liabi-lities	231,646,193	29,764,342	9,121,409	35,009,190	18,086,642	433,849,763	-493,580,059	263,897,480
Technical investment	1,437,829	575,136	1,312,420	6,242,443	191,289	4,805,144	-	14,564,262
Gross Debt	13,654,719	-	261,161	6,693,808	684,942	163,221,655	-	184,516,284
Net Debt	13,471,474	-104,405	221,797	6,306,008	-813,557	130,116,717	-	149,198,033

Contribution of the main business segments to the cash-flow statement for the periods ended 31 December 2016 and 2015 can be detailed as follows:

31 December de 2016							
	Resorts	**Hotels**	**Fitness**	**Energy**	**Refrigeration and HVAC**	**Other Assets**	**Consolidated**
Operating activities	11,335,626	5,294,061	3,869,228	8,719,751	(6,497,674)	1,541,887	24,262,879
Investment activities	48,045,317	(1,200,951)	(2,211,578)	(5,580,202)	(17,834)	43,261,644	82,296,395
Financing activities	(2,086,157)	(1,490)	(319,877)	1,588,225	(467,237)	(107,544,424)	(108,830,960)
Change in cash and cash equivalents	57,294,799	4,091,620	1,337,772	4,727,776	(6,982,745)	(62,740,907)	(2,271,686)

31 December de 2015							
	Resorts	**Hotels**	**Fitness**	**Energy**	**Refrigeration and HVAC**	**Other Assets**	**Consolidated**
Operating activities	3,187,002	97,590	4,434,399	9,809,847	8,768,803	3,237,088	29,534,729
Investment activities	4,076,010	14,342,499	(725,437)	(6,182,647)	(24,964)	54,456,420	65,941,881
Financing activities	(2,603,139)	(72,746)	(497,093)	(4,743,102)	(493,350)	(59,633,301)	(68,042,731)
Change in cash and cash equivalents	4,659,873	14,367,343	3,211,869	(1,115,902)	8,250,489	(1,939,793)	27,433,879

48. COMPLIANCE WITH LEGAL REQUIREMENTS

Decree Law Nr. 185/09 article 11

During the years ended 31 December 2016 and 2015, the following amounts have been paid to the company's external auditor:

	31 December 2016		31 December 2015	
Audit and Statutory Audit [1]	178,002	96,74%	189,635	76,87%
Other Assurance [2]	-	0,00%	-	0,00%
Tax Consultancy [2]	-	0,00%	1,700	0,69%
Other Services [2]	29,180	4,1%	55,374	22,45%
Total	207,182	100,00%	246,709	100,00%

1 Fees agreed for the year.
2 Amounts already paid.

The amount of "Other Services" is related to assurance services (validation of a summary prepared by the Group and called "Summary of investment costs made up to 30 June 2016", that must be delivered to government body "Turismo de Portugal" free of material errors under the investment agreement dated on June 27, 2005).

49. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 31 December 2016.

50. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 23 February 2016.

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

Part V
INDIVIDUAL FINANCIAL STATEMENTS
31 december 2016

SONAE CAPITAL, SGPS, SA — INDIVIDUAL BALANCE SHEET AS AT 31 DECEMBER 2016 AND 31 DECEMBER 2015

Amounts expressed in euro	Notes	31/12/2016	31/12/2015
ASSETS			
NON-CURRENT ASSETS			
Tangible assets		28,660	29,790
Investments	4	308,580,096	352,789,105
Deferred tax assets	7	14,314,699	8,275,218
Other non-current assets	5	332,918,086	376,801,628
Total non-current assets		**655,841,541**	**737,895,741**
CURRENT ASSETS			
Taxes recoverable	6	2,163,794	1,525,643
Other current assets	6	43,498,510	49,145,079
Cash and cash equivalents	8	27,861,181	30,562,977
Total Current Assets		**73,523,485**	**81,233,698**
TOTAL ASSETS		**729,365,026**	**819,129,439**

EQUITY AND LIABILITIES			
EQUITY			
Share capital	9	250,000,000	250,000,000
Own Shares	9	(1,404,226)	(1,426,791)
Legal reserve	10	10,073,164	9,463,225
Other reserves	10	306,815,095	309,676,446
Profit/(Loss) for the year		8,738,316	12,198,782
TOTAL EQUITY		**574,222,348**	**579,911,662**
LIABILITIES			
NON-CURRENT LIABILITIES:			
Bank Loans	11	19,579,665	45,125,994
Bonds	11	57,107,711	42,123,598
Other non current liabilities	13	360,486	107,760
Total Non-Current Liabilities		**77,047,862**	**87,357,352**
CURRENT LIABILITIES:			
Trade creditors	13	92,536	101,559
Bank Loans	11	-	25,990,000
Other creditors	12	76,808,940	124,763,497
Other current liabilities	13	1,193,340	1,005,369
Total Current Liabilities		78,094,816	151,860,425
TOTAL LIABILITIES		**155,142,678**	**239,217,777**
TOTAL EQUITY AND LIABILITIES		**729,365,026**	**819,129,439**

The accompanying notes are part of these financial statements.

Board of Directors

SONAE CAPITAL, SGPS, SA — INDIVIDUAL INCOME STATEMENTS BY NATURE FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 AND 2015

Amounts expressed in euro	Notes	31/12/2016	31/12/2015
Operational profit			
Other operating income	18	119,998	27,805
Operational profit total		**119,998**	**27,805**
Operational loss			
External supplies and services	14	(1,019,054)	(1,038,486)
Staff costs	16	(1,600,084)	(1,284,716)
Depreciation and amortisation		(1,586)	(1,935)
Other operating expenses	18	(68,472)	(106,621)
Operational expenses total		**(2,689,196)**	**(2,431,758)**
Operational profit/(loss)		**(2,569,198)**	**(2,403,953)**
Financial Expenses	17	(6,052,239)	(9,958,040)
Financial Income	17	18,597,345	29,087,119
Net financial income / (expenses)		**12,545,107**	**19,129,079**
Investment income	**17**	**(7,776,980)**	**(10,322,170)**
Profit/(Loss) before taxation		2,198,929	6,402,956
taxation	19	6,539,387	5,795,826
Profit/(Loss) for the year		**8,738,316**	**12,198,782**
Profit/(Loss) per share			
Basic and Diluted	20	0,035415	0,049520

The accompanying notes are part of these financial statements.

Board of Directors

SONAE CAPITAL, SGPS, SA — INDIVIDUAL INCOME STATEMENTS BY NATURE FOR THE FOURTH QUARTERS OF 2016 AND 2015

Amounts expressed in euro	4º Quarter 2016 (Unaudited)	4º Quarter 2015 (Unaudited)
Operational profit		
Other operating income	34,966	10,362
Operational profit total	34,966	10,362
Operational loss		
External supplies and services	(252,921)	(266,502)
Staff costs	(486,587)	(268,241)
Depreciation and amortisation	(470)	(273)
Other operating expenses	30,415	(13,956)
Operational loss total	(709,563)	(548,972)
Operational profit/(loss)	**(674,597)**	**(538,610)**
Financial Expenses	(1,006,138)	(2,629,420)
Financial Income	4,517,936	3,632,301
Net financial income / (expenses)	**3,511,798**	**1,002,881**
Investment income	(36,601,150)	(7,928,013)
Profit/(Loss) before taxation	(33,763,949)	(7,463,742)
taxation	6,175,335	3,595,657
Profit/(Loss) for the year	**(27,588,614)**	**(3,868,085)**
Profit/(Loss) per share		
Basic and Diluted	(0,111812)	(0,015702)

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 2016 AND 2015

Amounts expressed in euro	31/12/2016	31/12/2015
Individual net profit/(loss) for the period	**8,738,316**	**12,198,782**
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences		
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)		
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		
Other comprehensive income for the period	-	-
Total comprehensive income for the period	**8,738,316**	**12,198,782**

O anexo faz Part integrante destas demonstrações financeiras.

Board of Directors

SONAE CAPITAL, SGPS, SA — INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME FOR THE FOURTH QUARTERS OF 2016 AND 2015

Amounts expressed in euro	4º Quarter 2016 (Unaudited)	4º Quarter 2015 (Unaudited)
Individual net profit/(loss) for the period	**(27,588,614)**	**(3,868,085)**
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences		
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)		
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		
Other comprehensive income for the period	**-**	**-**
Total comprehensive income for the period	**(27,588,614)**	**(3,868,085)**

The accompanying notes are part of these financial statements.

SONAE CAPITAL, SGPS, SA — INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 AND 2015

Amounts expressed in euro

	Share Capital (Note 9)	Own Shares (Note 9)	Fair Value Reserves (Note 10)	Other Reserves (Note 10)	Retained Earnings	Sub total	Net Profit/ (Loss)	Total Equity
Balance as at 1 January 2015	**250,000,000**	**(1,486,301)**	**8,611,464**	**293,493,001**	**-**	**302,104,465**	**17,035,205**	**567,653,369**
Total individual comprehensive income for the period	-	-	-	-	-	-	12,198,782	12,198,782
Appropriation of profit of 2014:	-	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings	-	-	851,760	16,183,445	-	17,035,205	(17,035,205)	-
Dividends paid	-	-	-	-	-	-	-	-
(Acquisition)/Sales of own shares	-	59,510	-	-	-	-	-	59,510
Other changes	-	-	-	-	-	-	-	-
Balance as at 31 December 2015	**250,000,000**	**(1,426,791)**	**9,463,225**	**309,676,446**	**-**	**319,139,671**	**12,198,782**	**579,911,662**
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 individual 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
Other changes	-	-	-	-	-	-	-	-
Balance as at 31 December 2016	**250,000,000**	**(1,404,226)**	**10,073,164**	**306,815,095**	**-**	**316,888,259**	**8,738,316**	**574,222,348**

The accompanying notes are part of these financial statements.

SONAE CAPITAL, SGPS, SA — INDIVIDUAL STATEMENTS OF CASH FLOWS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 AND 2015

Amounts expressed in euro	Notes	31/12/2016	31/12/2015	4º Quarter 2016 (Unaudited)	4º Quarter 2015 (Unaudited)
OPERATING ACTIVITIES					
Cash receipts from trade debtors		9,512		-	-
Cash receipts from trade creditors		1,044,697	983,732	249,189	212,714
Cash paid to employees		942,598	1,305,748	252,656	191,440
Cash flow generated by operations		**(1,977,783)**	**(2,289,480)**	**(501,845)**	**(404,154)**
Income taxes (paid) / received		740,365	(4,125,927)	477,926	(682,696)
Other cash receipts and (payments) relating to operating activities		(257,554)	(28,416)	(381,603)	164,161
Net cash from operating activities (1)		**(2,975,702)**	**1,808,031**	**(1,361,374)**	**442,703**
INVESTMENT ACTIVITIES					
Cash receipts arising from:					
Investments	22	2,484	395,129,800	-	556,235
Tangible assets		5,000	-	-	-
Interest and similar income		26,321,767	18,809,354	1,313,562	2,603,725
Dividends	16	34,791,098	22,184,180	-	-
Others	17	2,745,546	1,019,649	1,967,613	1,019,649
Loans granted	5,6,11,12	61,586,657	402,834,502	61,586,657	402,240,063
		125,452,552	**839,977,485**	**64,867,832**	**406,419,672**
Cash Payments arising from:					
Investments	22	1,107,100		3,137	-
Tangible assets		1,706	11,003	456	-
Loans granted	5,6,11,12	19,455,015	406,099,000	18,083,987	59,444,351
		20,563,821	406,110,003	18,087,580	59,444,350
Net cash used in investment activities (2)		**104,888,731**	**433,867,482**	**46,780,252**	**346,975,321**
FINANCING ACTIVITIES:					
Cash receipts arising from:					
Sale of own shares		144,043	72,435	-	-
Loans obtained	5,6,11,12	93,850,000	16,100,000	-	7,000,000
		93,994,043	**16,172,435**	**-**	**7,000,000**
Cash Payments arising from:					
Interest and similar charges		6,344,933	9,897,304	1,340,230	4,535,714
Dividends		14,665,371		-	-
Aquisition of own shares		-	12,925	-	12,925
Loans obtained	5,6,11,12	177,598,565	416,487,033	58,949,650	319,136,279
		198,608,868	**426,397,262**	**60,289,880**	**323,684,918**
Net cash used in financing activities (3)		**(104,614,825)**	**(410,224,827)**	**(60,289,880)**	**(316,684,918)**
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(2,701,796)	25,450,686	(14,871,002)	30,733,106
Cash and cash equivalents at the beginning of the period	8	30,562,977	5,112,291	42,732,183	(170,129)
Cash and cash equivalents at the end of the period	8	27,861,181	30,562,977	27,861,181	30,562,977

The accompanying notes are part of these financial statements.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2016 AND 2015

(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 2016.

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 fiscal year 2016 and with no material impact on the consolidated financial statements at 31 December 2016:

Accounting standards	Effective Date (Started on or after)
IAS 1 – Presentation of financial statements	January 1, 2016
IAS 16 and IAS 38 – Calculation methods of depreciation and amortization	January 1, 2016
IAS 16 and IAS 41 – Agriculture: Bearer plants	January 1, 2016
IAS 19 – Employee benefits	February 1, 2015
IAS 27 – Separate financial statements	January 1, 2016
Amendments to IFRS 10, 12 and IAS 28: Investments in associates and joint ventures – Application of the consolidation exception	January 1, 2016
IFRS 11 – Joint arrangements	January 1, 2016
Annual amendments to International Financial Reporting Standards – 2010 - 2012	February 1, 2015
Annual amendments to International Financial Reporting Standards – 2012 - 2014	January 1, 2016

b) In force for periods subsequent to 1 January 2017, already endorsed by the EU:

Accounting standards	Effective Date (Started on or after)
IFRS 9 – Financial instruments	January 1, 2018
IFRS 15 – Revenue from contracts with customers	January 1, 2018

c) In force for periods subsequent to January 1, 2017, but not yet endorsed by the EU:

Accounting standards	Effective Date (Started on or after)
IAS 7 – Statement of Cash Flows	January 1, 2017
IAS 12 – Income taxes	January 1, 2017
IAS 40 – Investment property	January 1, 2018
IFRS 2 – Share-based payment	February 1, 2018
IFRS 4 – Insurance contracts (amendments regarding the interaction of IFRS 4 and 9)	January 1, 2018
Amendments to IFRS 15 - Revenue from contracts with customers	January 1, 2018
IFRS 16 – Leases	January 1, 2019
Annual amendments to International Financial Reporting Standards – 2014 – 2016	January 1, 2017 and 2018
IFRIC 22 – Foreign currency transactions and advance consideration	January 1, 2016

There will be no material impacts on future financial statements of the Group from adopting these standards.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention, except for financial instruments, which are stated at fair value (Note 2.4).

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.

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.

2.3. 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

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.

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 using the balance sheet liability method. Deferred tax assets are recognised only when their use is probable.

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 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:

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 Group;

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 consolidated net profit before tax of the Group as at 31 December 2016 would have been higher/lower by 2,408,506 euro (as at 31 December 2015 they would have been higher/lower by 2,008,425 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, except in the case of Montepio Geral - Fitch) of the main institutions of credit where Sonae Capital had deposits and other investments at 31 December 2016 can be detailed as follows:

Rating	Deposits %
B+	100,00%

The ratings (S & P rating, except in the case of Montepio Geral - Fitch) of the main institutions of credit where Sonae Capital had deposits and other investments at 31 December 2016 can be detailed as follows:

(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.

In view of the above, as well as the fact that the balances receivable are mainly from group companies, credit risk appears to be very low.

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 2016 and 31 December 2015 Investments are detailed as follows:

	31 December 2016	31 December 2015
Investments in affiliated and associated undertakings	**361,971,915**	**360,864,815**
Investments in other companies		
Sonae RE - (0,04%)	1,200	1,200
Fundo Invest. Imob. Imosonae Dois - (0,001%)	-	2,546
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
	362,247,100	361,142,546
Impairment	**(53,667,004)**	**(8,353,441)**
	308,580,096	**352,789,105**

4.1 INVESTMENTS IN AFFILIATED AND ASSOCIATED UNDERTAKINGS

As at 31 December 2016 and 31 December 2015, the detail of Investments in Affiliated and Associated Companies is as shown in the table below

	31.12.2016					
Company	**% Held**	**Fair Value**	**Book Value**	**Fair Value Reserve**	**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		27,432,273	10,133,800
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-Eng. e Promoção imobiliária, S.G.P.S., S.A.	100,00%		34,575,100		13,873,988	12,673,988
Sistavac, SGPS, S.A.	70,00%		32,492,436		40,650,733	(239,599)
Solinca - Health & Fitness, S.A.	100,00%		14,446,494		975,503	(244,941)
Spred, S.G.P.S., S.A.	100,00%		13,846,529		227,094	84,120
Total			**361,971,915**			

Impairment	
SC Assets S.G.P.S., SA	21,565,892
Interlog - SGPS,S.A.	36,864
Troiaresort, SGPS, S.A.	19,344,286
Spred, S.G.P.S., S.A.	12,719,962
Total	**53,667,004**

	31.12.2015					
Company	**% Held**	**Fair Value**	**Book Value**	**Fair Value Reserve**	**Equity**	**Profit / (Loss) for the period**
CAPWATT, S.G.P.S., S.A.	100,00%		2,725,000		2,727,911	22,523
Fundo Esp de Invest. Imob Fechado WTC	59,57%		42,057,274		71,930,258	2,803,517
Troiaresort, SGPS, S.A.	100,00%		167,132,793		81,544,939	(1,267,436)
Interlog - SGPS, S.A.	98,94%		21,658,210		21,822,827	69,173
Lidergraf - Artes Gráficas, SA.	24,50%		1,125,301		5,657,875	920,936
SC Assets S.G.P.S., SA	100,00%		25,577,659		17,298,473	(2,965,535)
SC Hospitality, S.G.P.S., S.A.	100,00%		5,857,175		6,441,284	(8,964,192)
SC Finance B.V.	100,00%		263,698		(9,872,274)	(10,166,776)
SC-Eng. e Promoção imobiliária, S.G.P.S., S.A.	100,00%		34,575,100		28,471,076	1,353,511
Sistavac, SGPS, S.A.	70,00%		32,492,436		41,890,333	742,129
Solinca - Health & Fitness, S.A.	100,00%		13,553,639		327,590	(892,854)
Spred, S.G.P.S., S.A.	100,00%		13,846,529		6,887,774	(1,923,514)
Total			**360,864,815**			

Impairment	
SC Assets S.G.P.S., SA	3,469,412
Spred, S.G.P.S., S.A.	4,884,029
Total	**8,353,441**

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 [7.9% - 8.6%]. 5 years projections were considered and growth rates in perpetuity were considered void.

As a result of this impairment tests as at 31 December 2016 and 31 December 2015, the detail of Impairments on Investments in Affiliated and Associated Companies is as shown in the table below.

	31 December 2016	31 December 2015	Variation (Note 17)
Spred, SGPS, SA	(12,719,962)	(4,884,029)	(7,835,933)
Interlog - SGPS,S.A.	(36,864)	-	(36,864)
Troiaresort, SGPS, S.A.	(19,344,286)	-	(19,344,286)
SC Assets, SGPS, SA	(21,565,892)	(3,469,412)	(18,096,480)
	(53,667,004)	**(8,353,441)**	**(45,313,563)**

5. OTHER NON-CURRENT ASSETS

As at 31 December 2016 and 2015, other non-current assets are detailed as follows:

	31 December 2016	31 December 2015
Loans granted to group companies:	(Nota 21)	(Nota 21)
SC Assets, SGPS, SA	177,691,228	181,059,991
Troiaresort, S.G.P.S., SA	135,742,637	186,861,637
SC Finance BV	5,885,000	5,885,000
Solinca - Health & Fitness, SA	2,940,222	2,995,000
SC Hospitality SGPS SA	9,971,000	-
SC Engª. Promoção Imobiliária, SA	688,000	-
	332,918,086	**376,801,628**

As at 31 December 2016, loans granted matured as follows:

3 years	4 years	5 years	Total
109,435,086	206,093,000	17,390,000	332,918,086

These assets were not due or impaired as at 31 December 2016. 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 4.677%.

6. OTHER CURRENT ASSETS AND INCOME TAX

As at 31 December 2016 and 2015, other current assets and Income tax are made up as follows:

	31 December 2016	31 December 2015
Trade debtors	-	9,512
Other Debtors – Group (Note 21)	1,417,349	1,097,451
Loans granted	33,034,900	31,283,000
Other Debtors	55,192	28,188
Accrued income	8,608,007	16,240,101
Deferred costs	383,062	486,827
	43,498,510	**49,145,079**
Income tax withheld	2,163,794	1,525,643
	45,662,304	**50,670,722**

The balance registered at Shareholding, other Operations is related to the values transferred from subsidiaries under the IRC regime (RETGS).

As at 31 December 2016 and 2015, the item Loans Granted is related to financial operations with the following subsidiaries:

	31 December 2016	31 December 2015
Loans to group companies	(Nota 21)	(Nota 21)
SC Assets, SGPS, SA	59,000	10,000
SC Sociedade de Consultadoria, SA	-	5,000
SC Hospitality, SGPS, SA	-	5,341,000
CAPWATT, SGPS, S.A.	13,225,200	16,711,000
Inparvi SGPS, SA	68,000	108,000
SC Finance BV	-	5,748,000
SC, SGPS, S.A.	13,943,600	-
Solinca - Health & Fitness, SA	703,400	1,147,000
Spred SGPS SA	2,523,500	-
Troiaresort, S.G.P.S., SA	2,512,200	2,213,000
	33,034,900	**31,283,000**

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 2016 stood, in average, at approximately 3.130%.

The item Other Debtors includes as at 31 December 2016 the amount 46,211 euro with the company SC SGPS, SA concerning the payment of stamp duty (Note 21).

The amount recorded in the accrued income includes 8,497,878 euro relating to interest on loans granted to subsidiaries as well as 110,128 euro relating to commissions of guarantees given to subsidiaries (Note 21).

Deferred costs include 347,040 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 2013 to 2016, 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 2016.

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 2016, 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 2016 and 2015, the item Income tax is made up as follows:

	31 December 2016	31 December 2015
Income tax withheld	1,325,486	576,441
Income tax (advanced payment)	1,374,287	1,570,680
Income tax	(535,979)	(621,478)
	2,163,794	**1,525,643**

7. DEFERRED TAXES

Deferred tax assets and liabilities as at 31 December 2016 and 2015 can be detailed as follows, split between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 December 2016	31 December 2015	30 Setembro 2016	31 December 2015
Tax losses carried forward	14,314,699	8,275,218	-	-

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 31 December 2016 and 2015, tax losses carried forward can be summarized as follows:

	31 December 2016			31 December 2015		
	Prejuízo fiscal	Deferred tax assets	To be used until	Prejuízo fiscal	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	11,725,573	2,462,371	2026
Generated in 2015	47,663,128	10,009,257	2028	27,619,048	5,800,000	2028
Generated in 2016	6,904,762	1,450,000	2029	-	-	
	68,165,233	**14,314,699**		**39,405,796**	**8,275,218**	

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 2016, 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 2016 and 2015, cash and cash equivalents can be detailed as follows:

	31 December 2016	31 December 2015
Cash	-	-
Bank deposits	27,861,181	30,562,977
Cash and cash equivalents in the balance sheet	**27,861,181**	**30,562,977**
Bank overdrafts	-	-
Cash and cash equivalents in the cash flow statement	**27,861,181**	**30,562,977**

9. EQUITY

The share capital of Sonae Capital SGPS, SA both in December 2016 and 2015 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 2016, Sonae Capital SGPS, SA holds 5,516,226 own shares representing 2.206% of the share capital (5,914,571 shares at 31 December 2015), recorded by 1,404,226 euros (1,426,791 euros at 31 December 2015) (Note 10).

10. RESERVES

As at 31 December 2016, and 31 December 2015 the caption Other Reserves can be detailed as follows:

	31 December 2016	31 December 2015
Free reserves	172,772,616	175,611,402
Demerger reserve	132,638,253	132,638,253
Own shares reserve	1,404,226	1,426,791
	306,815,095	**309,676,446**

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. On 31 December 2016 the value of this item amounts to 10,073,164 Euros (2015: 9,463,225 Euros).

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 2016 and 31 December 2015 this caption included the following loans:

	31 December 2016		31 December 2015	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae Capital SGPS - commercial paper a)	-	-	8,250,000	-
Sonae Capital SGPS - commercial paper b)	-	-	-	30,000,000
Sonae Capital SGPS - commercial paper c)	-	-	3,250,000	1,500,000
Sonae Capital SGPS - commercial paper d)	-	-	1,200,000	4,800,000
Sonae Capital SGPS - commercial paper e)	-	20,000,000	-	-
Sonae Capital SGPS f)	-	-	3,290,000	9,047,500
Up-front fees not yet charged to income statement	-	(420,335)	-	(221,506)
	-	**19,579,665**	**15,990,000**	**45,125,994**
Bank overdrafts (Note 8)	-	-	-	-
	-	**19,579,665**	**15,990,000**	**45,125,994**
Bond Loans				
Sonae Capital 2011/2016 Bonds g)	-	-	10,000,000	-
Sonae Capital 2016/2021 Bonds h)	-	15,000,000	-	-
Sonae Capital 2014/2019 Bonds i)	-	42,500,000	-	42,500,000
Up-front fees not yet charged to income statement	-	(392,289)	-	(376,402)
	-	**57,107,711**	**10,000,000**	**42,123,598**
	-	**76,687,376**	**25,990,000**	**87,249,592**
	-	**76,687,376**	**25,990,000**	**87,249,592**

a) Commercial paper programme, with subscription guarantee, issued on 31 December 2015, with annual renewals up to 3 years.

b) Commercial paper programme, with subscription guarantee, issued on 27 December 2012 and valid up to December 2017.

c) Commercial paper programme, with subscription guarantee, issued on 7 May 2014 and valid for a 3 year period, with semi-annual payments.

d) Commercial paper programme, with subscription guarantee, issued on 18 March 2015 and valid up to March 2020, with annual payments.

e) 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.

f) Bank loan guarantee by a mortgage on real estate, started on 2 June 2011 and valid up to September 2019, with quarterly payments.

g) Bond loan Sonae Capital, SGPS 2011/2016, repayable after 5 years, in one instalment, on 17 January 2016. This bond issue pays interest every six months.

h) Bond loan Sonae Capital SGPS - 2016/2021 in the amount of 15,000,000 euro, with a 5 year maturity, and a sole reimbursement on 29 July 2021.This bond loan pays interest every six months.

i) Bond loan Sonae Capital, SGPS 2014/2019, repayable after 5 years, in one instalment, on 28 May 2019. This bond issue pays interest every six months.

The interest rate on bank loans and bonds in force on 31 December 2016 was on average 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 Group 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 2016		31 December 2015	
	Capital	Interest	Capital	Interest
N+1	-	(2,119,111)	25,990,000	(4,056,941)
N+2	5,000,000	(1,970,493)	35,990,000	(3,256,774)
N+3	47,500,000	(1,149,176)	4,490,000	(2,046,106)
N+4	5,000,000	(343,125)	46,167,500	(1,007,463)
N+5	20,000,000	(342,188)	1,200,000	(67,513)
After N+5	-	-	-	(109,720)
	77,500,000	**(5,924,094)**	**113,837,500**	**(10,544,518)**

As at 31 December 2016 and 31 December 2015, available credit lines may be summarised as follows:

	31 December 2016		31 December 2015	
	Commitments		Commitments	
	less than 1Y	over 1 Y	less than 1Y	over 1 Y
Amounts of credit lines available	63,850,000	30,000,000	53,799,398	24,400,000
Amounts of credit lines contracted	63,850,000	50,000,000	62,049,398	54,400,000

12. OTHER CREDITORS

As at 31 December 2016 and 2015 other creditors can be detailed as follows:

	31 December 2016	31 December 2015
Other creditors		
Group companies - Short term loans	75,502,700	122,913,765
Other creditors	1,306,240	1,849,732
	76,808,940	**124,763,497**

As at 31 December 2016 and 2015 the caption loans granted is relative to financial operations granted to the following subsidiaries:

	31 December 2016	31 December 2015
Group companies - Short term loans:	(Note 21)	(Note 21)
Interlog-SGPS,SA	21,856,000	21,836,500
SC Finance BV	-	5,885,051
SC, SGPS, SA	-	48,703,000
SC-Eng. e Promoção Imobiliária,SGPS,S.A.	37,421,000	21,292,214
SC For - Serv. de For. e Desenv. de Recur. Hum., Unipe., Lda	19,700	14,000
Sistavac, SGPS, S.A.	13,074,500	21,002,000
SC Hospitality SGPS SA	3,131,500	-
Spred, SGPS, SA	-	4,181,000
	75,502,700	**122,913,765**

Loans obtained from group companies bear interest at market rates and are repayable within one year. The interest rate as at 31 December 2016 was, in average, approximately 1.549%.

The item Other Creditors - other, there are included 1,289,810 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 2016 and 2015 these items were as follows:

	31 December 2016		31 December 2015	
	Current	Non Current	Current	Non Current
Trade creditors	**92,536**	**-**	**101,559**	**-**
Taxes payable - income tax	-	-	-	-
Taxes payable - other taxes	70,975	-	58,272	-
Other current liabilities				
Accruals:				
Staff costs	664,870	360,486	378,224	107,760
Interest payable	379,457	-	449,038	-
Other accruals	73,119	-	115,543	-
Deferred income	4,919	-	4,292	-
	1,193,340	**360,486**	**1,005,369**	**107,760**

As at 31 December 2016 and 2015 interest payable can be detailed as follows:

	31 December 2016	31 December 2015
Interest payable		
Bank Loans	371,182	428,359
Group companies - Short term loans (Note 21)	8,275	20,679
	379,457	**449,038**

As at 31 December 2016 and 2015 the Income tax and Other taxes can be detailed as follows:

	31 December 2016	31 December 2015
Income taxation		
Income taxation - amounts withheld	42,921	39,568
VAT	55	462
Social security contributions	27,998	18,242
Stamp tax	-	-
	70,975	**58,272**

14. EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2016 and 2015 External Supplies and services can be detailed as follows:

	31 December 2016	31 December 2015
Operational rents	(24,229)	(17,418)
Insurance costs	(41,141)	(50,218)
Travelling expenses	(35,773)	(26,709)
Services obtained	(877,016)	(922,527)
Other services	(40,894)	(21,614)
	(1,019,054)	**(1 038,486)**

In services obtained, stands out the amounts in heading fee of shared services, of 261,944 euros (2015: 246,964 euros) and heading Holding cost with the amount of 432,840 euros (2015: 391,576 euros), invoiced by subsidiary SC Consultancy Company, SA (Note 21).

15. OPERATIONAL LEASES

As at 31 December 2016 and 2015, the Group had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

	31 December 2016	31 December 2015
N+1	17,605	10,937
N+2	-	10,937
N+3	-	-
	17,605	**21,874**

16. STAFF COSTS

As at 31 December 2016 and 2015, staff costs were made up as follows:

	31 December 2016	31 December 2015
Governing bodies' remunerations	(1,234,273)	(1,125,602)
Staff and other sectors remunerations	(168,227)	-
Social security contributions	(173,514)	(122,708)
Other staff costs	(24,070)	(36,407)
	(1,600,084)	**(1,284,716)**

In 2016 the average number of employees was 1 (one) (2015:0 zero).

17. NET FINANCIAL EXPENSES AND INVESTMENT INCOME

As at 31 December 2016 and 31 December 2015, Net Financial Expenses and Investment Income can be detailed as follows:

	31 December 2016	31 December 2015
Interest payable and similar expenses		
Interest arising from:		
Bank loans	(1,776,799)	(2,783,730)
Bonds	(1,845,854)	(2,221,283)
Other	(162,237)	(2,437,766)
Other financial expenses	(2,267,348)	(2,515,261)
	(6,052,239)	**(9,958,040)**
Interest receivable and similar income		
Interest income	18,597,345	29,087,119
	18,597,345	**29,087,119**
Net financial expenses	**12,545,107**	**19,129,079**
Reversal of /and Impairment losses (Note 4.1)	(45,313,563)	52,299,706
Dividends received	34,791,098	22,184,180
Losses on finantial investments	(444)	(85,826,563)
Other income	2,745,929	1,020,507
Investment income	**(7,776,980)**	**(10,322,170)**

As at 31 December 2016, the amount mentioned in “Interest arising from other” includes interest on current loans obtained from group companies amounting to 162,220 euros (2015: 2,437,766 euros) (Note 21).

As at 31 December 2016, the amount mentioned in “interest receivable and similar income” includes interest on loans granted to group companies amounting to 18,587,414 euros (Note 21).

As at 31 December 2016, 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 2016, the amount of dividends received from affiliated companies was as follows (Note 21):

	31 December 2016	31 December 2015
Lidergraf, SA	75,222	56,152
SC EPI SGPS, SA	27,271,077	-
Sistavac SGPS, SA	700,000	-
Spred SGPS	6,744,800	22,128,028
	34,791,098	**22,184,180**

As at 31 December 2016, the amount recorded under "Other income" relates essentially to income obtained from the WTC Fund.

As at 31 December 2015, the amount registered as losses on financial investments is related to the capital loss driven by the reductions in share capital of the following subsidiaries:

SC HOSPITALITY SGPS SA	50,057,175
Spred SGPS, SA	35,769,387
	85,826,562

18. OTHER OPERATIONAL PROFIT AND OTHER OPERATIONAL EXPENSES

As at 31 December 2016 and 2015 these items were as follows:

	31 December 2016	31 December 2015
Operational profit		
Other supplementary income - guarantees commissions (Note 21)	111,106	17,974
Others	8,892	9,831
	119,998	**27,805**
Operational expenses		
Indirect taxes	68,272	102,023
Others	200	4,599
	68,472	**106,621**

19. TAXATION

As at 31 December 2016 and 2015, Taxation was made up as follows:

	31 December 2016	31 December 2015
Current tax (Note 6)	499,905	1,590,3361
Deferred tax (Note 7)	6,039,482	4,205,490
	6,539,387	**5,795,826**

19.1 RECONCILIATION OF THE EFFECTIVE INCOME TAX

The reconciliation between profit before income tax and taxation for the periods ended 31 December 2016 and 31 December 2015 is made up as follows:

	31 December 2016		31 December 2015	
	Basis of incidence	Tax amount	Basis of incidence	Tax amount
Profit before income tax (1)	**2,198,929**		**6,402,956**	
Tax Charge	21%		21%	
Tax Charged		**(461,775)**		**(1,344,621)**
Increases or (decreases) in taxable profit:				
Reversal of Impairment losses (Note 17)	-	-	(79,496,316)	16,694,226
Dividends received (Note 17)	(34,791,098)	7,306,131	(22,184,180)	4,658,678
Payment based on shares	242,478	(50,920)	421,251	(88,463)
Impairment losses (Note 17)	45,313,563	(9,515,848)	27,196,610	(5,711,288)
Losses on finantial investments (Note 17)	-	-	81,204,211	(17,052,884)
Others	(6,203)	1,303	-	-
Deduction of tax losses	(61,175)	12,847	(1,226,264)	257,515
Tax losses that did not give rise to deferred tax assets	-	-	-	-
tax savings (RETGS)		4,984,893		4,785,224
Municipality and state tax		(569,502)		(604,127)
Autonomous taxes		(3,508)		(3,924)
Under/Over taxation estimates		(1,203,713)		-
Effect of increases or decreases in deferred taxes (a)		6,039,482		4,205,490
Taxation (2)	**12,896,494**	**6,539,387**	**12,318,268**	**5,795,826**
Effective rate (2) / (1)		-		-

a) Includes deferred taxes related to tax losses generated in 2016 in the amount of 1,450,000 euros.

As stated in Note 2.9, the Company is taxable according to the RETGS.

20. EARNINGS PER SHARE

Earnings per share for the periods ended 31 December 2016 and 2015 were calculated taking into consideration the following amounts:

	31 December 2016	31 December 2015
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	8,738,316	12,198,782
Effect of dilutive potential shares	-	-
Net profit taken into consideration to calculate diluted earnings per share	8,738,316	12,198,782
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	246,740,156	246,341,811
Weighted average number of shares used to calculate diluted earnings per share	246,740,156	246,341,811
Earnings per share (basic and diluted)	**0,035415**	**0,049520**

21. RELATED PARTIES

Balances and transactions during the periods ended 31 December 2016 and 2015 with related parties are detailed as follows:

	Expenses (Notes 14 and 17)		Income (Notes 17 and 18)	
Transactions	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Parent company	-	-	-	-
Group and associated companies	881,021	88,926,067	53,489,618	51,282,755
	881,021	88,926,067	53,489,618	51,282,755
	Accounts payable (Notes 12,13 and 18)		**Accounts receivable (Note 6)**	
Balances	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Parent company	-	-	-	-
Group and associated companies	1,298,085	1,937,997	10,071,566	17,340,213
	1,298,085	1,937,997	10,071,566	17,340,213
	Loans obtained (Note 12)		**Loans granted (Notes 5 and 6)**	
Balances	**31 December 2016**	**31 December 2015**	**31 December 2016**	**31 December 2015**
Parent company	-	-	-	-
Group and associated companies	75,502,700	122,913,765	365,952,986	408,084,628
	75,502,700	122,913,765	365,952,986	408,084,628

In 2015, the expenses include 85.826.563 euro with financial investments (Note 17).

In 2016, the income include dividends received from group companies in the amount of 34,791,098 euro (2015: 22.184.180 euro).

22. CASH RECEIPTS/PAYMENTS RELATED TO INVESTMENTS

Cash receipts and payments related to investments during the periods ended 31 December 2016 and 2015 are detailed as follows:

	31 December 2016		31 December 2015	
	Amount received	Amount paid	Amount received	Amount paid
Fundo Esp de Invest. Imob IMOSONAE II	2,484	-	858	-
Fundo Esp de Invest. Imob WTC	-	214,246	-	-
Saude Atlantica - Gestão Hospitalar, SA	-	-	768,969	-
SC, S.G.P.S., S.A.	-	-	346,559,973	-
Solinca - Health & Fitness, S.A.	-	892,854	-	-
SC HOSPITALITY SGPS SA	-	-	37,800,000	-
Spred, S.G.P.S., S.A.	-	-	10,000,000	-
	2,484	**1,107,100**	**395,129,800**	**-**

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 2016 shareholders' loan contracts were entered into with the companies SC Engenharia Promoção Imobiliária, SGPS, SA, SC Hospitality, SGPS, SA, Troiaresort SGPS, SA e Solinca Health and Fitness, SA.

In the period ended 31 December 2016 short-term loan contracts were entered with the companies SC Engenharia Promoção Imobiliária, 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, SOLTROIA-Socied.Imobil. SA. SC-Sociedade de Consultadoria, SA, SC Assets, SGPS, SA, SC Finance BV, SPRED, SGPS, SA, QCE-D.FAB.EQUIPAMENTOS,SA, SISTAVAC, SA, SOBERANA Invest.Imobil. SA, Sotáqua-S.Em.Tu.Quarteira, SA, Troiamarket, SA, SC For - Serv. de For. e Desenv. de Recur. Hum., Unipe., Lda, 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, Enerlousado-R.E.Unipessoal, Lda. And Imohotel-Emp.Tur.Imob., SA.

As at 31 December 2016 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	177,750,228
SC Hospitality, SGPS, SA	9,971,000
CAPWATT, SGPS, S.A.	13,225,200
Inparvi SGPS, SA	68,000
SC Finance BV	5,885,000
SC, SGPS, S.A.	13,943,600
Solinca - Health & Fitness, SA	3,643,622
Troiaresort, S.G.P.S., SA	138,254,837
SC - Engª e Prom. Imobiliária SA	688,000
Spred SGPS SA	2,523,500
	365,952,986

As at 31 December 2016 amounts due to affiliated companies can be summarized as follows:

Short term loans obtained (Note 21)	
Companies	**Closing Balance**
SC For - Serv. de For. e Desenv. de Recur. Hum., Unipe., Lda	19,700
SC - Engª e Prom. Imobiliária SA	37,421,000
Sistavac, SGPS, S.A.	13,074,500
SC Hospitality, SGPS, SA	3,131,500
Interlog-SGPS,SA	21,856,000
	75,502,700

24. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 31 December 2016.

25. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on 23 February 2017.

The Board of Directors

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

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

Part VI
REPORT AND OPINION OF THE FISCAL BOARD

31 december 2016

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., SA for the year ended 31 December 2016, 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 2016, 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 2016, 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.

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 2016, 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, 23 February 2017

The Fiscal Board,

António Monteiro de Magalhães

Manuel Heleno Sismeiro

Carlos Manuel Pereira da Silva

Part VII
STATUTORY AUDIT AND AUDITORS' REPORT

31 december 2016

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 2016 (which shows total assets of Euro 500.377.576 and total shareholders' equity of Euro 320.357.729 including a net profit of Euro 18.692.895), 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 2016, 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 243,313,677). 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. As disclosed in Notes 2.3 and 2.10 of the notes to the consolidated financial statements, 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.	Our auditing procedures were differentiated to each different type of asset, in terms of its recoverability: - Real estate assets in operation, such as hotel units - we analyze the discounted cash flow model elaborated by the Group, in terms of the reasonableness of the assumed assumptions, comparing them with the historical performance of the Group and evaluating the historical accuracy of the Group in the preparation of budgets, verifying if they have been materialized in subsequent years. We also appreciate the adequacy of the discount rate considered through the use of market comparable and other information in the market. We performed the calculations of the model and verified the sensitivity analysis to the main assumptions considered, including the growth rate and discount rate considered. We have recourse to our internal experts to help us validating the assumptions and methodologies used in the model. - Real estate assets held for future disposition - we obtained real estate appraisals prepared by independent entities, critically analyzed them, in particular the reasonableness of the main assumptions used, and discussed them with the group services whenever deemed necessary. We also obtained the confirmation of independence by the external entities involved. We have verified the adequacy of the disclosures in the consolidated financial statements with respect to these assets.
Goodwill Recovery As disclosed in Note 12 of the notes to the consolidated financial statements, the balance sheet presents a Goodwill value of Euro 37.841 thousand. See Note 2.2 c) about the accounting policy applicable to the Goodwill. Considering the relevance of the amount and the complexity and level of judgment inherent in the model adopted for the calculation of impairment	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

Key Audit Matter	*Summary of the Audit Approach*
and the identification and aggregation of cash-generating units (CGUs), this issue was a key audit matter.	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.
Revenue recognition	
As disclosed in Note 34 of the notes to the consolidated financial statements, the Construction Contracts revenue amounts to Euro 69.447.836. 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 (See Note 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.
Deferred tax-assets recovery	
As disclosed in Note 19 of the notes to the consolidated financial statements, the balance sheet presents Deferred tax-assets value of Euro 27.380.258. 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.	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.
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: a) understanding of tax and legal contingency assessment procedures; b) getting

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.	and analysis of disputes affecting the Group; c) analysis of communications with external experts; d) obtaining and analysis of the answers obtained to the requests for confirmation of the processes carried out by external lawyers; e) inquiry to the management and to the legal and tax responsible over the estimates and judgments; f) obtaining and analyzing the opinion of internal specialists; f) 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;

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.

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 as of 23 February 2017.

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.

23 February 2017

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 2016 (which shows total assets of Euro 729.365.026 and total shareholders' equity of Euro 574.222.348 including a net profit of Euro 8.738.316), 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 2016, 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 referred on Note 4.1 of the notes to the individual financial statements, at 31 December 2016, Sonae Capital, S.G.P.S., S.A. holds financial investments on group companies in the amount of Euro 309 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.	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) evaluate the reasonableness of the projections of future cash flows, comparing with historical performance; and b) appreciation of the estimates and judgments made by the management body, underlying the relevant assumptions that support the model. The analysis of impairment tests, based on the fair value of real estate, involved the following procedures: a) obtain real estate appraisals prepared by independent entities; c) critical analysis of the real estate appraisals obtained; d) discussion of the evaluations with the group services; and d) obtaining the confirmation of independence by the external entities involved. 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.

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;

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.

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 as of *23 February 2017*.

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.

23 February 2017

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hermínio António Paulos Afonso, R.O.C.

SONAE CAPITAL