# Frugality and Efficiency: The Beat for Long Living Results

**SONAE**
FINANCIAL
STATEMENTS **'17**

SONAE
IMPROVING LIFE

CONSOLIDATED
FINANCIAL STATEMENTS

# Accountacy: Numbers are our Word

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016**

*(Amounts expressed in euro)*

*(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)*

| ASSETS | Notes | 31 Dec 2017 | 31 Dec 2016 Restated Note 4.1 |
|---|---|---|---|
| NON-CURRENT ASSETS: | | | |
| Tangible assets | 8 | 1,650,873,072 | 1,608,085,478 |
| Intangible assets | 9 | 367,924,247 | 373,509,488 |
| Investment properties | | - | 879,263 |
| Goodwill | 10 | 634,363,213 | 655,484,348 |
| Investments in joint ventures and associates | 11 | 1,414,450,837 | 1,362,270,890 |
| Other investments | 7 and 12 | 19,423,775 | 20,784,450 |
| Deferred tax assets | 19 | 71,883,593 | 61,360,744 |
| Other non-current assets | 7 and 13 | 23,611,943 | 19,226,166 |
| Total Non-Current Assets | | 4,182,530,680 | 4,101,600,827 |
| | | | - |
| CURRENT ASSETS: | | | - |
| Inventories | 14 | 713,253,625 | 696,297,968 |
| Trade account receivables | 7 and 15 | 130,075,290 | 116,003,860 |
| Other debtors | 7 and 16 | 62,600,744 | 83,961,449 |
| Taxes recoverable | 17 | 86,571,966 | 70,525,818 |
| Other current assets | 18 | 64,068,395 | 76,911,316 |
| Investments | 7 and 12 | 179,881 | 4,369,022 |
| Cash and cash equivalents | 7 and 20 | 364,589,115 | 340,920,458 |
| Total Current Assets | | 1,421,339,016 | 1,388,989,891 |
| Non-current assets held for sale | 21 | 782,540 | 19,522,549 |
| **TOTAL ASSETS** | | **5,604,652,236** | **5,510,113,267** |
| EQUITY AND LIABILITIES | | | |
| EQUITY: | | | |
| Share capital | 22 | 2,000,000,000 | 2,000,000,000 |
| Own shares | 22 | (108,567,192) | (114,738,086) |
| Legal reserve | | 247,276,603 | 244,211,592 |
| Reserves and retained earnings | | (337,235,187) | (450,881,147) |
| Profit/(Loss) for the period attributable to the equity holders of the Parent Company | | 165,753,915 | 215,073,949 |
| Equity attributable to the equity holders of the Parent Company | | 1,967,228,139 | 1,893,666,308 |
| Equity attributable to non-controlling interests | 23 | 167,809,994 | 169,040,186 |
| **TOTAL EQUITY** | | **2,135,038,133** | **2,062,706,494** |
| LIABILITIES: | | | |
| NON-CURRENT LIABILITIES: | | | |
| Loans | 7 and 24 | 573,440,551 | 507,884,174 |
| Bonds | 7 and 24 | 643,667,042 | 695,803,279 |
| Obligation under finance leases | 7, 24 and 25 | 881,956 | 1,463,520 |
| Other loans | 7 and 24 | 2,244,793 | 4,676,660 |
| Other non-current liabilities | 7 and 27 | 13,449,318 | 21,557,388 |
| Deferred tax liabilities | 19 | 132,200,898 | 113,450,277 |
| Provisions | 32 | 18,955,625 | 25,848,118 |
| Total Non-Current Liabilities | | 1,384,840,183 | 1,370,683,416 |
| CURRENT LIABILITIES: | | | |
| Loans | 7 and 24 | 207,748,007 | 350,365,080 |
| Bonds | 7 and 24 | 57,970,806 | 7,998,517 |
| Obligation under finance leases | 7, 24 and 25 | 832,895 | 1,079,629 |
| Other loans | 7 and 24 | 2,526,745 | 1,769,184 |
| Trade creditors | 7 and 29 | 1,192,499,941 | 1,136,655,247 |
| Other creditors | 7 and 30 | 221,229,879 | 200,640,232 |
| Taxes and contributions payable | 17 | 98,367,443 | 91,929,635 |
| Other current liabilities | 31 | 297,987,821 | 271,000,382 |
| Provisions | 32 | 5,610,383 | 3,558,708 |
| Total Current Liabilities | | 2,084,773,920 | 2,064,996,614 |
| Non-current liabilities held for sale | 21 | - | 11,726,743 |
| **TOTAL LIABILITIES** | | **3,469,614,103** | **3,447,406,773** |
| **TOTAL EQUITY AND LIABILITIES** | | **5,604,652,236** | **5,510,113,267** |

The accompanying notes are part of these consolidated financial statements.

**CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 2016**

*(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)*

| (Amounts expressed in euro) | Notes | 31 Dec 2017 | 31 Dec 2016 Restated Note 4.2 |
|---|---|---|---|
| Sales | 6 and 36 | 5,515,425,881 | 5,159,067,410 |
| Services rendered | 6 and 36 | 194,726,055 | 170,424,206 |
| Income or expense relating to investments | 37 | (1,659,574) | 8,305,793 |
| Gains and losses on investments recorded at fair value through results | 12 and 38 | - | (15,681,846) |
| Financial income | 38 | 7,120,098 | 15,750,739 |
| Other income | 39 | 793,249,885 | 772,122,665 |
| Cost of goods sold and materials consumed | 14 | (4,587,311,688) | (4,261,074,939) |
| (Increase)/Decrease in Production | 14 | 351,870 | 1,273,422 |
| External supplies and services | 40 | (737,623,531) | (703,796,124) |
| Staff costs | 41 | (764,191,618) | (714,328,963) |
| Depreciation and amortisation | 6,8 and 9 | (197,659,331) | (179,646,000) |
| Provisions and impairment losses | 32 | (10,486,042) | (15,157,827) |
| Financial expense | 38 | (43,137,650) | (51,120,856) |
| Other expenses | 42 | (82,932,769) | (73,208,207) |
| Share of results of joint ventures and associates | 11.3 | 86,350,626 | 138,631,367 |
| Profit/(Loss) before taxation from continuing operations | | 172,222,212 | 251,560,840 |
| Taxation | 43 | (16,123,970) | (26,696,768) |
| Profit/(Loss) after taxation from continuing operations | | 156,098,242 | 224,864,072 |
| Profit/(Loss) from discontinued operations after taxation | 5.1 | 18,110,829 | (2,869,775) |
| Consolidated profit/(Loss) for the period | | 174,209,071 | 221,994,297 |
| Attributable to equity holders of the Parent Company: | | | |
| Continuing operations | | 148,588,229 | 216,509,123 |
| Discontinued operations | | 17,165,686 | (1,435,174) |
| | | 165,753,915 | 215,073,949 |
| Attributable to non-controlling interests | | | |
| Continuing operations | | 7,510,013 | 8,354,949 |
| Discontinued operations | | 945,143 | (1,434,601) |
| | 23 | 8,455,156 | 6,920,348 |
| Profit/(Loss) per share | | | |
| From continuing operations | | | |
| Basic | 45 | 0.078458 | 0.114712 |
| Diluted | 45 | 0.077422 | 0.110917 |
| From discontinued operations | | | |
| Basic | 45 | 0.009064 | (0.000760) |
| Diluted | 45 | 0.004550 | (0.000710) |

The accompanying notes are part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016**

*(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)*

| (Amounts expressed in euro) | Notes | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| Net Profit / (Loss) for the period | | 174,209,071 | 221,994,297 |
| Items that maybe reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | (1,915,943) | 5,127,738 |
| Participation in other comprehensive income (net of tax) related to joint ventures and associates included in consolidation by the equity method | 11.3 | (20,231,758) | 9,313,997 |
| Changes in hedge and fair value reserves | | (2,272,901) | 2,174,375 |
| Deferred taxes related with other components of comprehensive income | | 498,915 | (440,149) |
| Others | | (304,001) | (144,364) |
| | | (24,225,688) | 16,031,597 |
| Items that were reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations related to discontinued operations | 5.1 | 4,214,202 | - |
| | | 4,214,202 | - |
| Items that won´t be reclassified subsequently to profit or loss: | | - | - |
| | | (20,011,486) | 16,031,597 |
| **Total comprehensive income for the period** | | **154,197,585** | **238,025,894** |
| Attributable to: | | | |
| Equity holders of parent company | | 143,563,901 | 231,135,043 |
| Non controlling interests | | 10,633,684 | 6,890,851 |

The accompanying notes are part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2017 AND 2016**

*(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)*

| | | Attributable to Equity Holders of Parent Company | | | Reserves and Retained Earnings | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (Amounts expressed in euro) | Notes | Share Capital | Own Shares | Legal Reserve | Currency Translation Reserve | Investments Fair Value Reserve | Hedging Reserve | Option Premium Convertible Bonds Note 24 | Other Reserves and Retained Earnings | Total | Net Profit/(Loss) | Total | Non controlling Interests (Note 23) | Total Equity |
| Balance as at 1 January 2016 | | 2,000,000,000 | (123,493,932) | 244,211,592 | 1,135,801 | - | 272,950 | 22,313,000 | (661,255,246) | (637,533,495) | 175,306,228 | 1,658,490,393 | 136,303,721 | 1,794,794,114 |
| Total compreensive income for the period | | - | - | - | 2,710,088 | - | 1,675,455 | - | 11,675,551 | 16,061,094 | 215,073,949 | 231,135,043 | 6,890,851 | 238,025,894 |
| Appropriation of consolidated net profit of 2015 | | | | | | | | | | | | | | |
| Transfer to legal reserves and retained earnings | | - | - | - | - | - | - | - | 175,306,228 | 175,306,228 | (175,306,228) | - | - | - |
| Dividends distributed | | - | - | - | - | - | - | - | - | - | - | - | (2,730,711) | (2,730,711) |
| Obligation fulfield by share attribution to employees | | - | 101,864 | - | - | - | - | - | (1,660,734) | (1,660,734) | - | (1,558,870) | (4,021) | (1,562,891) |
| Partial cancellation of Cash Settled Equity Swap | | - | 8,653,982 | - | - | - | - | - | (374,625) | (374,625) | - | 8,279,357 | - | 8,279,357 |
| Change percentage in subsidiaries | | - | - | - | - | - | - | - | (2,608,287) | (2,608,287) | - | (2,608,287) | 2,647,778 | 39,491 |
| Aquisitions of affiliated companies | | - | - | - | - | - | - | - | - | - | - | - | 27,329,248 | 27,329,248 |
| Others | | - | - | - | - | - | - | - | (71,328) | (71,328) | - | (71,328) | 335,000 | 263,672 |
| Balance as at 31 December 2016 - Published | | 2,000,000,000 | (114,738,086) | 244,211,592 | 3,845,889 | - | 1,948,405 | 22,313,000 | (478,988,441) | (450,881,147) | 215,073,949 | 1,893,666,308 | 170,771,866 | 2,064,438,174 |
| Restatement effect | 4.1 | - | - | - | - | - | - | - | - | - | - | - | (1,731,680) | (1,731,680) |
| Balance as at 31 December 2016 - Restated | | 2,000,000,000 | (114,738,086) | 244,211,592 | 3,845,889 | - | 1,948,405 | 22,313,000 | (478,988,441) | (450,881,147) | 215,073,949 | 1,893,666,308 | 169,040,186 | 2,062,706,494 |
| Balance as at 1 january 2017 - Restated | | 2,000,000,000 | (114,738,086) | 244,211,592 | 3,845,889 | - | 1,948,405 | 22,313,000 | (478,988,441) | (450,881,147) | 215,073,949 | 1,893,666,308 | 169,040,186 | 2,062,706,494 |
| Total compreensive income for the period | | - | - | - | 157,543 | - | (1,773,986) | - | (20,573,571) | (22,190,014) | 165,753,915 | 143,563,901 | 10,633,684 | 154,197,585 |
| Appropriation of consolidated net profit of 2016 | | | | | | | | | | | | | | |
| Transfer to retained earnings | | - | - | 3,065,011 | - | - | - | - | 212,008,938 | 212,008,938 | (215,073,949) | - | - | - |
| Dividends distributed | 22 | - | - | - | - | - | - | - | (75,824,357) | (75,824,357) | - | (75,824,357) | (4,074,876) | (79,899,233) |
| Obligation fulfield by share attribution to employees | 28 | - | - | - | - | - | - | - | 171,280 | 171,280 | - | 171,280 | 15,152 | 186,432 |
| Partial cancellation of Cash Settled Equity Swap | 22 | - | 6,170,894 | - | - | - | - | - | (632,348) | (632,348) | - | 5,538,546 | - | 5,538,546 |
| Change percentage in subsidiaries | 23 | - | - | - | - | - | - | - | 112,461 | 112,461 | - | 112,461 | (94,537) | 17,924 |
| Aquisitions of affiliated companies | 5.2 | - | - | - | - | - | - | - | - | - | - | - | 3,772,948 | 3,772,948 |
| Capital increase | | - | - | - | - | - | - | - | - | - | - | - | 1,207,700 | 1,207,700 |
| Change of the consolidation method | | - | - | - | - | - | - | - | - | - | - | - | (13,090,263) | (13,090,263) |
| Creation of affiliated companies | | - | - | - | - | - | - | - | - | - | - | - | 400,000 | 400,000 |
| **Balance as at 31 December 2017** | | **2,000,000,000** | **(108,567,192)** | **247,276,603** | **4,003,432** | **-** | **174,419** | **22,313,000** | **(363,726,038)** | **(337,235,187)** | **165,753,915** | **1,967,228,139** | **167,809,994** | **2,135,038,133** |

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2017 AND 2016

*(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)*

| (Amounts expressed in euro) | Notes | 31 Dec 2017 | 31 Dec 2016 Restated Note 4.2 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash receipts from trade debtors | | 5,731,208,842 | 5,375,547,549 |
| Cash paid to trade creditors | | (4,570,905,080) | (4,436,017,090) |
| Cash paid to employees | | (763,240,214) | (730,180,943) |
| Cash flow generated by operations | | 397,063,548 | 209,349,516 |
| Income taxes (paid) / received | | (21,655,220) | (9,076,201) |
| Other cash receipts and (payments) relating to operating activities | | (7,188,614) | 9,460,752 |
| Net cash flow from operating activities (1) | | 368,219,714 | 209,734,067 |
| INVESTMENT ACTIVITIES | | | |
| Cash receipts arising from: | | | |
| Investments | 46 | 21,546,532 | 3,916,954 |
| Tangible assets | 8 | 39,862,783 | 229,402,787 |
| Intangible assets | | 479,278 | 473,927 |
| Interests and similar income | | 1,093,492 | 1,872,916 |
| Loans granted | | 1,500 | 1,665 |
| Dividends | 11.3 | 54,033,853 | 45,075,666 |
| Disposal of investments at fair value | 11.3 | - | 82,840,847 |
| Others | 22 | 37,027,805 | 26,167,985 |
| | | 154,045,243 | 389,752,747 |
| Cash Payments arising from: | | | |
| Investments | 46 | (21,009,745) | (106,433,473) |
| Tangible assets | | (232,180,121) | (240,096,139) |
| Intangible assets | | (46,896,856) | (36,609,285) |
| Loans granted | | (242,465) | - |
| Others | 22 | (16,203,904) | (37,294,767) |
| | | (316,533,091) | (420,433,664) |
| Net cash used in investment activities (2) | | (162,487,848) | (30,680,917) |
| FINANCING ACTIVITIES | | | |
| Cash receipts arising from: | | | |
| Loans obtained | | 6,969,262,977 | 8,353,738,435 |
| Investments | 46 | 1,213,187 | 344,114 |
| Capital increase | | 1,347,500 | 296,000 |
| Others | | 2,287 | 808,896 |
| | | 6,971,825,951 | 8,355,187,445 |
| Cash Payments arising from: | | | |
| Loans obtained | | (7,018,150,115) | (8,435,775,090) |
| Investments | 46 | (1,504,253) | (584,004) |
| Interests and similar charges | | (27,379,973) | (41,255,281) |
| Dividends and distributed reserves | | (79,736,296) | (2,687,953) |
| Purchase of own shares | | - | - |
| Others | | (536,928) | (1,471,231) |
| | | (7,127,307,565) | (8,481,773,559) |
| Net cash used in financing activities (3) | | (155,481,614) | (126,586,114) |
| Net increase in cash and cash equivalents (4) = (1) + (2) + (3) | | 50,250,252 | 52,467,036 |
| Effect of foreign exchange rate | | 582,155 | (582,728) |
| Effect of discontinued operations | 5.1 | (11,088,316) | - |
| Cash and cash equivalents at the beginning of the period | 20 | 323,190,227 | 270,140,463 |
| Cash and cash equivalents at the end of the period | 20 | 361,770,008 | 323,190,227 |

The accompanying notes are part of these financial statements.

# SONAE, SGPS, SA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(*Amounts stated in euro*)

## 1 Introduction

SONAE, SGPS, SA ("Sonae Holding") has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal, and is the parent company of a group of companies, as detailed in Notes 51 and 52 the Sonae Group ("Sonae"). Sonae's operations and operating segments are described in Note 6.

## 2 Principal accounting policies

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

### 2.1 Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable to economic periods beginning on 1 January 2017, issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union as at the consolidated financial statements issuance date.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the company, subsidiaries, joint ventures and associates, adjusted in the consolidation process, on a going concern basis and under the historical cost convention, except for some financial instruments and investment properties, which are stated at fair value.

Additionally, for financial reporting purposes, fair value measurement is categorized in Level 1, 2 and 3, according to the level in which the used assumptions are observable and its significance, in what concerns fair value valuation, used in the measurement of assets/liabilities or its disclosure.

Level 1 – Fair value is determined based on active market prices for identical assets/liabilities;

Level 2 – The fair value is determined based on other data other than market prices identified in Level 1 but they are possible to be observable; and

Level 3 – Fair value measurements derived from valuation techniques, whose main inputs are not based on observable market data.

## New accounting standards and their impact in these consolidated financial statements:

Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions some of which become mandatory during the year 2017:

| With mandatory application during the year 2017: | Effective date (for financial years beginning on or after) |
|---|---|
| IAS 7 (amendment) - Statement of cash flows (introducing additional disclosures related to cash flows from financing activities) | 01 Jan 2017 |
| IAS 12 (amendment) - Income taxes (clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses) | 01 Jan 2017 |

The amendments to IAS 7 require disclosure of information that enables users of financial statements to evaluate changes in the obligations that are created by the entity's financing activities, whether or not such changes have an impact on cash flows, such as (i) changes in financing cash flows; ii) changes that result from obtaining or losing control in subsidiaries or other concentrations; iii) effect of changes in exchange rates, or iv) changes in fair value. The disclosure of this information is included in note 33.

These standards were first applied by the Group in 2017, however there were no significant impacts on these financial statements in addition to the above mentioned disclosures.

The following standards, interpretations, amendments and revisions were endorsed by the European Union and have mandatory application in future economic exercises:

| With mandatory application after 2017: | Effective date (for financial years beginning on or after) |
|---|---|
| IFRS 9 - Financial instruments (establishes the new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules) | 01 Jan 2018 |
| IFRS 15 - Revenue from contracts with customers (introduces a principles-based revenue recognition framework based on a template to be applied to all contracts with customers) | 01 Jan 2018 |
| IFRS 16 – Leases - (recognition and measurement principles) | 01 Jan 2019 |
| IFRS 15 (amendment) - Revenue from contracts with customers (various clarifications are introduced in the standard to eliminate the possibility of divergent interpretations of various topics) | 01 Jan 2018 |
| IFRS 4 (amendment) - Insurance contracts (provides guidance on the application of IFRS 4 in together with IFRS 9) | 01 Jan 2018 |

| | |
|---|---|
| IFRS 2 (amendment) - Share-based payment (include a number of clarifications in the standard related to recording share-based payment transactions that are settled with cash, (ii) recording changes in share-based payment transactions (of cash settled for settlement with equity instruments), (iii) the classification of transactions with cleared liquidation characteristics) | 01 Jan 2018 |
| Annual Improvements to international financial reporting standards (cycle 2014-2016) | 01 Jan 2017 and 01 Jan 2018 |

The Group did not proceed to the early adoption of any of these standards on the financial statements for the year ended on the 31 December 2017, since their application is not yet mandatory. There is no estimated significant impact on the accounts resulting from their application except for IFRS 15 and IFRS 16.

The estimated impacts of the application of IFRS 15 and IFRS 16 in the consolidated financial statements may be analyzed as follows:

## a) IFRS 15 – Revenue from contracts with customers

IFRS 15 is based on the principle that revenue is recognized on the date that the transfer occurs, with the transaction value being allocated to the different performance obligations and subject to measurement adjustment whenever the consideration is variable or subject to a significant financial effect.

Management reviewed the potential impact of adopting IFRS 15 on the recording of future revenue in both amount and period. From the analysis carried out, the following differences between the current accounting policies of situations applicable to the Group and the policies resulting from the application of IFRS 15 were identified:

(i) Accounting for Software as a Service (SaaS) contracts - IFRS 15 requires that if a service is not distinct, the entity shall combine such service with other services until it identifies a distinct service package. This will result in the accounting of all services in a contract as a single performance obligation. In some SaaS agreements, software implementation services do not constitute a distinct performance obligation, but a performance obligation combined with the SaaS service. In these cases, implementation and initial configuration activities consist primarily in administrative tasks required to perform the primary SaaS service, but do not provide an incremental benefit to the customer on standalone basis. Thus, in these contracts, the group must identify only one performance obligation (implementation and SaaS) and recognize the revenue from that single performance obligation on a monthly basis over the contract period. Currently the Group recognises the revenue associated with the implementation at the end of the period, so the introduction of IFRS 15 will cause a deferred recognition of revenue over the SaaS contract period.

(ii) Accounting for certain costs incurred in the fulfilment of a contract (fulfilment costs) - The costs related to the implementation phase are considered fulfilment costs. Costs associated with performance of a contract must be capitalised in accordance with IFRS15 if (i) it is related to an existing contract or a specific future contract; ii) if they create the resources that will be used to satisfy a performance obligation in the future; (iii) whether costs are expected to be recovered; (iv) are not already covered by another standard. These costs will be capitalised and recognised in the income statement according to the client's estimated period of stay or over the contract period. These costs are currently recognised in the income statement when incurred.

(iii) Accounting for IT Audit Contracts - In accordance with IFRS 15, recognition of audit revenue must be "over-time" at the time the benefits of the performance obligation are transferred to the customer. This must be in accordance with the milestones of delivery reports. Currently revenue is recognised taking into account the completion percentage of each audit, so the introduction of IFRS 15 will cause a deferral of revenue recognition to the time of delivery of the report.

(iv) Accounting for the newspapers sales and associated products through a distributor- In accordance with the definitions of IFRS 15 revenue from these contracts must be recognised at the total cover value. In result of the conditions set out in IFRS 15 the Group has a main role in these contracts. In this way, revenue must be recognised by the total value of the newspapers sales and associated products (cover value). The discount attributed to the distributor should be recognised as cost of distribution. The currently the recognised revenue is the cover amount net of the discount attributed to the distributor.

(v) Presentation of contractual assets and contractual liabilities in the balance sheet - IFRS 15 requires a separate presentation of contractual assets and contractual liabilities. This will result in some reclassifications in January 1, 2018, regarding service agreements.

From this analysis, it is concluded that the adoption of IFRS in the Group's financial statements will have an immaterial estimated net impact on consolidated equity in January 1, 2018.

In adopting IFRS 15, the Group decided to adopt the transition method of retrospective application with the initial effects in retained earnings starting in January 1, 2018, with the use of the following practical expedient: application only for contracts not completed on January 1, 2018 and non-restatement of modified contracts before January 1, 2017.

## b) IFRS 16 – Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance.

IFRS 16 distinguishes leases and service contracts taking into account whether an identified asset that is controlled or not. Distinctions off-balance sheet and finance leases (included in the balance sheet) are eliminated at the level of the lessee and are replaced by a model in which an asset identified with a right of use and a corresponding liability for all lease contracts, except for short-term (up to 12 months) and low value contracts.

IFRS 16 distinguishes leases and service contracts considering control in identified asset. Distinctions in operational leases (off-balance sheet) and financial leases (included in the balance sheet) are eliminated at the level of the lessee. These ones are replaced by a model in which is accounted an identified asset with a right of use and a corresponding liability for all lease contracts, except for short-term (up to 12 months) and low value contracts.

The "right of use" is initially measured at cost and subsequently at the net cost of depreciation and impairment, adjusted by the remeasurement of the lease liability. The lease liability is initially measured based on the present value of the lease responsibilities at the date and subsequently is adjusted by the financial update of that amount, as well as the possible modifications of the lease contracts.

As at 31 December 2017, the Group had liabilities related to operating leases in the order of 1.2 billion euros, which is not discounted for the present moment. IAS 17 did not require the recognition of the right use as an asset nor future payments as liabilities, but only certain disclosures identified in note 35.

At the date of publication of these consolidated financial statements, Sonae is carrying out the inventory of the existing leasing contracts, and performing its technical analysis and framework considering the provisions of IFRS 16.

In addition, it is currently on analysis the existing information systems to assess the necessity of adapting it to the requirements of this standard. At this stage, it is not possible to estimate the magnitude of the impacts inherent to its adoption.

The following standards, interpretations, amendments and revisions were not endorsed by the European Union:

| With mandatory application after 2017: | Effective date (for financial years beginning on or after) |
|---|---|
| IFRS 17 – (Insurance contracts) | 01 Jan 2021 |
| IFRIC 22 - Transactions in foreign currency and advances (establish the date of the initial recognition of the advance or deferred income as the date of the transaction for determining the exchange rate of the recognition of the revenue) | 01 Jan 2018 |
| IFRIC 23 – Uncertainly over income tax treatments (clarifies the accounting for uncertainties in income taxes) | 01 Jan 2019 |
| IAS 40 (amendment) - Investment properties (clarify that the change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset) | 01 Jan 2018 |
| IFRS 9 (amendment) – Prepayment features with negative compensation | 01 Jan 2019 |
| IAS 28 (amendment) – Long-term interests in associates and joint ventures | 01 Jan 2019 |
| Annual Improvements to international financial reporting standards (2015-2017 cycle) | 01 Jan 2019 |
| IAS 19 (amendment) - Amendments, reductions or liquidation of employee benefit plans | 01 Jan 2019 |

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2017 due to the fact that their application is not mandatory, lying in the process of analyzing expected effects of those standards.

## 2.2 Consolidation Principles

The consolidation methods adopted by Sonae are as follows:

### a) Investments in Sonae companies

Investments in companies in which Sonae owns, directly or indirectly, control are included in the consolidated financial statements using the full consolidation method.

Sonae has control of the subsidiary when the company fulfils the following conditions cumulatively: i) has power over the subsidiary; ii) is exposed to, or has rights, to variable results from its involvement with the subsidiary; and iii) the ability to use its power to affect its returns.

When the Group has less than a majority of a subsidiary voting rights, it has power over the investee when the voting rights are sufficient to decide unilaterally on the relevant activities of its subsidiary. The Group considers all the facts and circumstances relevant to assess whether the voting rights in the subsidiary are sufficient to give it power.

Sonae reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the control conditions listed above.

Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated statement of financial position and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 51.

The comprehensive income of an associated is attributable to the Sonae Group owners and non-controlling interests, even if the situation results in a deficit balance at the level of non-controlling interests.

Assets and liabilities of each Sonae subsidiary are measured at their fair value at the acquisition date or control assumption, such measurement can be completed within twelve months after the date of acquisition. The excess of the consideration transferred plus the fair value of any previously held interests and non-controlling interests over the fair value of the identifiable net assets acquired is recognized as goodwill (Note 2.2.c)). If the difference between the acquisition price plus the fair value of any interests previously held and the value of non-controlling interests and the fair value of identifiable net assets and liabilities acquired is negative, it is recognized as income for the year under "Other Income "after reconfirmation of the fair value attributed to the net assets acquired. The Sonae Group will choose on transaction-by-transaction basis, the fair measurement of non-controlling interests, (i) according to the non-controlling interests share assets, liabilities and contingent liabilities of the acquired, or (ii) according to their fair value.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of gain of control or up to the effective date of loss of control, as appropriate.

Adjustments to the financial statements of Sonae companies are performed, whenever necessary, in order to adapt accounting policies to those used by Sonae. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on the consolidation process.

## b) Investments in jointly controlled companies and associated companies

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement instead of rights to the assets and obligations for the liabilities of the joint arrangement. Joint control is obtained by contractual provision and exists only when the associated decisions have to be taken unanimously by the parties who share control.

In situations where the investment or financial interest and the contract concluded between the parties allows the entity holds joint control directly on the active or detention rights obligations inherent liabilities related to this agreement, it is considered that such joint agreement does not correspond to a joint venture but rather a jointly controlled operation. As at 31 December 2017 and 2016 the Group not held jointly controlled operations.

Financial investments in associated companies are investments where Sonae has significant influence, but in which it does not have control or joint control. Significant influence (presumed when contributions are above 20%) is the power to participate in the financial and operating decisions of the entity, without, however, holding control or joint control over those decisions.

Investments in joint ventures and associates are recorded under the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to Sonae in comprehensive income (including net profit for the period) of jointly controlled entities and associates, against the Group's comprehensive income or gains or losses for the year as applicable, and dividends received.

The excess of cost of acquisition over the fair value of identifiable assets and liabilities of each joint venture and associate at the acquisition date is recognized as goodwill, and is kept under which is included in the caption Investment in jointly controlled and associated companies (Note 2.2.c)). Any excess of Sonae’s share in the fair value of the identifiable net assets acquired over cost are recognized as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired under the caption “Share of results of joint ventures and associates undertakings”.

An assessment of investments in jointly controlled and associated companies is performed when there is an indication that the asset might be impaired being any impairment loss recorded in the income statement. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When Sonae's share of losses exceeds the carrying amount of the investment, the investment is reported at null value and recognition of losses is discontinued, unless Sonae is committed beyond the value of its investment.

Sonae's share in not performed gains not related arising from transactions with jointly controlled and associated companies are eliminated in proportion to Sonae´s interest in the above-mentioned entities against the investment on the same entity. Unrealized losses are as well eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

When the not performed gains or losses on transactions correspond to business activities, and taking into consideration the inconsistency existing between currently the requirements of IFRS 10 and IAS 28, Sonae, taking into account the defined in amendment to IFRS 10 and IAS 28 proceeds to full gain/loss recognition in situations where there is loss of control of that business activity as a result of a transaction with a joint venture.

Investments in jointly controlled and associated companies are disclosed in Note 52.

## c) Goodwill

The excess of consideration transferred in the acquisition of investments in subsidiaries, jointly controlled and associated companies plus the amount of any non-controlling interests (in the case of affiliated companies) over Sonae's share in the fair value of the identifiable assets, liabilities and contingent liabilities of those companies at the date of acquisition, when positive, is shown as goodwill (Note 10) or as Investments in jointly controlled and associated entities (Note 11). The excess of the consideration transferred in the acquisition of investments in foreign companies the amounts of any non-controlling interests (in the case of affiliated companies) over the fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Sonae's functional currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are recorded and disclosed in "Currency translation reserves".

Future contingent consideration is recognized as a liability, at the acquisition-date, according to its fair value, and any changes to its value are recorded as a change in the goodwill, but only as long as they occur during the measurement period (until 12 months after the acquisition-date) and as long as they relate to facts and circumstances prior to that existed at the acquisition date, otherwise these changes must be recognized in profit or loss on the income statement.

Transactions regarding the acquisition of additional interests in a subsidiary after control is obtained, or the partial disposal of an investment in a subsidiary while control is retained, are accounted for as equity transactions impacting the shareholders' funds captions, and without giving rise to any additional goodwill and without any gain or loss recognised.

When a disposal transaction generates a loss of control, assets and liabilities of the entity are derecognised, any interest retained in the entity sold is be remeasured at fair value and any gain or loss calculated on the sale is recorded in results.

Goodwill is not amortised, but it is subject to impairment tests on an annual basis or whenever there are indications of impairment to check for impairment losses to be recognized. Net recoverable amount is determined based on business plans used by Sonae management or on valuation reports issued by independent entities namely for real estate assets. Goodwill impairment losses recognized in the period are recorded in the income statement under the caption "Provisions and impairment losses".

Impairment losses related with goodwill will not be reversed.

The goodwill, if negative is recognized as income in the profit or loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

### d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the financial statements of foreign companies are translated to euro using exchange rates at date of the statement of financial position. 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 “Translation Reserves” in “Other Reserves and Retained Earnings”. Exchange rate differences that were 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 statement of financial position date.

Whenever a foreign company is sold (totally or partially), accumulated exchange rate differences are recorded in the income statement as a gain or loss on the disposal, in the caption Investment income, when there is a control loss; in the case where there is no control loss, it is transferred to non-controlling interests.

Exchange rates used on translation of foreign group, jointly controlled and associated companies are listed below:

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|---|---|---|---|
| | End of exercice | Average of exercise | End of exercice | Average of exercise |
| US Dollar | 0.83382 | 0.88717 | 0.94868 | 0.90407 |
| Swiss Franc | 0.85455 | 0.90056 | 0.93119 | 0.91745 |
| Pound Sterling | 1.12710 | 1.14142 | 1.16798 | 1.22385 |
| Brazilian Real | 0.25171 | 0.27834 | 0.29150 | 0.26105 |
| Australian Dollar | 0.65164 | 0.67985 | 0.68512 | 0.67257 |
| Mexican Peso | 0.04226 | 0.04696 | 0.04593 | 0.04846 |
| Turkish Lira | 0.21995 | 0.24336 | 0.26975 | 0.29955 |
| Mozambican Metical | 0.01418 | 0.01399 | 0.01327 | 0.01489 |
| Angolan Kwanza | 0.00496 | 0.00530 | 0.00567 | 0.00545 |
| Polish Zloty | 0.23941 | 0.23494 | 0.22674 | 0.22924 |

## 2.3 Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition or production cost, or revalued 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 that date is recorded at acquisition cost, net of depreciation and accumulated impairment losses.

Depreciation is calculated on a straight line basis, according to the estimated life cycle for each group of goods, starting from the date the asset is available for use in the necessary conditions to operate as intended by the management, and recorded against the income statement caption “Depreciation and amortization” in the consolidated income statements.

Impairment losses identified in the recoverable amounts of tangible assets are recorded in the year in which they arise, by a corresponding charge against, the caption “Provisions and impairment losses” in the profit and loss statement.

The depreciation rates used correspond to the following estimated useful lives:

| | Years |
|---|---|
| Buildings | 10 to 50 |
| Plant and machinery | 10 to 20 |
| Vehicles | 4 to 5 |
| Tools | 4 to 8 |
| Fixture and fittings | 3 to 10 |
| Other tangible assets | 4 to 8 |

Maintenance and repair costs relating 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 become ready for use.

Gains or losses on sale or 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 income” or “Other expenses”.

## 2.4 Investment properties

The group´s investment properties are mainly property held by Sonae Sierra and its subsidiaries which are recorded under the equity method (Note 11).

Investment properties consist, mainly, in buildings and other constructions held to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or for sale in the ordinary course of business.

Investment properties are recorded at their fair value performed by an independent assessor. Changes in fair values of investment properties are accounted for in the period in which they occur, in the income statement.

Assets which qualify as investment properties are recognized as such when they start being used or, in the case of the investment properties in progress, when their development is considered irreversible, as mentioned in the above conditions. Until the moment the asset is qualified as investment property, the same asset is booked at historical or production cost in the same way as a tangible asset (Note 2.3). Since that moment, the investment properties in progress are recorded at their fair value. The difference between cost (of acquisition or production) and the fair value at that date is accounted for in the consolidated income statement.

Expenses incurred with investment properties in use, namely maintenance, repairs, insurance and property taxes are recognised as an expense in the statement of profit and loss for the year to which they relate. The improvements estimated to generate additional economic benefits are capitalised.

## 2.5 Intangible assets

Intangible assets are stated at acquisition or production cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is probable that future economic benefits will flow from them, if they are controlled by Sonae and if their cost can be reasonably measured.

Research expenditure associated with new technical knowledge is recognized as an expense recorded in the income statement when it is incurred.

Expenditure on development is recognized as an intangible asset if Sonae 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 for Sonae is probable are capitalized as intangible assets. According to this assumption, the costs are initially accounted for as expenses, being capitalized as intangible assets by mean of “Own work capitalized” (Note 39).

The expenses incurred with the acquisition of client portfolio's (attributed value relating to the allocation of the purchasing price in business activity concentration) are stated as intangible assets and amortized on straight-line bases, during the average estimated period of portfolio's client retention.

Brands and patents are recorded at their acquisition cost and are amortized on a straight-line basis over their respective estimated useful life. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

Amortization is calculated on a straight-line basis, as from the date the asset is first used, over the expected useful life which usually is between 3 and 12 years and recorded in the caption of " Depreciations and Amortizations", in the income statement.

## 2.6 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.

The analysis of the transfer of risks and rewards of ownership of the asset takes into account several factors, including whether or not ownership is contractually conditioned to assume ownership of the asset, the value of minimum future payments over the contract, nature of the leased asset and the duration of the contract taking into consideration the possibility of renewal, when that renewal is considered to be probable.

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.

### a) Accounting for leases where Sonae is the lesses

Tangible assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interests included in lease payments and the depreciation of the tangible assets is recognized as expenses in the profit and loss statement for the period to which they relate.

In operating leases, rents are recognized as expenses in the income statement on a straight line basis over the lease period.

Possible incentives received related with leases are recorded as liabilities and recognized in a straight line over the lease period. Similarly amounts to be offset against future income are recognized as assets and reversed over the lease period.

### b) Accounting for leases where Sonae is the lessor

The accounting for leases where Sonae is the lessor, the value of allocated goods is kept on Sonae statement of financial position and income is recognized on a straight line basis over the period of the lease contract.

### c) The accounting treatment of Sale and Leaseback operations

The accounting treatment of Sale and Leaseback operations depends on the substance of the transaction by applying the principles explained previously on lease agreements. In case of sale of assets followed by operating lease contracts, the Company recognizes a gain related with the fair value of the asset sold deducted from the book value of the leased asset. In situations where the assets are sold for an amount higher than its fair value or when the Group receives a higher price as compensation for expenses to be incurred, namely with costs that are traditionally the owner's responsibility, such amounts is deferred over the lease period.

## 2.7 Non-current assets held for sale

The non-current assets (or disposal group) are recorded as held for sale if it is expected that the book value will be recovered through the sale and not through the use in the operations. This condition is achieved only if the sale is highly probable and the asset (or disposal group) is available for the immediate sale in the actual conditions. Additionally, there must be in progress actions that should allow concluding the sale within 12 months counting from the classification´s date in this caption. The non-current assets (or disposal group) recorded as held for sale are booked at the lower amount of the historical cost or the fair value deducted from costs, not being amortised after being classified as held for sale.

## 2.8 Government grants and other public entities

Government grants are recorded at fair value when there is reasonable assurance that they will be received and that Sonae will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognised as income in the same period as the relevant expense.

Grants related to depreciable assets are disclosed as “Other non-current liabilities” and are recognised as income on a straight line basis over the expected useful lives of those underlying assets.

## 2.9 Impairment of non-current assets, except for 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.

In situations where the use of the asset will be expectedly discontinued (stores to be closed or on the remodeling processes) the Group performs a review of the asset´s useful life after considering its impact on the value of use of that asset far terms of impairment analysis, particularly on the net book value of the assets to derecognise.

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 as Operational income. 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.

## 2.10 Financial expenses relating to loans obtained

Financial expenses related to loans obtained are usually recognised as an expense in the period in which they are incurred.

Financial expenses related to loans obtained directly attributable to the acquisition, construction or production of tangible and intangible assets, real estate projects classified as inventories or investment properties are capitalised as part of the cost of the qualifying asset. Financial expenses related to loans obtained are capitalised from the beginning 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.

## 2.11 Inventories

Consumer goods are stated at the lower of cost deducted from discounts obtained and net realisable value. Cost is determined on a weighted average basis.

Finished goods and intermediate and work in progress are stated at the lower of cost of the weighted average production cost or net realisable value. Production cost includes cost of raw materials, labour costs and overheads.

Differences between cost and net realisable value, if negative, are shown as expenses under the caption "Cost of goods sold", as well as impairment reversals.

## 2.12 Provisions

Provisions are recognised when, and only when, Sonae 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.

Restructuring provisions are recorded by Sonae whenever a formal and detailed restructuring plan exists and that plan has been communicated to the parties involved.

## 2.13 Financial instruments

Sonae classifies the financial instruments in the categories presented and conciliated with the consolidated balance sheet disclosed in Note 7.

### 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 Sonae has the intention and ability to hold them until the maturity date.

The investments measured at the fair value through profit or loss include the investments held for trading that Sonae acquires with the purpose of trading in the short term. They are classified in the consolidated balance sheet as current investments.

Sonae classifies as available-for-sale investments those that are neither included as investments measured at fair value through profit or loss neither as investments held to maturity. These assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

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 apart from investment measured at fair value through results, in which the investments are initially recognised at fair value and transaction costs are recognised in the income statement.

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 not listed 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 “Investments 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. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

In the case of investments in equity securities classified as available for sale, an investment is considered to be impaired when there is a significant or prolonged decline in its fair value below its cost of acquisition.

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 under "Gains and losses on investments recorded at fair value through profit or loss" in the consolidated income statement.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

### b) Loans and accounts receivable

Loans and non-current accounts receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when Sonae provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, when they are classified as non-current assets. Loans and receivables are included in the captions presented in Note 7.

### c) Trade accounts receivable and other accounts receivable

"Trade accounts receivables" and "Other accounts receivable" are recorded at their nominal value and presented in the consolidated balance sheet net of eventual impairment losses, recognised under the allowance account "Impairment losses on accounts receivable". These captions, when classified as current, do not include interests because the effect of discounting would be immaterial.

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received. Therefore, each Sonae company takes into consideration market information that indicates:

- significant financial difficulty of the issuer or counterparty;

- default or delinquency in interest or principal payments;

- becoming probable that the borrower will enter bankruptcy or financial re-organisation.

When it's not feasible to assess the impairment for every single financial asset, the impairment is assessed on a collective basis. Objective evidence of impairment of a portfolio of receivables could include Sonae's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year the discount is considered null as it is immaterial.

### 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.

Equity instruments are contracts that evidence a residual interest in the assets of Sonae after deducting all of its liabilities. Equity instruments issued by Sonae are recorded at the proceeds received, net of direct issue costs.

### e) 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 caption "Financial income" and "Financial expenses" in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.10. 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.

Funding on the form of commercial paper are classified as non-current, when they have guarantees of placing for a period exceeding one year and it is the intention of the group to maintain the use of this form of financing for a period exceeding one year.

### f) Loans convertible into shares

The component parts of compound instruments, namely convertible bonds, issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group´s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument´s maturity date.

The conversion option classified as equity is estimated by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity. The conversion option classified as equity will remain in equity until the conversion option is exercised. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognized in equity will be transferred to retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

### g) Trade accounts payable and other creditors

Accounts payable are stated at their nominal value, as they do not bear interests and the effect of discounting is considered immaterial.

### h) Confirming

Some subsidiaries within the retail business maintain agreements with financial institutions in order to enable its suppliers to an advantageous tool for managing its working capital by the confirmation by these subsidiaries of the validity of invoices and credits that these suppliers hold over these companies.

Under these agreements, some suppliers freely engage into contracts with these financial institutions that allow them to anticipate the amounts receivable from these retail subsidiaries, after confirmation of the validity of such receivables by these subsidiaries.

These retail subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as accounts payable to “Suppliers” until the normal maturity of these instruments under the general supply agreement established between the company and the supplier, whenever (i) the maturity corresponds to a term used by the industry in which the company operates, this means that there are no significant differences between the payment terms established with the supplier and the industry , and (ii) the company does not have net costs related with the anticipation of payments to the supplier when compared with the payment within the normal term of this instrument. In some situations, such subsidiaries receive a commission from the financial institutions.

In the due date of such invoice, the amount is paid by the subsidiaries to the financial institution regardless whether or not it anticipated those amounts to the suppliers.

### i) Derivatives

Sonae uses derivatives in the management of its financial risks to hedge such risks and-or in order to optimize the “funding costs”.

Derivatives classified as cash flow hedging instruments are used by the Sonae mainly to hedge interest risks on loans obtained and exchange rate. Conditions established for these cash flow hedging 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. The inefficiencies, if any, are accounted under “Financial income” or “Financial expenses” in the consolidated income statement.

Sonae’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 transaction being hedged is highly probable.

Cash flow hedge instruments used by the Sonae to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost, if any, which corresponds to its fair value, 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 recognized in the income statement over the same period in which the hedged instrument affects profit or loss.

The accounting of hedging 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 or stay in equity if there is a high probability that the hedge transaction will occur. Subsequent changes in the revaluations are recorded in the income statement.

Sonae also uses financial instruments with the purpose of cash flow hedging, that essentially refer to exchange rate hedging ("forwards") of loans and commercial operations. If they configure a perfect hedging relation, hedge accounting is used. In certain situations, such as loans and other commercial operations, they do not configure perfect hedging relations, and so do not receive hedge accounting treatment, although they allows in a very significant way, the reduction of the loan and receivable-payable exchange volatility, nominated in foreign currency.

Sonae may agree to become part of a derivative transaction in order to hedge cash-flows related to exchange rate risk. In some cases, these derivatives may not fulfil the criteria for hedging accounting under IAS 39, and if so changes in their fair value are recognized in the income statement.

In some derivative transactions Sonae does not apply “hedge accounting”, although they intend to hedge cash-flows (currency “forward”, interest’s rate option or derivatives including similar clauses). They are initially accounted for at value, and subsequently adjusted to the corresponding fair value, determined by specialized software. Changes in fair value of these instruments are recognized in the income statement under “Financial income” and “Financial expenses”.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics of the host contract, and these are not stated at fair value, gains and losses which are not realizable are recorded in the Income Statement.

Sonae may agree to become part of a derivative transaction in order to fair value hedge some interest rate exposure. In these cases, derivatives are recorded at fair value through profit or loss and the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, if not stated at fair value (namely loans recorded at amortised cost), through profit or loss.

## j) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in “Other reserves”, included in “Others reserves and retained earnings”.

## k) Cash and cash equivalents

Amounts included under the caption “Cash and cash equivalents” correspond to 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 “Other loans”.

All the amounts included in this caption can be reimbursed at demand as there are no pledges or guarantees over these assets.

### l) shared based-payments

Share-based payments result from deferred performance bonus plans that are referenced to Sonae SGPS share price and/or that of its publicly listed affiliated companies and vest within a period of 3 years after being granted.

When the plans set out by Sonae are settled through the delivery of treasury shares, the value of this responsibility is determined at the time of assignment based on the fair value of shares allotted and recognized during the period of deferment of each plan. The responsibility is posted in equity, in the caption “Other revenues and retained earnings” against “staff costs”.

When the settlement is made in cash, the value of these responsibilities are determined on the grant date (usually in April of each year) and subsequently remeasured at the end of each reporting period, based on the number of shares or options granted and the corresponding fair value at the closing date. These obligations are stated as “staff costs” and “other liabilities” 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.

## 2.14 Contingent assets and liabilities

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

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.

## 2.15 Income tax and other tax

The tax charge for the year is determined based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation.

Deferred taxes are calculated using the statement of financial position 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 when the temporary differences are expected to reverse.

Deferred tax assets are recognized 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 recognized and expected to reverse in the same period. At each statement of financial position date, a review is made of the deferred tax assets recognized, being reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities 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.

The value of taxes recognised in the financial statements correspond to the understanding of Sonae on the tax treatment of specific transactions being recognised liabilities relating to income taxes or other taxes based on interpretation that is performed and what is meant to be the most appropriate.

In situations where such positions will be challenged by the tax authorities as part of their skills by your interpretation is distinct from Sonae, such a situation is the subject of review. If such a review, reconfirm the positioning of the Group concluded that the probability of loss of certain tax process is less than 50% Sonae treats the situation as a contingent liability, i.e. is not recognized any amount of tax since the decision more likely is that there will be no place for the payment of any tax. In situations where the probability of loss is greater than 50% is recognized a provision, or if the payment is recognized the cost associated.

In situations in which payments were made to Tax Authorities under special schemes of regularization of debts, in which the related tax is Income Tax, and that cumulatively keep the respective lawsuits in progress and the likelihood of success of such lawsuits is greater than 50%, such payments are recognized as assets, as these amounts correspond to determined amounts, which will be reimbursed to the entity, (usually with interests) or which may be used to offset the payment of taxes that will be due by the group, in which case the obligation in question is determined as a present obligation. In situations where payments correspond to other taxes, such amounts are recorded as expenses, although the Group's understanding is that they will be reimbursed plus interest.

## 2.16 Accrual basis and revenue recognition

Revenue from the sale of goods is recognized 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 recognized 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 associated with extended warranties operations, which are granted for a period of 1 to 3 years, after the legally binding warranty of 2 years, by the specialized retail operating Segment, and are recognized in a straight line basis over the warranty lifetime period. The revenue associated with warranties sold but for which the legal binding warranty hasn´t yet expired is accounted under the captions of the Statement of Financial Position "Other non current liabilities" and “Other current liabilities “ (Notes 27 and 31).

The revenues and costs of the consultancy projects developed in the information systems consultancy segment are recognised in each period, according to the percentage of completion method.

The deferral of revenue related with customer loyalty plans, awarding discounts on future purchases, by the food Retail Operating Segment, is quantified taking into account the probability of exercising the above mentioned discounts and are deducted from revenue when they are generated. The corresponding liability is presented under the caption “other creditors”.

Dividends are recognized as income in the year they are attributed to the shareholders.

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 recognized in the income statement.

## 2.17 Supplementary Income

Supplementary income mainly relates to commercial revenues, which includes amounts relating to supplier’s agreements and other partners that have the objective of carrying out an in-store service (flyers, product placement, in store advertising, etc. ...) or contribution in promotional campaigns for partner´s products. Commercial revenues are to be formally agreed, with the identification of the dates of the service or for the promotional campaign and value agreement with the partner. These amounts are accounted as other operating income considering in particular the dates of execution of the campaigns, except when directly related to sales of specific products. In these case they are recorded as a deduction in the cost of goods sold. Commercial revenue agreements lead to the issuance of financial document(s) to suppliers, which are discounted in future invoice payments or through direct collection to partners. The amounts that have not yet been invoiced to the supplier are recorded under "Other current assets".

## 2.18 Balances and transactions expressed in foreign currencies

Transactions are recorded in the separate financial statements of the subsidiaries in the functional currency of the subsidiary, using the rates in force on the date of the transaction.

At each statement of financial position 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 statement of financial position, 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.

When Sonae wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.13.i)).

## 2.19 Subsequent events

Events after the statement of financial position date that provide additional information about conditions that existed at the statement of financial position date are reflected in the consolidated financial statements. Events after the statement of financial position date that are non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 2.20 Judgements and estimates

The most significant accounting estimates reflected in the consolidated income statements include:

a) Useful lives of the tangible and intangible assets;

b) Impairment analysis of goodwill in investments in associated companies and jointly controlled entities and of tangible and intangible assets;

c) Recognition of adjustments on assets, provisions and contingent liabilities;

d) Determining the fair value of investment properties and derivative financial instruments;

e) Recoverability of deferred tax assets;

f) Valuation at fair value of assets, liabilities and contingent liabilities in business combination transactions.

Estimates used are based on the best information available during the preparation of consolidated financial statements and are based on best knowledge of past and present events. Although future events are neither controlled by Sonae nor foreseeable, some could occur and have impact on the estimates. Changes to estimates that occur after the date of these consolidated financial statements, will be recognized in net income, in accordance with IAS 8, using a prospective methodology.

The main estimates and assumptions in relation to future events included in the preparation of consolidated financial statements are disclosed in the corresponding notes.

### 2.21 Insurance and reinsurance contracts

In order to optimise insurance costs, Sonae, through a wholly owned subsidiary, enters into reinsurance operations over non-life insurance contracts entered into by subsidiaries and related of the Efanor Group.

The subsidiary of Sonae acts like an intermediate in the assurance operations as a way to optimise insurance coverage and retention levels in accordance with the needs of each business, ensuring effective insurance management worldwide. The retained risk is immaterial in the context of reinsurance carried out.

Premiums written on non-life insurance contracts and associated acquisition costs are recognized as income and cost on a prorate basis over the term of the related risk periods, through changes in the provision for unearned premiums.

The provision for unearned premiums reflects the portion of non-life insurance premiums written attributable to future years, namely the portion corresponding to the period between the statement of financial position date and the end of the period to which the premium refers. It is calculated, for each contract in force.

In Provision for claims (Note 32) is recorded the estimated amounts payable for claims, including claims that have been incurred but not reported and future administrative costs to be incurred on the settlement of claims under management. Provisions for claims recorded by Sonae are not discounted.

Reinsurer's share of technical provisions (Assets – Note 13) are determined by applying the above described criteria for direct insurance, taking into account the percentages ceded, in addition to other clauses existing in the treaties in force.

At each statement of financial position date, Sonae assess the existence of evidence of impairment on assets originated by insurance or reinsurance contracts.

### 2.22 Segment information

Information regarding operating segments identified is included in Note 6.

### 2.23 Legal reserves, other reserves and retained earnings

Legal reserves:

Portuguese commercial legislation requires that at least 5% of annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in the case of liquidation of the company, but it may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Hedging reserve:

The Hedging reserve reflects the changes in fair value of “cash flow” hedging derivatives that are considered as effective (Note 2.13.i) and is not distributable or used to cover losses.

Currency translation reserve:

The currency translation reserve corresponds to exchange differences relating to the translation from the functional currencies of the Sonae's foreign subsidiaries and joint ventures into Euro, in accordance with the accounting policy described in Note 2.2.d).

Fair value reserve:

This reserve arises on the revaluation of available-for-sale financial assets as mentioned in Note 2.13.a).

Reserves for the medium-term incentive plan are included in "other reserves":

According to IFRS 2 – "Share-based Payments", responsibility with the medium-term incentive plans settled through delivery of own shares is recorded, the credit, under the caption Reserves for the medium-term incentive plan, and is not distributable or used to cover losses.

### 2.24 Option premium embedded in convertible bonds

The balance recognized in equity corresponds to the initial fair value valuation of the equity component that fulfils with the definition of equity instrument (Note 2.13.f)). This reserve is not distributable, being transferred to retained earnings or to other reserves, at maturity date, or being recognized as premium in the event of conversion into the company's own shares.

## 3 Financial risk management

### 3.1 Introduction

The ultimate purpose of financial risk management is to support Sonae in the achievement of its strategy, reducing unwanted financial risk and volatility and mitigate any negative impacts in the income statement arising from such risks. Sonae'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 does not aplly into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

Due to its diversified nature Sonae is exposed to a variety of financial risks, consequently each Sub-holding is responsible for, where applicable, setting its own financial risk management policies, to monitor their own exposure and to implement their approved policies. Therefore for some risks there are not Sonae global risk management policies, but rather, where appropriate, customized risk management policies at Sub-holding level, existing, however, common guiding principles. Financial risk management policies are approved by each Executive Committee and exposures are identified and monitored by each Sub-holding Finance Department. Exposures are also monitored by the Finance Committee as mentioned in the Corporate Governance Report.

The Finance Committee coordinates and reviews, amongst other responsibilities, global financial risk management policies. The Finance Department of Sonae Holding is responsible for consolidating and measuring the Company's financial risk exposure, being also responsible for assisting each Sub-holding in managing their own currency, interest rate, liquidity and refinancing risks trough the Corporate Dealing Desk. Exposures are recorded in a main system (Treasury Management System). Risk control and reporting is carried out both at Sub-holding level, on a daily basis and on a consolidated basis for the monthly Finance Committee meeting.

### 3.2 Credit Risk

Credit risk is defined as the probability of a counterparty defaulting on its contractual obligations resulting in a financial loss. It is shown in two major ways:

#### 3.2.1 Credit risk arising from Financial Instruments

The credit risk management related to the Financial Instruments (investments and deposits in banks and other financial institutions or resulting from derivative financial instruments entered during the normal hedging activities) or loans to subsidiaries and associates, there are principles for all Sonae companies:

- Only carry out transactions (short term investments and derivatives) with counterparties that have a high national and international prestige and based on their respective rating notations taking into consideration the nature, maturity and size of the operations;

- Sonae only enters into eligible and approved financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made in a conservative approach (essentially consisting in short term monetary instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);

- In relation to excess funds: i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by existing relationships banks in order to reduce exposure on a net basis, and ii) may only be applied in pre-approved instruments;

- In some cases Sub-holdings can define more strict rules regarding counterparty exposure or more conservative policies;

- Any departure from the above mentioned policies needs to be pre-approved by the respective Executive Committee/Board of Directors.

Regarding to the policies and minimum credit rating, Sonae does not expect any material failure in contractual obligation from its external counterparties nevertheless exposure to each counterparty resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Sub-holding Finance Department and any departure is promptly reported to the respective Executive Committee/Board of Directors and to the Sonae Finance Committee.

### 3.2.2 Credit risk in operational and commercial activities of each business

In this case due to each business characteristics and consequently of different credit risk typology, each sub-holding determines the most appropriate policy, as described above. However the policies follow the same wide principles of: prudence, conservatism, and the implementation of control mechanism.

- Sonae Retail

Credit risk is very low, considering that most transactions are made in cash. In the remaining, in the relationship with customers is controlled through a system of collecting quantitative and qualitative information, provided by high prestige and liable entities that provide information on risks by obtaining suitable guarantees, aimed at reducing the risk of granting credit. Credit risk arises in the relationship with suppliers as a result of advances or debits for discounts and is mitigated by the expectation to maintain the business relationship.

- Sonae IM

The technology business exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk management purpose is to guarantee that the amounts owed by debtors are effectively collected within the periods negotiated without influencing the financial health of the Sub-holding. Sonaecom uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, which all contribute to the mitigation of credit risk.

- Sonae Sierra – Joint venture

The credit risk results essentially of the risk of credit of the tenants of the commercial centers managed by Sub-holding and of the other debtors. Shopping Centre storekeepers credit risk monitoring is made by the adequate assessment of risk before the storekeepers are accepted and by the establishment of conservative credit limits for each storekeeper.

-NOS – Joint venture

NOS is subject to credit risk in its operating and treasury activities. The credit risk associated with operations is essentially related to services provided to customer's credits. This risk is monitored on a regular basis business, with the goal of management is: i) limit the credit granted to customers, considering the average collection period of each client; ii) monitor the evolution of the level of credit granted; and iii) perform impairment tests to receivables on a regular basis.

- Sonae Holding

Sonae Holding does not have any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalents instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) in accordance with the principles mentioned in note 3.2.1).

Additionally, Sonae Holding may also be exposed to credit risk as a result of its portfolio manager activities (buying or selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis under the supervision of the Executive Committee (requesting bank guarantee, escrow accounts, obtaining collaterals, amongst others).

The amount related to customers, other debtors and other assets presented in Financial Statements, which are net of impairment losses represent maximum Sonae exposure to credit risk.

## 3.3 Liquidity risk

Sonae 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. As at 31 December 2017, the total gross debt (excluding shareholders loans) was 1,489 million euro (on 31 December 2016 was 1,571 million euro) excluding the contributions of Sonae Sierra, NOS and MDSs operating segments measured by the equity method.

The purpose of liquidity risk management is to ensure, at all times, that Sonae has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy. Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining with its relationship banks, a combination of short and medium term committed credit facilities, with sufficiently comfortable previous notice cancellation periods with a range that goes up to 360 days);

- Maintenance of commercial paper programs with different periods and terms, that allow, in some cases, to place the debt directly in institutional investors;

- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;

- Diversification of financing sources and counterparties;

- Ensuring an adequate average debt maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. At the end of 2017, Sonae´s average debt maturity was approximately 4.2 years (2016: 4.4 years) excluding the contributions of joint ventures Sonae Sierra, NOS and MDS which consolidated by the equity method;

- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;

- Where possible, by pre-financing forecasted liquidity needs, through transactions with an adequate maturity;

- Management procedures of short-term applications, assuring that the maturity of the applications will match with foreseen liquidity needs (or with a liquidity that allows to cover unprogrammed disbursements, concerning investments in assets), including a margin to hedge forecasting deviations. The margin of error needed in the treasury department prediction, will depend on the confidence degree and it will be determined by the business. The reliably of the treasury forecasts is an important variable to determinate the amounts and the periods of the market applications-borrowings.

The maturity of each major class of financial liabilities is disclosed in Notes 24, 25, 29, and 30, based on the undiscounted cash flows of financial liabilities based on the earliest date on which Sonae can be required to pay ("worst case scenario").

Sonae maintains a liquidity reserve in the form of credit lines together with the banks with which there are activities. This is to ensure the ability to meet its commitments without having to refinance itself in unfavorable terms. In 31 December 2017, the consolidated loan amount maturing in 2018 is of 269 million euro (361 million euro maturing in 2017) and in 31 December 2017 Sonae had 242 million euro available in consolidated credit lines (109 million euro in 2016) with commitment less than or equal to one year and 293 million euro (439 million euro in 2016) with a commitment greater than one year.

Additionally, Sonae held, as at 31 December 2017, cash and cash equivalents and current investments amounting to 365 million euro (341 million euro as at 31 December 2016).

Consequentially, Sonae 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, if needed.

## 3.4 Interest rate risks

### 3.4.1) Policies

As each business operates in different markets and in different business environments, there is no single policy applicable to Sonae, but rather policies adjusted to each Sub-holding exposure which one described below. As previously mentioned, Sonae exposure is regularly monitored by the Finance Committee, at a group level, and at each Sub-holding level. Although there is no wide risk management interest rate policy in what concerns the derivatives negotiation, there are principles that have to be followed by all the companies and that are referred below:

- Sonae hedging activities do not constitute a profit-making activity and derivatives are entered into without any speculation purpose;

- For each derivative or financial instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be consistent with the settlement dates of the hedging instruments to avoid any mismatch and hedging inefficiencies;

- For each derivative or financial instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be a perfect match between the base rate: the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction;

- Since the beginning of the transaction, the maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate);

- The counterparties of hedging instruments are limited to institutions of high prestige, national and international recognition and based on respective credit ratings, as described in 3.2. above. It is Sonae policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;

- In determining the fair value of hedging operations Sonae uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates, foreign exchange rates, volatility among others prevailing at the statement of financial position date. Comparative financial institution quotes for specific or similar instruments are used as benchmark for the valuation;

- All transactions have to be documented under ISDA's Agreements (International Swaps and Derivatives Association);

- All transactions which do not follow the rules mentioned above have to be individually approved by the respective Executive Committee/ Board of Directors, and reported to Finance Committee, namely transactions entered into with the purpose of optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

- Sonae Retail

Business exposure to interest rates arises mainly from long term loans which bear interests at Euribor.

Sonae Investimentos purpose is to limit cash-flows volatility and results, considering the profile of its operational activity, by using an appropriate mix of fixed and variable interest rate debt. Sonae Group policy allows the use of interest rate derivatives to decrease the exposure to Euribor fluctuations but does not allow for trading purpose.

- Sonae Sierra – Joint venture

Sonae Sierra's income and operating cash-flows are substantially independent of changes in market interests rates, as its cash and cash equivalents and its financing granted to other companies of the Group are dependent only of the evolution of the interest rates in Euro, which have had a minimum change.

In relation to long-term borrowings and in order to hedge the volatility of long term interest rates, Sonae Sierra uses, whenever appropriate, cash flow hedge instruments (swaps or zero cost collars), which represent perfect hedges of those long-term borrowings. In certain long-term borrowings Sonae Sierra chose to have a fixed interest rate in the first years of the financing agreement and will study afterwards the possibility to negotiate interest rate swaps or zero cost collars for the remaining period.

- NOS – Joint venture

The borrowings of NOS, except bonds, have variable interest rates, which exposes the group to the risk of cash flows interest rates. NOS has adopted a hedging policy by hiring "swap" interest rate to cover future payments of interest bonds and other loans.

- Sonae IM

In the technology business total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Group result or on its shareholders' equity is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility of using interest rate hedging derivative instruments, as mentioned below; (iii) possible correlation between the market interest rates levels and economic growth, the latter having a positive effect on other lines of the Sub-holding consolidated results (namely operational), thus partially offsetting the increase of financial costs ("natural hedge"); and (iv) the availability of consolidated liquidity or cash, also bearing interests at variable rates.

- Sonae FS

MDS exposure to interest rate arises essentially from short-term bank loans or loans payable to shareholders, which bears interests at Euribor market rates. The impact of this volatility on income or equity is mitigated by the following factors:

(i) controlled financial leverage with conservative use of bank lending;

(ii) probable correlation between the market interest rate levels and economic growth, the latter having a positive effect on other lines of the operating segment results (namely operational), thus partially offsetting the increased financial costs (“natural hedge”).

- Sonae Holding and others

Sonae Holding is exposed to interest rate risk in relation to the statement of financial position (loans and short-term investments) and the fair value of interest rate derivatives (swaps and options). A significant part of Sonae Holding's debt is indexed at variable rates, and interest rate derivatives can be used to convert part of the fixed rate floating rate debt (generally using interest rate swaps), or to limit the rate maximum to pay (usually using cap's).

Sonae Holding mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve, since hedging interest rate risk usually has an opportunity cost associated. Therefore, a more flexible approach is considered preferable to a more strict traditional approach. Part of the risk is also mitigated by the fact that Sonae Holding grants loans to its subsidiaries as part of its normal activities and thus there may be some degree of natural hedging on a company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae Holding hedging activities do not constitute a profit-making activity and derivatives are deemed to be entered into without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into.

### 3.4.2.) Sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest rate financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, these instruments are included in the calculation of income-related sensitivities;

- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognized at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7;

- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;

- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity;

- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense (gain/loss in change of the derivatives fair value) therefore it has taken into consideration in the sensitivity calculations for changes in interest rate;

- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;

- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under these assumptions, if euro interest rate of denominated financial instruments had been 75 basis points higher, the consolidated net profit before tax of Sonae for the period ended as at 31 December 2017 would decrease by approximately 8.4 million euro, (8.8 million euro decrease as at 31 December 2016).

## 3.5 Exchange rate risk

### 3.5.1) Policies

Sonae operates at an international level, having subsidiaries that operate in different jurisdictions, and so it is exposed to foreign exchange rate risk. As each Sub-holding operates in different markets and in different business environments, there is no standard policy for Sonae, but rather individual policies for each Sub-holding which are stated below. Sonae's currency exposures are divided into two levels: transaction exposures (foreign exchange exposures relating to contracted cash flows and statement of financial position items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (equity in foreign subsidiaries). Although there is not global management exchange rate risk policy in what concerns hiring derivatives to managing exchange interest risk, it also applies to all group companies, with the necessary adaptations, the principles referred at 3.4.1).

- Sonae Retail

The impact on the financial statements of changes in exchange rate is immaterial, as the most part of the transactions are denominated in euro. Sonae Investimentos is mainly exposed to exchange rate risk through transactions relating to acquisitions of goods in international markets, which are mainly in US Dollars.

The exchange risk management purpose is to provide a stable decision platform when deciding and negotiating the purchases of inventories establishing fixed exchange rates. The hedging accompanies all the purchase process, since procurement up to the formal agreement of purchase.

The exchange risk exposure is monitored through the purchase of forwards with the goal of minimizing the negative impacts of volatility in exposure level as a consequence of changes of the amounts of imports denominated in other currencies rather than euro.

- Sonae Sierra – Joint venture

The main activity of each company included in consolidation is developed inside its country of origin and consequently the majority of the company transactions are maintained in its functional currency. The policy to hedge this specific risk is to avoid, if possible, the contracting of services in foreign currency.

- NOS – Joint venture

The risk of exchange rate is mainly related to exposure resulting from payments made to terminal equipment suppliers and producers of audio-visual content for the TV business by subscription and audio-visual, respectively. Commercial transactions between NOS and these suppliers are denominated mostly in American dollars.

Considering the balance of accounts payable resulting from transactions denominated in currencies other than the functional currency of the group, NOS hires or can hire financial instruments such as short-term currency forwards to hedge the risk associated with these balances.

- Sonae IM

In the Business Multimedia and Information Systems operates internationally, having subsidiaries that operate in Brazil, United Kingdom, Poland, United States of America, Mexico, Australia, Egypt, Malaysia, Chile, Panama, Singapore among others and so it is exposed to foreign exchange rate risk.

Foreign exchange risk management seeks to minimize the volatility of investments and transactions made in foreign currency and contributes to reduce the sensitivity of Sonaecom results to changes in foreign exchange rates.

Whenever possible, Sonaecom uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, Sonaecom adopts derivatives financial hedging instruments.

Sonaecom exposure to exchange rate risk results mainly from the fact that some of its subsidiaries report in currencies other than the Euro, the risk relating to the operations being insignificant.

- Sonae FS

Insurance brokerage activity is developed in different countries. When transactions are made in a different currency than the one in the country where the entity operates, exposure to exchange rate risk is minimized by hiring hedging derivatives.

- Sonae Holding

Due to the nature of holding company, Sonae Holding, has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise foreign exchange risk management seeks to minimize the volatility of such transactions made in foreign currency and to reduce the impact on the Profit and loss of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae Holding hedges such exposures mainly through forward exchange rate contracts. For uncertain exposures, options may be considered, subject to previous approval from the company's Executive Committee.

### 3.5.2) Exposure and sensitivity analysis

As at 31 December 2017 and 2016 Sonae amounts of assets and liabilities (in euro) denominated in a currency different from the subsidiary functional currency were the following:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| Euro | - | - | 797,254 | 1,402,138 |
| Brazilian Real | - | - | 545,014 | 1,038,401 |
| British Pound | 1,075,847 | 1,024,603 | 133,152 | 660,464 |
| US Dollar | 13,389,239 | 11,781,708 | 27,974,391 | 24,789,881 |
| Other Currencies | 734,478 | 923,257 | 835,774 | 81,146 |

The amounts presented above, only include assets and liabilities expressed in different currency than the functional currency used by the affiliated or jointly controlled company. Therefore it does not represent any risk of financial statements translation. Due to the short-term character of the majority of monetary assets and liabilities and the magnitude of its net value, the exposure to currency risk is immaterial and therefore a sensitivity analysis to changes in the exchange rate isn't disclosed.

## 3.6 Price and capital market risks

Sonae is exposed to equity price risk arising from equity investments, held for strategic rather than for trading purposes as the group does not actively trade these investments, which are disclosed in Note 11.

Sonae is exposed to risks arising from changes in Sonae Holding share price due responsibilities related with the remuneration policy described in Sonae Corporate Governance report, as explained in Note 28.

In 2007, Sonae entered into a Total Return Swap (TRS) with Sonae Holding shares as underlying. As explained in Note 22, the Total Return Swap precluded the derecognition of those own shares, and as such, a change in the Sonae Holding share price will have an impact on the cash flows by means of TRS cash settlements. If, as at 31 December 2017, Sonae price had been 1% higher/lower, Sonae would not have receiving/ payments euro (at 31 December 2016 Sonae would not have additional receiving/payments of 877 thousand euro).

### 3.7 Capital risk

The capital structure of Sonae, determined by the proportion of equity and net debt is managed in order to ensure continuity and development of its operations, maximize the return on shareholders and optimize financing costs.

Sonae periodically monitors its capital structure, identifying risks, opportunities and the necessary adjustment measures for the achievement of these objectives.

Sonae presented in 2017 an average gearing (countable) of 0.6 x (0.7 x in 2016). The average gearing at market values in 2017 was 0.6 x (0.8 x in 2016).

## 4 Restatement of Financial Statement

### 4.1 Imputation of the fair value of the acquired assets and liabilities of Salsa

IVN – Serviços Partilhados, SA holds the brand Salsa which is a Portuguese brand of jeanswear of international renown, recognized for its entrepreneurial spirit and the development of innovative products. Being a truly international company, its products can be found in about 2,000 points of sale in 32 countries.

Following the acquisition of these companies, a preliminary assessment was made regarding the fair value of the assets acquired and the liabilities assumed. The fair value was determined through various valuation methodologies for each type of asset or liability, based on the best information available. The main adjustments to fair value made under this process were:

(i) Wholesale customer portfolio amounting 35.5 million euro, valued based on the discounted cash-flow methodology, using discount rates based on the weighted average cost of the segment's capital (11%), and considering an average retention rate of 9.4% for wholesale customers. These portfolios will be amortized on a straight-line basis based on the estimated average retention period of customers (10 years);

(ii) Salsa brand (51 million euro) was valued based on the methodology of the released royalties, using for this purpose the discount rates based on weighted average cost of capital of the segment where the companies fall (11%) and a royalty rate of 4%, and for which was not estimated a defined useful life;

(iii) Real estate assets in Salsa (15.8 million euro) were valued based on a preliminary external valuation of the mentioned assets, which had been obtained prior to the acquisition, the new evaluation process was completed in 31 May 2017, this evaluation resulting in reduction of the fair value calculated on 31 December 2016 in the amount of 4,384,000 euro; and

(iv) contingent liabilities in Salsa relating to present obligations in the amount of 6 million euro, over which there were also recognized indemnifying assets as contractually supported;

For the remaining assets and liabilities were not to date identified significant differences between the fair value and the respective book value. As usually happens in the concentrations of business activities also in this operation could not be assigned, in accounting terms, the fair value of identifiable assets and liabilities assumed part of the cost of acquisition, being that recognized component as goodwill and recorded under the caption Intangible Assets.

The above valuations correspond to Level 3 of Fair Value, in accordance with IFRS 13.

As this acquisition occurred at the end of June 30, 2016 only during the first half of 2017, was possible to complete the fair value calculation exercise and Goodwill calculation. The impact of this external evaluations in the consolidated financial statements as at 31 December 2016 was as follows:

| | 31 Dec 2016 | | |
|---|---|---|---|
| Amounts in thousands of euro | Before the restatement | Adjustments to fair value Salsa | After the restatement |
| Assets | | | |
| Tangible and intagible assets | 1,986,858 | (4,384) | 1,982,474 |
| Goodwill | 653,753 | 1,732 | 655,484 |
| Investments | 1,383,055 | - | 1,383,055 |
| Deferred tax assets | 61,361 | - | 61,361 |
| Other non-current assets | 19,226 | - | 19,226 |
| Non-current assets | 4,104,253 | (2,652) | 4,101,601 |
| Inventories | 696,298 | - | 696,298 |
| Trade account receivables | 116,004 | - | 116,004 |
| Other current assets, including assets held for sale | 250,921 | - | 250,921 |
| Investments | 4,369 | - | 4,369 |
| Cash and cash equivalents | 340,920 | - | 340,920 |
| Current assets | 1,408,512 | - | 1,408,512 |
| Total assets | 5,512,766 | (2,652) | 5,510,113 |
| Liabilities | | | |
| Borrowings | 1,209,828 | - | 1,209,828 |
| Other non-current liabilities | 21,557 | - | 21,557 |
| Deferred tax liabilities | 114,371 | (921) | 113,450 |
| Provisions | 25,848 | - | 25,848 |
| Non current liabilities | 1,371,604 | (921) | 1,370,683 |
| Borrowings | 361,212 | - | 361,212 |
| Trade creditors and other current liabilities including liabilities held for sale | 1,715,511 | - | 1,715,511 |
| Current liabilities | 2,076,723 | - | 2,076,723 |
| Total liabilities | 3,448,327 | (921) | 3,447,407 |
| Shareholders' funds excluding non-controlling interests | 1,893,666 | - | 1,893,666 |
| Non-controlling interests | 170,772 | (1,732) | 169,040 |
| Total shareholders' funds | 2,064,438 | (1,732) | 2,062,706 |
| Total shareholders' funds and liabilities | 5,512,766 | (2,652) | 5,510,113 |

## 4.2 Impact of MDS as a discontinued activity

During the period ended 30 June 2017, Sonae disposed 1,773 shares of MDS, SGPS, SA, which resulted in the change of the shareholder agreement and in the loss of control in this subsidiary, becoming a joint venture since the percentage of detention changed to 50%. The income statement for the period ended 31 December 2016 was restated, with the entire activity of this subsidiary and its subsidiaries being transferred to the caption "Discontinued Operations". The impact is disclosed on Note 5.1.

The impact in the consolidated income statement from the reclassification of MDS, SGPS, S.A. activity to discontinued operations, as at 31 December 2016 can be analysed as follows:

| | 31 Dec 2016 | | |
|---|---|---|---|
| Amounts in thousands of euro | Before the restatement | Discontinued operations | After the restatement |
| Sales | 5,159,067 | - | 5,159,067 |
| Services rendered | 217,070 | (46,646) | 170,424 |
| Income or expenses related to investments | 1,089 | 7,217 | 8,306 |
| Gains and losses on investments recorded at fair value through profit or loss | (15,682) | - | (15,682) |
| Other income and financial income | 15,928 | (177) | 15,751 |
| Other income | 772,918 | (795) | 772,123 |
| Cost of good sold and materials consumed | (4,261,075) | - | (4,261,075) |
| Changes in stocks of finished goods | 1,273 | - | 1,273 |
| External supplies and service | (720,362) | 16,566 | (703,796) |
| Staff costs | (731,641) | 17,312 | (714,329) |
| Depreciation and amortisation | (183,107) | 3,461 | (179,646) |
| Provisions and impairment losses | (17,301) | 2,143 | (15,158) |
| Financial expenses | (52,660) | 1,539 | (51,121) |
| Other expenses | (75,051) | 1,844 | (73,207) |
| Share of results of joint ventures and asociates | 138,842 | (211) | 138,631 |
| Profit (loss) from continuing operations, before taxation | 249,308 | 2,253 | 251,561 |
| Taxation | (26,905) | 208 | (26,697) |
| Consolidated profit (loss) for the period from continuing operations | 222,403 | 2,461 | 224,864 |
| Profit/(Loss) from discountinued operations, after taxation | (409) | (2,461) | (2,870) |
| Consolidated profit /(loss) for the period | 221,994 | - | 221,994 |
| Attributable to equity holders of the Parent Company: | | | |
| Continuing operations | 215,279 | 1,230 | 216,509 |
| Discontinued operations | (205) | (1,230) | (1,435) |
| | 215,074 | - | 215,074 |
| Attributable to non-controlling interests | | | |
| Continuing operations | 7,125 | 1,230 | 8,355 |
| Discontinued operations | (205) | (1,230) | (1,435) |
| | 6,920 | - | 6,920 |

# 5 Changes in consolidation perimeter

## 5.1 Disposal of shares and loss of control of the MDS, SGPS, S.A.

During the period ended at 30 June 2017, Sonae and IPLF Holding signed an agreement for the disposal of shares of MDS, SGPS, SA, resulting in a change in the shareholder agreement and in the loss of control of that subsidiary and becoming a joint venture. According to predicted by IFRS 5, changes were made in the Consolidated Statements of Income by nature for the years ended at 31 December 2016 (Note 4.2) and 2017 to reflect in a single line (Net income for discontinued operations), in the face of Statement of profit or loss, after-tax profit or loss from discontinued operations.

Discontinued operations include the following companies:

| COMPANY | Head Office | Percentage of share capital held At date of consolidation method change Direct | Total |
|---|---|---|---|
| **Sonae FS** | | | |
| Accive Insurance – Corretor de Seguros, SA | Porto (Portugal) | 70.00% | 35.01% |
| Herco Consultoria de Risco e Corretora de Seguros, Ltda | Santa Catarina (Brazil) | 100.00% | 50.01% |
| Herco, Consultoria de Risco, SA | Maia (Portugal) | 100.00% | 50.01% |
| HighDome PCC Limited | La Valletta (Malta) | 100.00% | 50.01% |
| Iberosegur – Sociedade Ibérica de Mediação de Seguros, Lda | Porto (Portugal) | 100.00% | 50.01% |
| Larim Corretora de Resseguros Ltda | Rio de Janeiro (Brazil) | 99.99% | 50.01% |
| Lazam/mds Correctora Ltda | São Paulo (Brazil) | 100.00% | 50.01% |
| MDS África, SGPS, SA | Porto (Portugal) | 50.00% | 25.05% |
| MDS - Corretor de Seguros, SA | Porto (Portugal) | 100.00% | 50.01% |
| MDS Auto - Mediação de Seguros, SA | Porto (Portugal) | 50.01% | 25.01% |
| MDS Malta Holding Limited | La Valletta (Malta) | 100.00% | 50.01% |
| MDS RE – Mediador de resseguros, SGPS, SA | Porto (Portugal) | 100.00% | 25.05% |
| MDS, SGPS, SA | Maia (Portugal) | 50.01% | 50.01% |
| Moneris Seguros - Mediação de Seguros, Lda | Oeiras (Portugal) | 60.00% | 30.01% |
| Brokerslink Management AG | Zug (Switzerland) | 20.00% | 10.00% |
| Filhet Allard España Correduria de Seguros S.L. | Madrid (Spain) | 35.00% | 17.50% |
| Flexben, Lda | Porto (Portugal) | 45.00% | 22.50% |

The effects of these acquisitions in the consolidated financial statements can be analysed as follows:

| Amounts in euro | 30 Jun 2017 Loss of Control Data | 31 Dec 2016 |
|---|---|---|
| Net assets | | |
| Tangible and intagible assets (Notes 8 and 9) | 14,553,810 | 17,388,374 |
| Goodwill (Note 10) | 28,139,765 | 30,128,657 |
| Investments (Notes 11 and 12) | 9,044,138 | 8,995,262 |
| Trade account receivables and other assets | 11,447,005 | 8,010,414 |
| Cash and cash equivalents | 11,088,316 | 9,709,102 |
| Borrowings | (22,577,049) | (24,239,583) |
| Trade creditors and other current liabilities | (26,506,086) | (21,843,103) |
| Total assets | 25,189,899 | 28,149,123 |
| Currency translation reserves | (4,214,202) | |
| Non-controlling interests (Note 23) | 13,090,263 | |
| Gain in operation | 16,220,165 | |
| Financial investment retained at fair value (Note 11.3) | 32,534,003 | |

| Amounts expressed in euro | 30 Jun 2017 | 31 Dec 2016 |
|---|---|---|
| Services rendered | 23,316,083 | 46,645,887 |
| Income from Investments | 3,637 | 210,743 |
| Financial income | 46,513 | 177,045 |
| Other income | 286,420 | 795,269 |
| External supplies and services | (8,635,591) | (16,566,586) |
| Staff costs | (9,474,688) | (17,311,876) |
| Depreciation and amortisation | (1,942,514) | (3,460,719) |
| Provisions and impairment losses | (377,687) | (2,142,766) |
| Financial expense | (497,689) | (1,538,952) |
| Other expenses | (964,320) | (1,844,064) |
| Share of results of joint ventures and associates | 26,626 | (7,216,342) |
| Profit/(Loss) before taxation | 1,786,790 | (2,252,361) |
| Taxation | 103,874 | (208,023) |
| Profit/(Loss) after taxation | 1,890,664 | (2,460,384) |
| Income or expenses related to loss control | 16,220,165 | - |
| Profit/(Loss) for period from discountinued operations | 18,110,829 | (2,460,384) |

Details of discontinued operations in the statement of cash flows can be analysed as follows:

| Cash flows for the period from discountinued operations | 30 Jun 2017 |
|---|---|
| Net cash flow from operating activities | 6,906,899 |
| Net cash used in investment activities | (624,892) |
| Net cash used in financing activities | (1,316,263) |
| Net increase in cash and cash equivalents | 4,965,744 |

The fair value of the retained investment was determined on an internal valuation through annual planning methodologies, based on business plans where cash flows are projected for a 5 year period, using a weighted average cost of capital of 12.24% and a perpetuity growth rate of 3%.

### 5.2 The major acquisitions of subsidiaries occurred in the period ended at 31 December 2017

The acquisitions of companies included in the full consolidation method can be analysed as follows:

| | | Percentage of share capital held | |
|---|---|---|---|
| | | At acquisition date | |
| COMPANY | Head Office | Direct | Total |
| **Sonae MC** | | | |
| BRIO-Prod. Agric.Biológica, SA | Matosinhos (Portugal) | 100.00% | 100.00% |
| Go Well, S.A. | Lisbon (Portugal) | 51.00% | 51.00% |

In December 2016, Sonae MC concluded an agreement with the shareholders of GO WELL – Promoção de Eventos, Catering e Consultoria, S.A. (Go Well) for the acquisition of 51% of the share capital. This transaction became effective in May 2017. Go Well operates in 24 specialized restaurants in healthy food in Portugal, typically located in shopping centres, and has a variety of concepts such as grab&go, sushibar, freshly prepared and breakfasts. Go Well operates exclusively through the brand "Go Natural" and in 2015, generated a turnover of 6.4 million euro.

In April 2017, an affiliated of the Group concluded an agreement with the shareholders of BRIO - Produtos de Agricultura Biológica, S.A. (BRIO) for the acquisition of 100% of BRIO's share capital. Established in 2008, Brio is the first organic supermarket chain launched in Portugal, and explores six supermarkets specialized in organic food, all with convenience locations in the metropolitan area of Lisbon.

Following the previous agreement to acquire 51% of GO WELL's share capital and the opening of the first supermarket entirely dedicated to organic and healthy food, the acquisition of BRIO will enable Sonae MC to accelerate its position in strategic Health & Wellness growth, particularly in the healthy food segment, benefiting from the BRIO store network, the high degree of specialization of the teams and a broad network of suppliers.

The effects of these acquisitions in the consolidated financial statements can be analysed as follows:

| | Sonae MC | |
|---|---|---|
| Amounts in euro | At acquisition date | 31 Dec 2017 |
| Net acquired assets | | |
| Tangible and intangible assets (Notes 8 and 9) | 1,353,213 | 1,941,423 |
| Inventories (Note 14) | 586,950 | 651,287 |
| Deferred tax assets (Note 19) | 353,206 | 507,683 |
| Other assets | 1,297,583 | 1,137,493 |
| Cash and cash equivalents | 431,553 | 569,490 |
| Non recorrent loans | (306,265) | (109,974) |
| Other liabilities | (3,388,587) | (2,866,677) |
| Total net acquired assets | 327,653 | 1,830,725 |
| Goodwill (Note 10) | 9,546,335 | |
| Non-controlling interests (Note 23) | 3,772,948 | |
| Acquisition price | 6,101,040 | |
| Effective cash paid | 4,758,345 | |
| Escrow Account | 392,695 | |
| Future cash paid | 950,000 | |
| | 5,708,345 | |
| Net cash flow resulting from the acquisition | | |
| Effective cash paid | (5,151,040) | |
| Cash and cash equivalents acquired | 431,553 | |
| | (4,719,487) | |

| | Sonae MC | |
|---|---|---|
| Amounts in euro | Since acquisition date | 12 months |
| Sales and services | 7,946,162 | 12,649,155 |
| Other income | 131,051 | 437,674 |
| Cost of sales | (3,842,855) | (6,577,456) |
| External supplies and services | (1,861,996) | (2,935,933) |
| Other expenses and losses | (3,027,695) | (4,349,449) |
| Net financial income | (15,766) | (26,415) |
| Share of results of joint ventures and associates | 37 | (6,655) |
| Profit/loss before taxation | (671,062) | (809,079) |
| Taxation | 186,191 | 186,858 |
| Net Income | (484,871) | (622,221) |

At the date of presentation of these financial statements, it was not yet possible to finalize the analysis to assign, in accounting terms, the fair value of identified assets and liabilities acquired, a part of the acquisition cost, which is recognized as Goodwill and recorded under Intangible assets. However, the purchase price allocation will be made till the end of an one year period from the date of acquisition, as permitted by IFRS 3 - Business Combinations.

# 6 Segment information

Sonae has in its portfolio 5 main segments: Sonae Retail, Sonae Sierra, NOS, Sonae IM and the Sonae FS.

- Sonae Retail has 5 segments:

  - Sonae MC is our food retail unit, operating 41 Continente hypermarkets, 131 Continente Modelo supermarkets, 96 convenience stores Bom Dia, 25 restaurants Go Natural, 295 stores operated under franchise Meu Super and 222 parapharmacy Well´s;

  - Worten that is included in the top 3 of Iberian electronic players, counting on a portfolio of 242 physical stores in Iberia;

  - Sports and Fashion has a network of 392 own stores of sports and clothing products, combined with a franchise network of 143 stores;

  - Sonae RP is dedicated to optimizing the management of Sonae's retail real estate portfolio, mainly by stores that operate under the Continente brand and under other brands of Sonae;

  - Maxmat operates in the DIY, construction, bathroom and garden market with a network of 31 stores;

- Sonae Sierra is the partnership dedicated to the activity of development and management of shopping centres.

- NOS is the partnership that the Group holds through Zopt dedicated to telecommunications.

- Sonae IM has an active portfolio management strategy, with the objective of building and managing a portfolio of technology-based companies related to retail and telecommunications.

- Sonae FS aims to boost retail financial services.

These operating segments have been identified taking into consideration that each of these segments have separate identifiable revenues and costs, separate financial information is produced, and its operating results are reviewed by management on which it makes decisions.

Sonae operates in 90 countries, including operations, third-party services, representation offices, franchising and partnerships.

The list of Group companies and their businesses are detailed in Notes 51 and 52. In view of the redefinition of the reportable segments, the values of 2016, detailed below, were restated.

## 6.1 Financial information per business segment

The main operating segment information as at 31 December 2017 and 2016 can be detailed as follows:

| 31 Dec 2017 | Turnover | Depreciation and amortisation [3] | Provisions and impairment losses [3] | EBIT [3] | Financial results [2] | Income tax [2] |
|---|---|---|---|---|---|---|
| Sonae MC | 3,884,235,290 | 99,298,234 | 2,229,104 | 101,815,713 | - | - |
| Worten | 1,002,827,600 | 26,593,764 | 2,268,812 | (2,792,306) | - | - |
| Sports & Fashion | 588,982,641 | 34,026,087 | 1,900,326 | (20,283,769) | - | - |
| Sonae RP | 92,138,557 | 24,343,863 | 445,945 | 65,450,006 | - | - |
| Maxmat | 78,118,529 | 1,738,124 | - | 4,699,211 | - | - |
| Sonae Retail | 5,646,302,617 | 186,000,072 | 6,844,187 | 148,888,855 | (18,293,624) | 36,055,934 |
| Sonae Sierra | - | - | - | 32,310,056 | - | - |
| NOS | - | - | - | 27,234,000 | - | - |
| Sonae IM | 125,929,752 | 9,426,834 | 1,187,584 | (4,980,350) | (776,114) | 728,989 |
| Sonae FS | 24,327,569 | 523,143 | 25,337 | 1,045,895 | (42,599) | 15,636 |
| Other, eliminations and adjustments [1] | (86,408,002) | 1,709,282 | 1,084,217 | (22,620,535) | (16,905,215) | (22,668,071) |
| Total consolidated - Direct | 5,710,151,936 | 197,659,331 | 9,141,325 | 181,877,921 | (36,017,552) | 14,132,488 |

| 31 Dec 2016 Restated | Turnover | Depreciation and amortisation | Provisions and impairment losses [3] | EBIT [3] | Financial results [2] | Income tax [2] |
|---|---|---|---|---|---|---|
| Sonae MC | 3,686,808,069 | 90,891,781 | 1,485,654 | 110,649,903 | - | - |
| Worten | 910,303,455 | 25,294,846 | 2,815,681 | (9,210,175) | - | - |
| Sports & Fashion | 527,299,167 | 25,130,419 | 1,573,881 | (25,711,177) | - | - |
| Sonae RP | 91,962,156 | 23,739,373 | 6,536,987 | 119,994,145 | - | - |
| Maxmat | 71,502,114 | 1,925,699 | 36,571 | 2,806,705 | - | - |
| Sonae Retail | 5,287,874,961 | 166,982,118 | 12,448,774 | 198,529,401 | (23,210,775) | 31,466,626 |
| Sonae Sierra | - | - | - | 28,448,093 | - | - |
| NOS | - | - | - | 17,075,644 | - | - |
| Sonae IM | 116,708,126 | 8,681,722 | 886,054 | (5,694,735) | (496,800) | (20,501,458) |
| Sonae FS | 17,518,560 | 486,745 | - | (474,342) | (20,477) | (924,633) |
| Other, eliminations and adjustments [1] | (92,610,031) | 3,495,415 | 1,681,591 | (26,377,410) | (21,005,008) | 8,392,815 |
| Total consolidated | 5,329,491,616 | 179,646,000 | 15,016,419 | 211,506,651 | (44,733,060) | 18,433,350 |

| | 31 Dec 2017 | | | 31 Dec 2016 Restated | | |
|---|---|---|---|---|---|---|
| | Investment (CAPEX) | Invested capital | Financial net debt [2] | Investment (CAPEX) | Invested capital | Financial net debt [2] |
| Sonae MC | 164,462,924 | 697,071,753 | - | 167,010,365 | 629,840,098 | - |
| Worten | 44,599,644 | (90,641,251) | - | 39,439,683 | (53,491,326) | - |
| Sonae Sports & Fashion | 40,198,483 | 355,988,594 | - | 112,943,591 | 370,772,496 | - |
| Sonae RP | 41,181,011 | 902,627,242 | - | 62,354,568 | 930,735,887 | - |
| Maxmat | 1,390,622 | 32,639,857 | - | 1,044,844 | 33,050,597 | - |
| Sonae Retail | 291,832,684 | 1,897,686,195 | 628,698,342 | 382,793,051 | 1,910,907,752 | 675,825,425 |
| Sonae IM | 19,390,000 | 159,330,000 | (465,854) | 46,833,841 | 143,443,838 | 2,723,388 |
| Sonae FS | 1,641,218 | 20,126,477 | - | 612,298 | 49,774,572 | - |
| Other, eliminations and adjustments [1] | 3,301,948 | 1,170,360,921 | 484,077,881 | 6,373,484 | 1,173,583,409 | 536,000,880 |
| Total consolidated | 316,165,850 | 3,247,503,593 | 1,112,310,369 | 436,612,674 | 3,277,709,571 | 1,214,549,693 |

1) Include Sonae individual accounts;

2) These captions are accompanied by management in more aggregated form, and not allocated to individual operating segments identified above.;

3) Reconciled information in note 48.

The intra-groups of the turnover can be analyzed by following:

| **Turnover** | 31 Dec 2017 Inter-segment | 31 Dec 2016 Inter-segment |
|---|---|---|
| Sonae MC | (1,932,603) | (1,999,094) |
| Worten | (2,819,151) | (4,526,457) |
| Sonae Sports & Fashion | (29,995,432) | (29,091,974) |
| Sonae RP | (83,876,500) | (81,586,962) |
| Maxmat | - | |
| Sonae Retail | (118,623,686) | (117,204,487) |
| Sonae IM | - | - |
| Sonae FS | - | - |
| Other, eliminations and adjustments | (483,596) | (1,968,270) |
| Total consolidated | (119,107,282) | (119,172,757) |

The caption "Others, Eliminations and Adjustments" can be analyzed as follows:

| | Turnover | | EBIT | |
|---|---|---|---|---|
| | 31 Dec 2017 | 31 Dec 2016 Restated | 31 Dec 2017 | 31 Dec 2016 Restated |
| Inter-segment intra-groups | (119,107,282) | (119,172,757) | - | - |
| Contributions of entities not included in the segments | 32,699,280 | 26,562,726 | (10,205,523) | (9,391,324) |
| Others | - | - | (12,415,012) | (16,986,086) |
| Other, eliminations and adjustments | (86,408,002) | (92,610,031) | (22,620,535) | (26,377,410) |

| | Investment | | Invested capital | |
|---|---|---|---|---|
| | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 Restated |
| Inter-segment intra-groups and contributions of entities non-individualized entities as segments | 3,301,947 | 6,373,484 | (24,887,600) | (41,491,633) |
| Investments in joint ventures and associated companies | - | - | 1,289,028,845 | 1,292,829,920 |
| Other investments | - | - | 9,919,677 | 9,966,231 |
| Cash settled equity swap [4] | - | - | (103,700,000) | (87,721,109) |
| | 3,301,947 | 6,373,484 | 1,170,360,922 | 1,173,583,409 |

4) Financial Instrument reported in Note 22.

All performance measures are reconciled to the financial statements in Note 48.

Non-current assets and sales and services by geographic segment are detailed as follows:

| | 31 Dec 2017 | | 31 Dec 2016 Restated | |
|---|---|---|---|---|
| Destination market | Non-current assets | Sales and services rendered by destination market | Non-current assets | Vendas e prestações de serviços por mercado de destino |
| Portugal | 3,988,903,667 | 5,124,752,911 | 3,976,787,236 | 4,800,410,405 |
| Spain | 110,543,603 | 404,807,078 | 116,275,357 | 356,428,492 |
| France | - | 39,635,531 | - | 55,626,405 |
| United Kingdom | - | 3,217,685 | - | 3,757,817 |
| Germany | - | 4,695,042 | - | 4,586,905 |
| Italy | - | 13,592,032 | - | 12,498,905 |
| Brazil | 14,730,642 | 8,039,083 | 23,458,355 | 7,204,374 |
| Mexico | 923,120 | 9,033,767 | 1,228,297 | 6,344,768 |
| Rest of the world | 68,212,188 | 102,378,807 | 3,374,131 | 82,633,545 |
| | 4,183,313,220 | 5,710,151,936 | 4,121,123,376 | 5,329,491,616 |

Glossary:

Net Invested capital = Total net debt + total shareholder funds;

Financial = Bonds + bank loans + other loans + financial leases - cash, bank deposits, current investments, excluding other long term financial applications;

Other eliminations and adjustments = Intra-groups + consolidation adjustments + contributions from other companies not included in the disclosed segments by do not fit in any reportable segment, ie are included in addition to Sonae SGPS companies identified as "Other" in Note 51;

Investments (CAPEX) = Investments in tangible and intangible assets and investments in acquisitions.

## 6.2 Sonae Sierra financial information

Assets, Liabilities, Income, Expenses and Losses amounts related to joint ventures are disclosed in Note 11.2. However, taking into account the relevance of Sonae Sierra's financial statements and since it is being consolidated using the equity method are the most relevant situations the following. (amounts disclosed are not proportional to the percentage of detention of 50%).

### a) Investment properties

During the year ended at 31 December 2017 and 2016, movements in investment properties are as follows:

| | Investment properties | | | | |
|---|---|---|---|---|---|
| | | | under development | | |
| Amounts in thousands of euro | In Operation | "Fit Out" | at cost | Advances | Total |
| **Opening balance as at 1 January 2016** | 691,785 | 2,139 | 44,746 | 1,725 | 740,395 |
| Increases | 6,079 | (125) | 2,559 | - | 8,513 |
| Impairments and write-off | - | - | (7,285) | - | (7,285) |
| Disposals | - | - | (427) | - | (427) |
| Fit-out receivables | - | (834) | - | - | (834) |
| Variation in fair value on the investment properties between years: | | | | | |
| - Gains | 69,290 | 402 | - | - | 69,692 |
| - Losses | (4,349) | - | - | - | (4,349) |
| Currency translation differences | - | - | 28 | - | 28 |
| Opening balance as at 1 January 2017 | 762,805 | 1,582 | 39,621 | 1,725 | 805,733 |
| Increases | 3,784 | 188 | 1,802 | - | 5,774 |
| Reversal of impairment losses | - | - | 20 | - | 20 |
| Impairments and write-off | - | - | (1,676) | - | (1,676) |
| Fit-out receivables | - | (266) | - | - | (266) |
| Transferências | - | - | (37) | - | (37) |
| Variation in fair value on the investment properties between years: | | | | | |
| - Gains | 68,561 | 40 | - | - | 68,601 |
| - Losses | (7,727) | (43) | - | - | (7,770) |
| Investees disposals | (88,487) | (13) | - | - | (88,500) |
| **Closing balance as at December 2017** | 738,936 | 1,488 | 39,730 | 1,725 | 781,879 |

Increases in investment properties under development as cost, in the amounts of 1,802 thousand euro and 2,559 thousand euro in the years ended 31 December 2017 and 2016, respectively, relates to a project in Germany which estimated opening date is 2019.

At 31 December 2017 and 2016 investment properties in operation and the information about the fair value assessment are as follows:

| | 31 Dec 2017 | | | 31 Dec 2016 | | |
|---|---|---|---|---|---|---|
| | 10 years "discount rate" (range) | Yields | thousands of euro Level 3 | 10 years "discount rate" (range) | Yields | thousands of euro Level 3 |
| Portugal / Spain | 7,25% and 10,75% | 5,50% and 9,00% | 627,280 | 7,50% and 10,85% | 5,75% and 9,10% | 650,260 |
| Other European countries | 8,50% and 10,55% | 6,75% and 8,75% | 111,656 | 8,50% and 10,30% | 6,75% and 8,50% | 112,545 |
| | | | 738,936 | | | 762,805 |

The fair value of each investment property was determined by means of a valuation as of the reporting date made mainly by independent specialised entities (Cushman & Wakefield and Jones Lang LaSalle).

The valuation of these investment properties was made in accordance with the Practice Statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors ("Red Book"), located in England.

The methodology used to compute the market value of the investment properties consists in preparing 10 years' projections of income and expenses of each shopping centre added to the residual value, corresponding to a projected net income at year 11 and a return market rate ("Exit yield" or "cap rate"). These projections are then discounted to the valuation date using a discount market rate. Projections are intended to reflect the actual best estimate of the valuer regarding future revenues and costs of each shopping centre. Both the return rate and discount rate are defined in accordance to the local real estate and institutional market conditions, being the reasonableness of the market value obtained in accordance to the methodology referred above, tested also in terms of initial return using the estimated net income for the first year of projections.

In the valuation of investment properties, some assumptions, that in accordance with the Red Book are considered to be special, were in addition considered, namely in the case of recently inaugurated shopping centres, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

IFRS 13 (Fair value measurement) requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

The relationship of unobservable inputs to fair value can be described as follows:

- a decrease in the estimated annual rent will decrease the fair value;
- an increase in the discount rates and the capitalization rates will decrease the fair value.

As mentioned in the valuation reports of the investment properties prepared by independent specialised entities, the assessment of their fair value considered the definition of fair value in IFRS 13, which is consistent with the definition of market value defined by the investment properties valuation international standards.

### b) Sales of companies

In December 2017, Sonae Sierra sold 80% of the shares of 3shoppings - Holding, SGPS, S.A. ("3shoppings"), which owns 100% of Guimarãeshopping- Centro Comercial, S.A. ("Guimarãeshopping") and Maiashopping- Centro Comercial, S.A. ("Maiahopping") for 42,674 thousands euro. This transaction generated a net gain of 8,821 thousands euro. After this date these companies are measured using the equity method.

### c) Goodwill

The goodwill on Sonae Sierra is allocated to the companies with investment properties. The impairment tests of goodwill are based on the Net Asset Value ("NAV") of the shares held, at each reporting date.

The Net Asset Value corresponds to evaluation at fair value, at each reporting date, of the net assets of the subsidiary excluding deferred tax liabilities arising on unrealized gains on investment properties, at the market value (Open Market Value).

## 6.3 Zopt financial information

The consolidated financial statements of ZOPT (joint venture that controls NOS) and NOS as at 31 December 2017 and 2016, incorporated into the financial statements of Sonae through ZOPT by the equity method (Note 11.2).

The value of ZOPT's income statement arrises from the net income for the year of the NOS, the net income for the year of the ZOPT and the impacts on the results of the process of allocation of the fair value of the assets and liabilities acquired by ZOPT.

The consolidated financial statements of NOS as at 31 December 2017 and 2016, incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method can be summarized as follows:

| Amounts in thousands of euros | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Assets | | |
| Tangible assets | 1,137,209 | 1,158,181 |
| Intangible assets | 1,141,104 | 1,158,779 |
| Deferred tax assets | 99,538 | 117,302 |
| Other non-current assets | 44,306 | 18,740 |
| Non-current assets | 2,422,157 | 2,453,002 |
| Trade account receivables | 417,270 | 348,926 |
| Cash and cash equivalents | 2,977 | 2,313 |
| Other current assets | 124,664 | 178,400 |
| Current assets | 544,911 | 529,639 |
| Total assets | 2,967,068 | 2,982,641 |
| Liabilities | | |
| Borrowings | 954,658 | 972,003 |
| Provisions | 142,029 | 146,287 |
| Other non-current liabilities | 30,991 | 50,406 |
| Non-current liabilities | 1,127,678 | 1,168,696 |
| Borrowings | 210,136 | 224,692 |
| Trade creditors | 267,525 | 238,828 |
| Other current liabilities | 275,360 | 297,327 |
| Total current liabilities | 753,021 | 760,847 |
| Total liabilities | 1,880,699 | 1,929,543 |
| Shareholders' funds excluding non-controlling interests | 1,077,302 | 1,044,057 |
| Non-controlling interests | 9,067 | 9,041 |
| Total Equity | 1,086,369 | 1,053,098 |
| Total equity and liabilities | 2,967,068 | 2,982,641 |

| Amounts in thousands of euros | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Total revenue | 1,561,783 | 1,514,969 |
| Costs and losses | | |
| Direct costs and External supplies and services | (672,811) | (642,190) |
| Depreciation and amortisation | (422,211) | (391,555) |
| Other operating costs | (323,999) | (338,452) |
| | (1,419,021) | (1,372,197) |
| Financial results | (1,061) | (30,549) |
| Income taxation | (17,480) | (22,226) |
| Consolidated net income/(loss) for the year | 124,221 | 89,997 |
| Attributed to non-controlling interests | 128 | (385) |
| Attributed to shareholders'of parent company | 124,093 | 90,382 |

# 7 Financial instruments by class

The financial instruments classification according to policies disclosed in Note 2.13 can be detailed as follows:

| Financial assets | Notes | Loans and accounts receivable | Assets at fair value through the income statment | Available for sale | Derivates (Note 26) | Sub-total | Assets not convered by IFRS 7 | Total |
|---|---|---|---|---|---|---|---|---|
| **As at 31 December 2017** | | | | | | | | |
| **Non-current assets** | | | | | | | | |
| Other investments | 12 | 9,919,677 | - | 9,504,098 | - | 19,423,775 | - | 19,423,775 |
| Other non-current assets | 13 | 22,927,207 | - | - | - | 22,927,207 | 684,736 | 23,611,943 |
| | | 32,846,884 | - | 9,504,098 | - | 42,350,982 | 684,736 | 43,035,718 |
| **Current assets** | | - | - | - | - | - | - | - |
| Trade receivables | 15 | 130,075,290 | - | - | - | 130,075,290 | - | 130,075,290 |
| Other debitors | 16 | 62,600,744 | - | - | - | 62,600,744 | - | 62,600,744 |
| Investments | 12 | - | - | - | 179,881 | 179,881 | - | 179,881 |
| Cash and cash equivalent | 20 | 364,589,115 | - | - | - | 364,589,115 | - | 364,589,115 |
| | | 557,265,149 | - | - | 179,881 | 557,445,030 | - | 557,445,030 |
| | | 590,112,033 | - | 9,504,098 | 179,881 | 599,796,012 | 684,736 | 600,480,748 |
| **As at 31 December 2016 Restated** | | | | | | | | |
| **Non-current assets** | | | | | | | | |
| Other investments | 12 | 9,996,932 | - | 10,787,518 | - | 20,784,450 | - | 20,784,450 |
| Other non-current assets | 13 | 18,640,416 | - | - | - | 18,640,416 | 585,750 | 19,226,166 |
| | | 28,637,348 | - | 10,787,518 | - | 39,424,866 | 585,750 | 40,010,616 |
| **Current assets** | | | | | | | | |
| Trade receivables | 15 | 116,003,860 | - | - | - | 116,003,860 | - | 116,003,860 |
| Other debitors | 16 | 83,961,449 | - | - | - | 83,961,449 | - | 83,961,449 |
| Investments | 12 | 161,050 | - | - | 4,207,972 | 4,369,022 | - | 4,369,022 |
| Cash and cash equivalent | 20 | 340,920,458 | - | - | - | 340,920,458 | - | 340,920,458 |
| | | 541,046,817 | - | - | 4,207,972 | 545,254,789 | - | 545,254,789 |
| | | 569,684,165 | - | 10,787,518 | 4,207,972 | 584,679,655 | 585,750 | 585,265,405 |

| Financial liabilities | Notes | Derivates (Note 26) | Financial liabilities recorded at amortised cost | Sub-total | Liabilities not covered by IFRS 7 | Total |
|---|---|---|---|---|---|---|
| **As at 31 December 2017** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Bank loans | 24 | - | 573,440,551 | 573,440,551 | - | 573,440,551 |
| Bonds | 24 | - | 643,667,042 | 643,667,042 | - | 643,667,042 |
| Obligations under finance | 24 and 25 | - | 881,956 | 881,956 | - | 881,956 |
| Other loans | 24 | - | 2,244,793 | 2,244,793 | - | 2,244,793 |
| Other non-current liabilities | 27 | - | 3,078,159 | 3,078,159 | 10,371,159 | 13,449,318 |
| | | - | 1,223,312,501 | 1,223,312,501 | 10,371,159 | 1,233,683,660 |
| **Current liabilities** | | | | | | |
| Bank loans | 24 | - | 207,748,007 | 207,748,007 | - | 207,748,007 |
| Bonds | 24 | - | 57,970,806 | 57,970,806 | - | 57,970,806 |
| Obligations under finance | 24 and 25 | - | 832,895 | 832,895 | - | 832,895 |
| Other loans | 24 | 1,248,119 | 1,278,626 | 2,526,745 | - | 2,526,745 |
| Trade creditors | 29 | - | 1,192,499,941 | 1,192,499,941 | - | 1,192,499,941 |
| Other creditors | 30 | - | 210,262,167 | 210,262,167 | 10,967,712 | 221,229,879 |
| | | 1,248,119 | 1,670,592,442 | 1,671,840,561 | 10,967,712 | 1,682,808,273 |
| | | 1,248,119 | 2,893,904,943 | 2,895,153,062 | 21,338,871 | 2,916,491,933 |
| **As at 31 December 2016** | | | | | | |
| **Non-current liabilities** | | | | | | |
| Bank loans | 24 | - | 507,884,174 | 507,884,174 | - | 507,884,174 |
| Bonds | 24 | - | 695,803,279 | 695,803,279 | - | 695,803,279 |
| Obligations under finance | 24 and 25 | - | 1,463,520 | 1,463,520 | - | 1,463,520 |
| Other loans | 24 | - | 4,676,660 | 4,676,660 | - | 4,676,660 |
| Other non-current liabilities | 27 | - | 2,542,407 | 2,542,407 | 19,014,981 | 21,557,388 |
| | | - | 1,212,370,040 | 1,212,370,040 | 19,014,981 | 1,231,385,021 |
| **Current liabilities** | | | | | | |
| Bank loans | 24 | - | 350,365,080 | 350,365,080 | - | 350,365,080 |
| Bonds | 24 | - | 7,998,517 | 7,998,517 | - | 7,998,517 |
| Obligations under finance | 24 and 25 | - | 1,079,629 | 1,079,629 | - | 1,079,629 |
| Other loans | 24 | 358,117 | 1,411,067 | 1,769,184 | - | 1,769,184 |
| Trade creditors | 29 | - | 1,136,655,247 | 1,136,655,247 | - | 1,136,655,247 |
| Other creditors | 30 | - | 192,155,785 | 192,155,785 | 8,484,447 | 200,640,232 |
| | | 358,117 | 1,689,665,325 | 1,690,023,442 | 8,484,447 | 1,698,507,889 |
| | | 358,117 | 2,902,035,365 | 2,902,393,482 | 27,499,428 | 2,929,892,910 |

## Financial Instruments recognized at fair value

The Group applies IFRS 13 - Fair Value Measurement. This standard requires that the fair value is disclosed in accordance with the fair value hierarchy:

| | 31 Dec 2017 | | | 31 Dec 2016 Restated | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | | | | |
| Investments | - | - | 35,462 | - | - | - |
| Derivatives | - | 179,881 | - | - | 4,207,972 | - |
| | - | 179,881 | 35,462 | - | 4,207,972 | - |
| Financial liabilities measured at fair value | | | | | | |
| Derivatives | - | 1,248,119 | - | - | 358,117 | - |
| | - | 1,248,119 | - | - | 358,117 | - |

# 8 Tangible assets

During the periods ended as at 31 December 2017 and 2016, the movements in tangible assets as well accumulated depreciation and impairment losses are made up as follows:

| | Land and Buildings | Plant and Machinery | Vehicles | Fixtures and Fittings | Others tangibles assets | Tangible assets in progress | Total tangible assets |
|---|---|---|---|---|---|---|---|
| **Gross costs:** | | | | | | | |
| **Opening balance as at 1 January 2016** | 1,340,030,432 | 1,331,776,248 | 22,986,284 | 129,629,456 | 42,967,101 | 24,254,855 | 2,891,644,376 |
| Investment | 19,651,941 | 5,104,021 | 358,337 | 1,122,012 | 753,393 | 239,302,839 | 266,292,543 |
| Acquisitions of subsidiaries | 38,596,783 | 12,121,189 | 1,851,477 | 4,655,788 | 1,474,657 | 54,012 | 58,753,906 |
| Disposals | (32,046,800) | (59,029,925) | (1,297,318) | (6,217,287) | (1,387,274) | (1,419,331) | (101,397,935) |
| Disposals of subsidiaries | (23,843,817) | (2,667,983) | - | (35,456) | - | - | (26,547,256) |
| Exchange rate effect | 154,035 | 109,918 | 43,287 | 476,279 | (3,195) | 21,068 | 801,392 |
| Transfers | 28,550,401 | 150,827,286 | 1,886,202 | 15,674,609 | 2,947,941 | (231,228,950) | (31,342,511) |
| Balance as at 31 December 2016 - Published | 1,371,092,975 | 1,438,240,754 | 25,828,269 | 145,305,401 | 46,752,623 | 30,984,493 | 3,058,204,515 |
| Fair value of assets acquired (Effect of restatement - Note 4.1) | (4,384,000) | - | - | - | - | - | (4,384,000) |
| **Opening balance as at 1 January 2017 Restated** | 1,366,708,975 | 1,438,240,754 | 25,828,269 | 145,305,401 | 46,752,623 | 30,984,493 | 3,053,820,515 |
| Discontinued operations (Note 5.1) | (489,027) | (2,829,332) | (201,726) | (3,743,352) | (20,818) | (566,767) | (7,851,022) |
| Investment | 10,851,529 | 4,987,246 | 324,056 | 866,813 | 558,989 | 221,746,704 | 239,335,337 |
| Acquisitions of subsidiaries (Note 5.2) | 1,443,694 | 2,624,130 | 115,936 | 272,563 | 61,598 | - | 4,517,921 |
| Disposals | (32,875,531) | (83,685,531) | (1,408,275) | (4,938,004) | (3,733,628) | (1,406,653) | (128,047,622) |
| Exchange rate effect | (74,051) | (115,026) | (23,709) | (642,303) | (3,725) | (15,958) | (874,772) |
| Transfers | 24,962,674 | 162,212,106 | 2,237,924 | 14,560,837 | 3,968,831 | (210,792,120) | (2,849,748) |
| **Closing balance as at 31 December 2017** | 1,370,528,263 | 1,521,434,347 | 26,872,475 | 151,681,955 | 47,583,870 | 39,949,699 | 3,158,050,609 |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| **Opening balance as at 1 January 2016** | 367,362,670 | 828,106,124 | 18,522,984 | 97,789,565 | 36,748,245 | - | 1,348,529,588 |
| Depreciation of period | 21,341,732 | 106,583,600 | 1,425,676 | 11,805,832 | 2,902,388 | - | 144,059,228 |
| Impairment losses of the period (Note 32) | 6,572,324 | 2,177,208 | 4,177 | 94,270 | 5,869 | 110,824 | 8,964,672 |
| Acquisitions of subsidiaries | 16,217,062 | 7,761,499 | 1,240,310 | 4,146,189 | 948,855 | - | 30,313,915 |
| Disposals | (5,308,206) | (48,900,527) | (1,234,329) | (5,839,121) | (1,312,196) | - | (62,594,379) |
| Disposals of subsidiaries | (7,883,758) | (2,667,983) | - | (35,456) | - | - | (10,587,197) |
| Exchange rate effect | 148,899 | 44,163 | 22,226 | 343,234 | (1,804) | - | 556,718 |
| Transfers | (476,933) | (11,606,204) | (168,493) | (967,009) | (288,869) | - | (13,507,508) |
| **Opening balance as at 1 January 2017 Restated** | 397,973,790 | 881,497,880 | 19,812,551 | 107,337,504 | 39,002,488 | 110,824 | 1,445,735,037 |
| Discontinued operations (Note 5.1) | (226,791) | (1,777,593) | (147,210) | (3,045,376) | (19,594) | - | (5,216,564) |
| Depreciation of the period | 22,330,323 | 112,857,866 | 1,569,254 | 13,469,610 | 3,617,283 | - | 153,844,336 |
| Impairment losses of the period (Note 32) | 507,782 | 297,594 | - | 10,991 | 15,065 | 22,165 | 853,597 |
| Acquisitions of subsidiaries (Note 5.2) | 1,173,261 | 1,542,374 | 62,161 | 245,035 | 208,205 | - | 3,231,036 |
| Disposals | (6,943,974) | (73,220,922) | (1,336,624) | (4,619,701) | (3,680,413) | - | (89,801,634) |
| Exchange rate effect | (52,860) | (57,406) | (13,865) | (495,178) | (35,655) | - | (654,964) |
| Transfers | 673,551 | (429,014) | (223,265) | (582,071) | (252,508) | - | (813,307) |
| **Closing balance as at 31 December 2017** | 415,435,082 | 920,710,779 | 19,723,002 | 112,320,814 | 38,854,871 | 132,989 | 1,507,177,537 |
| **Carrying amount** | | | | | | | |
| **As at 31 December 2016 Restated** | 968,735,185 | 556,742,874 | 6,015,718 | 37,967,897 | 7,750,135 | 30,873,669 | 1,608,085,478 |
| **As at 31 December 2017** | 955,093,181 | 600,723,568 | 7,149,473 | 39,361,141 | 8,728,999 | 39,816,710 | 1,650,873,072 |

The investment includes the acquisition of assets of approximately 221 million euro (238 million euro in 2016), associated with the opening and remodeling of stores of Sonae retail operating segments.

Disposal in the years 2017 and 2016 can be analyzed as follow:

| | Land and Buildings | Plant and Machinery | Vehicles | Fixtures and Fittings | Others tangibles assets | Tangible assets in progress | Total tangible assets |
|---|---|---|---|---|---|---|---|
| **Gross assets:** | | | | | | | |
| Disposals | (5,078,563) | (82,783,750) | (1,408,275) | (4,938,004) | (3,733,628) | (1,406,653) | (99,348,873) |
| Sale and Leaseback | (27,796,968) | (901,781) | - | - | - | - | (28,698,749) |
| **Closing balance as at 31 December 2017** | (32,875,531) | (83,685,531) | (1,408,275) | (4,938,004) | (3,733,628) | (1,406,653) | (128,047,622) |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Disposals | (2,158,414) | (72,438,851) | (1,336,624) | (4,619,701) | (3,680,413) | - | (84,234,003) |
| Sale and Leaseback | (4,785,560) | (782,071) | - | - | - | - | (5,567,631) |
| **Closing balance as at 31 December 2017** | (6,943,974) | (73,220,922) | (1,336,624) | (4,619,701) | (3,680,413) | - | (89,801,634) |
| **Carrying amount** | | | | | | | |
| **Disposals** | (2,920,149) | (10,344,899) | (71,651) | (318,303) | (53,215) | (1,406,653) | (15,114,870) |
| **Sale and Leaseback** | (23,011,408) | (119,710) | - | - | - | - | (23,131,118) |

| | Land and Buildings | Plant and Machinery | Vehicles | Fixtures and Fittings | Others tangibles assets | Tangible assets in progress | Total tangible assets |
|---|---|---|---|---|---|---|---|
| **Gross assets:** | | | | | | | |
| Disposals | (660,641) | (57,422,135) | (1,297,318) | (6,217,287) | (1,387,274) | (1,419,331) | (68,403,986) |
| Sale and Leaseback | (31,386,159) | (1,607,790) | - | - | - | - | (32,993,949) |
| **Closing balance as at 31 December 2016** | (32,046,800) | (59,029,925) | (1,297,318) | (6,217,287) | (1,387,274) | (1,419,331) | (101,397,935) |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| Disposals | (566,623) | (47,725,521) | (1,234,329) | (5,839,121) | (1,312,196) | - | (56,677,790) |
| Sale and Leaseback | (4,741,583) | (1,175,006) | - | - | - | - | (5,916,589) |
| **Closing balance as at 31 December 2016** | (5,308,206) | (48,900,527) | (1,234,329) | (5,839,121) | (1,312,196) | - | (62,594,379) |
| **Carrying amount** | | | | | | | |
| **Disposals** | (94,018) | (9,696,614) | (62,989) | (378,166) | (75,078) | (1,419,331) | (11,726,196) |
| **Sale and Leaseback** | (26,644,576) | (432,784) | - | - | - | - | (27,077,360) |

During the period ended at 31 December 2017 and 31 December 2016, several sale and leaseback transactions were accounted for by the Group. The accounting values of the disposed assets, approximately, 23 million euro (158 million euro as at 31 Dcember 2016), corresponds to 5 real estate food retail assets located in Portugal (16 real estate food retail assets located in Portugal and 3 stores Worten in Spain in 2016). Assets disposed in 2016, were classified in the above movement in disposals in 2016, 27 million euros and the remaining assets were recorded as non-current assets held for sale. These operations resulted in a cash inflow of 36.9 million euro (230 million euro as at 31 December 2016) and generated a net capital gain of approximately, 10.8 million euro (63.1 million euro as at 31 December 2016) (Note 39).

Tangible assets held by Imoconti, a subsidiary disposed in 2016, were leased under similar conditions to the assets included in the Sale and Leaseback operations, these assets represented 16 million euro at the date of disposal, resulting an up-front cash payment of 21 million euro and an capital gain of of 6.9 million euro (Note 37).

The lease agreements for the assets in question, were considered as operating leases, taking into account the indicators traditionally used to determine the nature of the lease agreements as defined in IAS 17. These assets have an initial period of 20 years, and the lease term can be extended, with market conditions, by four additional periods of 10 years, and it was considered by the Board of Directors that only the initial which is less than the remaining useful life of the assets subject to the transaction. For the assets in Spain, the term of the contracts was 12 years, considering the period of 6 and 9 years (option of early termination). It was also considered that there is no type of obligation to repurchase the assets subject to leasing, and the Group's current call options are exercisable based on market prices, as well as the present value of the minimum lease payments location.

In disposal also included about 9.6 million euro related to the restructuring process of the new store concepts, of Worten (around 3.9 million euro) and of the Sonae MC (around 6 million euro), resulting in the use of impairment losses in the amount of 2.8 million euro and 1.2 million euro respectively.

Transfer includes in 31 December 2016 the net amount of 16.4 million euro of assets transferred to "Non-current assets held for sale" related to Sohimeat, due to the loss of control of this company in January 2017 (Note 21).

Most real estate assets from Sonae RP (Note 6), as at 31 December 2017 and 2016, which are recorded at acquisition cost deducted of amortization and impairment charges, were evaluated by independent appraisers (Jones Lang LaSalle). These evaluations were performed using the income method, using yields between 6.75% and 9.00 % (6.75% and 9.00 % in 2016), where the fair value of the property is in “Level 3” hierarchy - according to the classification given by IFRS 13. Such assessments support the value of the assets as at 31 December 2017.

As at 31 December 2016, it was recorded an impairment loss of 6.5 million euro was recorded on a property held by the Group as a result of the valuation produced by Cushman & Wakefieldn and which took into account the latest changes to the municipal master plan applicable to that property.

The most significant values under the caption "Tangible assets in progress" refer to the following projects:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Refurbishment and expansion of stores in the retail businesses located in Portugal | 33,490,064 | 25,828,922 |
| Refurbishment and expansion of stores in the retail businesses located in Spain | 1,473,742 | 1,610,531 |
| Projects "Continente" stores for which advance payments were made | 1,296,000 | 1,693,500 |
| Others | 3,556,904 | 1,740,716 |
| | 39,816,710 | 30,873,669 |

The caption “Impairment losses for tangible assets” can be detailed as follows:

| | Land and Buildings | Plant and Machinery | Vehicles | Fixtures and Fittings | Others tangibles assets | Total tangible assets |
|---|---|---|---|---|---|---|
| Opening balance as at 1 January 2016 | 99,853,204 | 33,179,777 | 34,330 | 408,450 | 88,602 | 133,564,363 |
| Impairment losses of the period (Note 32) | 6,572,324 | 2,177,208 | 4,177 | 94,270 | 116,693 | 8,964,672 |
| Disposals (Note 32) | (15,988,825) | (7,289,344) | (601) | (131,102) | (18,942) | (23,428,814) |
| Opening balance as at 1 January 2017 | 90,436,703 | 28,067,641 | 37,906 | 371,618 | 186,353 | 119,100,221 |
| Impairment losses of the period (Note 32) | 507,782 | 297,593 | - | 10,991 | 37,231 | 853,597 |
| Disposals (Note 32) | (387,817) | (5,197,222) | (16,324) | (60,231) | (82,456) | (5,744,050) |
| Acquisitions of subsidiaries (Note 5.1) | - | - | - | - | 169,243 | 169,243 |
| **Closing balance as at 31 December 2017** | 90,556,668 | 23,168,012 | 21,582 | 322,378 | 310,371 | 114,379,011 |

# 9 Intangible assets

In the years ended at 31 December 2017 and 2016, the movement occurred in intangible assets and in thecorresponding accumulated amortisation and impairment losses, was as follows:

| | Patents and other similar rights | Software | Other intangible assets | Intangible assets in progress | Total intangible assets |
|---|---|---|---|---|---|
| **Gross assets:** | | | | | |
| **Opening balance as at 1 January 2016** | 129,351,364 | 339,465,875 | 54,712,279 | 30,117,801 | 553,647,319 |
| Investment | 186,707 | 3,177,999 | 189,448 | 50,672,876 | 54,227,030 |
| Acquisitions of subsidiaries | 51,321,434 | 4,142,482 | 38,747,581 | 92,784 | 94,304,281 |
| Disposals | (251,104) | (1,326,871) | (200,717) | (347,806) | (2,126,498) |
| Exchange rate effect | 166,298 | 855,199 | 4,715,923 | (12,671) | 5,724,749 |
| Transfers | 238,491 | 49,294,911 | (390,362) | (52,461,994) | (3,318,954) |
| **Opening balance as at 1 January 2017** | 181,013,190 | 395,609,595 | 97,774,152 | 28,060,990 | 702,457,927 |
| Discontinued operations (Note 5.1) | (1,991,644) | (8,370,813) | (25,794,980) | (103,663) | (36,261,100) |
| Investment | 35,356 | 1,297,805 | 140,803 | 53,557,319 | 55,031,283 |
| Acquisitions of subsidiaries (Note 5.2) | 13,500 | - | 138,687 | - | 152,187 |
| Disposals | (153,310) | (5,866,252) | (621,963) | (942,118) | (7,583,643) |
| Exchange rate effect | (924,982) | (1,439,831) | (3,257,180) | (42,150) | (5,664,143) |
| Transfers | 72,243 | 46,276,425 | 1,368,766 | (51,017,625) | (3,300,191) |
| **Closing balance as at 31 December 2017** | 178,064,353 | 427,506,929 | 69,748,285 | 29,512,753 | 704,832,320 |
| **Accumulated depreciation and impairment losses** | | | | | |
| **Opening balance as at 1 January 2016** | 38,817,721 | 219,470,194 | 26,218,055 | - | 284,505,970 |
| Depreciation of the period | 1,998,273 | 33,329,270 | 3,705,787 | - | 39,033,330 |
| Impairment losses of the period (Note 32) | - | 1,141,737 | - | - | 1,141,737 |
| Acquisitions of subsidiaries | 29,514 | 2,391,489 | 1,399,536 | - | 3,820,539 |
| Disposals | (251,104) | (1,138,959) | (200,717) | - | (1,590,780) |
| Exchange rate effect | 169,355 | 635,564 | 2,716,631 | - | 3,521,550 |
| Transfers | (47) | (1,236,268) | (247,592) | - | (1,483,907) |
| **Opening balance as at 1 January 2017** | 40,763,712 | 254,593,027 | 33,591,700 | - | 328,948,439 |
| Discontinued operations (Note 5.1) | (1,098,292) | (7,722,345) | (16,389,372) | - | (25,210,009) |
| Depreciation of the period | 2,513,225 | 38,166,979 | 5,099,309 | - | 45,779,513 |
| Impairment losses of the period (Note 32) | - | 234,501 | 764,278 | - | 998,779 |
| Acquisitions of subsidiaries (Note 5.2) | 6,222 | - | 79,637 | - | 85,859 |
| Disposals | (108,769) | (6,452,909) | (338,254) | - | (6,899,932) |
| Exchange rate effect | (858,715) | (934,360) | (2,102,414) | - | (3,895,489) |
| Transfers | (243,995) | (3,014,432) | 359,340 | - | (2,899,087) |
| **Closing balance as at 31 December 2017** | 40,973,388 | 274,870,461 | 21,064,224 | - | 336,908,073 |
| **Carrying amount** | | | | | |
| **As at 31 December de 2016 Restated** | 140,249,478 | 141,016,568 | 64,182,452 | 28,060,990 | 373,509,488 |
| **As at 31 December de 2017** | 137,090,965 | 152,636,468 | 48,684,061 | 29,512,753 | 367,924,247 |

As at 31 December 2017 the Investment related to intangible assets in progress includes 53 million euro related to IT projects and development software (50 million euro at 31 December 2016). Within that amount it is included 17 million euro of capitalizations of personnel costs related to own work (about 14.6 million euro in 31 December 2016) (Note 39).

Additionally, the caption "Patents and other similar rights" include the acquisition cost of a group of brands with indefinite useful lives among which the "Continente" brand, acquired in previous years, amounting to 75 million euro, the Salsa brand amounting to 51 million euro and Losan brand amounting to 11.6 million euro, both valued in the acquisition process in 2016.

Sonae performs annual impairment tests over the brands, and obtained for this purpose an independent assessment of Continente brand made by independent appraisers (Interbrand). As at 31 December 2017, the external evaluation performed at the beginning of 2016 was internally updated and the value more than supports the accounting value of the asset as at 31 December 2017, and no impairment was recorded in the year. Regarding the impairment analysis of the Salsa and Losan brands, these were performed through the tests described in note 10 regarding the recovery of non-current assets.

# 10 Goodwill

Goodwill is allocated to each operating segment and within each segment to each of the homogeneous groups of cash generating units as follows:

- Sonae Retail - Goodwill is allocated to each operating business segment, Sonae MC, Worten, Sonae Sports & Fashion and Maxmat, being afterwards distributed by each homogenous group of cash generating units, namely to each insignia within each segment distributed by country and each of the properties in case of operating segment Sonae RP;

- Sonae IM - In this segment the Goodwill is mainly related to the technology business; and

- Sonae FS –Goodwill at December 31, 2016 was related to the insurance business, including values generated before the date of the adoption of IFRS and supported by the value of the customer portfolio (Portugal) as well as with the subsequent business combination acquired in Brazil. As a result of the loss of control over the MDS, this amount was canceled through the derecognition of the respective assets.

As at 31 December 2017 and 2016, the caption "Goodwill" was made up as follows by insignia and country:

| | 31 Dec 2017 | | | | |
|---|---|---|---|---|---|
| Insignia | Portugal | Spain | Brazil | Other countries | Total |
| Sonae MC | 495,168,601 | - | - | - | 495,168,601 |
| Worten | 65,283,532 | - | - | - | 65,283,532 |
| Sonae Sports & Fashion | 57,571,018 | 245,817 | - | - | 57,816,835 |
| Sonae RP | 2,142,168 | - | - | - | 2,142,168 |
| Sonae IM | 2,686,758 | - | 7,090 | 11,258,229 | 13,952,077 |
| | 622,852,077 | 245,817 | 7,090 | 11,258,229 | 634,363,213 |

| | 31 Dec 2016 Restated | | | | |
|---|---|---|---|---|---|
| Insignia | Portugal | Spain | Brazil | Other countries | Total |
| Sonae MC | 485,622,266 | - | - | - | 485,622,266 |
| Worten | 65,283,532 | - | - | - | 65,283,532 |
| Sonae Sports & Fashion | 57,475,521 | 95,497 | - | - | 57,571,018 |
| Sonae RP | 2,651,846 | - | - | - | 2,651,846 |
| Sonae IM | 2,686,758 | - | 7,090 | 11,533,124 | 14,226,972 |
| Sonae FS | 8,363,810 | - | 21,764,904 | - | 30,128,714 |
| | 622,083,733 | 95,497 | 21,771,994 | 11,533,124 | 655,484,348 |

During the year ended in 31 December 2017 and 2016, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Gross value:** | | |
| Opening balance | 671,687,610 | 620,657,733 |
| Re-allocation of goodwill to the fair value of the assets acquired (Note 4.1) | - | 1,731,680 |
| Opening balance restated | 671,687,610 | 622,389,413 |
| Discontinued operations (Note 5.1) | (33,674,270) | - |
| Goodwill generated in the period (Note 5.2) | 9,546,335 | 45,272,228 |
| Assets disposals | (509,678) | (795,226) |
| Currency translation | (2,263,844) | 4,721,195 |
| Other variations | 245,817 | 100,000 |
| Closing balance | 645,031,970 | 671,687,610 |
| **Accumulated impairment** | | |
| Opening balance | 16,203,262 | 15,074,024 |
| Discontinued operations (Note 5.1) | (5,534,505) | - |
| Increases | - | 1,677,383 |
| Assets disposals | - | (540,273) |
| Currency translation | - | (7,872) |
| Closing balance | 10,668,757 | 16,203,262 |
| **Carrying amount** | 634,363,213 | 655,484,348 |

The evaluation of the existence, or not, of impairment losses in goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis prepared with cash flow projections for periods of five years, unless there is evidence of impairment, in which case the analysis is done in shorter periods of time.

During the periods ended at 31 December 2017 and 2016, Sonae performed analysis in order to test any impairment on goodwill. As a result of that analysis, the Group didn´t record impairment losses in 2017. In 2016 the Group recorded impairment losses amounting 1.7 million euro.

The main assumptions used in the above mentioned business plans are detailed as follows for each of Sonae operating segments.

## Sonae Retail

For this purpose, the Sonae MC, Worten and Sonae Sports & Fashion operating segments in Portugal use internal valuation of its business concepts, using annual planning methodologies, supported in business plans that consider cash flow projections for each unit which depend on detailed and properly supported assumptions. These plans take into consideration the impact of the main actions that will be carried out by each business concept as well as a study of the resources allocation of the company.

The recoverable value of cash generating units is determined based on its value in use, which is calculated taking into consideration the last approved business plans which are prepared using cash flow projections for periods of 5 years.

The case scenarios are elaborated with a weighted average cost of capital and with a growth rate of cash-flows in perpetuity that can be detailed as follows:

| | 31 Dec 2017 | | | 31 Dec 2016 | | |
|---|---|---|---|---|---|---|
| | Average capital cost | Growth rate in perpetuity | Compound growth rate sales | Average capital cost | Growth rate in perpetuity | Compound growth rate sales |
| Sonae MC | 9% to 10% | <=2% | -0.6% | 9% to 10% | <=2% | -0.6% |
| Worten | 9% to 11% | <=1% | 2.6% | 9% to 11% | <=1% | 1.9% |
| Sonae Sports & Fashion | 9% to 11% | <=1% | 6.1% | 9% to 11% | <=1% | 7% |
| Maxmat | 9% to 11% | <=1% | 10.2% | 9% to 11% | <=1% | 5.4% |

In Sports business area, goodwill impairment analysis and non-current asset recovery analysis were made taking into account the valuation resulting from the loss of control operation that occurred in January 2018, this analysis did not result in impairment losses.

### Sonae IM

The main assumptions used in segment of Sonae in Technologies are:

Business plans were prepared using the method of discounted cash flows for the period of 5 years.

As at 31 December 2017 and 2016, the assumptions used are based on the various businesses of this segment and the growth of the various geographic areas where it operates:

| Tecnology | Basis of recoverable amount | Discount rates | Growth rate in perpetuaty |
|---|---|---|---|
| Information Systems | | | |
| Telecomunications | value of use | 6,75%-16,75% | 1% |
| Retail | value of use | 10.5% | 3% |
| Cybersecurity | value of use | 7,5%-10,75% | 3% |
| Others | value of use | 9%-13,5% | 1%-2% |

The analyses of the impairment indices and the review of the impairment projections and tests of Sonae have not lead to the account of losses, during the year ended at 31 December 2017. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoverable value. Therefore, this results in imaterial additional impairments.

# 11 Joint ventures and associated companies

## 11.1 Detail of book value of investment in joint ventures and associates

The value of investments in joint ventures and associates can be analysed as follows:

| | COMPANY | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|
| | **Sonae MC** | | |
| 1) | Sohi Meat Solutions - Distribuição de Carnes, SA | 2,361,045 | - |
| | **Sonae Sierra** | | |
| | Sonae Sierra SGPS, SA (consolidated) | 600,833,979 | 605,762,434 |
| | **NOS** | | |
| | ZOPT, SGPS, SA (consolidated) | 688,194,866 | 676,799,309 |
| | **Sonae IM** | | |
| | Intelligente Big Data, S.L. | - | - |
| | SIRS - Sociedade Independente de Radiodifusão Sonora, SA | - | - |
| | Unipress - Centro Gráfico, Lda | 608,237 | 588,925 |
| | **Sonae FS** | | |
| 2) | MDS SGPS, S.A. (consolidated) | 31,495,372 | - |
| | **Investments in joint ventures** | 1,323,493,499 | 1,283,150,668 |
| | **Sonae MC** | | |
| | APOR - Agência para a Modernização do Porto, S.A. | 290,475 | 323,193 |
| | MOVVO, S.A. | - | 2,793,649 |
| | Sempre a Postos - Produtos Alimentares e Utilidades, Lda | 1,050,793 | 1,338,322 |
| | S2 Mozambique, SA | 1,592,748 | 1,406,710 |
| | Ulabox, SL | 4,046,829 | 3,817,381 |
| | **Sonae IM** | | |
| | Armilar Venture Partners - Sociedade de Capital de Risco, SA (Armilar) | 1 | 1 |
| | Fundo de Capital de Risco Armilar Venture Partners II (Armilar II) | 44,333,718 | 35,416,004 |
| | Fundo de Capital de Risco Armilar Venture Partners III (Armilar III) | 24,920,506 | 26,173,814 |
| | Fundo de Capital de Risco Espirito Santo Ventures Inovação e Internacionalização (AVP I+I) | 9,431,245 | 6,885,820 |
| 3) | Secucloud GMBH | 4,819,257 | - |
| 3) | Probe.ly - Soluções de Cibersegurança, Lda | 471,766 | - |
| | **Sonae FS** | | |
| 2) | Brokerslink Management AG | - | 124,834 |
| 2) | Filhet Allard España Correduria de Seguros S.L. | - | 840,494 |
| | **Investment in associates companies** | 90,957,338 | 79,120,222 |
| | Total | 1,414,450,837 | 1,362,270,890 |

1) In 2016 results from the agreement signed on January 2017, since then, Sohimeat has been consolidated using the equity method due the loss of control (Note 21);

2) Discontinued operations (Note 5.1);

3) Associate acquired during the period.

Following the announcement made on August 5th 2016, the subsidiary Sonae IM together with a group of investors entered into an agreement with NOVO BANCO, SA and its subsidiary, ES TECH VENTURES, SGPS, SA for the acquisition, to the Novo Banco, of units in three venture capital funds and of the entire share capital of Armilar held by its subsidiary ES TECH VENTURES, SGPS, SA After approval by Banco de Portugal, the transaction was completed on 13 December 2016.

The management of the funds, according to the applicable legislation, is the responsibility of the management company. The management company has autonomy in relation to the management and investment policies of the funds, and this is not a competence of the holders of units. The participation of the subsidiary Sonae IM in the management company is 35%, not exercising control over it, in accordance with the legal framework and, in accordance with the context and specificity of the transaction, a fair value of 1 euro was assumed. As described, under this operation, the acquired participations were classified as 'Investments in associated companies'.

In March 2017, an increase in units of the Armilar III fund was approved, and Sonae IM subscribed and paid the amount of Euro 622,996, corresponding to 0.41%, in July 2017 a new increase of Armilar III fund, in which Sonae IM subscribed and paid in the amount of Euro 302,598, corresponding to 0.20% and in November 2017, another increase of units in the Armilar III fund was approved and Sonae IM subscribed and paid the amount of Euro 484,103, corresponding to 0.04%, and in the year ended at 31 December 2017 held a 42.64% stake in the Armilar III fund. Also in July 2017, there was a change in the number of units in the Armilar II fund due to the departure of one of the Shareholders, thus giving SonaeIM a 50.74% stake in the fund in the year ended at 31 December 2017.

As part of this transaction, debt of the Armilar II and Armilar III funds to Armilar was also acquired, in the amount of Euro 1,503,670 and Euro 1,274,357, respectively, which is recorded under the caption 'Other non-current assets' (Note 13).

IAS 28 contains the option to keep the investments at fair value in situations of investments in associates that are held through venture capital funds. Sonae IM made this option in applying the equity method to Armilar I, Armilar II and ESVIINT funds, and maintained the fair value recognised by the funds in its investments. Associates and joint ventures are included in the consolidation under the equity method.

During the year of 2017 Sonae IM invested Euro 4,000,000 in the company Secucloud, representing this investment 27.45% of the company's capital. Secucloud is a company that provides cloud-based IT security services.

## 11.2 Financial indicators of participations

### 11.2.1 Joint ventures

As at 31 December 2017 and 2016, summary financial information of joint ventures of the group can be analysed as follows:

| | 31 Dec 2017 | | | | |
|---|---|---|---|---|---|
| Joint ventures | Sonae Sierra SGPS, SA (consolidated) | ZOPT, SGPS, SA (consolidated) | MDS,SGPS,SA (consolidated) | Sohimeat, SA | Others |
| Assets | | | | | |
| Investment properties | 781,879,364 | 661,000 | 857,259 | - | - |
| Tangible assets | 1,885,203 | 1,181,572,000 | 2,376,935 | 20,771,255 | 548,080 |
| Intangible assets | 1,456,440 | 567,506,327 | 9,605,565 | 309,299 | 6,451 |
| Goodwill | 4,273,688 | 1,746,817,673 | 29,202,474 | - | - |
| Investments in joint ventures and associates | 1,222,965,224 | 216,619,000 | 9,098,383 | - | 518 |
| Other non-current assets | 137,615,774 | 117,430,000 | 3,426,579 | 204,757 | - |
| Non-current assets | 2,150,075,693 | 3,830,606,000 | 54,567,195 | 21,285,311 | 555,049 |
| Trade account receivables | 22,354,195 | 406,904,000 | 4,916,146 | 26,859,097 | 1,472,711 |
| Cash and cash equivalents | 68,144,912 | 5,493,000 | 10,448,200 | 367,901 | 215,122 |
| Other current assets | 81,508,716 | 135,067,000 | 3,981,786 | 9,110,188 | 248,821 |
| Current assets | 172,007,823 | 547,464,000 | 19,346,132 | 36,337,186 | 1,936,654 |
| Total assets | 2,322,083,516 | 4,378,070,000 | 73,913,327 | 57,622,497 | 2,491,703 |
| Liabilities | | | | | |
| Loans | 198,185,930 | 997,423,000 | 15,575,000 | - | 463,240 |
| Provisions | 593,621 | 174,546,000 | 3,553,138 | - | 11,121 |
| Deferred tax liabilities | 133,752,991 | 36,450,000 | - | - | - |
| Other non-current liabilities | 10,175,020 | 32,617,000 | 5,804,829 | - | - |
| Non-current liabilities | 342,707,562 | 1,241,036,000 | 24,932,967 | - | 474,361 |
| Loans | 171,613,095 | 210,175,000 | 6,419,272 | - | 26,262 |
| Trade creditors | 5,867,742 | 224,917,000 | 2,590,507 | 50,874,796 | 746,055 |
| Other current liabilities | 72,855,540 | 318,261,000 | 13,197,002 | 2,642,558 | 486,774 |
| Total current liabilities | 250,336,377 | 753,353,000 | 22,206,781 | 53,517,354 | 1,259,091 |
| Total liabilities | 593,043,939 | 1,994,389,000 | 47,139,748 | 53,517,354 | 1,733,452 |
| Equity attributable to the equity holders of the Parent Company | 1,150,533,916 | 1,218,544,000 | 24,734,144 | 4,105,143 | 758,251 |
| Non-controlling interests | 578,505,661 | 1,165,137,000 | 2,039,435 | - | - |
| Total equity | 1,729,039,577 | 2,383,681,000 | 26,773,579 | 4,105,143 | 758,251 |
| Total equity and liabilities | 2,322,083,516 | 4,378,070,000 | 73,913,327 | 57,622,497 | 2,491,703 |

| Joint ventures | 31 Dec 2016 Sonae Sierra SGPS, SA (consolidated) | ZOPT, SGPS, SA (consolidated) | Others |
|---|---|---|---|
| Assets | | | |
| Investment properties | 805,733,400 | 663,000 | - |
| Tangible assets | 2,009,354 | 1,205,070,385 | 821,056 |
| Intangible assets | 2,000,546 | 601,491,621 | - |
| Goodwill | 4,273,688 | 1,749,001,673 | - |
| Investments in joint ventures and associates | 1,169,527,759 | 194,168,879 | - |
| Other non-current assets | 94,653,928 | 139,012,122 | 97 |
| Non-current assets | 2,078,198,675 | 3,889,407,680 | 821,153 |
| Trade account receivables | 21,155,728 | 348,926,000 | 1,352,079 |
| Cash and cash equivalents | 149,628,277 | 7,094,383 | 61,807 |
| Other current assets | 66,133,531 | 178,414,846 | 235,728 |
| Current assets | 236,917,536 | 534,435,229 | 1,649,614 |
| Total assets | 2,315,116,211 | 4,423,842,909 | 2,470,767 |
| Liabilities | | | |
| Borrowings | 367,154,873 | 1,035,508,000 | 25,000 |
| Provisions | 259,543 | 190,152,493 | - |
| Provisions | 125,100,631 | 45,549,133 | - |
| Other non-current liabilities | 13,777,979 | 40,198,283 | 1,043,985 |
| Non-current liabilities | 506,293,026 | 1,311,407,909 | 1,068,985 |
| Borrowings | 52,995,528 | 224,692,000 | 26,262 |
| Trade creditors | 9,678,526 | 238,850,632 | 237,941 |
| Other current liabilities | 78,253,599 | 298,337,368 | 207,202 |
| Total current liabilities | 140,927,653 | 761,880,000 | 471,405 |
| Total liabilities | 647,220,679 | 2,073,287,909 | 1,540,390 |
| Equity attributable to the equity holders of the Parent Company | 1,159,410,669 | 1,192,361,000 | 930,377 |
| Non-controlling interests | 508,484,863 | 1,158,194,000 | - |
| Total equity | 1,667,895,532 | 2,350,555,000 | 930,377 |
| Total equity and liabilities | 2,315,116,211 | 4,423,842,909 | 2,470,767 |

| Joint ventures | 31 dez 2017 Sonae Sierra SGPS, SA (consolidated) | ZOPT, SGPS, SA (consolidated) | MDS,SGPS,SA (consolidated) | Sohimeat, SA | Others |
|---|---|---|---|---|---|
| Turnover | 173,355,890 | 1,548,935,000 | 48,759,980 | 270,805,753 | 3,807,990 |
| Other operating income | 64,490,337 | 12,846,000 | 724,108 | 42,431,164 | 64,377 |
| | 237,846,027 | 1,561,781,000 | 49,484,088 | 313,236,917 | 3,872,367 |
| Cost of sales | - | - | - | (253,593,835) | - |
| External supplies and services | (78,210,260) | (180,072,000) | (24,476,991) | (9,181,542) | (1,522,834) |
| Amortisation | (1,035,809) | (443,229,000) | (3,815,644) | (2,099,216) | (416,949) |
| Other operating costs | (58,635,105) | (814,131,000) | (21,502,449) | (48,325,516) | (1,756,300) |
| | (137,881,174) | (1,437,432,000) | (49,795,084) | (313,200,109) | (3,696,083) |
| Financial income | 6,876,429 | 20,251,000 | 83,736 | - | - |
| Financial expense | (14,820,405) | (25,528,000) | (878,735) | (41) | (2,627) |
| Financial results | (7,943,976) | (5,277,000) | (794,999) | (41) | (2,627) |
| Results of joint ventures and associated companies | 132,052,492 | - | 12,112 | - | (16) |
| Income taxation | (26,095,351) | (10,929,000) | 158,077 | 5,323 | (29,685) |
| Consolidated net income/(loss) for the year | 197,978,018 | 108,143,000 | (935,806) | 42,090 | 143,956 |
| Attributable to: | | | - | - | - |
| Equity holders of the Parent Company | 109,951,209 | 55,558,000 | (876,353) | 42,090 | 143,956 |
| Non-controlling interests | 88,026,809 | 52,585,000 | (59,453) | - | - |
| | 197,978,018 | 108,143,000 | (935,806) | 42,090 | 143,956 |
| Other comprehensive income for the period | (44,073,377) | 3,362,574 | - | - | - |
| Total comprehensive income for the period | 153,904,641 | 111,505,574 | (935,806) | 42,090 | 143,956 |

| Joint ventures | 31 Dec 2016<br>Sonae Sierra SGPS, SA (consolidated) | ZOPT, SGPS, SA (consolidated) | Others |
|---|---|---|---|
| Turnover | 179,459,748 | 1,496,692,000 | 3,067,104 |
| Other operating income | 69,024,819 | 18,277,123 | 20,783 |
| | 248,484,567 | 1,514,969,123 | 3,087,887 |
| External supplies and services | (93,955,080) | (184,363,856) | (815,737) |
| Amortisation | (1,042,401) | (414,383,923) | (677,602) |
| Other operating costs | (57,303,855) | (795,816,221) | (1,518,803) |
| | (152,301,336) | (1,394,564,000) | (3,012,142) |
| Financial income | 6,255,947 | - | - |
| Financial expense | (17,178,012) | (36,343,614) | (3,373) |
| Financial results | (10,922,065) | (36,343,614) | (3,373) |
| Results of joint ventures and associated companies | 244,336,264 | - | - |
| Income taxation | (24,400,132) | (15,802,247) | (17,348) |
| Consolidated net income/(loss) for the year | 305,197,298 | 68,259,262 | 55,024 |
| Attributable to: | | | - |
| Equity holders of the Parent Company | 181,196,494 | 34,168,262 | 55,024 |
| Non-controlling interests | 124,000,802 | 34,091,000 | - |
| | 305,197,296 | 68,259,262 | 55,024 |
| Other comprehensive income for the period | 65,063,353 | (46,465,547) | - |
| Total comprehensive income for the period | 370,260,649 | 21,793,715 | 55,024 |

The reconciliation of financial information with the joint ventures carrying amount can be analysed as follows:

| Joint ventures | 31 Dec 2017<br>Sonae Sierra SGPS (consolidated) | ZOPT, SGPS, SA (consolidated) | MDS,SGPS,SA (consolidated) | Sohimeat, SA | Others |
|---|---|---|---|---|---|
| Equity | 1,150,533,916 | 1,218,544,000 | 24,734,144 | 4,105,143 | 758,251 |
| Percentage of share capital held | 50% | 50% | 50% | 50% | 45% |
| Share of the net assets | 575,266,958 | 609,272,000 | 12,367,072 | 2,052,572 | 341,137 |
| Write off of GW recognized in share of net assets | (9,856,000) | (437,250,418) | (14,601,237) | - | - |
| Goodwill recognized in financial investment | 41,989,330 | 523,664,000 | - | - | 123,735 |
| Fair value of the client portfolio | - | - | 33,676,745 | - | - |
| Other effects | (6,566,309) | (7,490,716) | 52,792 | 308,474 | 143,365 |
| Financial investment | 600,833,979 | 688,194,866 | 31,495,372 | 2,361,045 | 608,237 |

| Joint ventures | 31 Dec 2016<br>Sonae Sierra SGPS (consolidated) | ZOPT, SGPS, SA (consolidated) | Others |
|---|---|---|---|
| Equity | 1,159,410,669 | 1,192,361,000 | 930,377 |
| Percentage of share capital held | 50% | 50% | 45% |
| Share of the net assets | 579,705,335 | 596,180,500 | 418,577 |
| Write off of GW recognized in share of net assets | (10,115,522) | (437,250,418) | - |
| Goodwill recognized in financial investment | 42,862,305 | 523,664,000 | 123,736 |
| Other effects | (6,689,683) | (5,794,773) | 46,611 |
| Financial investment | 605,762,434 | 676,799,309 | 588,924 |

### 11.2.2 Associates

As at 31 December 2017 and 2016, summary financial information of associated companies of the Group can be analysed as follows:

| | 31 Dec 2017 | | | |
|---|---|---|---|---|
| | Sonae Retail | | | |
| Associates | Sempre a Postos | Ulabox | S2 Mozambique | Others |
| Non-current assets | 725,966 | 1,654,169 | 5,677,724 | 678,593 |
| Current assets | 10,326,802 | 1,253,456 | 2,383,755 | 2,356,130 |
| Non-current liabilities | - | - | - | 1,955,112 |
| Current liabilities | 6,849,597 | 1,284,421 | 2,959,516 | 831,108 |
| Equity | 4,203,171 | 1,623,204 | 5,101,963 | 248,503 |

| | 31 Dec 2016 | | | |
|---|---|---|---|---|
| | Sonae Retail | | | |
| Associates | Sempre a Postos | Ulabox | S2 Mozambique | Others |
| Non-current assets | 1,205,266 | 1,176,547 | 3,517,781 | 986,708 |
| Current assets | 10,371,548 | 1,662,970 | 1,838,977 | 3,316,322 |
| Non-current liabilities | - | - | - | 2,240,946 |
| Current liabilities | 6,223,527 | 531,941 | 667,722 | 977,842 |
| Equity | 5,353,287 | 2,307,576 | 4,689,036 | 1,084,242 |

| | 31 Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Sonae IM | | | | |
| Associates | Armilar II | Armilar III | AVP I+I | Armilar | Others |
| Non-current assets | 91,385,627 | 66,583,123 | 32,012,958 | 19,431 | 1,696,324 |
| Current assets | 1,356,789 | 3,111,491 | 46,268 | 4,889,088 | 4,321,426 |
| Non-current liabilities | - | - | 6,280,655 | | 717,697 |
| Current liabilities | 5,361,017 | 11,350,315 | 655,990 | 677,581 | 4,034,788 |
| Equity | 87,381,399 | 58,344,299 | 25,122,581 | 4,230,938 | 1,265,265 |

| | 31 Dec 2016 | | | | |
|---|---|---|---|---|---|
| | Sonae IM | | | | |
| Associates | Armilar II | Armilar III | AVP I+I | Armilar | Others |
| Non-current assets | 80,587,398 | 69,452,246 | 18,585,117 | 3,642 | 572,127 |
| Current assets | 2,933,897 | 3,295,118 | 109,272 | 4,950,669 | 1,632,456 |
| Non-current liabilities | 8,965,340 | 7,111,940 | - | - | - |
| Current liabilities | 4,015,124 | 3,305,034 | 352,213 | 1,007,838 | 1,179,340 |
| Equity | 70,540,831 | 62,330,390 | 18,342,176 | 3,946,473 | 1,025,243 |

| | 31 Dec 2017 | | | |
|---|---|---|---|---|
| | Retail | | | |
| Associates | Sempre a Postos | Ulabox | S2 Mozambique | Others |
| Turnover | 55,921,357 | 9,245,815 | 5,663,675 | 669,254 |
| Other operating income | 3,200,459 | 477,435 | 272,509 | 15,294 |
| Operating costs | (56,167,963) | (13,542,972) | (8,839,842) | (2,381,661) |
| Financial results | 6,153 | - | (286,954) | (1,194) |
| Taxation | (790,832) | - | (48,398) | (100) |
| Consolidated net income/(loss) for the year | 2,169,174 | (3,819,722) | (3,239,010) | (1,698,407) |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | 2,169,174 | (3,819,722) | (3,239,010) | (1,698,407) |

| | 31 Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Sonae IM | | | | |
| Associates | Armilar II | Armilar III | AVP I+I | Armilar | Others |
| Turnover | 100,098 | - | - | 2,245,243 | 1,494,167 |
| Other operating income | 18,521,689 | 12,045,030 | 14,276,984 | 12,799 | 580,232 |
| Operating costs | (662,479) | (18,696,970) | (8,449,425) | (1,831,578) | (6,053,646) |
| Financial results | (90,352) | 298,868 | 66,017 | - | (4) |
| Taxation | - | - | - | (142,000) | - |
| Consolidated net income/(loss) for the year | 17,868,956 | (6,353,072) | 5,893,576 | 284,464 | (3,979,251) |
| Other comprehensive income for the period | | | | | |
| Total comprehensive income for the period | 17,868,956 | (6,353,072) | 5,893,576 | 284,464 | (3,979,251) |

| | 31 Dec 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Retail | | | | Sonae IM | |
| Associates | Sempre a Postos | Ulabox | S2 Mozambique | Others | Funds | Others |
| Turnover | 53,935,164 | 7,483,591 | 2,085,457 | 433,737 | - | 1,563,422 |
| Other operating income | 3,437,205 | 298,931 | - | 88,062 | - | 1,165 |
| Operating costs | (54,995,713) | (11,900,557) | (2,750,597) | (4,450,287) | - | (1,501,729) |
| Financial results | 9,534 | - | 29,875 | (16,443) | - | 7,971 |
| Taxation | (566,900) | - | - | (40) | - | (24,800) |
| Consolidated net income/(loss) for the year | 1,819,290 | (4,118,035) | (635,265) | (3,944,971) | - | 46,029 |
| Other comprehensive income for the period | - | - | - | - | - | - |
| Total comprehensive income for the period | 1,819,290 | (4,118,035) | (635,265) | (3,944,971) | - | 46,029 |

The reconciliation of financial information with the associates carrying amount can be analysed as follows:

| | 31 Dec 2017 | | | |
|---|---|---|---|---|
| Associates Sonae Retail | Ulabox | Sempre a Postos | S2 Mozambique | Others |
| Equity | 1,623,204 | 4,203,171 | 5,101,963 | 248,503 |
| Percentage of share capital held | 40.41% | 25.00% | 30.00% | - |
| Share of the net assets | 655,937 | 1,050,793 | 1,530,589 | 27,433 |
| Goodwill recognized in financial investment | 1,549,408 | - | - | 137,494 |
| Other effects | 1,841,484 | - | 62,159 | 125,548 |
| Financial investment | 4,046,829 | 1,050,793 | 1,592,748 | 290,475 |

| | 31 Dec 2016 | | | |
|---|---|---|---|---|
| Associates Sonae Retail | Ulabox | Sempre a Postos | S2 Mozambique | Others |
| Equity | 2,307,576 | 5,353,287 | 4,689,036 | 1,084,242 |
| Percentage of share capital held | 39.18% | 25.00% | 30.00% | - |
| Share of the net assets | 904,108 | 1,338,322 | 1,406,710 | 237,143 |
| Goodwill recognized in financial investment | 1,245,985 | - | - | 2,769,074 |
| Other effects | 1,667,288 | - | - | 110,625 |
| Financial investment | 3,817,381 | 1,338,322 | 1,406,710 | 3,116,842 |

| | 31 Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Associadas Sonae IM | Armilar | Armilar II | Armilar III | AVP I+I | Seccloud | Probely |
| Equity | 4,230,938 | 87,381,399 | 58,344,299 | 25,122,581 | 1,455,878 | (190,613) |
| Percentage of share capital held | 35.00% | 50.74% | 42.64% | 37.54% | 27.45% | 25.88% |
| Share of the net assets | 1,480,828 | 44,337,322 | 24,878,009 | 9,431,017 | 399,639 | (49,331) |
| Goodwill recognized in financial investment | - | - | - | - | 4,419,742 | 515,379 |
| Other effects | (1,480,827) | (3,604) | 42,497 | 228 | (124) | 5,717 |
| Financial investment | 1 | 44,333,718 | 24,920,506 | 9,431,245 | 4,819,257 | 471,766 |

| | 31 Dec 2016 | | | | |
|---|---|---|---|---|---|
| | Sonae IM | | | | Sonae FS |
| Associates Sonae IM e Sonae FS | Armilar | Armilar II | Armilar III | AVP I+I | Others |
| Equity | 3,946,473 | 70,540,831 | 62,330,390 | 18,342,176 | 1,563,422 |
| Percentage of share capital held | 35.00% | 50.21% | 41.99% | 37.54% | - |
| Share of the net assets | 1,381,266 | 35,418,551 | 26,172,531 | 6,885,653 | 466,469 |
| Goodwill recognized in financial investment | - | - | - | - | - |
| Other effects | (1,381,265) | (2,547) | 1,283 | 167 | 498,859 |
| Financial investment | 1 | 35,416,004 | 26,173,814 | 6,885,820 | 965,328 |

## 11.3 Movements occurred in the period

During the year ended at 31 December 2017 and 2016, movements in investments in joint ventures and associates are as follows:

| | 31 Dec 2017 | | | 31 Dec 2016 | | |
|---|---|---|---|---|---|---|
| | Proportion on equity | Goodwill | Total investment | Proportion on equity | Goodwill | Total investment |
| **Investments in joint ventures** | | | | | | |
| Initial balance as at 1 January | 716,500,628 | 566,650,040 | 1,283,150,668 | 638,605,623 | 571,752,489 | 1,210,358,112 |
| Change of consolidation method due to loss of control | 35,237,454 | - | 35,237,454 | - | - | - |
| Equity method | | | | | | |
| Effect in gains or losses in joint controlled (1) | 81,688,116 | - | 81,688,116 | 109,015,083 | (4,391,103) | 104,623,980 |
| Distributed dividends | (53,929,242) | - | (53,929,242) | (30,686,194) | - | (30,686,194) |
| Effect in equity capital and non-controlling interests | (21,417,071) | - | (21,417,071) | (73,064) | - | (73,064) |
| Impairment in joint ventures (1) | - | (872,975) | (872,975) | - | (711,346) | (711,346) |
| Other effects in net income (1) | (363,451) | - | (363,451) | (360,820) | - | (360,820) |
| | 757,716,434 | 565,777,065 | 1,323,493,499 | 716,500,628 | 566,650,040 | 1,283,150,668 |
| **Investments in associates companies** | | | | | | |
| Initial balance as at 1 January | 75,105,163 | 4,015,059 | 79,120,222 | 2,807,146 | 1,723,842 | 4,530,988 |
| Capital increase | 4,593,031 | 303,423 | 4,896,454 | 4,697,727 | (340,363) | 4,357,364 |
| Acquisitions during the period | (417,871) | 4,935,121 | 4,517,250 | 31,897,505 | 481,659 | 32,379,164 |
| Change in consolidation method due to loss of control | (532,545) | (481,659) | (1,014,204) | - | - | - |
| Transfer of "Other non-current investments" and change method | - | - | - | 1,102,140 | 2,149,921 | 3,252,061 |
| Equity method | | | | | | |
| Effect in gains or losses in associated companies (1) | 5,925,562 | - | 5,925,562 | (1,796,826) | - | (1,796,826) |
| Negative goodwill recording by results | - | - | - | 36,726,300 | - | 36,726,300 |
| Distributed dividends | (829,823) | - | (829,823) | (352,947) | - | (352,947) |
| Effect in equity capital and non-controlling interests | 1,185,313 | - | 1,185,313 | 24,118 | - | 24,118 |
| Impairment in associated companies | (693,515) | (2,149,921) | (2,843,436) | - | - | - |
| | 84,335,315 | 6,622,023 | 90,957,338 | 75,105,163 | 4,015,059 | 79,120,222 |
| **Total** | 842,051,749 | 572,399,088 | 1,414,450,837 | 791,605,791 | 570,665,099 | 1,362,270,890 |

(1) The effect on results includes, as at 31 December 2017, 26,626 euros (210,741 euros as at 31 December 2016) related to the application of the equity method, which, however, was transferred to “Discontinued Activities” (note 5.1).

In the year ended 31 December 2017, the value of acquisitions includes the investment in the company Secucloud amounting to 4,000,000 euros.

The effect on equity and non-controlling interests results mainly from the effect of currency translation reserve of companies with a functional currency other than the euro. In 2016, it also included 50% of the capital gain annulled through Reserves in the amount of 9,362,943 euros related to the sale of the 2.14% direct interest held in NOS and sold to Zopt.

The amount of distributed dividends related to Investments in Joint Ventures includes Sonae Sierra's 37.391.100 euro (12,355,520 euro as at 31 December 2016) and 16.512.005 euro (18.511.947 euro as at 31 December 2016) of ZOPT.

As established in the shareholders agreement between Sonaecom, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV), on 14 June 2016, Sonaecom sold all its direct participation in NOS (2.14%) to ZOPT by the amount of Euro 82,840,847. This transaction generated a capital gain of 18,725,887 (note 12), being 50% of the capital gain annulled through Reserves and the other 50% registered in Gains and losses on financial assets at fair value through profit or loss (Note 35). In addition, the transaction also had impact on the equity method recorded through reserves by reducing the fair value of 2.14% of non-controlling interests. These impacts on Reserves were presented net in the consolidated statement of change in equity.

The value of change of consolidation method due to loss of control includes:

a) 32.534.003 euros relates to MDS SGPS, S.A. following the agreement signed between Sonae and IPLF Holding (Notes 4.2 e 5.1). At the date of presentation of these financial statements, it was not yet possible to complete the fair value analysis of the assets and liabilities included in the joint venture. This allocation will be made up to one year from the date of change, having preliminarily been made a valuation of intangible assets related to client portfolio, according to usual industry practice, and which annuls, almost in full the value of goodwill generated in the acquisition. The client portfolio is being amortised over a 12 years period; and

b) 2.703.451 euros referring to Sohi Meat Solutions- Distribuição de Carnes, SA, following the agreement signed on January 3, 2017, the date on which a Joint Venture was formed between Sonae MC and Hilton Food Group PLC through a capital increase of this Group in Sohimeat. Since then, Sohimeat has been consolidated using the equity method.

In the year ended 31 December 2016, the value of acquisitions in the year in associates mainly includes the cost of participation in the capital of Armilar, Armilar II, Armilar III and AVP II, which includes a negative goodwill of 36,726,301 euros.

The measurement of the existence or not of impairment in investments in joint ventures companies is determined as follows:

- Regarding the area of telecommunications (Zopt), the assessment of whether or not the impairment for the amounts of investments included in Goodwill recorded in the accompanying consolidated financial statements for the telecommunications sector (Zopt), is determinate taking into account with several information as business plans approved by the Board of Directors of NOS for five years, which implied average growth rate of operating margin amounts to 3.4% and its associated, and the average rating of external reviewers (researches), the discount rate used is 7.4% and the growth rate in perpetuity is 1.4%; and

- Regarding Sonae Sierra the impairment tests are made by comparison with the "Net Asset Value ", this results from the valuation of investment properties at market value and does not include the deferred taxes on unrealized capital gains. The amount of goodwill written off was related to the value of investment properties that were disposed of during the year.

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial investments that Group holds in associated companies operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The book value of these associates in the financial statements of ZOPT as at 31 December 2017 amounts to approximately Euro 195 million.

During the last quarter of 2017, Angola was considered a hyperinflationary economy, and the individual financial statements of the investees in Angola were restated (for consolidation purposes) in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies. Effective at 1 January 2017, the financial participation (including implicit goodwill of Euro 171.1 million) on the Angolan associates was adjusted by the effect of hyperinflation by a total of Euro 140.5 million and reduced by 138.5 million of impairment losses on the holding. The net amount of approximately Euro 2 million was recorded under 'Other reserves'. The effect of hyperinflation during this year was again adjusted by the effect of hyperinflation, with a net impact of approximately Euro 3.2 million (including Euro 38.6 million of impairment losses) under 'Losses / gains) in investees'.

The Group made impairment tests for those assets, which are denominated in the currencies of those countries, Kwanzas and Meticals, respectively, considering the business plans (internal valuation using the discounted cash flow method, compared to researches) approved by the Board of Directors for a five years period, which include average growth rates of revenue for that period of 14.5% (Angola) and 8.1% (Mozambique). These revenue growth rates reflects: (i) the best estimate for the growth of the customer base, reflecting an expectation of new clients and chum estimated rates, when considered prudent, and (ii) an annual price increase which corresponds, over the period 2017 to 2021, to an average of 75% of the inflation rate, since, considering the nature of the activity carried out by the companies, especially in Angola and in line with the price increases in previous years, it is not expected that companies will be able to reflect in their prices the total inflation in the country.

The business plans consider yet a growth rate in perpetuity of 9.5% (Angola) and 5.5% (Mozambique) and a discount rate ('wacc') in perpetuity of 20.1% (Angola) and 21% (Mozambique). The discount rate, over the period 2018 to 2022 ranged from a maximum of 43.8% to a minimum of 20.1% (in 2022), for Angola, and from a maximum of 35% to a minimum of 21% (2022) in Mozambique, in line with the most appropriate inflation forecasts (source: International Monetary Fund (FMI)). The impairment tests carried out, based on the assumptions above, disregarding the effect of the adjustment to the effects of hyperinflation in the amount of financial investment, support the value of the assets, so not result in additional impairments was recorded in relation to the effect of the hyperinflationary economy. However, that the current economic conditions of uncertainty in these markets, particularly in the foreign exchange market and the limitation of currency transfer, particularly in Angola, introduces an additional degree of variability to the assumptions, which could significantly impact of the estimates considered, in terms of of the rate of inflation and the ability to reflect the rate in price increases.

With respect to the Angolan associates intervals above the usual were used in the sensivity analyses, in which variations of 2pp in WACC and 0.5 pp in the perpetuity growth rate allow us to conclude that in extreme situations, with a high rate of inflation and a lower capacity of the company to reflect a higher price increase (analysed scenarios of price repercussion between 50% and 100% of the inflation rate, being this the most critical variable with impacts in variation of 65% and 139% of the book value), the valuation would not support the assets' value, varying between 61% and 156% of the book value.

The Board of Directors' conviction is that the assumptions used in the business plans are the most prudent and appropriate, and that the situations of high inflation and lower capacity of the company to reflect a higher price increase correspond to extreme situations.

The financial participations of Armilar II, Armilar III and AVP I+I are valued at fair value and classified in the corresponding hierarchy of fair value, as shown in the table bellow:

| (Amounts in thousands of euro) | 31 Dec 2017 | | |
|---|---|---|---|
| Fair value hierarchy | Armilar II | Armilar III | AVP I+I |
| Level 2 | - | 25,762 | 29,830 |
| Level 3 | 90,745 | 37,370 | 1,813 |
| | 90,745 | 63,132 | 31,643 |

Level 2 valuation techniques are essentially related to valuations resulting from the last transaction or firm acquisition offers, from significant percentages of holdings occurring in non-active markets.

Level 3 valuation techniques are essentially supported by: (i) Business plans of the subsidiaries, in which discount rates ranging from 6.10% to 25.0% were used, revenue growth rates over the projection period (CAGR) ranging between 2.3% and 134.6% and where the terminal value was estimated by a mix of multiples applied mainly on Revenue and EBITDA. It should be noted that the implied appreciation of the investments held by the Fund results from a set of sensitivities applied to the original parameters of the Business Plans made available by the management of the Subsidiaries; and (ii) Market Multiples in similar transactions applied to Revenues, Free Cash Flow, EBITDA, Recurring Revenues and other financial data of the Subsidiary.

Armilar III and AVP I + I include a level 2 share with an accounting value of approximately Euro 20 million and Euro 26 million, respectively, which was valued based on the last non-active transaction in July 2017. It should be noted that these values are perfectly fit in those that would be obtained if the valuation methodology adopted was the use of market multiples.

Level 3 includes a subsidiary with a book value of approximately Euro 88 million in the AVP II, which was valued using market multiples, namely using the most relevant metric for this type of company, the ARR (Annual Recurring Revenue). Given that this multiple increased approximately 60% compared to 2016, valuation, for prudential reasons, was based on an intermediate value resulting from the application of the multiple on the entity's financial data for

2016 and 2017. In addition, other multiples which revised the amount appreciated at 31December 2017. It should be noted that this investee was classified in level 2 of fair value in 2016 since its valuation was based on a transaction that occurred in January of the same year.

Evidence of impairment analysis and review of the projections and impairment tests did not lead to the counting of losses in the years ended at 31 December 2017 and 2016.

The sensitivity analysis carried out did not lead to material changes in the recovery values, so no impairment would result.

Contingent liabilities an additional information related to joint ventures are disclosed in Note 47.

# 12 Other investments

Other non-current investments, their head offices, percentage of share capital held and book value as at 31 December 2017 and 2016, are as follows:

| | | | Percentage of share capital held | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 31 Dec 2017 | | 31 Dec 2016 | | Statment of financial position | |
| | Company | Head Office | Direct | Total | Direct | Total | 31 Dec 2017 | 31 Dec 2016 |
| | **Sonae MC** | | | | | | | |
| | Dispar - Distrib. de Participações, SGPS, SA | Lisbon | 14.28% | 14.28% | 14.28% | 14.28% | 9,976 | 9,976 |
| | Insco - Insular de Hipermerc., SA | Ponta Delgada | 10.00% | 10.00% | 10.00% | 10.00% | 925,197 | 925,197 |
| | **Sonae IM** | | | | | | | |
| 1) | ArcticWolf Networks, Inc | Delaware | 4.68% | 4.21% | - | - | 3,830,113 | - |
| 1) | Continuum Security SL | Zaragoza | 6.66% | 5.99% | - | - | 299,802 | - |
| | Lusa - Agên. de Notícias de Portugal, SA | Lisbon | 1.38% | 1.24% | 1.38% | 1.24% | 35,462 | 75,069 |
| 1) | Ometria, Ltd. | London | 4.54% | 4.08% | - | - | 854,165 | - |
| 1) | StyleSage, Inc. | Delaware | 5.00% | 4.50% | - | - | 448,834 | - |
| | **Sonae FS** | | | | | | | |
| | Ed Broking LLP | London | 6.68% | 3.34% | 6.68% | 3.34% | - | 8,000,000 |
| | Other investments | | | | | | 13,020,226 | 11,774,208 |
| | | | | | | | 19,423,775 | 20,784,450 |

1) Investment acquired in the period.

During 2017, Sonae IM acquired a 4.68% stake in Arctic Wolf for the amount of USD 4,499,999 (Euro 3,830,113). Arctic Wolf is a North American technology specialist in cybersecurity.

The financial investment in Ed Broking LLP was revalued to its fair value as at 31 December 2016 based on EBITDA multiples adjusted by the net debt value and sales multiples by region adjusted by the costs of the central structure after optimization. This valuation led to a reduction in the investment amounting 7.2 million euros corresponding to an impairment in the same amount as at 31 December 2016. The disposal, of the company´s North American operation and the costs associated with the ongoing restructuring significantly affected the valuation of the company taking into account the valuation criteria used. Both valuations correspond to Level 3 of Fair Value, although the multiples used are market benchmarks.

As at 31 December 2017 the caption “Other investments” includes, among others, 9,919,677 euro (9,966,231 euro in 31 December 2016) related to deposited amounts on an Escrow Account which is applied in investment funds with superior rating, which is a guarantee for contractual liabilities assumed in the disposal of a Brazil Retail business and for which provisions were recorded in the applicable situations (Note 32 and 34).

As at 31 December 2017, with the exception of Escrow Account, these amounts represent financial investments of immaterial value in unlisted companies and in which the Group does not hold significant influence, their cost of acquisition was considered to be a reasonable approximation to its fair value, adjusted, if applicable, by the identified impairments.

As at 31 December 2017 and 2016, the movements in "Other investments" made up as follows:

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|---|---|---|---|
| | Non current | Current | Non current | Current |
| **Other investments:** | | | | |
| Fair value (net of impairment losses) as at 1 January | 20,784,450 | 161,050 | 29,549,661 | 79,924,887 |
| Acquisitions in the period | 6,808,903 | - | 1,533,774 | 166,533 |
| Disposals in the period | (15,931) | - | (1,061,109) | (64,187,435) |
| Increase/(decrease) in fair value | (123,713) | (161,050) | (7,273,998) | (15,742,935) |
| Transfers | - | - | (1,963,878) | - |
| Discontinued operations (Note 5.1) | (8,029,934) | - | - | - |
| Fair value (net of impairment losses) as at 31 December | 19,423,775 | - | 20,784,450 | 161,050 |
| **Derivative financial instruments (Note 26)** | | | | |
| Fair value as at 1 January | - | 4,207,972 | - | 2,506,087 |
| Acquisitions in the period | - | - | - | 2,393,451 |
| Increase/(decrease) in fair value | - | (4,028,091) | - | (691,566) |
| Fair value as at 31 December | - | 179,881 | - | 4,207,972 |
| | 19,423,775 | 179,881 | 20,784,450 | 4,369,022 |

As at 31 December 2016:

- The amount of increase/(decrease) in fair value in the caption "Other non-current investments" is related to the measurement at fair value of the investment in Ed Broking LLP 7,272,998 euro;

- The fair value increase / (decrease) in the caption "Other current investments" is mainly associated to the fair value of NOS investment up to the disposal date in the amount of 15,681,846 euros (Note 38). The fair value of this investment was determined based on the NOS market share price and the respective changes were recorded in the consolidated income statement (Note 11.3);

- the “Disposals in the period” in “Other current investments” correspond to sale the entire NOS interest (2.14%) to ZOPT in June 2016 as described in Note 11.3. For the determination of the fair value of the NOS shares at the date of sale, the closing price of June 14, 2016 (5.822) was used for the 11,012,532 shares in the portfolio at the time of sale.

The Other non-current financial Investments are recorded at acquisition cost net of impairment losses. It is Sonae understanding that no reliable fair value estimate can be made as there is no market data available for these investments. The heading of “Other non-current Investments” includes 3,100,549 euro (2,818,219 euro in 31 December 2016) of investments recorded at the cost net of impairment losses for the same reasons.

The Other non-current Investments are net of impairment losses amounting to 476,256 euro (370,685 euro in 31 December 2016) (Note 32).

# 13 Other non-current assets

As at 31 December 2017 and 2016, "Other non-current assets" are detailed as follows:

| | 31 Dec 2017 | | | 31 Dec 2016 | | |
|---|---|---|---|---|---|---|
| | Gross Value | Accumulated impairment losses (Note 32) | Carrying Amount | Gross Value | Accumulated impairment losses (Note 32) | Carrying Amount |
| **Trade accounts receivable and other debtors** | | | | | | |
| Legal deposits | 3,916,334 | - | 3,916,334 | 762,246 | - | 762,246 |
| Cautions | 5,120,591 | - | 5,120,591 | 5,043,273 | - | 5,043,273 |
| Special regime for payment of tax and social security debts | 6,397,435 | - | 6,397,435 | 7,247,481 | - | 7,247,481 |
| Rent deposits from tenants | 787,615 | - | 787,615 | - | - | - |
| Receivables from disposal of financial investments | 1,000,000 | - | 1,000,000 | 40,000 | - | 40,000 |
| Debt to receive related to Armilar Funds | 2,778,017 | - | 2,778,017 | 2,778,017 | - | 2,778,017 |
| Amount retained on acquisition of Salsa group | 2,463,875 | - | 2,463,875 | 2,463,875 | - | 2,463,875 |
| Others | 463,340 | - | 463,340 | 305,524 | - | 305,524 |
| **Total financial instruments (Note 7)** | 22,927,207 | - | 22,927,207 | 18,640,416 | - | 18,640,416 |
| **Reinsurer's' share of technical provisions** | 412,943 | - | 412,943 | 412,943 | - | 412,943 |
| **Other non-current assets** | 271,793 | - | 271,793 | 172,807 | - | 172,807 |
| | 23,611,943 | - | 23,611,943 | 19,226,166 | - | 19,226,166 |

The amount disclosed as Special Regime for Payment of Tax and Social Security Debts corresponds to taxes paid, voluntarily, related to settlements of income tax on corporate income, which were already in judicial process. The judicial processes are still in progress, however the guarantees provided for the said processes were canceled. No impairment loss was recorded since it is the Board of Directors understanding that the claims presented will have a favourable end to Sonae, reason why they were not object of provision.

The amounts included in "Reinsurer's' share of technical provisions" refer to a Sonae's subsidiary whose activity is non-life reinsurance. The amount of the provision is related to provisions for claims declared (Note 32).

# 14 Inventories

As at 31 December 2017 and 2016, "Inventories" are detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Raw materials and consumables | 3,112,234 | 3,164,832 |
| Goods for resale | 731,937,990 | 713,712,744 |
| Finished and intermediate goods | 11,393,255 | 11,308,942 |
| Work in progress | 1,763,374 | 1,334,436 |
| | 748,206,853 | 729,520,954 |
| Accumulated adjustments in inventories | (34,953,228) | (33,222,986) |
| | 713,253,625 | 696,297,968 |

Cost of goods sold as at 31 December 2017 and 2016 amounted to 4.587,311,688 euro and 4.261.074.939 euro, respectively, and may be detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Opening balance | 716,877,576 | 665,283,359 |
| Acquisitions of subsidiaries (Note 5.2) | 586,950 | 9,054,531 |
| Purchases | 4,614,859,620 | 4,315,914,488 |
| Adjustments | (11,686,719) | (13,487,146) |
| Closing balance | 735,050,224 | 716,877,576 |
| | 4,585,587,203 | 4,259,887,656 |
| Adjustments in inventories | 1,724,485 | 1,187,283 |
| | 4,587,311,688 | 4,261,074,939 |

As at 31 December 2017 and 2016, the caption Regularization of inventories refers essentially to regularizations resulting from offers to social solidarity institutions carried out by retail.

The Caption Increase/ decrease in Production, as at 31 December 2017 and 2016 amounted to 351,870 euro and 1,273,422 euro, respectively, and may be detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Opening balance | 12,643,378 | 578,100 |
| Acquisitions of subsidiaries | - | 11,714,221 |
| Adjustments | (653,636) | (699,865) |
| Closing balance | 13,156,629 | 12,643,378 |
| | 1,166,887 | 1,050,922 |
| Adjustments in inventories | (815,017) | 222,500 |
| | 351,870 | 1,273,422 |

# 15 Trade accounts receivable

As at 31 December 2017 and 2016, "Trade accounts receivable" are detailed as follows:

| | 31 Dec 2017 | | | 31 Dec 2016 | | |
|---|---|---|---|---|---|---|
| Trade accounts receivable and doubtful accounts | Gross Value | Impairment losses (Note 32) | Carrying Amount | Gross Value | Impairment losses (Note 32) | Carrying Amount |
| Sonae Retail | | | | | | |
| Sonae MC | 38,613,915 | (3,961,001) | 34,652,914 | 33,022,912 | (3,725,262) | 29,297,650 |
| Worten | 10,470,241 | (674,825) | 9,795,416 | 6,410,376 | (546,620) | 5,863,756 |
| Sonae Sports&Fashion | 38,897,965 | (3,583,372) | 35,314,593 | 34,230,110 | (3,204,853) | 31,025,257 |
| Sonae RP | 523,593 | (72,751) | 450,842 | 182,547 | (47,024) | 135,523 |
| Maxmat | 33,566 | (19,754) | 13,812 | 31,665 | (19,754) | 11,911 |
| Sonae IM | 44,309,473 | (2,539,839) | 41,769,634 | 37,974,894 | (1,879,612) | 36,095,282 |
| Sonae SF | 2,208,338 | - | 2,208,338 | 6,056,636 | (15,668) | 6,040,968 |
| Others | 7,501,438 | (1,631,697) | 5,869,741 | 8,367,000 | (833,487) | 7,533,513 |
| | 142,558,529 | (12,483,239) | 130,075,290 | 126,276,140 | (10,272,280) | 116,003,860 |

Sonae's exposure to credit risk is related to accounts receivable arising from its operational activity. The amounts disclosed on the statement of financial position are net of impairment losses that were estimated based on Sonae's past experience and on the assessment of current economic conditions. It is Sonae understanding that the book value of the accounts receivable net of impairment losses does not differ significantly from its fair value.

As at 31 December 2017 there is no indication that the normal delivery periods will not be met in relation to amounts included in trade receivables that are not overdue, thus no impairment loss was recognized. As at 31 December 2017 and 2016, the ageing of the trade receivables are as follows:

| | Trade Receivables | | | | |
|---|---|---|---|---|---|
| 31 Dec 2017 | Sonae Retail | Sonae IM | Sonae FS | Others | Total |
| Not due | 25,444,066 | 22,980,603 | 2,208,338 | 4,356,278 | 54,989,285 |
| Due but not impaired | | | | | |
| 0 - 30 days | 12,344,814 | 5,553,063 | - | 560,739 | 18,458,616 |
| 30 - 90 days | 33,911,197 | 3,048,519 | - | 104,494 | 37,064,210 |
| + 90 days | 8,527,500 | 10,187,449 | - | 848,230 | 19,563,179 |
| Total | 54,783,511 | 18,789,031 | - | 1,513,463 | 75,086,005 |
| Due and impaired | | | | | |
| 0 - 90 days | 388,065 | 10,699 | - | - | 398,764 |
| 90 - 180 days | 422,017 | 38,502 | - | - | 460,519 |
| 180 - 360 days | 614,201 | 152,297 | - | 297,143 | 1,063,641 |
| + 360 days | 6,887,420 | 2,338,341 | - | 1,334,554 | 10,560,315 |
| Total | 8,311,703 | 2,539,839 | - | 1,631,697 | 12,483,239 |
| | 88,539,280 | 44,309,473 | 2,208,338 | 7,501,438 | 142,558,529 |

| | Trade Receivables | | | | |
|---|---|---|---|---|---|
| 31 Dec 2016 | Sonae Retail | Sonae IM | Sonae FS | Others | Total |
| Not due | 29,942,972 | 19,290,195 | 2,937,038 | 6,567,529 | 58,737,734 |
| Due but not impaired | | | | | |
| 0 - 30 days | 9,889,176 | 3,712,176 | 2,325,271 | 779,757 | 16,706,380 |
| 30 - 90 days | 23,597,666 | 3,758,707 | 137,924 | 86,801 | 27,581,098 |
| + 90 days | 2,911,637 | 9,334,204 | 640,735 | 92,072 | 12,978,648 |
| Total | 36,398,479 | 16,805,087 | 3,103,930 | 958,630 | 57,266,126 |
| Due and impaired | | | | | |
| 0 - 90 days | 67,505 | - | - | - | 67,505 |
| 90 - 180 days | 186,198 | - | - | - | 186,198 |
| 180 - 360 days | 474,258 | 26,460 | - | 30,407 | 531,125 |
| + 360 days | 6,808,198 | 1,853,152 | 15,668 | 810,434 | 9,487,452 |
| Total | 7,536,159 | 1,879,612 | 15,668 | 840,841 | 10,272,280 |
| | 73,877,610 | 37,974,894 | 6,056,636 | 8,367,000 | 126,276,140 |

In determining the recoverability of trade receivables, Sonae considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the consolidated financial statements reporting date. The concentration of credit risk is limited due to the large number of customers. Accordingly, it is considered that the risk of not recovering the trade receivables does not exceed the impairment created for doubtful debts.

Additionally, Sonae considers that the maximum exposure to the credit risk is the total client amounts presented in the consolidated statement of financial position.

# 16 Other debtors

As at 31 December 2017 and 2016, Other debtors are detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Other debtors | | |
| Trade creditors - debtor balances | 37,512,048 | 40,574,473 |
| Disposal of financial investments | - | 21,584,746 |
| Amounts receivable from insurers and policyholders | - | 1,456,925 |
| Disposal of tangible assets | 2,142,406 | 2,310,866 |
| Vouchers and gift cards | 2,237,906 | 1,924,216 |
| VAT recoverable on real estate assets and vouchers discounts | 6,371,632 | 3,723,869 |
| Advances to suppliers | 697,627 | 1,122,073 |
| Other current assets | 20,902,355 | 18,863,035 |
| | 69,863,974 | 91,560,203 |
| Accumulated impairment losses in receivables (Note 32) | (7,263,230) | (7,598,754) |
| Total of financial instruments (Note 7) | 62,600,744 | 83,961,449 |
| Other current assets | - | - |
| | 62,600,744 | 83,961,449 |

The amounts disclosed as "Trade creditors - debtor balances" relate with commercial discounts billed to suppliers, to be net settled with future purchases - mainly in the retail segment.

The amount receivable to the disposal of financial investments includes the amount related to the disposal of the subsidiary Imoconti amounted to 21,009,032 euro, received in 2017 (Note 46).

As at 31 December 2017 and 2016, the ageing of "Other debtors" can be analysed as follows:

| | Other Debtors | |
|---|---|---|
| | 31 Dec 2017 | 31 Dec 2016 |
| Not due | 25,518,982 | 43,058,779 |
| Due but not impaired | | |
| 0 - 30 days | 4,341,902 | 12,702,256 |
| 30 - 90 days | 30,326,620 | 24,005,051 |
| + 90 days | 2,427,280 | 2,959,900 |
| Total | 37,095,802 | 39,667,207 |
| Due and impaired | | |
| 0 - 90 days | 84,383 | 127,013 |
| 90 - 180 days | 72,424 | 5,672 |
| 180 - 360 days | 352,424 | 855,916 |
| + 360 days | 6,739,959 | 7,845,616 |
| Total | 7,249,190 | 8,834,217 |
| Total Other Debtors | 69,863,974 | 91,560,203 |

As at 31 December 2017 there is no indication that the debtors not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognized.

The carrying amount of "Other debtors" is estimated to be approximately its fair value.

# 17 Taxes recoverable and taxes and contributions payable

As at 31 December 2017 and 2016, Taxes recoverable and taxes and contributions payable are made up as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Debtors values** | | |
| Income taxation | 45,725,862 | 43,808,036 |
| VAT | 38,785,695 | 24,879,216 |
| Other taxes | 2,060,409 | 1,838,566 |
| | 86,571,966 | 70,525,818 |
| **Creditors values** | | |
| Income taxation | 12,950,290 | 21,037,710 |
| VAT | 64,625,279 | 51,029,599 |
| Staff income taxes withheld | 5,856,546 | 5,719,252 |
| Social security contributions | 14,489,824 | 13,251,151 |
| Other taxes | 445,504 | 891,923 |
| | 98,367,443 | 91,929,635 |

# 18 Other current assets

As at 31 December 2017 and 2016, “Other current assets” is made up as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Invoices to be issued | 8,807,168 | 11,429,811 |
| Commercial discounts | 25,221,050 | 35,591,922 |
| Deferred costs - supplies and services | 10,065,624 | 10,156,350 |
| Deferred costs - rents | 6,986,698 | 6,160,370 |
| Insurance indemnities | 122,335 | 1,509,212 |
| Other current assets | 12,865,520 | 12,063,651 |
| | 64,068,395 | 76,911,316 |

The caption "Commercial discounts" refers to promotional campaigns carried out in the retail operating segment stores and reimbursed by Sonae suppliers (Note 39).

# 19 Deferred taxes

Deferred tax assets and liabilities as at 31 December 2017 and 2016 are as follows, split between the different types of temporary differences:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | 31 Dec 2017 | 31 Dec 2016 Restated | 31 Dec 2017 | 31 Dec 2016 Restated |
| Difference between fair value and acquisition cost | 4,933,142 | 4,653,193 | 33,865,461 | 38,832,129 |
| Temporary differences on tangible assets and intangible | 1,527,715 | 1,811,359 | 69,044,445 | 63,407,367 |
| Temporary difference of negative goodwill and equity method | - | - | 10,243,448 | 8,263,418 |
| Provisions and impairment losses not accepted for tax purpose | 23,215,181 | 25,168,714 | - | - |
| Write off of tangible and intangible assets | 28,517 | 25,524 | - | 44,232 |
| Valuation of hedging derivatives | 11,702 | 86,933 | 41,952 | 626,051 |
| Amortisation of Goodwill for tax purposes in Spain | - | - | 17,457,039 | - |
| Revaluation of tangible assets | - | - | 916,509 | 1,046,525 |
| Tax losses carried forward | 37,631,860 | 25,442,311 | - | - |
| Reinvested capital gains/losses | - | - | 302,963 | 329,611 |
| Tax Benefits | 986,686 | 1,037,115 | - | - |
| Others | 3,548,790 | 3,135,595 | 329,081 | 900,944 |
| | 71,883,593 | 61,360,744 | 132,200,898 | 113,450,277 |

During the periods ended 31 December 2017 and 2016, movements in deferred tax assets and liabilities are as follows:

| | Deferred tax assets | | Deferred tax liabilities | |
|---|---|---|---|---|
| | 31 Dec 2017 | 31 Dec 2016 Restated | 31 Dec 2017 | 31 Dec 2016 Restated |
| **Opening balance** | 61,360,744 | 64,094,618 | 113,450,277 | 78,832,522 |
| **Effects in net income:** | | | | |
| Difference between fair value and acquisition cost | 408,534 | (2,150,522) | (1,490,206) | (11,836,547) |
| Temporary differences on tangible and intangible assets | (259,291) | (136,655) | 5,910,379 | 3,987,260 |
| Temporary difference of negative goodwill and equity method | - | - | 1,980,030 | 8,263,418 |
| Provisions and impairment losses not accepted for tax purposes | (778,238) | (1,385,818) | - | - |
| Provisions and impairment losses transfer not accepted for tax purposes | - | 16,568,897 | - | 16,568,897 |
| Write-off of tangible and intangible assets | (10,247) | 25,317 | (44,232) | - |
| Revaluation of tangible assets | - | - | (116,394) | (109,814) |
| Constitution / reversal of deferred tax assets over tax losses | 13,243,850 | (17,582,833) | - | - |
| Amortization of goodwill for fiscal purposes in Spain | - | - | 17,457,039 | - |
| Reinvested capital gains/(losses) | - | - | (26,647) | (217,608) |
| Effect of change of tax rate | (943,285) | (15,088) | (220,405) | (294,247) |
| Tax Benefits | (50,429) | (1,185,087) | - | - |
| Others | (181,800) | 2,166,154 | (255,995) | (1,568,385) |
| | 11,429,094 | (3,695,635) | 23,193,569 | 14,792,974 |
| **Effects in equity:** | | | | |
| Valuation of hedging derivatives | (75,230) | (124,456) | (574,145) | 324,909 |
| Others | (88,390) | (1,623,275) | (468,354) | 197,316 |
| | (163,620) | (1,747,731) | (1,042,499) | 522,225 |
| Acquisitions of subsidiaries (Note 5.2) | 353,206 | 2,958,597 | - | 21,532,750 |
| Loss control in subsidiaries (Note 5.1) | (1,095,831) | (82,313) | (3,400,449) | (663,304) |
| Disposals of subsidiaries | - | - | - | (1,282,258) |
| Non-current assets held for sale (Note 21) | - | (166,792) | - | (284,632) |
| **Closing Balance** | 71,883,593 | 61,360,744 | 132,200,898 | 113,450,277 |

As at 31 December 2017, the tax rate to be used in Portuguese companies, for the calculation of the deferred tax assets relating to tax losses is 21%. The tax rate to be used to calculate deferred taxes in temporary differences in

Portuguese companies is 22.5% increased by the state surcharge in companies in which the expected reversal of those deferred taxes will occur when those rates will be applicable. For companies or branches located in other countries, rates applicable in each jurisdiction were used.

The Spanish Supreme Court decided in favour of Sonae considering that goodwill amortization for tax purposes in 2008 was applicable. For that reason, in 2017 the Group deducted tax on the amortization of goodwill generated in previous years for the years 2008, 2016 and 2017, having recognized 17.5 million euros in deferred tax liabilities.

Taking into account the tax proceedings pending before the court in Spain for the financial years 2009 to 2011, as well as for the fact that the Group was prevented from recognizing the tax depreciation of goodwill for the financial years 2012 to 2015, the right of the entity to deduct tax depreciation of goodwill amounting to EUR 69.8 million might be given in the future.

As at 31 December 2017 and 2016, and in accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

| | | 31 Dec 2017 | | | 31 Dec 2016 | | |
|---|---|---|---|---|---|---|---|
| | Country | Tax losses carried forward | Deferred tax assets | Time limit | Tax losses carried forward | Deferred tax assets | Time limit |
| **With limited time use** | | | | | | | |
| Generated in 2013 | Portugal | 1,220,382 | 256,280 | 2018 | 595,877 | 125,646 | 2018 |
| Generated in 2014 | Portugal | 1,673,556 | 351,447 | 2026 | 1,194,236 | 250,790 | 2026 |
| Generated in 2015 | Portugal | 69,902 | 14,680 | 2027 | 90,184 | 18,939 | 2027 |
| Generated in 2016 | Portugal | 21,550,140 | 4,525,529 | 2028 | 4,847,243 | 1,017,920 | 2028 |
| Generated in 2017 | Portugal | 21,264,154 | 4,465,472 | 2022 | - | - | |
| | | 45,778,134 | 9,613,408 | | 6,727,540 | 1,413,295 | |
| **With a time limit different from the above mentioned** | | | | | | | |
| | Spain | 3,464,916 | 866,229 | 2028 to 2029 | 3,696,316 | 924,079 | 2022 to 2029 |
| | United States of America | 7,823,749 | 2,229,769 | 2030 to 2035 | 9,586,912 | 3,738,897 | 2030 to 2036 |
| | Mexico | 2,178,019 | 653,406 | 2021 to 2027 | 3,123,721 | 937,116 | 2021 to 2026 |
| | | 13,466,684 | 3,749,404 | | 16,406,949 | 5,600,092 | |
| **Without limited time use** | | | | | | | |
| | Spain | 97,076,194 | 24,269,048 | | 73,232,829 | 18,308,208 | |
| | Malta | - | - | | 344,904 | 120,716 | |
| | | 97,076,194 | 24,269,048 | | 73,577,733 | 18,428,924 | |
| | | 156,321,012 | 37,631,860 | | 96,712,222 | 25,442,311 | |

As at 31 December 2017 and 2016, the deferred taxes to be recognized arising from tax losses were evaluated. Deferred tax assets have only been recorded to the extent that future taxable profits will arise which might be offset against available tax losses or against deductible temporary differences. This assessment was based on the business plans of Sonae's companies, which are periodically reviewed and updated. The main assumptions used in those business plans are described in Note 10.

As at 31 December 2017, the Group had an amount of 20.0 million euros (14.1 million euros as at 31 December2016) in the Retail segment of deferred tax assets related to tax losses for this and previous years of the Spanish Tax Group and which can be recovered by it in Spain. The Modelo Continente Hipermercados, SA branch in Spain was, on 31 December 2017 and 2016, the representative entity of the Tax Group in Spain, whose dominant entity is Sonae SGPS, S.A.

The recoverability of the above mentioned deferred tax assets, regarding Sonae operations in Spain is supported by the analysis of the recoverable amount of the cash-generating units for the specialized retail formats in Spain based on their value in use, obtained from business plans with a 10-year projection period, assuming it is the most realistic and appropriate deadline for the implementation of the strategy of internationalization of Sonae in the specialized retail segment, taking into consideration not only the nature of the products in question (more discretionary character) but also the current macro-economic conditions.

Main assumptions used in the business plans of the retail companies and other companies in Spain, included in consolidation, are a compound growth rate of 8.4% over a 10-year period (7.7% in 2016).

Although these tax losses do not expire, the analysis of their recoverability was limited to a 10-year term, also considering the deferred tax liabilities recognized.

It is the Board of Directors understanding, considering the existing business plans for each of the companies, that such deferred tax assets are fully recoverable, including those which were reversed in previous years likely to be recoverable in a longer period than the 10 years of the business plan.

The amount of deferred tax assets also includes the amount of 4.6 million euros related to tax losses carried forward and deductible temporary differences which will be derecognised as a result of the loss of control of the Sport Zone operation described in Note 49.

As at 31 December 2017, there are reportable tax losses in the amount of 433.7 million euro (423.4 million euro as at 31 December 2016), whose deferred tax assets are not recorded for prudence purposes.

| | | 31 Dec 2017 | | | 31 Dec 2016 | | |
|---|---|---|---|---|---|---|---|
| | Country | Tax losses carried forward | Deferred tax credit | Time limit | Tax losses carried forward | Deferred tax credit | Time limit |
| **With limited time use** | | | | | | | |
| Generated in 2013 | Portugal | 21,578 | 4,531 | 2018 | 2,888,221 | 606,526 | 2018 |
| Generated in 2014 | Portugal | 3,538,124 | 743,006 | 2026 | 5,957,222 | 1,251,016 | 2026 |
| Generated in 2015 | Portugal | 534,927 | 112,335 | 2027 | 2,841,579 | 596,732 | 2027 |
| Generated in 2016 | Portugal | 49,793 | 10,457 | 2028 | 1,377,324 | 289,238 | 2028 |
| Generated in 2017 | Portugal | 570,677 | 119,842 | 2022 | - | - | 2029 |
| | | 4,715,099 | 990,171 | | 13,064,346 | 2,743,512 | |
| **With a time limit different from the above mentioned** | | | | | | | |
| | Spain | 6,310,255 | 1,577,566 | 2020 a 2032 | 9,520,803 | 2,380,100 | 2020 a 2032 |
| | Netherlands | 56,209,973 | 13,987,824 | 2017 a 2025 | 88,723,539 | 22,119,144 | 2017 a 2025 |
| | Malta | - | - | | 2 | 1 | |
| | Mexico | 2,294,563 | 688,368 | 2018 a 2027 | 1,750,525 | 542,120 | 2018 a 2027 |
| | United States of America | 2,499,672 | 712,405 | 2037 | - | - | 2037 |
| | | 67,314,463 | 16,966,163 | | 99,994,869 | 25,041,365 | |
| **Without limited time use** | | | | | | | |
| | Australia | 788,220 | 224,643 | | 616,642 | 184,993 | |
| | Brazil | 18,980,307 | 6,453,304 | | 25,733,565 | 8,749,412 | |
| | Colombia | 630,032 | 189,010 | | 607,185 | 151,796 | |
| | Spain | 336,368,571 | 84,092,143 | | 275,949,966 | 68,987,491 | |
| | Malta | 12,752 | 4,463 | | - | - | |
| | United Kingdom | 4,324,097 | 821,578 | | 5,593,633 | 1,118,727 | |
| | Ireland | 562,925 | 70,366 | | 1,808,583 | 226,073 | |
| | | 361,666,904 | 91,855,507 | | 310,309,574 | 79,418,492 | |
| | | 433,696,466 | 109,811,841 | | 423,368,789 | 107,203,369 | |

In 2010 and 2011, Spanish Tax authorities notified Modelo Continente S.A. Spanish Branch of a decrease in 2008 and 2009 tax losses incurred, amounting to approximately 23.3 million euro, challenging the deduction of Goodwill depreciation, generated on the acquisition of Continente Hipermercados for each of the mentioned years. That branch appealed to the proper Spanish Authorities (Tribunal Economico Administrativo Central de Madrid) in 2010 and 2011 respectively, and it is the Board of Directors understanding that the decision will be favorable to the Group, thus maintaining the recognition of deferred tax assets and deferred tax liabilities. In 2012 the Company interposed appeal to the National Court in Spain (“Audiencia Nacional Espanha”), due to a decision opposite to the claims and estimates of the Company, by the Economic and Administrative Central Court of Madrid, for the notification for fiscal year of 2008.

In 2014 following an additional inspection for fiscal years 2008 to 2011, Spanish Tax authorities corrected tax losses carried forward regarding goodwill depreciation and financial expenses that resulted from the acquisition of Continente Hipermercados S.A. Although in complete disagreement, Sonae carried out the tax returns correction and appealed, to the proper Spanish Authorities (Tribunal Economico-Administrativo em Espanha). Tax reports for 2012 to 2015 were corrected.

In 2015, the Spanish Authorities (Tribunal Economico-Administrativo Central em Espanha) decided in court against the Group's intentions, and Sonae, despite having appealed to the Supreme Court as a matter of prudence, decided to reverse the deferred tax assets recognized in the financial statements from 2008 to 2011 in the amount of 36 million euro, and deferred tax liabilities related to amortization of goodwill for tax purposes in the amount of 18.6 million euro.

In 2016, the Supreme Court gave a positive opinion to the Group's pretensions regarding tax amortization of Goodwill, with reference to 2008, and the Group corrected the tax return for 2016, and it is its intention to also consider such amortization in the tax return for the year 2017. Consequently, it recognized the corresponding deferred tax liability for fiscal years 2008, 2016 and 2017.

## 20 Cash and cash equivalents

As at 31 December 2017 and 2016, Cash and cash equivalents are as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Cash at hand | 10,467,637 | 9,105,344 |
| Bank deposits | 283,561,778 | 207,343,682 |
| Treasury applications | 70,559,700 | 124,471,432 |
| Cash and cash equivalents on the statement of financial position | 364,589,115 | 340,920,458 |
| Bank overdrafts (Note 24) | (2,819,107) | (17,730,231) |
| Cash and cash equivalents in the statement of cash flows | 361,770,008 | 323,190,227 |

Bank overdrafts are disclosed in the statement of financial position under “Current bank loans”.

The treasury applications are remunerated at an average interest rate of 0.29% during 2017 (0.664% in 2016), being distributed on that date by 2 financial institutions.

## 21 Non-current assets and liabilities available for sale

In 2016 an agreement was reached between the Group and an entity specialized in the processing and packaging of meat with the objective of realizing a joint venture to operate the Meat Processing Center. This partnership was deal in January 2017, which is why as at 31 December 2016, we transferred the related assets and liabilities to the asset and liability items held for sale. The detail of these figures is as follows:

| Amounts in euro | 31 Dec 2017 |
|---|---|
| Tangible and intangible assets | 17,057,018 |
| Deferred tax assets (Note 19) | 166,792 |
| Inventories | 1,850,977 |
| Other current assets | 445,762 |
| Cash and cash equivalents | 2,000 |
| Non-current assets held for sale | 19,522,549 |
| Deferred tax liabilities (Note 19) | 284,632 |
| Trade creditors | 2,802,583 |
| Other current liabilities | 8,639,528 |
| Non-current liabilities held for sale | 11,726,743 |

# 22 Share capital

## Share capital

As at 31 December 2017, the share capital, which is fully subscribed and paid for, is made up of 2,000,000,000 ordinary shares, which do not have the right to a fixed dividend, with a nominal value of 1 euro each.

## Cash Settled Equity Swap

On 15th November 2007, Sonae Holding sold 132,856,072 Sonae Holding shares directly owned by the Company. The shares were sold in a market operation at the unit price of 2.06 euro per share and resulted on a cash inflow (net of brokerage commissions) of 273,398,877 euro.

On the same date, Sonae Investments, BV wholly owned by Sonae Holding entered into a derivative financial instrument - Cash Settled Equity Swap - over a total of 132,800,000 Sonae Holding shares, representative of 6.64% of its capital.

This transaction has strictly financial liquidation, without any duty or right for the Company or any of its associated companies in the purchase of these shares. This transaction allows Sonae Investments BV to totally maintain the economic exposure to the sold shares.

In this context, although legally all the rights and obligations inherent to these shares have been transferred to the buyer. Sonae Holding did not derecognize their own shares, recording a liability in the caption “Other current liabilities” (Note 30). According to the interpretation made by Sonae of the IAS 39, applied by analogy to own equity instruments, the derecognition of own shares is not allowed as the group maintains the risks and rewards arising on the instruments sold.

Consequently, Sonae maintains in its capital acquisition cost of the shares that remain covered by the contract.

In November 2014, was made a renewal for an additional period of one year renewable automatically, keeping the remaining conditions unchanged. During the year of 2017 the Group requested the partial termination of the Cash Settled Equity Swap for 5,934,409 Sonae SGPS shares. Which resulted in payments of 16,203,904 euro (34,516,740 euro as at 31 December 2016), included in the 'Other' caption of the Investment Activities in the consolidated statement of cash flows. Additionally, the price variations of this instrument represented in 2017 receipts of 37,012,040 euros (26,167,985 euros as at 31 December 2016) included also in the Investment Activities as 'Others'.

Considering the operations mentioned above, the liability recorded amounts to 103.700,000 euro (Note 30) (87,721,109 euro as at 31 December 2016) reflecting the market value of 104,406,608 Sonae Holding shares (110,341,017 shares as at 31 de December 2016).

The value of these liabilities is adjusted at the end of each month by the effect of Sonae Holding share price variation being recognized a current asset/liability in order to present the right / obligation related to the receipt / financial liquidation that occurs on a monthly basis.

Additionally, the costs related to the "floating amount" based on the Euribor 1 month are recognized in the income statement.

The value to get established on the basis of dividends and reserves distributed by Sonae is credited in equity to offset the charge of the distribution. During the financial year of 2017 the dividends paid by Sonae SGPS amounted to 80,000,000 euros and 4,203,696 euros were attributed to Sonae SGPS, SA shares, which were credited to shareholders' equity. During the financial year of 2016 there was no distribution of dividends.

## Capital Structure

As at 31 December 2017, the following entities held more than 20% of the subscribed share capital:

| Company | % |
|---|---|
| Efanor Investimentos, SGPS, SA and subsidiaries | 52.48 |

# 23 Non-controlling Interests

As at 31 December 2017 and 2016, "Non-controlling interests" are detailed as follows:

| | 31 Dec 2017 | | | | |
|---|---|---|---|---|---|
| | Equity [2] | Profit/(Loss) for the period [2] | Book value of non-controlling interests | Proportion in income attributable to non-controlling interests | Dividends attributable to non-controlling interests |
| **Sonae Retail** | | | | | |
| Sonae MC | 3,666,888 | 766,953 | 4,592,402 | 212,251 | - |
| Worten | 2,756,310 | 751,757 | 1,102,522 | 300,702 | - |
| Sonae Sports & Fashion | 67,870,269 | 7,806,086 | 32,826,507 | 3,935,968 | (1,050,475) |
| Sonae RP | 124,016,739 | 15,965,998 | 2,601,245 | 336,708 | (408,900) |
| Maxmat | 44,394,344 | 4,198,323 | 22,187,936 | 2,099,161 | - |
| **Sonae IM** | | | | | |
| Sonaecom, SGPS, SA (consolidated) | 1,012,610,908 | 26,239,058 | 104,097,279 | 2,739,449 | (2,442,162) |
| **Sonae FS** | | | | | |
| MDS, SGPS, SA [1] | - | 1,890,664 | - | 945,143 | (173,339) |
| **Others** | 5,876,431 | (7,231,383) | 402,103 | (2,114,226) | - |
| **Total** | 1,261,191,889 | 50,387,456 | 167,809,994 | 8,455,156 | (4,074,876) |

(1) Entity over which the group lost control as at 30 June 2017;

(2) Contribution to the consolidated financial statements of the Group.

| | 31 Dec 2016 Restated | | | | |
|---|---|---|---|---|---|
| | Equity [2] | Profit/(Loss) for the period [2] | Book value of non-controlling interests | Proportion in income attributable to non-controlling interests | Dividends attributable to non-controlling interests |
| **Retail** | | | | | |
| Sonae MC | 2,314,323 | 1,333,057 | 526,934 | 333,264 | - |
| S&F | 2,004,554 | 370,265 | 801,820 | 148,106 | - |
| Worten | 61,824,414 | 6,797,721 | 29,570,669 | 3,277,641 | 21 |
| Sonae RP | 127,352,715 | 25,829,928 | 2,783,406 | 563,549 | (638,933) |
| Maxmat | 40,254,190 | 1,921,983 | 20,117,859 | 960,991 | - |
| **Sonae IM** | | | | | |
| Sonaecom, SGPS, SA (consolidated) | 1,016,780,952 | 55,954,610 | 102,772,762 | 5,445,105 | (1,809,412) |
| **Sonae FS** | | | | | |
| MDS, SGPS, SA | 20,506,341 | (2,460,384) | 11,630,167 | (1,229,946) | (282,387) |
| **Others** | 2,773,394 | (8,225,479) | 836,569 | (2,588,362) | - |
| **Total** | 1,273,810,883 | 81,521,701 | 169,040,186 | 6,910,348 | (2,730,711) |

Movements in non-controlling interests during the periods ended as at 31 December 2017 and 2016 are as follows:

| | 31 Dec 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sonae Retail | | | | | Sonae IM | Sonae FS | Others | Total |
| | Sonae MC | Worten | Sonae Sports & Fashion | Sonae RP | Maxmat | Sonaecom, SGPS, SA | MDS, SGPS, SA | Others | Total |
| Opening balance as at 1 January | 526,934 | 801,820 | 29,570,669 | 2,783,406 | 20,117,859 | 102,772,762 | 11,630,167 | 836,569 | 169,040,186 |
| Distributed dividends | - | - | (1,050,475) | - | - | (2,442,162) | (173,339) | - | (3,665,976) |
| Distributed income of Investment Funds | - | - | - | (408,900) | - | - | - | - | (408,900) |
| Acquisition in subsidiary (Note 5.2) | 3,772,948 | - | - | - | - | - | - | - | 3,772,948 |
| Change in percentage of subsidiaries | - | - | - | (110,864) | - | 16,327 | - | - | (94,537) |
| Constitution of subsidiaries | - | - | 400,000 | - | - | - | - | - | 400,000 |
| Change in the consolidation method | - | - | - | - | - | - | (13,090,263) | - | (13,090,263) |
| Change in currency translation reserve | - | - | - | - | - | (217,872) | 2,346,684 | 11,903 | 2,140,715 |
| Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method | - | - | - | - | - | 67,586 | (8,813) | - | 58,773 |
| Delivery of shares to employees to due the settle of the obligation | - | - | - | 895 | 5,201 | (25,742) | 34,798 | - | 15,152 |
| Increase of capital | - | - | - | - | - | 1,207,700 | - | - | 1,207,700 |
| Changes in hedging reserves | 78,909 | - | (26,576) | - | (34,285) | - | - | - | 18,048 |
| Others | 1,360 | - | (3,079) | - | - | (20,769) | (1,684,377) | 1,667,857 | (39,008) |
| Profit for the period attributable to non-controlling interests | 212,251 | 300,702 | 3,935,968 | 336,708 | 2,099,161 | 2,739,449 | 945,143 | (2,114,226) | 8,455,156 |
| Closing balance as at 31 December | 4,592,402 | 1,102,522 | 32,826,507 | 2,601,245 | 22,187,936 | 104,097,279 | - | 402,103 | 167,809,994 |

| | 31 Dec 2016 Restated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sonae Retail | | | | | Sonae IM | Sonae FS | Others | Total |
| | Sonae MC | Worten | Sonae Sports & Fashion | Sonae RP | Maxmat | Sonaecom, SGPS, SA | MDS, SGPS, SA | Others | Total |
| Opening balance as at 1 January | 165,412 | 653,714 | 762,978 | 3,003,900 | 19,140,112 | 98,805,878 | 12,619,188 | 1,152,537 | 136,303,719 |
| Distributed dividends | - | - | 21 | (28,703) | - | (1,809,412) | (282,387) | - | (2,120,481) |
| Distributed income of Investment Funds | - | - | - | (610,230) | - | - | - | - | (610,230) |
| Acquisition in subsidiary | - | - | 25,530,031 | - | - | - | 67,537 | - | 25,597,568 |
| Changes of increased shareholding by acquisitions | - | - | - | 14,363 | - | 2,514,646 | (15,140) | 133,909 | 2,647,778 |
| Change in currency translation reserve | - | - | - | - | - | 56,496 | 2,335,535 | 25,736 | 2,417,767 |
| Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method | - | - | - | - | - | (2,313,099) | - | - | (2,313,099) |
| Delivery of shares to employees to due the settle of the obligation | - | - | - | (3,324) | (14,989) | 34,147 | (16,953) | (2,902) | (4,021) |
| Increase of capital | - | - | - | - | - | 39,000 | 296,000 | - | 335,000 |
| Changes in hedging reserves | 27,027 | - | - | - | 31,744 | - | - | - | 58,771 |
| Others | 1,231 | - | (2) | (156,149) | 1 | 1 | (2,143,667) | 2,115,651 | (182,934) |
| Profit for the period attributable to non-controlling interests | 333,264 | 148,106 | 3,277,641 | 563,549 | 960,991 | 5,445,105 | (1,229,946) | (2,588,362) | 6,910,348 |
| Closing balance as at 31 December | 526,934 | 801,820 | 29,570,669 | 2,783,406 | 20,117,859 | 102,772,762 | 11,630,167 | 836,569 | 169,040,186 |

During the year ended at 31 December 2016, the Group acquired 50% of the share capital of IVN – Serviços Partilhados, SA, which owns the Salsa brand. This transaction generated an impact on non-controlling interests in the amount of 25.5 million euro.

As at 31 December 2017 and 2016, aggregate financial information of subsidiaries with non-controlling interests is as follows:

| | 31 Dec 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Sonae Retail | | | | | Sonae IM | Others | Total |
| | Sonae MC | Worten | Sonae Sports & Fashion | Sonae RP | Maxmat | Sonaecom, SGPS, SA | Others | Total |
| Total Non-Current Assets | 687,357 | 6,407,769 | 124,746,002 | 122,103,353 | 30,731,921 | 818,628,771 | 5,776,045 | 1,109,081,218 |
| Total Current Assets | 8,753,344 | 10,624,536 | 52,996,066 | 3,916,363 | 36,049,316 | 257,360,460 | 9,922,930 | 379,623,015 |
| Total Non-Current Liabilities | 23,405 | 6,835,930 | 69,880,218 | (53,754) | 760,119 | 16,655,798 | 1,765,865 | 95,867,581 |
| Total Current Liabilities | 5,750,408 | 7,440,065 | 39,991,581 | 2,056,731 | 21,626,774 | 46,722,525 | 8,056,679 | 131,644,763 |
| Equity | 3,666,888 | 2,756,310 | 67,870,269 | 124,016,739 | 44,394,344 | 1,012,610,908 | 5,876,431 | 1,261,191,889 |

| | 31 Dec 2016 Restated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sonae Retail | | | | | Sonae IM | Sonae FS | Others | Total |
| | Sonae MC | Worten | Sonae Sports & Fashion | Sonae RP | Maxmat | Sonaecom, SGPS, SA | MDS, SGPS, SA | Others | Total |
| Total Non-Current Assets | 47,772 | 6,665,482 | 125,793,311 | 126,193,923 | 31,094,347 | 791,123,247 | 51,156,904 | 5,130,504 | 1,137,205,490 |
| Total Current Assets | 5,333,708 | 8,325,197 | 48,209,493 | 3,764,735 | 30,378,988 | 287,500,935 | 15,432,124 | 7,688,611 | 406,633,791 |
| Total Non-Current Liabilities | - | 7,092,392 | 72,061,310 | (30,807) | 760,325 | 17,807,813 | 22,290,402 | 2,166,494 | 122,147,929 |
| Total Current Liabilities | 3,067,157 | 5,893,733 | 40,117,080 | 2,636,750 | 20,458,820 | 44,035,417 | 23,792,285 | 7,879,227 | 147,880,469 |
| Equity | 2,314,323 | 2,004,554 | 61,824,414 | 127,352,715 | 40,254,190 | 1,016,780,952 | 20,506,341 | 2,773,394 | 1,273,810,883 |

| | 31 Dec 2017 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sonae Retail | | | | | Sonae IM | Sonae FS | Others | Total |
| | Sonae MC | Worten | Sonae Sports & Fashion | Sonae RP | Maxmat | Sonaecom, SGPS, SA | MDS, SGPS, SA | Others | Total |
| Turnover | 8,000,499 | 50,754,215 | 141,612,978 | 293,276 | 78,491,561 | 110,598,426 | - | 16,647,127 | 406,398,082 |
| Other operating income | 48,843,728 | 368,150 | 1,786,748 | 20,414,709 | 3,248,517 | 9,707,267 | - | 5,401,752 | 89,770,870 |
| Operating expenses | (55,811,193) | (50,022,367) | (133,025,574) | (4,443,127) | (76,954,228) | (126,278,515) | - | (28,734,884) | (475,269,887) |
| Financial results | (16,191) | (121,514) | (1,473,252) | (1) | (30,757) | (776,111) | - | (162,425) | (2,580,251) |
| Gains or losses on joint ventures and associates | - | - | - | - | - | 35,708,166 | - | 45,449 | 35,753,615 |
| Investment results | 37 | - | - | - | - | 298 | - | (59,202) | (58,867) |
| Taxation | (249,927) | (226,727) | (1,094,814) | (298,859) | (556,770) | (2,720,473) | - | (369,200) | (5,516,770) |
| Consolidated profit/(Loss) for the period | 766,953 | 751,757 | 7,806,086 | 15,965,998 | 4,198,323 | 26,239,058 | - | (7,231,383) | 48,496,792 |
| Profit/(Loss) from discontinuing operations | - | - | - | - | - | - | 1,890,664 | - | 1,890,664 |
| Other comprehensive income for the period | 80,269 | - | (29,655) | - | (34,285) | (171,055) | 2,217,264 | 115,990 | 2,178,528 |
| Total comprehensive income for the period | 847,222 | 751,757 | 7,776,431 | 15,965,998 | 4,164,038 | 26,068,003 | 4,107,928 | (7,115,393) | 52,565,984 |

| | 31 Dec 2016 Restated | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Sonae Retail | | | | | Sonae IM | Sonae FS | Others | Total |
| | Sonae MC | Worten | Sonae Sports & Fashion | Sonae RP | Maxmat | Sonaecom, SGPS, SA | MDS, SGPS, SA | Others | Total |
| Turnover | 1,038,745 | 41,579,344 | 85,580,148 | 232,671 | 71,509,727 | 103,170,419 | - | 62,553,571 | 365,664,625 |
| Other operating income | 30,989,668 | 368,274 | 5,609,944 | 31,829,392 | 2,628,823 | 17,599,072 | - | 7,264,282 | 96,289,455 |
| Operating expenses | (30,101,312) | (41,511,377) | (80,410,644) | (4,408,160) | (71,751,146) | (125,813,337) | - | (73,198,033) | (427,194,009) |
| Financial results | (338,327) | (147,696) | (939,641) | (26,139) | (150,204) | (6,813,499) | - | (1,640,874) | (10,056,380) |
| Gains or losses on joint ventures and associates | - | - | - | - | - | 53,801,945 | - | 238,389 | 54,040,334 |
| Investment results | - | - | 59 | - | - | 1,771,968 | - | (4,755,960) | (2,983,933) |
| Taxation | (255,717) | 81,720 | (2,632,754) | (1,797,836) | (315,217) | 12,238,042 | - | 1,313,146 | 8,631,384 |
| Consolidated profit/(Loss) for the period | 1,333,057 | 370,265 | 7,207,112 | 25,829,928 | 1,921,983 | 55,954,610 | - | (8,225,479) | 84,391,476 |
| Profit/(Loss) from discontinued operations | - | - | (409,391) | - | - | - | (2,460,384) | - | (2,869,775) |
| Other comprehensive income for the period | 28,258 | - | (1) | (156,149) | 31,745 | (2,256,605) | 2,309,700 | 13,555 | (29,497) |
| Total comprehensive income for the period | 1,361,315 | 370,265 | 6,797,720 | 25,673,779 | 1,953,728 | 53,698,005 | (150,684) | (8,211,924) | 81,492,204 |

# 24 Loans

As at 31 December 2017 and 2016, loans are made up as follows:

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|---|---|---|---|
| | Outstanding amount | | Outstanding amount | |
| | Current | Non Current | Current | Non Current |
| Bank loans | | | | |
| Sonae, SGPS, SA - commercial paper | 36,390,000 | 166,250,000 | 162,000,000 | 144,000,000 |
| Sonae SGPS, SA / 2016/2023 | - | 50,000,000 | - | - |
| Sonae Investimentos, SGPS,SA - commercial paper | 7,500,000 | 182,500,000 | 148,000,000 | 121,000,000 |
| Sonae Investimentos affiliated /2014/2020 | - | 50,000,000 | - | 50,000,000 |
| Sonae Investimentos affiliated /2015/2020 | - | 20,000,000 | - | 55,000,000 |
| Sonae Investimentos affiliated /2015/2019 | 5,000,000 | 30,000,000 | 5,000,000 | 35,000,000 |
| Sonae Investimentos affiliated /2017/2022 | - | 31,000,000 | - | - |
| Sonae Investimentos /2017/2018 | 100,000,000 | - | - | - |
| Sonae Holding affiliated /2014/2018 | 40,000,000 | - | - | 40,000,000 |
| Sonae Holding affiliated /2014/2021 | 10,000,000 | 20,000,000 | - | 30,000,000 |
| MDS, SGPS, SA - commercial paper (Note 33) | - | - | 6,875,000 | 13,125,000 |
| MDS SGPS, SA affiliated / 2011/2016 (Note 33) | - | - | 4,081,000 | - |
| Others | 6,144,402 | 24,093,006 | 6,678,849 | 20,540,714 |
| | 205,034,402 | 573,843,006 | 332,634,849 | 508,665,714 |
| Bank overdrafts (Note 20) | 2,819,107 | - | 17,730,231 | - |
| Up-front fees beard with the issuance of borrowings | (105,502) | (402,455) | - | (781,540) |
| Bank loans | 207,748,007 | 573,440,551 | 350,365,080 | 507,884,174 |
| Bonds | | | | |
| Bonds Sonae SGPS / 2015/2022 | - | 100,000,000 | - | 100,000,000 |
| Bonds Sonae SGPS / 2016/2023 | - | 60,000,000 | - | 60,000,000 |
| Bonds Sonae Investments BV / 2014/2019 | - | 203,466,710 | - | 198,892,884 |
| Bonds Sonae Investimentos/ June 2013/2018 | 50,000,000 | - | - | 50,000,000 |
| Bonds Sonae Investimentos / December 2015/2020 | - | 50,000,000 | - | 50,000,000 |
| Bonds Sonae Investimentos/ May 2015/2020 | - | 75,000,000 | - | 75,000,000 |
| Bonds Sonae Investimentos/ December 2015/2020 | - | 30,000,000 | - | 30,000,000 |
| Bonds Sonae Investimentos/ June 2016/2021 | - | 95,000,000 | - | 95,000,000 |
| Bonds Sonae Investimentos/ September 2016/2021 | 3,000,000 | 9,000,000 | 3,000,000 | 12,000,000 |
| Bonds IVN 2016/2023 | 5,000,000 | 25,000,000 | 5,000,000 | 30,000,000 |
| Up-front fees beard with the issuance of borrowings | (29,194) | (3,799,668) | (1,483) | (5,089,605) |
| Bonds | 57,970,806 | 643,667,042 | 7,998,517 | 695,803,279 |
| Other loans | 1,278,626 | 2,244,793 | 1,411,067 | 4,676,660 |
| Derivates (Note 26) | 1,248,119 | - | 358,117 | - |
| Other loans | 2,526,745 | 2,244,793 | 1,769,184 | 4,676,660 |
| Obligations under finance leases (Note 25) | 832,895 | 881,956 | 1,079,629 | 1,463,520 |
| | 269,078,453 | 1,220,234,342 | 361,212,410 | 1,209,827,633 |

In June 2014, a subsidiary of Sonae SGPS, SA issued bonds which may be convertible (Sonae Investments BV 2014/2019) in Sonae shares already issued and fully subscribed or to be later on issued.

The fair value of the Equity component of this compound instrument was valued at 22,313,000 euro at 31 December 2014 and it was determined by an independent entity from Sonae, taking into consideration the fair value of similar non- convertible financial instruments, having been estimated a market interest rate to establish the amortized cost of this financial liability. This process of measurement represents a Level 3 fair value measurement according to IAS 39. The liability component is recorded at the amortized cost based on the market rate.

The Bonds were issued at par with a nominal value of 100,000, (2.105 euro per bond) with a maturity of 5 years and with a fixed coupon of 1.625% per year, paid in arrears and semi-annually.

The bonds can be converted at the request of the bondholder when the Sonae SGPS, SA share price, in accordance with the technical data sheet, exceeds 1,636 euro per share. This price is subject to adjustments in accordance with the market practices, in particular when the dividend exceeds 0.0284 euro per share.

It is estimated that the book value of all loans does not differ significantly from its fair value, determined based on discounted cash flows methodology, with the exception the convertible bond loan into shares whose fair value is determined by the market price at the balance sheet date.

Bonds and bank loans bear an average interest rate of 1.27% (1.32% as at 31 December 2016). Most of the bonds and bank loans have variable interest rates indexed to Euribor.

The derivatives are recorded at fair value (Note 26).

The loans face value, maturities and interests are as follows (including obligations under financial leases):

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|---|---|---|---|
| | Capital | Interests | Capital | Interests |
| N+1 [a)] | 267,965,030 | 18,176,095 | 360,854,294 | 19,864,500 |
| N+2 | 266,186,915 | 14,514,432 | 134,813,933 | 17,251,598 |
| N+3 | 242,942,827 | 11,837,792 | 263,494,503 | 13,667,802 |
| N+4 | 296,490,957 | 7,625,492 | 334,769,210 | 10,026,308 |
| N+5 | 278,889,510 | 4,032,644 | 286,814,675 | 5,171,670 |
| After N+5 | 146,959,544 | 1,739,800 | 207,415,055 | 2,914,747 |
| | 1,499,434,783 | 57,926,255 | 1,588,161,670 | 68,896,625 |

a) Includes amounts drawn under commercial paper programs when classified as current liabilities.

The maturities above were estimated in accordance with the contractual terms of the loans, and taking into account Sonae's best estimated regarding their reimbursement date and include the amount to be paid in 2019 related to the convertible bond updated to the referred date and whose fair value of unamortized liabilities amounted to 7 million euros (11.6 million euros at 31 December 2016).

As at 31 December 2017 there are financial covenants included in borrowing agreements at market conditions, and which at the date of this report are in regular compliance.

As at 31 December 2017, Sonae has, as detailed below, cash and cash equivalents in the amount of 365 million euro (341 million euro in 2016) and available credit lines as follows:

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|---|---|---|---|
| | Commitments of less than one year | Commitments of more than one year | Commitments of less than one year | Commitments of more than one year |
| Unused credit facilities | | | | |
| Sonae Retail | 94,443,125 | 242,750,000 | 52,769,017 | 348,000,000 |
| Sonae IM | - | - | - | 1,250,000 |
| Sonae Holding | 147,802,076 | 50,000,000 | 56,695,242 | 90,000,000 |
| | 242,245,201 | 292,750,000 | 109,464,259 | 439,250,000 |
| Agreed credit facilities | | | | |
| Sonae Retail | 105,760,000 | 537,500,000 | 218,260,000 | 511,000,000 |
| Sonae IM | - | - | 6,625,000 | 14,625,000 |
| Sonae Holding | 152,195,242 | 216,250,000 | 218,695,242 | 184,000,000 |
| | 257,955,242 | 753,750,000 | 443,580,242 | 709,625,000 |

# 25 Obligations under finance leases

As at 31 December 2017 and 2016, Obligations under finance leases are as follows:

| **Obligations under finance leases** | Minimum finance lease payments | | Present value of minimum finance lease payments | |
|---|---|---|---|---|
| Amounts under finance leases: | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| N+1 | 864,939 | 1,138,417 | 832,895 | 1,079,629 |
| N+2 | 574,170 | 805,044 | 566,129 | 782,989 |
| N+3 | 209,394 | 514,564 | 206,702 | 506,810 |
| N+4 | 87,965 | 137,695 | 87,266 | 136,601 |
| N+5 | 21,927 | 36,514 | 21,859 | 36,349 |
| After N+5 | - | 771 | - | 771 |
| | 1,758,395 | 2,633,005 | 1,714,851 | 2,543,149 |
| Future Interests | (43,544) | (89,856) | | |
| | 1,714,851 | 2,543,149 | | |
| Current obligations under finance leases | | | 832,895 | 1,079,629 |
| Obligations under finance leases - net of the short-term portion | | | 881,956 | 1,463,520 |

Finance leases contracts are agreed at market interest rates, have defined periods and include an option for the acquisition of the related assets at the end of the period of the agreement.

As at 31 December 2017 and 2016, the fair value of finance leases is close to its carrying amount.

Obligations under finance leases are guaranteed by related assets.

As at 31 December 2017 and 2016, accounting net value of assets acquired under finance leases can be detailed as follows:

| Property leasing object | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Lands and buildings | 83,707 | 360,323 |
| Plant and machinery | 862,844 | 1,008,857 |
| Vehicles | 666,754 | 720,726 |
| Fixture and Fittings | 330,638 | 573,093 |
| Total tangible assets | 1,943,943 | 2,662,999 |
| Software | 208,111 | 378,670 |
| Total intangible assets | 208,111 | 378,670 |
| | 2,152,054 | 3,041,669 |

As at 31 December 2017, the acquisition cost of tangible and intangible assets amounted to 4,227,538 euro (4,556,218 euro as at 31 December 2016).

# 26 Derivatives

## Exchange rate derivatives

Sonae uses exchange rate derivatives, essentially to hedge future cash flows that will occur in the next 12 months.

Therefore, Sonae entered several exchange rate forwards in order to manage its exchange rate exposure.

The fair value of exchange rate derivatives hedging instruments, calculated based on present market value of equivalent financial instruments of exchange rate, is 1,248,119 euro as liabilities (358,117 euro as at 31 December 2016) and 179,881 euro as assets (4,207,972 euro as at 31 December 2016).

The accounting of the fair value for these financial instruments was made taking into consideration the present value at financial position statement date of the forward settlement amount in the maturity date of the contract. The settlement amount considered in the valuation, is equal to the currency notional amount (foreign currency) multiplied by the difference between the contracted forward exchange rate and the forward exchange market rate at that date as at the valuation date.

Losses in the period arising from changes in the fair value of instruments that do not qualify for hedging accounting treatment were recorded directly in the income statement in the captions "Others Financial income" or "Financial expenses".

Gains and losses for the year associated with the change in market value of derivative instruments are recorded under the caption "Hedging reserve" when considered cash flow hedging and when considered as fair value hedging are recorded under the caption "Financial income" or "Financial expenses".

### Interest rate derivatives

Sonae does not have any interest rate hedging derivatives recorded as at 31 December 2017.

### Interest rate and Exchange rate derivatives

As at 31 December 2017 no contracts existed, related to interest rate and exchange rate derivatives simultaneously.

### Fair value of derivatives

The fair value of derivatives is detailed as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| Hedging derivatives | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| Derivatives not qualified as hedging | | | | |
| Exchange rate | 179,881 | 4,207,972 | 1,248,119 | 358,117 |
| Derivates qualified as pending | | | | |
| Exchange rate | - | - | - | - |
| | 179,881 | 4,207,972 | 1,248,119 | 358,117 |

# 27 Other non-current liabilities

As at 31 December 2017 and 2016 "Other non-current liabilities" are made up as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Shareholders loans | 155,732 | 415,382 |
| Fixed assets suppliers | 1,151,347 | 406,872 |
| Other non-current liabilities | 1,771,080 | 1,720,153 |
| Financial instruments (Note 7) | 3,078,159 | 2,542,407 |
| Deferral of the disposal of the extended warranties in the Worten segment (Note 2.16) | 7,551,397 | 15,101,455 |
| Other accruals and deferrals | 2,819,762 | 3,913,526 |
| Other non-current liabilities | 13,449,318 | 21,557,388 |

The caption “Shareholder loans” relates to loans in affiliated undertakings in the Retail, and Sonae IM operating segments. These liabilities do not have a defined vesting date and bear interests at variable market rates.

The carrying amount of “Other non-current liabilities” is estimated to be approximately its fair value.

## 28 Share based payments

In 2017 and in previous years, Sonae in accordance with the remuneration policy described in the corporate governance report granted deferred performance bonus to its directors and eligible employees. These are either based on shares to be acquired at nil cost or with discount, three years after they were attributed to the employee, or based on share options with the period price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year

As at 31 December 2017, all Sonae Holding share plans responsibilities are accounted in the statement of financial position under "other reserves" and in the Profit and Loss statement under caption "staff costs". They are recognized at the shares fair value on the grant date, concerning the 2017, 2016 and 31 December 2015. Share-based payments costs are recognized on a straight line basis between the grant and the settlement date.

As at 31 December 2017 and 2016, the number of attributed shares related to the assumed responsibilities arising from share based payments, which have not yet vested, can be detailed as follows:

| | | Sonae SGPS | | Number of shares | |
|---|---|---|---|---|---|
| Grant year | Vesting year | Number of participants | Share price on date of assignment | 31 Dec 2017 | 31 Dec 2016 |
| 2014 | 2017 | - | 1.343 | - | 4,340,464 |
| 2015 | 2018 | 240 | 1.278 | 3,620,437 | 3,619,285 |
| 2016 | 2019 | 261 | 0.97 | 4,472,331 | 4,964,016 |
| 2017 | 2020 | 94 | 0.906 | 4,394,822 | - |
| | | | | 12,487,590 | 12,923,765 |

During the period ending 31 December 2017 the movements on the above mentioned share based plans were the following:

| | Sonae Shares | |
|---|---|---|
| | Aggregate number of participants | Number of shares |
| Balance as at 31 December 2016 | 763 | 12,923,765 |
| Grant | 98 | 4,143,004 |
| Vesting | (200) | (4,186,325) |
| Canceled /extinct / corrected / transferred (1) | (66) | (392,854) |
| Closing balance as at 31 December 2017 | 595 | 12,487,590 |

(1) Corrections are made on the basis of the dividend paid and the changes of share capital and other equity adjustments.

As at 31 December 2017 and 2016, the fair value of total liabilities on the date of allocation arising from share based payments, which have not yet vested, may be summarized as follows:

| | | Fair value * | |
|---|---|---|---|
| | | 31 Dec 2017 | 31 Dec 2016 |
| Grant year | Vesting year | Sonae SGPS | Sonae SGPS |
| 2014 | 2017 | - | 4,210,250 |
| 2015 | 2018 | 4,076,612 | 2,340,471 |
| 2016 | 2019 | 3,357,230 | 1,605,032 |
| 2017 | 2020 | 1,649,523 | - |
| | Total | 9,083,365 | 8,155,753 |

* Share market value as of 31 December 2017, and 2016.

As at 31 December 2017 and 2016 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Recorded in staff costs in the current period | 2,535,536 | 1,785,772 |
| Recorded in previous years | 5,776,008 | 6,825,062 |
| | 8,311,544 | 8,610,834 |
| | | |
| Recorded value in Other reserves | 8,311,544 | 8,610,834 |
| | 8,311,544 | 8,610,834 |

# 29 Trade creditors

As at 31 December 2017 and 2016 Trade creditors are as follows:

| | | Payable to | |
|---|---|---|---|
| | 31 Dec 2017 | up to 90 days | more than 90 days |
| Trade creditors - current account | | | |
| Sonae Retail | | | |
| Sonae MC | 633,808,748 | 633,364,284 | 444,464 |
| Worten | 367,730,269 | 367,730,269 | - |
| Sonae Sports & Fashion | 75,957,293 | 75,237,297 | 719,996 |
| Sonae RP | 98,526 | 97,579 | 947 |
| Maxmat | 14,335,703 | 14,335,703 | - |
| Sonae IM | 12,223,120 | 12,223,120 | - |
| Sonae SF | 564,154 | 564,154 | - |
| Others | 6,796,086 | 6,365,690 | 430,396 |
| | 1,111,513,899 | 1,109,918,096 | 1,595,803 |
| Trade creditors - Invoice Accruals | 80,986,042 | 80,986,042 | - |
| | 1,192,499,941 | 1,190,904,138 | 1,595,803 |

| | 31 Dec 2016 Restated | Payable to up to 90 days | more than 90 days |
|---|---|---|---|
| Trade creditors - current account | | | |
| Sonae Retail | | | |
| Sonae MC | 618,133,744 | 618,133,744 | - |
| Worten | 324,275,868 | 324,275,868 | - |
| Sonae Sports & Fashion | 82,066,848 | 81,916,575 | 150,273 |
| Sonae RP | 79,059 | 55,417 | 23,642 |
| Maxmat | 13,723,844 | 13,723,844 | - |
| Sonae IM | 11,027,755 | 11,027,755 | - |
| Sonae SF | 1,015,851 | 965,047 | 50,804 |
| Others | 6,608,706 | 6,289,483 | 319,223 |
| | 1,056,931,675 | 1,056,387,733 | 543,942 |
| Trade creditors - Invoice Accruals | 79,723,572 | 79,723,572 | - |
| | 1,136,655,247 | 1,136,111,305 | 543,942 |

As at 31 December 2017 and 2016 this caption includes amounts payable to suppliers resulting from Sonae operating activity. The Board of Directors believes that the fair value of these balances does not differ significantly from its book value and the effect of discounting these amounts is not material.

The company maintains cooperation agreements with financial institutions in order to enable the suppliers of retail segment, to access to an advantageous tool for managing their working capital, upon confirmation by Sonae of the validity of credits that suppliers hold on it. Under these agreements, some suppliers freely engage into contracts with these financial institutions that allow them to anticipate the amounts receivable from these retail subsidiaries, after confirmation of the validity of such receivables by these companies. These retail subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as accounts payable to Suppliers until the normal maturity of these instruments under the general supply agreement established between the company and the supplier, whenever (i) the maturity corresponds to a term used by the industry in which the company operates, this means that there are no significant differences between the payment terms established with the supplier and the industry , and (ii) the company does not have net costs related with the anticipation of payments to the supplier when compared with the payment within the normal term of this instrument.

# 30 Other creditors

As at 31 December 2017 and 2016, the caption "Other creditors" is detailed as follows:

| | 31 Dec 2017 | Payable to up to 90 days | 90 to 180 days | more than 180 days |
|---|---|---|---|---|
| Fixed assets suppliers | 67,664,713 | 66,596,753 | 709,290 | 358,670 |
| Other debts | 153,565,166 | 49,493,445 | 139,469 | 103,932,252 |
| | 221,229,879 | 116,090,198 | 848,759 | 104,290,922 |
| Related undertakings | - | - | - | - |
| | 221,229,879 | 116,090,198 | 848,759 | 104,290,922 |

| | 31 Dec 2016 | Payable to up to 90 days | 90 to 180 days | more than 180 days |
|---|---|---|---|---|
| Fixed assets suppliers | 67,208,877 | 65,926,664 | 600,122 | 682,091 |
| Other debts | 133,431,355 | 44,299,688 | 1,104,459 | 88,027,208 |
| | 200,640,232 | 110,226,352 | 1,704,581 | 88,709,299 |
| Related undertakings | - | - | - | - |
| | 200,640,232 | 110,226,352 | 1,704,581 | 88,709,299 |

The caption "Other debts" includes:

- 103,700,000 euro (87.72,109 euro as at 31 December 2016) relating to the fair value of the shares covered by Sonae Holding financial derivative referred to in Note 22;

- 10,421,939 euro (8,344,127 euro as at 31 December 2016) of attributed discounts not yet redeemed related to loyalty card "Cartão Cliente";

- 16,150,935 euro (15,042,306 euro as at 31 December 2016) related to vouchers, gift cards and discount tickets not yet redeemed;

- 3,447,882 euro (3,992,919 euro as at 31 December 2016) related to amounts payable to Sonae Distribuição Brasil. S.A. buyer as result of responsibilities assumed with that entity (Note 32); and

- 383,343 euro (811,244 euro as at 31 December 2016) relating to amounts payable associated to reinsurance operations.

As at 31 December 2017 and 2016, this caption includes payable amounts to other creditors and fixed assets suppliers that do not bear interest. The Board of Directors understands that the fair value of these payables is similar to its book value and the result of discounting these amounts is immaterial.

## 31 Other current liabilities

As at 31 December 2017 and 2016, “Other current liabilities” are made up as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Holiday pay and bonus | 128,309,674 | 122,568,080 |
| Other external supplies and services | 39,766,899 | 32,121,742 |
| Deferred Revenue of warranty extension (Note 2.16) | 57,862,718 | 45,073,283 |
| Marketing expenses | 15,660,724 | 11,807,052 |
| Charges made on the sale of real estate (Notes 2.6.c) and 8) | 17,728,428 | 17,558,769 |
| Advance receipts from Trade Receivables | 9,993,106 | 10,615,437 |
| Rentals | 7,028,035 | 8,092,102 |
| Expenses on purchases | 4,133,909 | 6,238,536 |
| Interest payable | 2,079,044 | 2,449,632 |
| Insurance payable | 513,698 | 632,982 |
| Others | 14,911,586 | 13,842,767 |
| | 297,987,821 | 271,000,382 |

## 32 Provisions and accumulated impairment losses

Movements in Provisions and impairment losses over the period ended 31 December 2017 and 2016 are as follows:

| Caption | Balance as at 31 Dec 2016 Restated | Increase | Decrease | Changes in consolidation perimeter | Balance as at 31 Dec 2017 |
|---|---|---|---|---|---|
| Accumulated impairment losses on investments (Note 11 and 12) | 9,054,576 | 3,011,792 | (62,784) | (8,683,892) | 3,319,692 |
| Impairment losses on fixed tangible assets (Note 8) | 119,100,221 | 853,597 | (5,744,050) | 169,243 | 114,379,011 |
| Impairment losses on intangible assets | 2,638,761 | 998,779 | (858,758) | (382,139) | 2,396,643 |
| Accumulated impairment losses on trade account receivables (Note 15) | 10,272,280 | 4,235,593 | (2,008,966) | (15,668) | 12,483,239 |
| Accumulated impairment losses on other current debtors (Note 16) | 7,598,754 | 1,225,221 | (1,531,235) | (29,510) | 7,263,230 |
| Non - current provisions | 25,848,118 | 1,139,726 | (4,277,928) | (3,754,291) | 18,955,625 |
| Current provisions | 3,558,708 | 4,302,362 | (2,084,667) | (166,020) | 5,610,383 |
| | 178,071,418 | 15,767,070 | (16,568,388) | (12,862,277) | 164,407,823 |

| Caption | Balance as at 31 Dec 2015 Restated | Increase | Decrease | Acquisition of subsidiaries | Balance as at 31 Dec 2016 Restated |
|---|---|---|---|---|---|
| Accumulated impairment losses on investments (Note 11 and 12) | 1,886,603 | 7,249,229 | (81,256) | - | 9,054,576 |
| Impairment losses on fixed tangible assets (Note 8) | 133,564,363 | 8,964,672 | (23,428,814) | - | 119,100,221 |
| Impairment losses on intangible assets (Note 9) | 1,497,024 | 1,141,737 | - | - | 2,638,761 |
| Accumulated impairment losses on other non current assets (Note 15) | 7,119,812 | 3,241,294 | (2,360,331) | 2,271,505 | 10,272,280 |
| Accumulated impairment losses on trade account receivables (Note 16) | 11,566,045 | 594,402 | (4,596,353) | 34,660 | 7,598,754 |
| Non - current provisions | 39,710,058 | 6,971,026 | (25,979,216) | 5,146,250 | 25,848,118 |
| Current provisions | 3,083,990 | 674,607 | (199,889) | - | 3,558,708 |
| | 198,427,895 | 28,836,967 | (56,645,859) | 7,452,415 | 178,071,418 |

As at 31 December 2017, the “Changes in consolidation perimeter” includes (13,031,521) euro related to derecognition arising from the loss of control of MDS (Note 5.1).

As at 31 December 2017 and 2016 increases in Provisions and impairment losses are as follows:

| | 31 Dec 2017 | 31Dec 2016 |
|---|---|---|
| Provisions and impairment losses in the income statement | 10,486,042 | 17,300,593 |
| Impairment losses on "Other investments" (Notes 11, 12 and 37) | 2,900,748 | 7,249,229 |
| Technical reinsurance provisions | - | 651,577 |
| Currency translation | (15,479) | 2,726,895 |
| Others | 2,395,759 | 908,673 |
| | 15,767,070 | 28,836,967 |

As at 31 December 2017 and 2016 the value of decreases in provisions and impairment losses can be detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Provisions and impairment losses reversal ( Note 39) | (5,004,636) | (11,229,959) |
| Direct use of impairments on accounts receivable | (3,765,057) | (3,516,197) |
| Technical provisions on reinsurance | (275,256) | (20,053,711) |
| Direct use and reversals recorded in tangible assets | (4,854,094) | (7,448,463) |
| Direct use and reversals recorded in Non-Current Assets held for sale (Note 21) | - | (13,949,808) |
| Impairment reversal in financial investments | (62,784) | (81,256) |
| Currency translation | (2,033,460) | - |
| Ohers responsibilities | (573,101) | (366,465) |
| | (16,568,388) | (56,645,859) |

As at 31 December 2017 and 2016, the Current and Non-Current provisions for other risks and charges can be analysed current and non-current details are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Technical provisions on reinsurance (a) | 786,208 | 1,061,465 |
| Future liabilities relating to retail subsidiaries operations sold in Brazil (b) | 7,358,151 | 8,521,318 |
| Clients guarantees (c) | 1,056,471 | 1,449,195 |
| Judicial claims | 4,577,787 | 2,270,177 |
| Contingent liabilities for subsidiaries acquired | 7,811,959 | 7,811,959 |
| Others responsibilities | 2,975,432 | 8,292,712 |
| | 24,566,008 | 29,406,826 |

(a) Amounts included in “Technical provisions on reinsurance” relate to a group´s company that operates in the non-life reinsurance industry in which the amount of the provision is related to provisions for outstanding claims. The amount to be recovered from the reinsurance companies is recorded in the captions “Reinsurer’s share of technical provisions” (Note 13) and “Other Debtors” (Note 16).

(b) The caption non–current provisions includes 7,358,151 euro (8,521,318 euro as at 31 December 2016), relating to non-current contingencies assumed by the Company, when it sold its subsidiary Sonae Distribuição Brasil, S.A. in 2005. The evolution of the provision between years is associated with the evolution of the real against the euro. This provision is being used as the liabilities are materialized, being constituted based on the best estimate of the expenses to be incurred with such liabilities and that result from a significant set of processes of a civil and labor nature and of small value;

(c) The caption "Current provisions" includes as at 31 de December 2017 the estimate of the Group's liabilities directly related to the sale of its own branded products in Worten's business segment stores.

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

# 33 Reconciliation of liabilities arising from financing activities

As at 31 December 2017 the reconciliation of liabilities arising from financing activities are as follows:

| | Obligations under finance leases (Note 24) | Bank loans (Note 24) | Derivative financial instruments (Note 26) | Loans from related parties (Note 44) |
|---|---|---|---|---|
| Balance as at 01 January 2017 | 2,543,149 | 1,568,138,777 | (3,849,855) | 443,382 |
| Cash flows: | | | | |
| Receipts relating to financial debt | - | 6,969,262,977 | - | - |
| Payments relating to financial debt | - | (7,018,150,115) | - | (27,000) |
| Bank overdrafts | - | (14,911,124) | - | - |
| Capital Leasing Depreciation | (828,298) | - | - | - |
| Increase/(decrease) in fair value | - | 4,573,826 | 4,918,093 | - |
| Change in consolidation method | - | (24,081,000) | - | - |
| Interest and similar costs | - | 1,535,809 | - | - |
| Transfers to capital | - | - | - | (260,000) |
| Exchange rate | - | - | - | 4,204 |
| Balance as at 31 December 2017 | 1,714,851 | 1,486,369,150 | 1,068,238 | 160,586 |

# 34 Contigent assets and liabilities

As at 31 December 2017 and 2016, major contingents liabilities exposed are as follows:

## Guarantees and sureties given

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Guarantees given: | | |
| on tax claims | 1,133,241,313 | 1,153,774,789 |
| on judicial claims | 398,390 | 887,275 |
| on municipal claims | 9,126,363 | 8,048,110 |
| contractual guaranties by proper compliance | 12,318,637 | 21,516,088 |
| others guarantees | 8,117,670 | 9,261,512 |

### a) Tax claims

The main tax claims with bank guarantees given or sureties associated are as follows:

- Tax claims for additional VAT payment for which guarantees or sureties were provided in the amount of 531.7 million euro (556.7 million euro as at 31 December 2016) for the periods from 2004 to 2013, and for which the Group presented or intends to present a tax appeal. The tax claims result from the Tax Administration's understanding that the Group should have invoiced VAT related to promotional discounts granted by suppliers, based on purchases amounts, since Tax Authorities claims it corresponds to alleged services rendered to those entities. Tax authorities also claim that the Group should not have deducted VAT from discount vouchers used by it's non-corporate clients.

- The caption guarantees given on tax claims include guarantees granted, in the amount of 146.6 million euro (142.9 million euro as at 31 December 2016), in favor of Tax authorities regarding 2007 up to 2014. Concerning these guarantees, the most significant amount relates to an increase in equity arising on the disposal of own shares to a third party in 2007, as well as to the disregard of the reinvestment concerning capital gains in share disposal, and the fact that demerger operations must be disregarded for income tax purposes. The Company has presented an appeal against this additional tax claim, being the Board of Directors understanding, based on its advisors assessment, that such appeal will be favourable.

- Sureties in the amount of, approximately, 60 million euro as a result of a tax appeal presented by the Company concerning an additional tax assessment by Tax authorities, relating to 31 December 2005, corresponding to a prior following the correction of taxable income for that period as Tax authorities did not accept the recognition of tax losses incurred after the liquidation of a subsidiary, since it considered that the cover of losses in that subsidiary should not be part of its acquisition cost, which is not in accordance with previous assessments of Tax Authorities.

- Fiscal lawsuit related to rent tax, concerning a subsidiary of the Company in Brazil, in the amount of, approximately, 16.4 million euro (65.3 million Brazilian real), which is being judged by a tax court, for which there were granted guarantees in the amount of 48 million euro (190.9 million Brazilian real). The difference between the value of the contingency and the value of the guarantee relates with the update of the related responsibility.

## b) Contingent assets and liabilities related to tax claims paid under regularization programs of tax debts

Within the framework of regularization of tax debts to Tax Authorities, (Outstanding Debts Settlement ofTax and Social Security - Decree of Law 151-A/2013 e Decree of Law 248-A), the Group made tax paymentsin the amount of, approximately, 26.3 million euro, having the respective guarantees been eliminated. Therelated tax appeals continue in courts, having the maximum contingencies been reduced through theelimination of fines and interests related with these tax assessments.

As permitted by law, the Group maintains the legal proceedings, in order to establish the recovery of those amounts, having recorded as an asset the amounts related with income taxes paid under those plans (Note 13).

## c) Other contigent liabilities

-Contingent liabilities related to discontinued activities in subsidiaries in Brazil

Following the disposal of a subsidiary in Brazil, Sonae guaranteed to the buyer of the subsidiary all the losses incurred by that company arising on unfavorably decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. The amount claimed by the Brazilian Tax Authorities, concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, plus the amounts already paid (28.5 million euro) related to programs for the Brazilian State of tax recovery, amount to near 32 million euro (32.4 million euro at 31 December 2016). Furthermore, there are other tax assessments totaling 56.1 million euro (60.8 million euro as at 31 December 2016) for which the Board of Directors, based on its lawyers' assessment, understands will not imply future losses to the former subsidiary.

- Procedure for contesting fines imposed by the Competition Authority

In 2016, the Competition Authority (AdC) notified Sonae Investimentos, Sonae MC and Modelo Continente, for the purpose of presenting a defense, in the context of a misconduct proceeding under the agreement entered into between Modelo Continente and EDP Comercial campaign known as the "EDP Continente Plan". It should be noted that the Edp / Continent Plan took place during 2012 and was extended in the first months of 2013 to allow the use of discounts that had been allocated to customers until 31 December 2012. The development of this type of business promotion agreement is a common practice in the Portuguese market. In 2017, the AdC imposed fines of 2.8 million euros on Sonae Investimentos and 6.8 million on Modelo Continente. AdC also condemned Sonae MC, but it did not impose any fine on it since that company does not present any turnover. These companies challenged the decision in court, and the Board of Directors expects, based on the opinion of their legal advisors, that there will be no liability for these companies in this proceeding.

- Contingent liabilities related to joint ventures are disclosed in Note 47.

No provision has been recorded to face risks arising from events related to guarantees given, as the Board of Directors considers that no liabilities will result for Sonae.

# 35 Operational lease

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognized as income during the period ended 31 December 2017 and 2016 amounted to 10,123,670 euro and 7,811,239 euro, respectively.

Additionally, at 31 December 2017 and 2016, Sonae had operational lease contracts, as a lessor, whose minimum lease payments (fixed income) had the following payment schedule:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Due in:** | | |
| N+1 automatically renewal | 2,888,363 | 2,279,926 |
| N+1 | 7,067,596 | 5,333,931 |
| N+2 | 5,867,981 | 4,563,589 |
| N+3 | 4,934,059 | 3,355,334 |
| N+4 | 3,902,687 | 2,453,356 |
| N+5 | 3,388,640 | 1,556,643 |
| After N+5 | 13,710,831 | 5,179,130 |
| | 41,760,157 | 24,721,909 |

During the year ended at 31 December 2017, the amount of 155,647,598 euros (135,864,890 euros as at 31 December 2016) was recognized as cost of the year related to rents paid under operating lease agreements in which Sonae acts as lessee.

Additionally, at 31 December 2017 and 2016, Sonae had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| **Due in:** | | |
| N+1 automatically renewal | 37,151,438 | 32,416,193 |
| N+1 | 113,462,803 | 104,309,175 |
| N+2 | 105,966,213 | 96,651,908 |
| N+3 | 100,670,355 | 91,418,163 |
| N+4 | 92,981,500 | 85,821,305 |
| N+5 | 83,605,167 | 78,240,242 |
| After N+5 | 695,972,547 | 654,336,715 |
| | 1,229,810,023 | 1,143,193,701 |

At the end of the lease period, the Group has, in certain contracts, the possibility of exercising the option to acquire the assets at its fair value.

# 36 Turnover

As at 31 December 2017 and 2016, Turnover is made up as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Sale of goods | 5,456,798,579 | 5,120,879,449 |
| Sale of products | 58,627,302 | 38,187,961 |
| | 5,515,425,881 | 5,159,067,410 |
| Services rendered | 194,726,055 | 170,424,206 |
| Turnover (Note 6) | 5,710,151,936 | 5,329,491,616 |

# 37 Gains or losses on investments

As at 31 December 2017 and 2016, Gain or losses Investment is made up as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| **Dividends** | 130,748 | 1,864,240 |
| Imoconti disposal | - | 6,773,227 |
| Acquisition cost correction | 1,111,020 | - |
| Others | (7,456) | (346,498) |
| **Gains / (losses) on the sale of investments in subsidiaries, joint ventures and associates** | 1,103,564 | 6,426,729 |
| **Gains / (losses) on the sale of investments on available for sale** | - | - |
| **Others** | (3,125) | 14,824 |
| Impairment of investments in associates (Notes 11 and 32) | (2,900,748) | - |
| Impairment reversal on financial investments | 9,987 | - |
| **Impairment reversal/(losses) on investments** | (2,890,761) | - |
| **Total income and (expenses) related to investments** | (1,659,574) | 8,305,793 |

As at 31 December 2016, the caption 'Gains and losses on the disposal of investments in subsidiaries' includes the sale of the subsidiary Imoconti to a related entity of the Sonae Sierra group.

As at 31 December 2017, 'Impairment of investments in associates' includes the impairment of the equity interest in MOVVO in the amounted 2,843,436 euro as a result of the insolvency proceedings in which it is located.

# 38 Net financial expenses

As at 31 December 2017 and 2016, Net financial expenses are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| **Expenses** | | |
| Interest payable | | |
| related with bank loans and overdrafts | (8,303,634) | (9,438,551) |
| related with non convertible bonds | (11,541,059) | (15,992,293) |
| related with financial leases | (55,148) | (151,196) |
| others | (5,757,818) | (5,942,285) |
| | (25,657,659) | (31,524,325) |
| Foreign exchange losses | (8,571,996) | (8,320,413) |
| Losses on fair value of hedge derivatives | - | (326,290) |
| Up front fees and commissions related to loans | (5,857,332) | (8,568,596) |
| Others | (3,050,663) | (2,381,232) |
| | (43,137,650) | (51,120,856) |
| **Income** | | |
| Interest receivable | | |
| related with bank deposits | 31,388 | 66,425 |
| others | 487,939 | 545,495 |
| | 519,327 | 611,920 |
| Foreign exchange gains | 6,208,570 | 4,725,585 |
| Payments discounts received | 46,572 | 37,706 |
| Gains on disposal of treasury applications (Notes 11.3 and 12) | - | 9,362,943 |
| Other financial income | 345,629 | 1,012,585 |
| | 7,120,098 | 15,750,739 |
| Fair value adjustment of investments registered at fair value on the income statement (Note 12) | - | (15,681,846) |
| **Net financial expenses** | (36,017,552) | (51,051,963) |

As at 31 December 2016, the caption "Gains on disposal of treasury applications" refers to the capital gain generated by the disposal of NOS shares as described in Note 11

# 39 Other income

As at 31 December 2017 and 2016, the caption “Other Income” is made up as follow:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Supplementary income | 690,442,768 | 632,432,711 |
| Prompt payment discounts obtained | 24,570,069 | 24,646,164 |
| Foreign currency exchange gains | 28,006,672 | 19,860,909 |
| Own work capitalised (Note 9) | 17,016,851 | 14,565,826 |
| Gains on sales of assets | 13,679,296 | 63,197,788 |
| Provisions and impairment losses reversals (Note 32) | 5,004,636 | 11,229,959 |
| Benefits of contractual penalties | 5,521,757 | 85,444 |
| Insurance claims | 955,475 | 202,159 |
| Subsidies | 1,154,206 | 752,282 |
| Others | 6,898,155 | 5,149,423 |
| | 793,249,885 | 772,122,665 |

The caption “Supplementary income” relates mainly to promotional campaigns carried out in the stores of retail segment, reimbursed by the Sonae´s partners.

Under the caption of "Gains on sales of assets" are included gains related to the operation of "Sale & Leaseback” amounting to 10.8 million euro (63.1 million euro as at 31 de December 2016).

# 40 External supplies and services

As at 31 December 2017 and 2016, External supplies and services are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Rents | 186,536,538 | 169,868,011 |
| Publicity | 104,519,354 | 107,069,088 |
| Electricity | 66,226,351 | 58,026,717 |
| Transports | 62,877,383 | 57,919,088 |
| Services | 75,345,714 | 76,711,098 |
| Subcontracts | 19,728,999 | 23,020,973 |
| Maintenance | 26,274,393 | 24,850,158 |
| Costs with automatic payment terminals | 13,228,694 | 11,873,307 |
| Security | 21,469,053 | 20,371,572 |
| Cleaning up services | 24,411,544 | 23,019,047 |
| Consumables | 13,650,195 | 13,441,395 |
| Travel expenses | 18,332,610 | 17,167,952 |
| Commissions | 13,056,525 | 12,244,863 |
| Insurances | 6,860,294 | 6,492,458 |
| Communications | 11,750,271 | 11,444,765 |
| Home delivery | 7,154,888 | 6,479,543 |
| Others | 66,200,725 | 63,796,089 |
| | 737,623,531 | 703,796,124 |

# 41 Staff costs

As at 31 December 2017 and 2016, Staff costs are as follows:

| | 31 Dec 2017 | 31 dez 2016 Restated |
|---|---|---|
| Salaries | 604,547,040 | 564,822,980 |
| Social security contributions | 127,869,010 | 118,611,720 |
| Insurance | 13,201,958 | 11,274,216 |
| Welfare | 4,731,773 | 4,665,424 |
| Other staff costs | 13,841,837 | 14,954,623 |
| | 764,191,618 | 714,328,963 |

# 42 Other expenses

As at 31 December 2017 and 2016, other expenses are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Exchange differences | 26,959,379 | 19,684,760 |
| Galp/Continente loyalty program | 12,952,898 | 12,995,805 |
| Losses on the sale and write-off of assets | 14,080,303 | 11,848,543 |
| Indirect taxes and fees | 9,984,766 | 9,687,045 |
| Donations | 7,823,351 | 8,033,596 |
| Municipal property tax | 2,356,778 | 1,891,745 |
| Doubtful debts | 858,664 | 858,664 |
| Other expenses | 7,916,630 | 8,208,049 |
| | 82,932,769 | 73,208,207 |

# 43 Income tax

As at 31 December 2017 and 2016, income tax is made up as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Current tax | 4,359,495 | 8,208,159 |
| Deferred tax (Note 19) | 11,764,475 | 18,488,609 |
| | 16,123,970 | 26,696,768 |

The reconciliation between the profit before Income tax and the tax charge for the years ended 31 December 2017 and 2016 is as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Profit before income tax | 172,222,211 | 251,560,840 |
| Difference between capital (losses)/gains for accounting and tax purposes | (4,495,588) | (19,237,645) |
| Gains or losses in jointly controlled and associates companies (Note 11) | (77,550,493) | (101,905,066) |
| Impairment of goodwill (Note 10) | - | 369,402 |
| Provisions and impairment losses not accepted for tax purposes | 2,843,864 | - |
| Taxable Profit | 93,019,994 | 130,787,531 |
| Use of tax losses that have not originated deferred tax assets | (26,127,598) | (13,932,775) |
| Recognition of tax losses that have not originated deferred tax assets | 38,714,219 | 4,328,720 |
| | 105,606,615 | 121,183,476 |
| Income tax rate in Portugal | 21% | 21% |
| | 22,177,389 | 25,448,530 |
| Effect of different income tax rates in other countries | (12,139,713) | (12,907,157) |
| Amortization of goodwill for tax purposes in Spain | 17,457,039 | - |
| Effect of constitution or reversal of deferred taxes | (5,816,680) | - |
| Effect of the write-off of deferred taxes (Note 19) | - | 28,306,619 |
| Effect of change in tax income rate in the calculation of deferred taxes | - | (17,547,730) |
| Use of tax benefits | (3,673,407) | (2,985,031) |
| Under/(over) Income tax estimates | (13,261,077) | (11,464,249) |
| Autonomous taxes and tax benefits | 3,518,722 | 3,560,741 |
| Municipality surcharge | 6,561,800 | 10,512,953 |
| Others | 1,299,897 | 3,772,092 |
| Income tax | 16,123,970 | 26,696,768 |

# 44 Related parties

Balances and transactions with related parties during the periods ended 31 December 2017 and 2016 are as follows:

| | Turnover and other income | | Purchases and services obtained | |
|---|---|---|---|---|
| Transactions | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| Parent Company | 237,925 | 210,773 | 540,705 | 716,561 |
| Jointly controlled companies | 86,190,388 | 17,667,706 | 312,189,577 | 44,892,547 |
| Associated companies | 35,771,366 | 34,859,664 | 31 | 13,688 |
| Other related parties | 62,068,713 | 58,863,841 | 17,593,337 | 19,679,076 |
| | 184,268,392 | 111,601,984 | 330,323,650 | 65,301,872 |

| | Interest income | | Interest expenses | |
|---|---|---|---|---|
| Transactions | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| Parent Company | - | - | 43,548 | 168,233 |
| Jointly controlled companies | 215 | - | - | - |
| Associated companies | 12,566 | - | - | - |
| Other related parties | - | - | - | 63,538 |
| | 12,781 | - | 43,548 | 231,771 |

| Balances | Accounts receivable 31 Dec 2017 | Accounts receivable 31 Dec 2016 | Accounts payable 31 Dec 2017 | Accounts payable 31 Dec 2016 |
|---|---|---|---|---|
| Parent Company | 51,947 | 25,136 | 512,593 | 688,294 |
| Jointly controlled companies | 14,904,259 | 29,377,178 | 42,584,035 | 15,192,431 |
| Associated companies | 8,479,551 | 6,583,207 | 1,843 | 147,945 |
| Other related parties | 19,066,434 | 16,965,780 | 7,631,440 | 10,405,360 |
| | 42,502,191 | 52,951,301 | 50,729,911 | 26,434,030 |

| | Loans | | | |
|---|---|---|---|---|
| | Obtained | | Granted | |
| Balances | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2017 | 31 Dec 2016 |
| Parent Company | - | - | - | - |
| Jointly controlled companies | - | 1,000 | - | - |
| Associated companies | - | - | - | - |
| Other related parties | 160,586 | 442,382 | 3,570 | 3,570 |
| | 160,586 | 443,382 | 3,570 | 3,570 |

During the year ended at 31 December 2016, Sonaecom disposed its direct interest in NOS (2.14%) to ZOPT. This operation generated a gain of 18,725,887 euro. 50% of this gain were accounted under the caption "Financial income and gains" and the remaining 50% written off against reserves (Note 11).

In December 2016, the Group disposed its subsidiary Imoconti - Sociedade Imobiliária, SA to a related entity of the Sonae Sierra group. This operation generated a financial contribution of 21 million euro and a gain of 6.8 million euro (Note 37).

The caption "Other related parties" includes Sonae Sierra SGPS, SA, Zopt SGPS, SA, Sonae Industria, SGPS, SA and Sonae Capital, SGPS, SA affiliated, associated and jointly controlled companies, and also other shareholders of affiliated companies or jointly controlled companies of Sonae, as well as other affiliated companies of the ultimate parent company Efanor Investimentos, SGPS, SA.

The remuneration of the members of the Board of Directors of the parent company and of the employees with strategic management responsibility, earned in all Sonae companies for the years ended at 31 December 2017 and 2016, is composed as follows:

| | 31 Dec 2017 | | 31 Dec 2016 | |
|---|---|---|---|---|
| | Board of Directors | Strategic direction (a) | Board of Directors | Strategic direction (a) |
| Short-term employee benefits | 1,635,500 | 6,725,295 | 1,594,100 | 6,380,285 |
| Share-based payments | 567,200 | 1,888,000 | 530,600 | 1,965,700 |
| | 2,202,700 | 8,613,295 | 2,124,700 | 8,345,985 |

(a) Includes personnel responsible for the strategic management of the companies of Sonae (excluding members of the Board of Directors of Sonae Holding).

# 45 Earning per share

Earnings per share for the periods ended 31 December 2017 and 2016 were calculated taking into consideration the following amounts:

| | 31 Dec 2017 | | 31 Dec 2016 Restated | |
|---|---|---|---|---|
| | Continuing Operations | Descontinuing Operations | Continuing Operations | Descontinuing Operations |
| **Net profit** | | | | |
| Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period) | 148,588,229 | 17,165,686 | 216,509,123 | (1,435,174) |
| Effect of dilutive potential shares | - | - | - | - |
| Interest related to convertible bonds (net of tax) | 8,587,542 | - | 7,778,796 | - |
| Net profit taken into consideration to calculate diluted earnings per share | 157,175,771 | 17,165,686 | 224,287,919 | (1,435,174) |
| **Number of shares** | | | | |
| Weighted average number of shares used to calculate basic earnings per share | 1,893,848,246 | 1,893,848,246 | 1,887,410,072 | 1,887,410,072 |
| Effect of dilutive potential ordinary shares from convertible bonds | 128,667,482 | 128,667,482 | 127,113,527 | 127,113,527 |
| Outstanding shares related with share based payments | 12,487,590 | 12,487,590 | 12,923,765 | 12,923,765 |
| Shares related to performance bonus that can be bought at market price | (4,877,179) | (4,877,179) | (5,319,084) | (5,319,084) |
| Weighted average number of shares used to calculate diluted earnings per share | 2,030,126,139 | 2,030,126,139 | 2,022,128,280 | 2,022,128,280 |
| **Earnings per share** | | | | |
| Basic | 0.078458 | 0.009064 | 0.114712 | (0.000760) |
| Diluted | 0.077422 | 0.008455 | 0.110917 | (0.000710) |

The 2017 average number of shares for the year ended 31 December 2017 considers 104,406,608 Sonae Holding shares (110,341,017 in 31 December 2016) as own shares (Note 22).

# 46 Cash receipts and cash payments of investments

As at 31 December 2017 and 2016, cash receipts and cash payments related to investments can be detailed as follows:

## - Investment activities

| Receipts | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Disposal of Imoconti in 2016 | 21,009,032 | - |
| Receipt relating to the sale of Raso SGPS | 537,500 | 2,500,000 |
| Losan adjust price acquisition | - | 1,416,954 |
| | 21,546,532 | 3,916,954 |

| Payments | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Acquisition of a participation in Artic Wolf Networks, Inc | 3,830,113 | - |
| Acquisition of a participation in Secucloud Networks Gmbh | 4,000,000 | - |
| Acquisition of GoWell, SA (Note 5.2) | 3,788,464 | - |
| Supplementary Benefit of S2 Moxambique, SA | 1,078,154 | - |
| Capital increase in Ulabox, SL | 2,007,819 | 2,667,132 |
| Capital increase in Fundo Armilar III | 1,409,696 | - |
| Fund Work compensation | 1,323,730 | - |
| Acquisition of Brio, SA (Note 5.2) | 931,023 | - |
| Acquisition of a participation in OMETRIA, Ltd | 854,165 | - |
| Capital increase in Probe.ly | 514,959 | - |
| Capital increase in Movvo | 380,783 | 2,260,746 |
| Acquisition of Salsa | - | 65,588,931 |
| Acquisition of a participation of Armilar Venture Funds | - | 31,749,338 |
| Capital increase in S2 Mozambique SA | - | 1,607,217 |
| Acquisition of Iberosegur, lda | - | 256,417 |
| Acquisition of SYSVALUE | - | 346,128 |
| Acquisition of INOVRETAIL, Lda | - | 653,346 |
| Acquisition a participation of Filhet Allard Esp | - | 629,751 |
| Elergone adjust price acquisition | - | 600,562 |
| Others | 890,839 | 73,905 |
| | 21,009,745 | 106,433,473 |

## - Financing Activities

| Receipts | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Disposal of Imosonae Dois fund units | 1,124,447 | 173,261 |
| Others | 88,740 | 170,853 |
| | 1,213,187 | 344,114 |

| Payments | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Acquisition of Imosonae Dois´s fund units | 1,267,876 | - |
| Others | 236,377 | 584,004 |
| | 1,504,253 | 584,004 |

# 47 Provision and contingent liabilities relating to joint-ventures

## Sonae Sierra Group

### a) Contingent liabilities

As of 31 December 2017, the main Sonae Sierra contingent liabilities relate to the following situations:

- In 2014 the Group has agreed to pay up to the amount of 4 million euro in case of breach of the obligations undertaken under the pre-sales and purchase agreement between Parklake Shopping SA and Carrefour Romania SA.

- In 2015 the Group has agreed with the bank that granted the loan to Parklake Shop-ping SA for the construction of the shopping centre Parklake the payment of the debt service in the maximum amount 9,3 million euro, in case the company is not able to comply with its obligations.

- In December 2013 Gli Orsi received a tax notification, whereby it is asked to pay the amount of 19.5 million euro, related with real estate transfer tax in the amount of 9,5 million euro and 10 million euro related with penalties and interest, plus court agent fees amounting to 0.9 million euro Based on the opinion of the tax expert there are valid reasons to consider the claim without foundation, and so the Group has appealed to the Supreme Court. In the specific case of the penalties requested by the tax authorities, the tax expert understands that no penalty is due. To provide for this contingency, the Group has expensed in 2013 an amount of 10,4 million euro (corresponding to real estate transfer tax (9,5 million euro) plus count agent fee (0.9). In 2016, the Group assumed the commitment to the bank ING Bank N. V. (Milan), that finance the company Gli Orsi Shopping Centre 1, Srl, to pay future tax liabilities which may arise in relation to these tax litigations up to the maximum amount of 25 million euro, in case the company is not able to settle it.

- During 2008 – 2015, Sonae Sierra has received tax notifications regarding the tax deductibility of interest expenses on loans obtained, concerning the years 2005, 2008, 2009, 2010 and 2011, in the total amount of 9,3 million euro. All these tax notifications were claimed by Sonae Sierra and guarantees in the same amount were granted by the subsidiary Sierra Investments, SGPS, S.A. to the Portuguese tax authorities. No provision was recorded because the Board of Directors understands that the risk of these tax contingencies is unlikely. The fact that Sonae Sierra received a second favourable court decision and a first court decision, respectively on 2015 and 2017 regarding the deductibility of interest incurred in 2004 and 2009, corroborates the Group's assessment of these contingencies.

Additionally, At 31 December 2017 and 2016 the bank guarantees granted to third parties were as following:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Bank guarantees | | |
| relating to tax processes in course | 1,927 | 2,775 |
| relating to legal processes in course | - | 74 |
| to complete the construction of several projects | 1,271 | 1,180 |
| for good compliance with the reimbursement of the performance of the promise of purchase and sale agreement with Carrefour Romania | 15,978 | 15,978 |
| others guarantees | 398 | 409 |

No provision has been made for any liability arising from the tax and legal processes mentioned above, as the Board of Directors believes that the corresponding risk is not probable.

## b) Commitments from disposal of subsidiaries subject to price revision

Following the sale of 49.9% of Sierra European Retail Real Estate Assets Holdings BV's ("Sierra BV") share capital to a group of Investors, in 2003, Sonae Sierra has agreed to revise the sale price of such shares in the event of a sale, to third parties, of some of the shopping centres owned by subsidiaries of Sierra BV (subject to some conditions)

The price revision can occur both with a sale of the asset (investment property in the case) or with a sale of the shares of the company that is, directly or indirectly, the owner of such asset.

The price revision will be made by Sonae Sierra to the Investors in Sierra Fund or to Sierra BV if, in a relevant sale, discounts related to deferred taxes on capital gains have been made.

The price revision will be dependent on the percentage ownership in the company that owns the asset, the Investors' ownership percentage in Sierra BV (and in case of a sale of shares adjusted by a 50% discount) and is limited to:

(i) in the case of asset sale a maximum amount of 105.8 million euro;

(ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, a maximum amount of 52,9 million euro;

(iii) in the case of a sale of shares of the company that directly or indirectly owns the asset, the price revision plus the selling price, cannot result in a revised price that is greater than the proportion of the Net Asset Value.

Similar commitments were granted by Sonae Sierra in relation to the companies transferred to Sierra BV after 2003 and to CBRE companies regarding the sale of 50% of Vasco da Gama.

These commitments are valid while the current agreements with the other stockholders of Sierra BV are maintained.

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares at stake before they are offered for sale to a third party.

In accordance with the agreements made between the shareholders of Sierra BV at the time of its incorporation in 2003, it was agreed that Sierra BV should exist for an initial period of 10 years (that ended in October 2013), that could be extended by two additional periods of one year starting in 2013. On September 2013, all the shareholders of Sierra BV approved an amendment agreement relating to the continuation of the operations of the Fund with a long-stop date until October 2018. In 2018 the shareholders of Sierra BV agreed to schedule a number of workshops to be carried out at each of the Core Assets – Colombo, Norteshopping, Vasco da Gama, Cascaishopping and Plaza Mayor – to ascertain in more depth the long-term strategy of each scheme, in view of agreeing the basis for a prospective long-term extension of the venture. The Group also continues to study several alternatives to dispose of the other properties held by Sierra BV, but there are no intentions to proceed with forced asset sales

In accordance with the agreements made between the shareholders of SPF at the time of its incorporation in 2008, it was agreed that SPF should exist for a period of 10 years (that would end in 2018), with the shareholders having the option to redeem its shares after 2014, provided that some conditions are met. Upon a prospective redemption notice received from shareholders, the Manager (Sonae Sierra) shall carry out its best endeavours to redeem the respective interests, in a period of 12 months. Additionally, in 2015 shareholders agreed to extend the term of the fund until 2020.

The Group believes that the direct sale of the asset is a less attractive solution as it is subject to certain liabilities that are not crystalized in the event of a sale of the shares.

## Group ZOPT

The consolidated financial statements of ZOPT (joint venture that controls NOS) and NOS as at 31 December 2017 and 2016, incorporated into the financial statements of Sonae through ZOPT by the equity method (Note 6 and Note 11).

### a) Provisions of ZOPT group

The processes described below are provisioned in the consolidated accounts of Zopt, given the level of risk identified.

- Future credits transferred

For the year ended at 31 December 2010, the subsidiary NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euro, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of 20 million euro in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that years, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year during 5 years). NOS SA challenged the decisions regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavorably, in March 2014. The company has appealed.

- ANACOM

Infringement proceedings due to an alleged failure, by NOS SA, to apply the resolutions taken by ANACOM on 26 October 2005, concerning termination rates for fixed calls. Following a deliberation of Board of Directors of the regulator, in April 2012, a fine of approximately 6.5 million Euro was applied to NOS SA; NOS SA has appealed for the judicial review of the decision and the court has declared the process's nullity on January 2014 (based on violation of NOS, SA's right of defense). Subsequently, in April 2014 ANACOM has notified NOS SA of a new judicial process, based on the same accusations. This process is a repetition of the initial one, taking into consideration the same facts. In September 2014, ANACOM applied a new fine to NOS SA in the amount of 6.5 million Euro. This decision was contested by NOS SA. In May 2015, it was acquitted, which revoked the decision by ANACOM and the fine which applied. ANACOM subsequently lodged an appeal against the judgment in May 2015, which, by summary decision of May 2017, was dismissed in its entirety by the Lisbon Court of Appeal, thus confirming the total acquittal of NOS SA. Neither ANACOM nor the Public Prosecution Service appealed the decision, and the case became final by May 2017. During the 2017 financial year, the total provision amounting to 6.5 million Euro was reversed.

- Supplementary capital

The fiscal authorities are of the opinion that NOS SA has broken the principle of full competition under the terms of (1) of article 58 of the Corporate Tax Code (CIRC), (actual article 63), by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007, of corrections to the determination of its taxable income in the total amount of 20.5 million Euro. NOS SA contested the decision with regard to all the above mentioned years. As for the year 2004, the Court has decided favourable. This decision is concluded (favourable), originating a reversal of provisions, in 2016, in the amount of 1.3 million Euro plus interest. As for the years 2006 and 2007, the Oporto Fiscal and Administrative Court has already decided unfavourable. The company has contested this decision and the final decision of the processes is still pending.

- Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU)

The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law nr 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (ex-PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e without a tender procedure, which constitutes an illegality, as acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million Euro for illegally designating MEO. In accordance with Article 18 of the abovementioned Law number 35/2012, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. Indeed, in accordance with the law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of about 66.8 million Euro, decision contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million Euro, which were contested by NOS and for which bail were presented by NOS SGPS to avoid Tax Execution Proceedings, guarantees that have been accepted by ANACOM.

In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of about 47.1 million Euro, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes to the Company in amount of 13 million Euro wich will be contested by NOS and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes, guarantees that have been accepted by ANACOM.

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO for the year of 2012 and 2013, in the amount of about 26 million Euro and 20 million Euro, respectively, decision which was contested by the companies In December 2016, the liquidation notes relating to NOS, SA, NOS Madeira and NOS Azores, relating to that period, amounting to 13.6 million Euro, were challenged by NOS and to which guarantees have also been presented by NOS SGPS in order to avoid the promotion of the respective tax enforcement procedures. The guarantees were also accepted by ANACOM.

At October 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, in the amount of 7.7 million Euro, which NOS challenged in its usual terms in January 2017. In December 2017, NOS, SA, NOS Madeira and NOS Azores were notified of ANACOM's draft decision on entities required to contribute to the compensation fund and to the setting of the contributions to the CLSU to be offset for 2014, which provides for a contribution of 2,4 million Euro for all these companies.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to CLSU of service providing by MEO violates the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS will continue judicially challenge either the approval of the audit results to the net costs of the universal service for the pre-competitive period or the liquidation of each extraordinary contributions, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken.

## b) Legal actions and contingent assets and liabilities of Zopt Group

- Legal action with regulators

NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee (for 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016) for carrying on the business of Electronic Communications Services Networks Supplier, and furthermore, it is requested to pay back the sums paid in the course of the execution of said liquidation acts. The settlements for the year 2017 are in the period of challenge.

The settlement amounts are as follows:

- NOS SA: 2009: 1,861 thousand Euro, 2010: 3,808 thousand Euro, 2011: 6,049 thousand Euro, 2012: 6,283 thousand Euro, 2013: 7,270 thousand Euro, 2014: 7,426 thousand Euro, 2015: 7,253 thousand Euro, 2016: 8,242 thousand Euro and 2017: 9,099 thousand Euro.

- NOS Azores: 2009: 29 thousand Euro; 2010; 60 thousand Euro, 2011: 95 thousand Euro, 2012: 95 thousand Euro, 2013: 104 thousand Euro, 2014: 107 thousand Euro, 2015: 98 thousand Euro, 2016: 105 thousand Euro e 2017: 104 thousand Euro.

- NOS Madeira: 2009: 40 thousand Euro, 2010: 83 thousand Euro, 2011: 130 thousand Euro, 2012: 132 thousand Euro, 2013: 149 thousand Euro, 2014: 165 thousand Euro, 2015: 161 thousand Euro, 2016: 177 thousand Euro e 2017: 187 thousand Euro.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. NOS SA, NOS Açores and NOS Madeira invoke, in particular, i) flaws of unconstitutionality and illegality related to the inclusion, in the accounting of ANACOM's costs, of the accrued provisions, due to the legal proceedings brought against it (including these same challenges of the activity rate) and ii) that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

On 18 December 2012 and 29 September 2017, two single judgments were passed on the proceedings instigated by NOS SA for the annual rate of 2009 and 2012, respectively. The first judgment upheld the respective challenge, but based only on the defect of the previous hearing and condemning ANACOM to pay interest. The remaining proceedings are awaiting trial and/or decision. The second judgment also considered, and in turn, the corresponding challenge, but this time for substantive reasons, annulling the contested act for illegality, with the legal consequences, namely imposing the return to the NOS of the tax paid yet not returned and condemning ANACOM in the payment of compensatory interest. This decision was appealed by ANACOM to the Central Administrative Court - South

The remaining cases are awaiting judgment and / or decision.

During the first quarter of 2017, NOS was notified by ANACOM of the initiation of a process of mismanagement related to price update communications, at the end of 2016. At the time, it is not possible to determine the scope of the process of mismanagement.

- Tax authorities

During the course of the 2003 to 2016 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2014 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Corporate Income Tax, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 19 million Euro, plus interest and charges. Note that the Group considered that the corrections were unfounded, and contested the corrections and the amounts mentioned. The Group provided the bank guarantees demanded by the Tax Authorities in connection with these proceedings.

At end of year 2013 and taking advantage of the extraordinary settlement scheme of tax debts, the Group settled 7.7 million Euro. This amount was recorded as "taxes receivable" non-current net of the provision recorded.

As belief of the Board of Directors of the NOS Group, supported by our lawyers and tax advisors, the risk of loss of these proceedings is not likely and the outcome thereof will not affect materially the consolidated position.

- Actions by MEO against NOS Madeira and NOS Açores and by NOS S.A. against MEO

In 2011, MEO (PT) brought an action in Lisbon Judicial Court against NOS SA, claiming payment of 10.3 million Euro, as compensation for alleged undue portability of NOS SA in the period between March 2009 and July 2011. NOS SA lodged a contest and reply, having started the expert evidence, that the Court however declared void. The hearing was held in late April and early May, having a ruling been delivered last September, which judged the action partially founded, based not on the existence of undue portability, but on the mere delay of the documentation shipment. NOS was condemned to pay, approximately 5.3 million Euro, a decision which only NOS appealed and which is pending before the Lisbon Court of Appeal.

MEO (PT) made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and June 2013 and May 2016) and three to NOS Madeira (March and June 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, specifying only part of these, in the case of NOS SA, in the amount of 26 million Euro (from August 2011 and May 2014), in the case of NOS Açores, in the amount of 195 thousand Euro and NOS Madeira, amounting to 817 thousand Euro.

In 2011, NOS SA brought an action in the Lisbon Judicial Court against MEO (PT), claiming payment of 22.4 million Euro, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, which is currently underway, the expert report having been notified to the parties and the parties have submitted their requests for clarification to the experts. At the same time, it was requested by the NOS and accepted by the Court to carry out economic and financial expertise, which has already begun.

It is the understanding of the Board of Directors of NOS, supported by lawyers who monitor the process, that there is, in substance, a good possibility of NOS SA winning the action, due to the fact that MEO has already been convicted for the same offense, by ANACOM. However, it is impossible to determine the outcome of the action. In the event of action be judged totally unfounded, the court costs, which are the responsibility of NOS could amount to over 1,150 million Euros.

- Action against NOS SGPS

In 2014, a NOS SGPS providers of marketing services has brought a civil lawsuit seeking a payment of about 1,243 thousand Euro, by the alleged early termination of contract and for compensation. This instance was acquitted due to passive illegitimacy of NOS SGPS, decision confirmed by superior Courts and that, meanwhile, was concluded. Afterwards, the same company brought a new civil lawsuit based on the same facts, but this time, against NOS Comunicações. An objection was filed in September 2016 and a preliminary hearing was held in May 2017, in which two objections raised by the NOS were dismissed, rejections of which NOS appealed. The final hearing is scheduled for February 2018. As to the substance of the matter, it is the opinion of the Board of Directors of NOS that the arguments used by the author are not pertinent, which is why it is believed that the outcome of the proceeding should not have a material impact on the Group's financial statements.

- Actions against SPORT TV

Action brought by Cogeco Cable Inc., former shareholder of Cabovisão, against Sport TV, NOS SGPS and a third, requesting, among others: (i) joint condemnation of the three institutions to pay compensation for damages caused by anti-competitive conduct, guilty and illegal, between 3 August 2006 and 30 March 2011, specifically for the excess price paid for Sport TV channels by Cabovisão, in the amount of 9.1 million Euro; (ii) condemnation for damages corresponding to the remuneration of capital unavailable, in the amount 2.4 million Euro; and (iii) condemnation for damages corresponding to the loss of business from anti-competitive practices of Sport TV, in connection with the enforcement proceedings. NOS challenged the action, with a prior hearing held in early June. Following the presentation by the parties to the Court of proposals for the formulation of questions for the purposes of a reference for a preliminary ruling to the CJEU, the Court accepted the NOS's suggestions in full.

It is the understanding of the Board of Directors of NOS Group, supported by lawyers who monitor the process, that, in substance, it is unlikely that the group is responsible in this action.

Cabovisão brought an action against the SPORT TV, in which it requests compensation from the latter for alleged losses resulting from abuse of a dominant position in amount of 18 million Euro, more capital and interest that will win from 31 December 2014 and profits. The Board of Directors of Sport TV and lawyers, who monitor the process, predict a favourably outcome, not estimating impacts in the accounts, in addition to those already registered.

- Contractual penalties

The general conditions that affect the agreement and termination of this contract between NOS and its clients, establish that if the products and services provided by the client can no longer be used prior to the end of the binding period, the client is obliged to immediately pay damages.

Until 31 December 2014, revenue from penalties, due to inherent uncertainties was recorded only at the moment when it was received, so at 31 December 2017, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of 71,799 thousand Euro. During the year ended on 31 December 2017 1,540 thousand Euro related to 2014 receivables were received and recorded in the income statement.

From 1 January 2015, revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history. The penalties invoiced are recorded as accounts receivable and amounts determined as uncollectible are recorded as impairment by deducting revenue recognized upon invoicing

- Interconnection tariffs

At 31 December 2017, accounts receivable and accounts payable include 37,139,253 Euro and 29,913,608 Euro, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de

Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the indefinition of interconnection tariffs, recorded in the year ended at 31 December 2001. In the first and second instance, the decision was favourable to NOS SA. Nevertheless, MEO again appealed this decision, first to the Supreme Court of Justice and then, in two different appeals to the Constitutional Court. All appeals have been dismissed, and the deadline for final and unappealable final decisions is in progress.

The Sonaecom Board of Directors believes that the above processes may result in contingencies that affect the ZOPT group's accounts are properly provisioned, given the degree of risk in the consolidated accounts of Sonaecom

## c) Other commitments Group Zopt

In December 2015, NOS Group signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, S.A. of television rights of home football games of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract will begin in 2016/2017 sports season and has an initial duration of three years and may be renewed by decision of either party to a total of 10 sports seasons, with the overall financial consideration reaching the amount of 400 million Euro, divided into progressive annual amounts

Also in December 2015, the NOS Group signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting Comunicação e Plataformas, S.A. for the assignment of the following rights:

1) Television and multimedia rights of home games of the Sporting SAD senior team;
2) Right to explore the static and virtual advertising of José Alvalade Stadium;
3) Right of Transmission and Distribution Sporting TV channel;
4) Right to be its main sponsor.

The contract will last 10 seasons as regards the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights mentioned in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January 2016, amounting to overall financial contribution to the amount of 446 million euro, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed contracts of assignment of television rights credits of Senior home football games with the following sports clubs:

1) Associação Académica de Coimbra – Organismo Autónomo de Futebol, SDUQ, Lda
2) Os Belenenses Sociedade Desportiva Futebol, SAD
3) Clube Desportivo Nacional Futebol, SAD
4) Futebol Clube de Arouca – Futebol, SDUQ, Lda
5) Futebol Clube de Paços de Ferreira, SDUQ, Lda
6) Marítimo da Madeira Futebol, SAD
7) Sporting Clube de Braga – Futebol, SAD
8) Vitória Futebol Clube, SAD

The contracts wil begin in the 2019/2020 sports season and last up to 7 seasons, with the exception of the contract with Sporting Clube de Braga - Futebol, SAD which lasts 9 seasons.

During the year of 2016, has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

1) C. D. Tondela – Futebol, SDUQ, Lda
2) Clube Futebol União da Madeira, Futebol, SAD
3) Grupo Desportivo de Chaves – Futebol, SAD
4) Sporting Clube da Covilhã Futebol, SDUQ, Lda
5) Clube Desportivo Feirense Futebol, SAD
6) Sport Clube de Freamunde Futebol, SAD
7) Sporting Clube Olhanense Futebol, SAD
8) Futebol Clube de Penafiel, SDUQ, Lda
9) Portimonense Futebol, SAD

The contracts wil begin in the 2019/2020 sport season and last up to 3 seasons.

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, in order to assure to both companies, the availability of broadcasting rights of the sports club home football games, as well as the broadcasting and distribution rights of sports and sports club channels, whose rights are owned by each of the companies in each moment. The agreement came into force from the beginning of the sports season 2016/2017, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

Considering that the contract signed allowed for the possibility of extending the agreement to the other operators, in July 2016 MEO and Cabovisão joined the agreement, ending the lack of availability of Porto Canal in the NOS's channel grid, assuring that every pay-tv client can have access to every relevant sports content, regardless of which operator they use.

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

| Seasons | 2017/18 | Flowing |
|---|---|---|
| Estimated cash flows with the contracts signed by NOS with the sports entities* | 50.1 million euro | 1,098 million euro |
| NOS estimated cash flows for the contracts signed by NOS (net of the amounts charged to the operators) and for the contracts signed by the remaining operators | 22.5 million euro | 624 million euro |

* Includes games and channels broadcanting rights, advertising and others.

## 48 Presentation of consolidated income statement

In the Management Report, and for the purposes of the purposes of calculating financial indicators as EBIT, EBITDA and Underlying EBITDA the consolidated income statement is divided between Direct Income and Indirect Income.

The Indirect Income includes the contribution of Sonae Sierra, net of taxes that result from: (i) valuation of investment properties; (ii) gains (losses) with the sale of financial investments, joint ventures or associates; (iii) impairment losses relating to non-current assets (including Goodwill) and (iv) provisions for assets at risk. Additionally and with regard to the portfolio of Sonae, it includes: (i) impairment of real estate assets for retail, (ii) decreases in Goodwill, (iii) negative Goodwill (net of taxes) related to acquisitions in the financial year, (iv) provisions (net of tax) for possible future liabilities, and impairments related to noncore investments, businesses and discontinued assets (or to be discontinued / repositioned), (v) valuation results based on the methodology "mark-to-market" of other current investments that will be sold or traded in the near future and (vi) other irrelevant issues.

The value of EBITDA and EBIT are calculated in the direct income component, i.e. excluding the indirect contributions.

The reconciliation between the two presentation formats for the consolidated income statement for the periods ended 31 December 2017 and 2016 can be summarized as follows:

| | 31 Dec 2017 | | | 31 Dec 2016 Restated | | |
|---|---|---|---|---|---|---|
| | Consolidated | Indirect Income | Direct Income | Consolidated | Indirect income | Direct income |
| Turnover | 5,710,151,936 | - | 5,710,151,936 | 5,329,491,616 | - | 5,329,491,616 |
| Investment income | | | | | | |
| Dividends and others adjustments | 130,748 | - | 130,748 | 1,864,330 | 1,762,005 | 102,325 |
| Impairments losses (note 11) | (2,843,436) | (2,843,436) | - | - | - | - |
| Others | 1,053,113 | 1,111,019 | (57,906) | 13,690,691 | - | 13,690,691 |
| Others income | | | | | | |
| Reversal of impairment losses | 3,282,503 | - | 3,282,503 | 9,204,743 | - | 9,204,743 |
| Reversal of provisions for warranty extensions | 1,737,441 | - | 1,737,441 | - | - | - |
| Others | 773,923,702 | - | 773,923,702 | 697,649,277 | - | 697,649,277 |
| Total income | 6,487,436,007 | (1,732,417) | 6,489,168,424 | 6,051,900,657 | 1,762,005 | 6,050,138,652 |
| Total expenses | (6,149,046,342) | (1,123,135) | (6,147,923,207) | (5,729,127,594) | (1,056,883) | (5,728,070,711) |
| Depreciation and amortisation | (197,659,331) | - | (197,659,331) | (179,646,000) | - | (179,646,000) |
| Gains and Losses on tangible and intangible assets | (10,534,220) | - | (10,534,220) | (11,787,603) | - | (11,787,603) |
| Impairment losses and provisions | | | | | | |
| Provisions for warranty extensions | (1,344,717) | - | (1,344,717) | 1,914,139 | - | 1,914,139 |
| Others | (9,141,325) | - | (9,141,325) | (15,016,419) | - | (15,016,419) |
| Profit before financial results and results of joint ventures and associates and non-recurrent items | 119,710,072 | (2,855,552) | 122,565,624 | 118,237,180 | 705,122 | 117,532,058 |
| Non-recurrent items | 2,179,064 | - | 2,179,064 | 52,993,486 | - | 52,993,486 |
| Gains and losses on investments recorded at fair value through results | - | - | - | (15,681,846) | (15,681,846) | - |
| Financial profit/(loss) | (36,017,552) | - | (36,017,552) | (35,370,117) | 9,362,943 | (44,733,060) |
| Share of results of joint ventures and associated undertakings | | | | | | |
| Sonae Sierra | 54,487,230 | 22,177,174 | 32,310,056 | 86,809,343 | 58,361,250 | 28,448,093 |
| Armilar Venture Funds | 8,800,135 | 8,800,135 | - | 36,726,300 | 36,726,300 | - |
| ZOPT | 27,234,000 | - | 27,234,000 | 17,075,644 | - | 17,075,644 |
| Others | (4,170,739) | - | (4,170,739) | (1,979,921) | - | (1,979,921) |
| Profit before income tax | 172,222,210 | 28,121,757 | 144,100,453 | 258,810,069 | 89,473,769 | 169,336,300 |
| Income Tax | (16,123,970) | (1,991,482) | (14,132,488) | (26,696,768) | (8,263,418) | (18,433,350) |
| Profit/(Loss) from continued operations | 156,098,240 | 26,130,275 | 129,967,965 | 232,113,301 | 81,210,351 | 150,902,950 |
| Profit/(Loss) from discontinued operations | 18,110,829 | 16,220,165 | 1,890,664 | (2,869,775) | (409,391) | (2,460,384) |
| Profit/(Loss) for the period | 174,209,071 | 42,350,440 | 131,858,631 | 229,243,526 | 73,551,730 | 155,691,796 |
| Attributable to equity holders of Sonae | 165,753,915 | 41,467,417 | 124,286,498 | 215,073,949 | 82,197,705 | 132,876,244 |
| Non-controlling interests | 8,455,156 | 883,023 | 7,572,133 | 6,920,348 | (1,396,745) | 8,317,093 |
| "Underlying" EBITDA (b) | | | 336,487,249 | | | 314,675,012 |
| EBITDA (a) | | | 395,930,294 | | | 408,751,930 |
| EBIT (c) | | | 181,877,921 | | | 211,506,651 |

(a) EBITDA = total direct income - total direct expenses - reversal of direct impairment losses + share of results in joint ventures and associated undertakings (Sonae Sierra direct results, Zopt and other participated) + provisions for extensions of guarantee + unusual results;

(b) "Underlying" EBITDA = EBITDA – effect of share result in joint ventures and associated undertakings – non-recurrent results;

(c) EBIT = EBT - financial results - dividends;

(d) EBT = Direct results before non-controlling interests and taxes;

(e) Direct income = Results excluding contributions to indirect results;

(f) Indirect income = Includes Sonae Sierra's results, net of taxes, arising from: (i) investment properties valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses for noncurrent assets (including Goodwill) and; (iv) provision for assets at risk. Additionally and with regard to the portfolio of Sonae, it includes: (i) impairment of real estate assets for retail, (ii) decrease in goodwill, (iii) provisions (net of tax) for possible future liabilities and impairments related with non-core financial investments, businesses, discontinued assets (or be discontinued/ repositioned);(iv) valuation results based on the methodology "mark-to-market" of other current investments that will be sold or traded in the near future and (v) other irrelevant issues.

Indirect income can be analysed as follows:

| Indirect income | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Indirect income of Sonae Sierra | 22,177,174 | 58,361,250 |
| Measurement of NOS at fair value | - | (15,681,846) |
| Negative Goodwill recognised on Armilar Venture Funds acquisition, net of taxation | - | 28,436,582 |
| Gain on disposal of financial investments (Note 11.3) | - | 9,362,943 |
| Impairment of financial investments (Note 11.3) | (2,843,436) | (7,249,229) |
| Dividends of joint ventures | - | 1,762,005 |
| Indirect result of Armilar Venture Funds net of tax | 6,808,654 | - |
| Discontinued operations | 16,220,165 | (409,391) |
| Others | (12,117) | (1,030,584) |
| Total | 42,350,440 | 73,551,730 |

"Underlying Direct EBITDA" and non-recurrent items can be analysed as follows:

| | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|
| Direct EBITDA | 395,930,294 | 408,751,930 |
| Share of results of joint ventures and associated companies accounted by Equity Method and others | (55,373,317) | (43,543,816) |
| Discontinued operations (Note 5.1) | (1,890,664) | 2,460,384 |
| Unusual results | | |
| Gain on the sale & leaseback transactions | (10,760,430) | (63,144,814) |
| Gain from the disposal of Imoconti | - | (6,389,099) |
| Other expenses considered non-recurring | 8,581,366 | 16,540,427 |
| | (2,179,064) | (52,993,486) |
| "Underlying" Direct EBITDA | 336,487,249 | 314,675,012 |

# 49 Subsequent events

On March 9th 2017, Sonae through one of its subsidiaries, signed a Memorandum of Understanding (MoU) with JD Sports Fashion Plc (JD Group), UK's leading retailer of sports, fashion and outdoor brands, and JD Sprinter Holdings 2010 (JD Sprinter), which provides the combination of the JD Group´s existing businesses in Iberia and JD Sprinter, with Sport Zone´s business. This MoU establishes the key parameters for the creation of an Iberian Sports Retail Group that will have as shareholders the JD Group, Sonae and the family shareholders of JD Sprinter, with shareholdings of approximately 50%, 30% and 20%, respectively. Under the agreement reached, the procedures for determining the assets, liabilities and transactions to be the object of this transaction were initiated.

As at 14 September 2017, Sonae MC Modelo Continente SGPS, SA entered into an agreement with JD Sports Fashion Plc, Balaico Firaja Invest SL and JD Sprinter Holdings 2010, SL (JD Sprinter) which provides for the combination of JD Sprinter and Sport Zone under the terms described above. However, the execution of this transaction was subject to the fulfilment of suspensive conditions dependent on third parties, namely approval by the European Commission Competition Authority, the authorization of the shareholder change by the owners of the leased stores of the Sport Zone business as well as of bank guarantees.

The approval by the Competition Authority occurred on 18 January 2018 and compliance with the remaining conditions precedent occurred until 31 January 2018, the date on which the Group considered that the transaction and the respective loss of control took place.

Taking into consideration the above mentioned suspensive conditions Sonae considered that the 31 December 2017 the conditions are not to consider the Sport Zone as an asset held for sale and consider the respective activity as discontinued.

In 2018, and considering the loss of control in Sport Zone, Sport Zone and its subsidiaries are no longer included in the consolidation method in Sonae's consolidated financial statements, and we will now include the participation in the new partnership under the equity method.

The main estimated impacts of this transaction can be analysed as follows:

- In the statement of financial position:

| | Sport Zone and subsidiaries | |
|---|---|---|
| Amounts in euro | 31 Jan 2018 | 31 Dec 2017 |
| Net assets disposals | | |
| Tangible and intangible assets | 54,333,770 | 54,659,282 |
| Goodwill | 3,642,943 | 3,642,943 |
| Deferred tax assets | 6,878,552 | 6,593,675 |
| Inventories | 53,757,633 | 54,408,789 |
| Trade account receivables and other assets | 8,162,466 | 9,836,456 |
| Cash and cash equivalents | 6,062,386 | 6,679,540 |
| Bank loans long terme | (6,445,557) | (45,948,953) |
| Deferred tax liabilities | (973,004) | (963,072) |
| Bank loans short terme | (2,236,375) | (21,619,782) |
| Suppliers and other liabilities | (49,235,829) | (52,809,981) |
| Shareholder's loans | - | 60,883,601 |
| Total of net assets disposals | 73,946,985 | 75,362,498 |
| Price adjustment | (5,037,587) | |
| Fair value of future estimated receivables | 5,000,000 | |
| Gain in operation | 9,533,015 | |
| Fair value of participation | 83,442,413 | |

- In the consolidated statement of operations, the following amounts will be transferred to results of discontinued operations:

| | Sport Zone | |
|---|---|---|
| Amounts in euro | 31 Jan 2018 | 31 Dec 2017 |
| Sales and services | 16,510,977 | 225,204,616 |
| Other income | 409,024 | 2,841,993 |
| Cost of sales | (9,566,671) | (131,701,289) |
| External supplies and services | (4,787,791) | (64,999,689) |
| Other expenses and losses | (4,224,728) | (48,798,968) |
| Net financial income | (25,380) | (1,208,847) |
| Profit/loss before taxation | (1,684,569) | (18,662,184) |
| Taxation | 269,048 | 167,312 |
| Net Income | (1,415,521) | (18,494,872) |

# 50 Approval of financial statements

The accompanying consolidated financial statements were approved by the Board of Directors on 13 March 2018. Nevertheless they are still subject to approval at the Shareholders Annual General Meeting.

# 51 Group companies included in the consolidated financial statement

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by Sonae as at 31 December 2017 and 31 December 2016 are as follows:

| | | | | Percentage of capital held | | | |
|---|---|---|---|---|---|---|---|
| | | | | 31 Dec 2017 | | 31 Dec 2016 | |
| | COMPANY | | Head Office | Direct* | Total* | Direct* | Total* |
| | **Sonae - SGPS, S.A.** | | Maia | HOLDING | HOLDING | HOLDING | HOLDING |
| | **Sonae MC** | | | | | | |
| | BB Food Service, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Bom Momento - Restauração, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| 1) | Brio - Produtos de Agricultura Biológica, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | - | - |
| | Continente Hipermercados, SA | a) | Lisbon (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Elergone Energias, Lda | a) | Matosinhos (Portugal) | 75.00% | 75.00% | 75.00% | 75.00% |
| | Farmácia Selecção, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| 1) | Go Well – Promoção de Eventos, Caterings e Consultoria, SA | a) | Lisbon (Portugal) | 51.00% | 51.00% | - | - |
| | MCCARE – Serviços de Saúde, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| 2) | Make Notes Design, Lda | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Modelo Continente Hipermercados, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Pharmaconcept – Actividades em Saúde, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Pharmacontinente - Saúde e Higiene, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| 3) | SK – Skin Health Cosmetics | a) | Matosinhos (Portugal) | 100.00% | 100.00% | - | - |
| 4) | Sohi Meat Solutions-Distribuição de Carnes, SA | a) | Santarém (Portugal) | 50.00% | 50.00% | 100.00% | 100.00% |
| | Zippy - Comércio e Distribuição, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Zippy - Comércio Y Distribución, SA | a) | Madrid (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Zippy cocuk malz.dag.ith.ve tic.ltd.sti | a) | Istanbul (Turkey) | 100.00% | 100.00% | 100.00% | 100.00% |
| | ZYEvolution-Invest.Desenv., SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | **Worten** | | | | | | |
| | HighDome PCC Limited (Cell Europe) | a) | La Valletta (Malta) | 100.00% | 100.00% | 100.00% | 100.00% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Infofield – Informática, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Worten Canárias, SL | a) | Tenerife (Spain) | 60.00% | 60.00% | 60.00% | 60.00% |
| | Worten - Equipamento para o Lar, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Worten España Distribución, S.L. | a) | Madrid (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| | **Sports & Fashion** | | | | | | |
| 5) | Aduanas Caspe, S.L.U. | a) | Zaragoza (Spain) | - | - | 100.00% | 100.00% |
| 3) | Bright Brands SportsGoods, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | - | - |
| | Comercial Losan Polonia SP Z.O.O | a) | Warsaw (Poland) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Comercial Losan, S.L.U. | a) | Zaragoza (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| 6) | Discovery Sports, SA | a) | Matosinhos (Portugal) | - | - | 100.00% | 100,00% |
| | Fashion Division, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Fashion Division Canárias, SL | a) | Tenerife (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| 5) | Global Usebti, S.L. | a) | Zaragoza (Spain) | - | - | 100.00% | 100.00% |
| | Irmãos Vila Nova, SA | b) | Vila Nova de Famalicão (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Irmãos Vila Nova III - Imobiliária, SA | b) | Vila Nova de Famalicão (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | IVN – Serviços Partilhados, SA | b) | Vila Nova de Famalicão (Portugal) | 50.00% | 50.00% | 50.00% | 50.00% |
| | IVN Asia Limited | b) | Hong Kong (China) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Losan Colombia, S.A.S | a) | Bogota (Colombia) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Losan Overseas Textile, S.L. | a) | Zaragoza (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| 1) | Losan Rusia | a) | Moscow (Russia) | 100.00% | 100.00% | - | - |
| | Losan Tekstil Urunleri V e Dis Ticaret, L.S. | a) | Istanbul (Turkey) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Modalfa - Comércio e Serviços, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Modalloop - Vestuário e Calçado, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| 3) | Salsa Canarias | b) | Tenerife (Spain) | 60.00% | 30.00% | - | - |
| | Salsa DE Gmbh | b) | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Salsa Distribution USA LLC | b) | New York (USA) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Salsa France, S.A.R.L. | b) | Paris (France) | 100.00% | 50.00% | 99.99% | 50.00% |
| | Salsa Luxembourg, Sàrl | b) | Luxembourg | 100.00% | 50.00% | 100.00% | 50.00% |
| | SDSR – Sports Division SR, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | SLS Salsa – Comércio e Difusão de Vestuário, S.A. | b) | Vila Nova de Famalicão (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | SLS Salsa España – Comercio y Difusión de Vestuario, S.A.U. | b) | Pontevedra (Spain) | 100.00% | 50.00% | 100.00% | 50.00% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Sport Zone Canárias, SL | a) | Tenerife (Spain) | 60.00% | 60.00% | 60.00% | 60.00% |
| | Sport Zone España - Comércio de Articulos de Deporte, SA | a) | Madrid (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sport Zone spor malz.per.satis ith.ve tic.ltd.sti | a) | Istanbul (Turkey) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Têxtil do Marco, SA | a) | Marco de Canaveses (Portugal) | 92.76% | 92.76% | 92.76% | 92.76% |
| | Usebti Textile México S.A. de C.V. | a) | City of Mexico (Mexico) | 100.00% | 100.00% | 100.00% | 100.00% |
| | **Sonae RP** | | | | | | |
| | Arat Inmuebles, SA | a) | Madrid (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| 3) | Asprela Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | - | - |
| | Azulino Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Bertimóvel - Sociedade Imobiliária, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Canasta - Empreendimentos Imobiliários, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Chão Verde - Sociedade de Gestão Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Citorres - Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Contimobe - Imobiliária de Castelo de Paiva, SA | a) | Castelo de Paiva (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Cumulativa - Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Fozimo - Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Fundo de Investimento Imobiliário Fechado Imosede | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Fundo de Investimento Imobiliário Imosonae Dois | a) | Maia (Portugal) | 98.00% | 98.00% | 97.91% | 97.91% |
| | Igimo – Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Iginha – Sociedade Imobiliária, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Imoestrutura – Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Imomuro – Sociedade Imobiliária, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Imoresultado – Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Imosistema – Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | MJLF - Empreendimentos Imobiliários, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Modelo Hiper Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Ponto de Chegada – Sociedade Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Predicomercial - Promoção Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Predilugar- Promoção Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Selifa - Empreendimentos Imobiliários de Fafe, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sempre à Mão - Sociedade Imobiliária, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sesagest - Proj.Gestão Imobiliária, SA | a) | Porto (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Socijofra - Sociedade Imobiliária, SA | a) | Gondomar (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sociloures - Sociedade Imobiliária, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonaegest-Soc.Gest.Fundos Investimentos, SA | a) | Maia (Portugal) | 100.00% | 90.00% | 100.00% | 90.00% |
| | Sonaerp - Retail Properties, SA | a) | Porto (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sondis Imobiliária, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Valor N, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | **Maxmat** | | | | | | |
| | Modelo - Distribuição de Materiais de Construção, SA | b) | Maia (Portugal) | 50.00% | 50.00% | 50.00% | 50.00% |
| | **Sonae IM** | | | | | | |
| | Bright Development Studio, SA | a) | Lisbon (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Bright Ventures Capital SCR | a) | Lisbon (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| 7) | Bright Vector I – Fundo Capital de Risco | a) | Lisbon (Portugal) | 50.13% | 45.10% | - | - |
| | Cape Tecnologies Limited | a) | Dublin (Ireland) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Digitmarket - Sistemas de Informação, SA | a) | Maia (Portugal) | 75.10% | 67.56% | 75.10% | 67.56% |
| | Inovretail, Lda | a) | Maia (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Praesidium Services Limited | a) | Berkshire (UK) | 100.00% | 89.97% | 100.00% | 89.97% |
| | S21 Sec Brasil, Ltda | a) | São Paulo (Brazil) | 99.99% | 89.96% | 99.99% | 89.96% |
| 8) | S21 Sec Ciber Seguridad SA de CV | a) | Cidade do México (Mexico) | - | - | 100.00% | 89.97% |
| | S21 Sec Gestion, SA | a) | Navarra (Spain) | 100.00% | 89.97% | 100.00% | 89.97% |
| | S21 Sec Information Security Labs, S.L. | a) | Navarra (Spain) | 100.00% | 89.97% | 100.00% | 89.97% |
| 8) | S21 Sec México, SA de CV | a) | City of Mexico (Mexico) | - | - | 100.00% | 89.97% |
| | S21 Sec SA de CV | a) | City of Mexico (Mexico) | 100.00% | 89.97% | 100.00% | 89.97% |
| | S21SEC Portugal – Cybersecurity and Intelligence Services, SA | a) | Maia (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Saphety – Transacciones Electronicas SAS | a) | Bogota (Colombia) | 100.00% | 78.27% | 100.00% | 78.27% |
| | Saphety Brasil Transações Electrônicas Lda | a) | São Paulo (Brazil) | 100.00% | 78.27% | 100.00% | 78.27% |
| | Saphety Level - Trusted Services, SA | a) | Maia (Portugal) | 86.99% | 78.27% | 86.99% | 78.27% |
| | Sonaecom-Cyber Security and Int., SGPS, SA | a) | Maia (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Sonaecom - Serviços Partilhados, SA | a) | Maia (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Sonaecom - Sistemas de Información España, SL | a) | Madrid (Spain) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Sonaecom, SGPS, SA | a) | Maia (Portugal) | 90.15% | 89.97% | 90.15% | 89.97% |
| | Sonae Investment Management - Software and Technology, SGPS, SA | a) | Maia (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Tecnológica Telecomunicações, Ltda | a) | Rio de Janeiro (Brazil) | 99.99% | 89.87% | 99.99% | 89.87% |
| | We Do Brasil Soluções Informáticas, Ltda | a) | Rio de Janeiro (Brazil) | 99.91% | 89.88% | 99.91% | 89.88% |
| | We Do Consulting - Sistemas de Informação, SA | a) | Maia (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| | We Do Technologies (UK) Limited | a) | Berkshire (UK) | 100.00% | 89.97% | 100.00% | 89.97% |
| | We Do Tecnologies Americas, Inc. | a) | Delaware (USA) | 100.00% | 89.97% | 100.00% | 89.97% |
| | We Do Technologies Australia PTY Limited | a) | Sydney (Australia) | 100.00% | 89.97% | 100.00% | 89.97% |
| | We Do Technologies Egypt Limited Liability Company | a) | Cairo (Egypt) | 100.00% | 89.97% | 100.00% | 89.97% |
| | We Do Technologies Mexico S. de RL | a) | City of Mexico (Mexico) | 100.00% | 89.97% | 100.00% | 89.97% |
| | We Do Tecnologies BV | a) | Amsterdam (Netherlands) | 100.00% | 89.97% | 100.00% | 89.97% |
| | **Sonae FS** | | | | | | |
| 9) | Accive Insurance – Corretor de Seguros, SA | a) | Porto (Portugal) | 70.00% | 35.00% | 70.00% | 35.01% |
| 9) | Herco Consultoria de Risco e Corretora de Seguros, Ltda | a) | Santa Catarina (Brazil) | 100.00% | 50.00% | 100.00% | 50.01% |
| 9) | Herco, Consultoria de Risco, SA | a) | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.01% |
| 9) | HighDome PCC Limited | a) | La Valletta (Malta) | 100.00% | 50.00% | 100.00% | 50.01% |
| 9) | Iberosegur – Sociedade Ibérica de Mediação de Seguros, Lda | a) | Porto (Portugal) | 60.00% | 30.00% | 100.00% | 50.01% |
| | Libra Serviços, Lda | a) | Funchal (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| 9) | Larim Corretora de Resseguros Ltda | a) | Rio de Janeiro (Brazil) | 99.99% | 50.00% | 99.99% | 50.01% |
| 9) | Lazam/mds Correctora Ltda | a) | São Paulo (Brazil) | 100.00% | 50.00% | 100.00% | 50.01% |
| | Marcas MC, zRT | a) | Budapest (Hungary) | 100.00% | 100.00% | 100.00% | 100.00% |
| 9) | MDS África, SGPS, SA | a) | Porto (Portugal) | 50.00% | 25.00% | 50.00% | 25.05% |
| 9) | MDS - Corretor de Seguros, SA | a) | Porto (Portugal) | 100.00% | 50.00% | 100.00% | 50.01% |
| 9) | MDS Auto - Mediação de Seguros, SA | a) | Porto (Portugal) | 50.01% | 25.00% | 50.01% | 25.01% |
| 9) | MDS Malta Holding Limited | a) | La Valletta (Malta) | 100.00% | 50.00% | 100.00% | 50.01% |
| 9) | MDS RE – Mediador de resseguros, SGPS, SA | a) | Porto (Portugal) | 100.00% | 25.00% | 100.00% | 25.05% |
| 9) | MDS, SGPS, SA | a) | Maia (Portugal) | 50.00% | 50.00% | 50.01% | 50.01% |
| 9) | Moneris Seguros - Mediação de Seguros, Lda | a) | Oeiras (Portugal) | 60.00% | 30.01% | 60.00% | 30.01% |
| | SFS – Serviços de Gestão e Marketing, SA | a) | Maia (Portugal | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae Financial Services, S.A. | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | **Others** | | | | | | |
| | Modelo Continente International Trade, SA | a) | Madrid (Spain) | 100.00% | 100.00% | 100.00% | 100.00% |
| | PCJ-Público, Comunicação e Jornalismo, SA | a) | Maia (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |
| | Público - Comunicação Social, SA | a) | Porto (Portugal) | 100.00% | 89.97% | 100.00% | 89.97% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 10) | SCBRASIL Participações, Ltda | a) | São Paulo (Brazil) | 100.00% | 100.00% | 100.00% | 100.00% |
| | SIAL Participações, Ltda | a) | São Paulo (Brazil) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Soflorin, BV | a) | Amsterdam (Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae Center Serviços II, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae Investimentos, SGPS, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae Investments, BV | a) | Amsterdam (Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae RE, SA | a) | Luxembourg | 99.92% | 99.92% | 99.92% | 99.92% |
| | Sonaecenter Serviços, SA | a) | Maia (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sontel, BV | a) | Amsterdam (Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae MC – Modelo Continente SGPS, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae MC S2 Africa Limited | a) | La Valletta (Malta) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonae SR Malta Holding Limited | a) | La Valletta (Malta) | 100.00% | 100.00% | 100.00% | 100.00% |
| | SONAESR – Serviços e Logística, SA | a) | Matosinhos (Portugal) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Sonvecap, BV | a) | Amsterdam (Netherlands) | 100.00% | 100.00% | 100.00% | 100.00% |
| | Tlantic, BV | a) | Amsterdam (Netherlands) | 70.71% | 70.71% | 70.71% | 70.71% |
| | Tlantic Portugal - Sistemas de Informação, SA | a) | Maia (Portugal) | 100.00% | 70.71% | 100.00% | 70.71% |
| | Tlantic Sistemas de Informação, Ltda | a) | Porto Alegre (Brazil) | 100.00% | 70.71% | 100.00% | 70.71% |

**the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

a) Control held by majority of voting rights which gives power of relevant activities;

b) Control held by majority of Board members;

1) Company acquired during the period;

2) Ex- MJB Design, Lda;

3) Company created during the period;

4) On January 3rd 2017, was created a Joint Venture between Sonae MC and Hilton Food Group PLC trough a capital increase of this Group on Sohi Meat. From this moment, onwards, Sohimeat is consolidated through the equity method;

5) Company incorporated by merger in Comercial Losan, SL;

6) Company incorporated by merger in SDSR – Sports Division SR, SA;

7) Fund created in September 2017;

8) Company incorporated by merger in S21 Sec SA de CV;

9) On 31 March 2017, an agreement was signed for the sale of shares of MDS, SGPS, SA to IPLF Holding, SA and the shareholder agreement was changed, and Sonae was given joint control. The non-opposition of the entities that regulate the insurance activity in June 2017, becoming effective the loss of control since that date (Note 5.1)

10) Ex- Sonae Capital Brasil, Ltda.

These entities are consolidated using the full consolidation method.

# 52 Joint ventures and associated companies included in the consolidated financial statement

Joint ventures and associates, their head offices and percentage of share capital held by Sonae as at 31 December 2017 and 31 December 2016 are as follows:

## 52.1 Joint ventures

| | | | Percentage of capital held | | | |
|---|---|---|---|---|---|---|
| | | | 31 Dec 2017 | | 31 Dec 2016 | |
| | COMPANY | Head Office | Direct* | Total* | Direct* | Total* |
| | **Sonae MC** | | | | | |
| 1) | Sohi Meat Solutions – Distribuição de Carnes, SA | Santarém (Portugal) | 50.00% | 50.00% | 100.00% | 100.00% |
| | **Sonae Sierra** | | | | | |
| 2) | 3shoppings - Holding, SGPS, SA | Maia (Portugal) | 20.00% | 10.00% | 100.00% | 25.05% |
| | 8ª Avenida Centro Comercial, SA | Maia (Portugal) | 100.00% | 11.25% | 100.00% | 11.25% |
| | Aegean Park Constructions Real Estate and Development, SA | Athens (Greece) | 100.00% | 25.00% | 100.00% | 25.00% |
| | ALBCC – Albufeirashopping – Centro Comercial, SA | Maia (Portugal) | 100.00% | 11.25% | 100.00% | 11.25% |
| 3) | ALBRP Albufeira Retail Park, Lda | Maia (Portugal) | 100.00% | 5.00% | - | - |
| 3) | Albufeira RP (Luxembourg) 1, Sarl | Luxembourg | 100.00% | 5.00% | - | - |
| 3) | Albufeira RP (Luxembourg) 2, Sarl | Luxembourg | 100.00% | 5.00% | - | - |
| | ALEXA Asset GmbH & Co, KG | Dusseldorf (Germany) | 9.00% | 4.50% | 9.00% | 4.50% |
| | ALEXA Holding GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 50.00% |
| | ALEXA Shopping Centre GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Algarveshopping - Centro Comercial, SA | Maia (Portugal) | 100.00% | 5.00% | 100.00% | 5.00% |
| 3) | Area Sur Shopping, SL | Madrid (Spain) | 15.00% | 7.50% | - | - |
| | ARP Alverca Retail Park, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Arrábidashopping - Centro Comercial, SA | Maia (Portugal) | 100.00% | 12.53% | 100.00% | 12.53% |
| 4) | Axnae Spain Holdings, S.L. | Madrid (Spain) | 100.00% | 50.00% | - | - |
| | Candotal Spain S.L.U | Madrid (Spain) | 100.00% | 5.00% | 100.00% | 50.00% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Cascaishopping - Centro Comercial, SA | Maia (Portugal) | 100.00% | 28.62% | 100.00% | 28.62% |
| 5) | Cascaishopping Holding I, SGPS, SA | Maia (Portugal) | - | - | 100.00% | 28.62% |
| | CCCB Caldas da Rainha - Centro Comercial, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Centro Colombo - Centro Comercial, SA | Maia (Portugal) | 100.00% | 12.53% | 100.00% | 12.53% |
| | Centro Vasco da Gama - Centro Comercial, SA | Maia (Portugal) | 100.00% | 12.53% | 100.00% | 12.53% |
| | Coimbrashopping - Centro Comercial, SA | Maia (Portugal) | 100.00% | 25.05% | 100.00% | 25.05% |
| 6) | Colombo Towers Holding, BV | The Hague (Netherlands) | - | - | 50.00% | 25.00% |
| | DOC Malaga Holdings S.L. | Madrid (Spain) | 50.00% | 12.53% | 50.00% | 12.53% |
| | DOC Malaga SITECO S.L.U. | Madrid (Spain) | 100.00% | 12.53% | 100.00% | 12.53% |
| 6) | Dortmund Tower GmbH | Dusseldorf (Germany) | - | - | 100.00% | 50.00% |
| | Dos Mares - Shopping Centre, BV | Amsterdam (Netherlands) | 100.00% | 25.05% | 100.00% | 25.05% |
| | Dos Mares - Shopping Centre, SA | Madrid (Spain) | 100.00% | 25.05% | 100.00% | 25.05% |
| | Estação Viana - Centro Comercial, SA | Viana do Castelo (Portugal) | 100.00% | 5.00% | 100.00% | 5.00% |
| | Freccia Rossa - Shopping Centre, Srl | Milan (Italy) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Fundo de Investimento Imobiliário Parque Dom Pedro Shopping Center | Rio de Janeiro (Brazil) | 50.00% | 10.34% | 50.00% | 10.34% |
| | Fundo de Investimento Imobiliário Shopping Parque Dom Pedro | Rio de Janeiro (Brazil) | 87.61% | 15.78% | 87.61% | 15.78% |
| | Gaiashopping I - Centro Comercial, SA | Maia (Portugal) | 100.00% | 12.53% | 100.00% | 12.53% |
| | Gaiashopping II - Centro Comercial, SA | Maia (Portugal) | 100.00% | 12.53% | 100.00% | 12.53% |
| | Gli Orsi Shopping Centre 1, Srl | Milan (Italy) | 100.00% | 50.00% | 100.00% | 50.00% |
| 2) | Guimarãeshopping - Centro Comercial, SA | Maia (Portugal) | 100.00% | 10.00% | 100.00% | 25.05% |
| 3) | Haciarriba – Projetos, Negócios e Promoções, SA | Maia (Portugal) | 100.00% | 1.88% | - | - |
| | Harvey Dos Iberica, SL | Madrid (Spain) | 50.00% | 12.53% | 50.00% | 12.53% |
| 7) | Iberian Assets, SA | Madrid (Spain) | 50.00% | 12.53% | 49.81% | 12.48% |
| | Iberia Shopping Centre Venture Cooperatief UA | Amsterdam (Netherlands) | 10.00% | 5.00% | 10.00% | 5.00% |
| | Iberian Holdings Spain, S.L. | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Imoconti - Sociedade Imobiliária, SA | Maia (Portugal) | 100.00% | 5.00% | - | - |
| | Ioannina Development of Shopping Centres, SA | Athens (Greece) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Land Retail, BV | Amsterdam (Netherlands) | 100.00% | 32.19% | 100.00% | 32.19% |
| | Larissa Development of Shopping Centres, SA | Athens (Greece) | 100.00% | 25.00% | 100.00% | 25.00% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | LCC – Leiriashopping – Centro Comercial, SA | Maia (Portugal) | 100.00% | 11.25% | 100.00% | 11.25% |
| | Le Terrazze – Shopping Centre 1, Srl | Milan (Italy) | 10.00% | 5.00% | 10.00% | 5.00% |
| | Loop5 Shopping Centre GmbH & Co KG | Dusseldorf (Germany) | 9.00% | 4.50% | 9.00% | 4.50% |
| | Loureshopping – Centro Comercial, SA | Maia (Portugal) | 50.00% | 5.63% | 50.00% | 5.63% |
| | Luz del Tajo, BV | Amsterdam (Netherlands) | 100.00% | 25.05% | 100.00% | 25.05% |
| | Luz del Tajo - Centro Comercial, SA | Madrid (Spain) | 100.00% | 5.00% | 100.00% | 5.00% |
| | Madeirashopping - Centro Comercial, SA | Funchal (Portugal) | 50.00% | 12.53% | 50.00% | 12.53% |
| 2) | Maiashopping - Centro Comercial, SA | Maia (Portugal) | 100.00% | 10.00% | 100.00% | 25.05% |
| | Microcom Doi, Srl | Bucharest (Romania) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Norte Shopping Retail and Leisure Centre, BV | Amsterdam (Netherlands) | 50.00% | 12.53% | 50.00% | 12.53% |
| | Norteshopping - Centro Comercial, SA | Maia (Portugal) | 100.00% | 12.53% | 100.00% | 12.53% |
| 4) | Olimpo Asset 1, S.A. | Maia (Portugal) | 100.00% | 1.88% | - | - |
| 3) | Olimpo Asset 2, S.A. | Maia (Portugal) | 100.00% | 1.88% | - | - |
| | Olimpo Real Estate Socimi, SA | Madrid (Spain) | 3.75% | 1.88% | 3.75% | 1.88% |
| | Pantheon Plaza BV | Amsterdam (Netherlands) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Paracentro - Gestão de Galerias Comerciais, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Park Avenue Developement of Shopping Centers, SA | Athens (Greece) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Parklake Shopping, SA | Bucharest (Romania) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Parque Atlântico Shopping - Centro Comercial SA | Ponta Delgada (Portugal) | 50.00% | 12.53% | 50.00% | 12.53% |
| | Parque D. Pedro 1, BV Sarl | Luxembourg | 100.00% | 25.00% | 100.00% | 25.00% |
| | Parque de Famalicão - Empreendimentos Imobiliários, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Pátio Boavista Shopping, Ltda | São Paulo (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| | Pátio Goiânia Shopping, Ltda | São Paulo (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| | Pátio Londrina Empreendimentos e Participações, Ltda | São Paulo (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| | Pátio São Bernardo Shopping Ltda | São Paulo (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| | Pátio Sertório Shopping, Ltda | Manaus (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| | Pátio Uberlândia Shopping, Ltda | São Paulo (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| | Plaza Eboli - Centro Comercial, SA | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Plaza Mayor Parque de Ócio, BV | Amsterdam (Netherlands) | 100.00% | 25.05% | 100.00% | 25.05% |
| | Plaza Mayor Parque de Ócio, SA | Madrid (Spain) | 100.00% | 25.05% | 100.00% | 25.05% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Plaza Mayor Shopping, BV | Amsterdam (Netherlands) | 100.00% | 25.05% | 100.00% | 25.05% |
| | Plaza Mayor Shopping, SA | Madrid (Spain) | 100.00% | 25.05% | 100.00% | 25.05% |
| | Plenerg Srl | Bucharest (Romania) | 50.00% | 25.00% | 50.00% | 25.00% |
| | PORTCC – Portimãoshopping – Centro Comercial, SA | Maia (Portugal) | 100.00% | 11.25% | 100.00% | 11.25% |
| 3) | Portitail – Investimentos Imobiliários, S.A. | Maia (Portugal) | 100.00% | 1.88% | - | - |
| | Project Guia, SA | Maia (Portugal) | 100.00% | 5.00% | 100.00% | 5.00% |
| | Project Sierra 10 BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Project Sierra 11 BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Project Sierra 12 BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Project Sierra 2, BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Project Sierra 8, BV | Amsterdam (Netherlands) | 100.00% | 5.00% | 100.00% | 5.00% |
| | Project Sierra Cúcuta, BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Project Sierra Four, SA | Bucharest (Romania) | 100.00% | 50.00% | 100.00% | 50.00% |
| 6) | Project Sierra Germany 2 (two), Shopping Centre, GmbH | Dusseldorf (Germany) | - | - | 100.00% | 50.00% |
| | Project Sierra Germany 4 (four), Shopping Centre, GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Project Sierra Spain 1, BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Project Sierra Spain 2 - Centro Comercial, SA | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% |
| 6) | Project Sierra Two, Srl | Bucharest (Romania) | - | - | 100.00% | 50.00% |
| | Proyecto Cúcuta S.A.S | Santiago de Cali (Colombia) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Rio Sul – Centro Comercial, SA | Lisbon (Portugal) | 50.00% | 5.63% | 50.00% | 5.63% |
| | River Plaza BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | River Plaza Mall, Srl | Bucharest (Romania) | 100.00% | 50.00% | 100.00% | 50.00% |
| | SC Aegean, BV | Amsterdam (Netherlands) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Serra Shopping – Centro Comercial, SA | Lisbon (Portugal) | 50.00% | 5.63% | 50.00% | 5.63% |
| | Shopping Centre Colombo Holding, BV | Amsterdam (Netherlands) | 50.00% | 12.53% | 50.00% | 12.53% |
| | Shopping Centre Parque Principado, BV | Amsterdam (Netherlands) | 100.00% | 25.05% | 100.00% | 25.05% |
| | Sierra Asia Limited | Hong Kong | 100.00% | 50.00% | 100.00% | 50.00% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Sierra Berlin Holding BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Brazil 1, BV | Amsterdam (Netherlands) | 100.00% | 25.00% | 100.00% | 25.00% |
| | Sierra Central, S.A.S. | Santiago de Cali (Colombia) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Sierra Cevital Shopping Center, Spa | Algeria | 49.00 % | 24.50% | 49.00 % | 24.50% |
| | Sierra Core Assets Holdings, BV | Amsterdam (Netherlands) | 50.00% | 25.05% | 50.00% | 25.05% |
| | Sierra Developments Holding, BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Developments, SGPS, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra European Retail Real Estate Assets Holdings, BV | Amsterdam (Netherlands) | 50.10% | 25.05% | 50.10% | 25.05% |
| | Sierra Germany GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra GP, Limited | Guernsey (U.K.) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Greece, SA | Athens (Greece) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Investimentos Brasil Ltda | São Paulo (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| | Sierra Investments (Holland) 1, BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Investments (Holland) 2, BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Investments Holding, BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Investments SGPS, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Italy, Srl | Milan (Italy) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Management, SGPS, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Maroc, SARL | Casablanca (Morocco) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Maroc Services, SARL | Casablanca (Morocco) | 100.00% | 50.00% | 100.00% | 50.00% |
| 4) | Sierra Parma Project BV | Amsterdam (Netherlands) | 100.00% | 50.00% | - | - |
| | Sierra Portugal, SA | Lisbon (Portugal) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Project Nürnberg BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Real Estate Greece BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Retail Ventures BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Romania Shopping Centers Services, SRL | Bucharest (Romania) | 100.00% | 50.00% | 100.00% | 50.00% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Sierra Services Holland BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Solingen Holding GmbH | Dusseldorf (Germany) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Spain Malaga Holdings, S.L. | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Spain – Shopping Centers Services, SA | Madrid (Spain) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Turkey Gayrimenkul Yönetim Pazarlama ve Danışmanlık Anonim Şirket | Istanbul (Turkey) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Sierra Zenata Project B.V. | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Solingen Shopping Center GmbH | Dusseldorf (Germany) | 50.00% | 25.00% | 50.00% | 25.00% |
| | Sonae Sierra Brasil, SA | São Paulo (Brazil) | 66.65% | 16.66% | 66.65% | 16.66% |
| | Sonae Sierra Brazil, BV Sarl | Luxembourg | 50.00% | 25.00% | 50.00% | 25.00% |
| | Sonae Sierra, SGPS, SA | Maia (Portugal) | 50.00% | 50.00% | 50.00% | 50.00% |
| | SPF - Sierra Portugal | Luxembourg | 100.00% | 50.00% | 100.00% | 50.00% |
| | SPF - Sierra Portugal Real Estate, Sarl | Luxembourg | 22.50% | 11.25% | 22.50% | 11.25% |
| | Unishopping Consultoria Imobiliária, Ltda | São Paulo (Brazil) | 100.00% | 16.66% | 100.00% | 16.66% |
| 8) | VdG Holding BV | Amsterdam (Netherlands) | 50.00% | 12.53% | 50.00% | 12.53% |
| | Via Catarina - Centro Comercial, SA | Maia (Portugal) | 50.00% | 12.53% | 50.00% | 12.53% |
| | Weiterstadt Shopping BV | Amsterdam (Netherlands) | 100.00% | 50.00% | 100.00% | 50.00% |
| | Zenata Commercial Project, SA | Mohammedia (Morocco) | 11.00% | 5.5% | 11.00% | 5.5% |
| | **ZOPT (NOS)** | | | | | |
| | Big Picture 2 Films, SA | Oeiras (Portugal) | 20.00% | 4.69% | 20.00% | 4.69% |
| | Big Picture Films, SL | Madrid (Spain) | 100.00% | 4.69% | - | - |
| | Canal 20 TV, SA | Madrid (Spain) | 50.00% | 11.73% | 50.00% | 11.73% |
| | Dreamia Holding BV | Amsterdam (Netherlands) | 50.00% | 11.73% | 50.00% | 11.73% |
| | Dreamia Serviços de Televisão, SA | Lisbon (Portugal) | 100.00% | 11.73% | 100.00% | 11.73% |
| 9) | East Star Ltd | Port Louis (Mauricias) | - | - | 30.00% | 7.04% |
| | Empracine – Empresa Promotora de Atividades Cinematográficas, Lda | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | FINSTAR – Sociedade de Investimentos e Participações, SA | Luanda (Angola) | 30.00% | 7.04% | 30.00% | 7.04% |
| | Lusomundo – Sociedade de Investimentos Imobiliários, SGPS, SA | Lisbon (Portugal) | 99.87% | 23.43% | 99.87% | 23.43% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Lusomundo Imobiliária 2, SA | Lisbon (Portugal) | 99.87% | 23.43% | 99.87% | 23.43% |
| | Lusomundo Moçambique, Lda | Maputo (Mozambique) | 100.00% | 23.46% | 100.00% | 23.46% |
| | MSTAR, SA | Maputo (Mozambique) | 30.00% | 7.04% | 30.00% | 7.04% |
| | NOS Açores Comunicações, SA | Ponta Delgada (Portugal) | 83.82% | 19.66% | 83.82% | 19.66% |
| | NOS Communications Sàrl | Luxembourg | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Comunicações, SA | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Inovação, SA | Matosinhos (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| 3) | NOS Internacional, SGPS, S.A | Lisbon (Portugal) | 100.00% | 23.46% | - | - |
| | NOS Lusomundo Audiovisuais, SA | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Lusomundo Cinemas, SA | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Lusomundo TV, Lda | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Madeira Comunicações, SA | Funchal (Portugal) | 77.95% | 18.29% | 77.95% | 18.29% |
| | NOS SGPS, SA | Lisbon (Portugal) | 52.15% | 23.46% | 52.15% | 23.46% |
| | NOS Sistemas España, SL | Madrid (Spain) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Sistemas, SA | Maia (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOSPUB – Publicidade e Conteúdos, SA | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Tecnology – Concepção Construção e Gestão de Redes de Comunicação, SA | Matosinhos (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | NOS Towering – Gestão de Torres de Telecomunicações, SA | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | Per-Mar – Sociedade de Construções, SA | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | Sontária – Empreendimentos Imobiliários, SA | Lisbon (Portugal) | 100.00% | 23.46% | 100.00% | 23.46% |
| | Sport TV Portugal | Lisbon (Portugal) | 25.00% | 5.86% | 33.33% | 7.82% |
| | Teliz Holding, BV | Amsterdam (Netherlands) | 100.00% | 23.46% | 100.00% | 23.46% |
| | Upstar Comunicações, SA | Vendas Novas (Portugal) | 30.00% | 7.04% | 30.00% | 7.04% |
| | ZAP Cinemas, SA | Luanda (Angola) | 100.00% | 7.04% | 100.00% | 7.04% |
| | ZAP Media, SA | Luanda (Angola) | 100.00% | 7.04% | 100.00% | 7.04% |
| | ZAP Publishing, SA | Luanda (Angola) | 100.00% | 7.04% | 100.00% | 7.04% |
| | ZOPT, SGPS, SA | Porto (Portugal) | 50.00% | 44.99% | 50.00% | 44.99% |
| | **Sonae IM** | | | | | |
| | Intelligent Big Data, SL | Gipuzcoa (Spain) | 50.00% | 44.99% | 50.00% | 44.99% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | **Sonae FS** | | | | | |
| 10) | Accive Insurance – Corretor de Seguros, SA | Porto (Portugal) | 70.00% | 35.00% | 70.00% | 35.01% |
| 11) | Brokerslink Management AG | Zug (Switzerland) | 20.00% | 10.00% | 20.00% | 10.00% |
| 3) | BUZZEE Insure, Lda | Porto (Portugal) | 100.00% | 50.00% | - | - |
| 11) | Filhet Allard España Correduria de Seguros S.L. | Madrid (Spain) | 35.00% | 17.50% | 35.00% | 17.50% |
| 11) | Flexben, Lda | Porto (Portugal) | 45.00% | 22.50% | - | - |
| 10) | Herco Consultoria de Risco e Corretora de Seguros, Ltda | Santa Catarina (Brazil) | 100.00% | 50.00% | 100.00% | 50.01% |
| 10) | Herco, Consultoria de Risco, SA | Maia (Portugal) | 100.00% | 50.00% | 100.00% | 50.01% |
| 10) | HighDome PCC Limited | La Valletta (Malta) | 100.00% | 50.00% | 100.00% | 50.01% |
| 10) | Iberosegur – Sociedade Ibérica de Mediação de Seguros, Lda | Porto (Portugal) | 60.00% | 30.00% | 100.00% | 50.01% |
| 10) | Larim Corretora de Resseguros Ltda | Rio de Janeiro (Brazil) | 99.99% | 50.00% | 99.99% | 50.01% |
| 10) | Lazam/mds Correctora Ltda | São Paulo (Brazil) | 100.00% | 50.00% | 100.00% | 50.01% |
| 10) | MDS África, SGPS, SA | Porto (Portugal) | 50.00% | 25.00% | 50.00% | 25.05% |
| 10) | MDS - Corretor de Seguros, SA | Porto (Portugal) | 100.00% | 50.00% | 100.00% | 50.01% |
| 10) | MDS Auto - Mediação de Seguros, SA | Porto (Portugal) | 50.01% | 25.00% | 50.01% | 25.01% |
| 10) | MDS Malta Holding Limited | La Valletta (Malta) | 100.00% | 50.00% | 100.00% | 50.01% |
| 3) | MDS Partners Corretor de Seguros, SA | Porto (Portugal | 100.00% | 50.00% | - | - |
| 10) | MDS RE – Mediador de Resseguros, SGPS, SA | Porto (Portugal) | 100.00% | 25.00% | 100.00% | 25.05% |
| 10) | MDS, SGPS, SA | Maia (Portugal) | 50.00% | 50.00% | 50.01% | 50.01% |
| 10) | Moneris Seguros - Mediação de Seguros, Lda | Oeiras (Portugal) | 60.00% | 30.01% | 60.00% | 30.01% |
| | **Others** | | | | | |
| | SIRS – Sociedade Independente de Radiodifusão Sonora, SA | Porto (Portugal) | 50.00% | 44.99% | 45.00% | 40.49% |
| | Unipress - Centro Gráfico, Lda | Vila Nova de Gaia (Portugal) | 50.00% | 44.99% | 50.00% | 44.99% |

* the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

1) On January 3rd 2017, was created a Joint Venture between Sonae MC and Hilton Food Group PLC trough a capital increase of this Group on Sohi Meat. From this moment, onwards, Sohimeat is consolidated through the equity method;

2) In December 2017, the Group sold 30,1% of the Company retaining a minority interest of 20%.

3) Company acquired during the period;

4) Company created in the period;

5) Merged with subsidiary Cascaishopping-Centro Comercial, S.A. reported to january 2017;

6) Company liquidated during the period;

7) The company acquired the remaining percentage to the non-controlling interests;

8) Ex - Sierra VDG Holding BV;

9) Company liquidated during the period;

10) Subsidiaries consolidated using the equity method as from June 2017 (Note 5.1);

11) Associated companies that from June 2017 onwards will be included in the joint ventures through loss of control of the MDS.

## 52.2 Associated companies

| | | | Percentage of capital held | | | |
|---|---|---|---|---|---|---|
| | | | 31 Dec 2017 | | 31 Dec 2016 | |
| | COMPANY | Head Office | Direct* | Total* | Direct* | Total* |
| | **Sonae MC** | | | | | |
| | Sempre a Postos – Produtos Alimentares e Utilidades, Lda | Lisbon (Portugal) | 25.00% | 25.00% | 25.00% | 25.00% |
| 1) | Sonae S2 Africa Limited | La Valletta (Malta) | 30.00% | 30.00% | - | - |
| | S2 Mozambique, SA | Maputo (Mozambique) | 30.00% | 30.00% | 30.00% | 30.00% |
| | Ulabox, S.L. | Barcelona (Spain) | 41.89% | 41.89% | 39.18% | 39.18% |
| | **Sonae IM** | | | | | |
| | Armilar Venture Partners – Sociedade de Capital de Risco, SA | Lisbon (Portugal) | 35.00% | 31.49% | 35.00% | 31.49% |
| | Fundo de Capital de Risco Armilar Venture Partners II | Lisbon (Portugal) | 50.74% | 45.65% | 50.21% | 45.17% |
| | Fundo de Capital de Risco Armilar Venture Partners III | Lisbon (Portugal) | 42.64% | 38.36% | 41.99% | 37.78% |
| | Fundo de Capital de Risco Espirito Santo Venture Partners Inovação e Internacionalização | Lisbon (Portugal) | 37.54% | 33.77% | 37.54% | 33.77% |
| | MOVVO, SA | Porto (Portugal) | 25.58% | 25.58% | 25.58% | 25.58% |
| 1) | Probe.ly | Lisbon (Portugal) | 22.88% | 20.58% | - | - |
| 2) | Secucloud Network GmbH | Hamburg (Germany) | 27.45% | 24.70% | - | - |
| | **Sonae FS** | | | | | |
| 3) | Brokerslink Management AG | Zug (Switzerland) | 20.00% | 10.00% | 20.00% | 10.00% |
| 3) | Filhet Allard España Correduria de Seguros S.L. | Madrid (Spain) | 35.00% | 17.50% | 35.00% | 17.50% |
| 3) | Flexben, Lda | Porto (Portugal) | 45.00% | 22.50% | - | - |
| | **Others** | | | | | |
| | APOR – Agência para a Modernização do Porto, S.A. | Porto (Portugal) | 22.75% | 22.75% | 22.75% | 22.75% |

* the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

1) Company created in the period;

2) Company acquired in the period;

3) Associates that, starting in June 2017, were included in joint ventures through its participation structure.

Jointly controlled companies and associated companies were included in the consolidated financial statements by the equity method.

Approved at the Board of Directors meeting on 13 March 2018.

The Board of Directors,

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

SEPARATE
FINANCIAL STATEMENTS

# Detail: Specify to Clarify

## SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 AND 2016 AND 1 JANUARY 2016

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

| (Amounts expressed in euro) | Notes | 31 Dec 2017 | 31 Dec 2016 Restated (note 5) | 01 Jan 2016 Restated (note 5) |
|---|---|---|---|---|
| ASSETS | | | | |
| NON-CURRENT ASSETS: | | | | |
| Tangible assets | 6 | 68,906 | 65,375 | 90,243 |
| Intangible assets | 7 | 20 | 47 | 2,153 |
| Investments in subsidiaries, associates and joint ventures | 8 | 3,824,883,407 | 3,806,520,407 | 3,851,880,407 |
| Other investments | 4, 9 | 49,880 | 49,880 | 52,426 |
| Deferred taxes | 33 | 7,755,724 | 966,895 | - |
| Other non-current assets | 4, 10 | 110,649,867 | 173,092,867 | 347,400,000 |
| Total non-current assets | | 3,943,407,804 | 3,980,695,471 | 4,199,425,229 |
| CURRENT ASSETS: | | | | |
| Trade accounts receivables | 4, 11 | 531,855 | 715,428 | 500,159 |
| Other debtors | 4, 12 | 28,342,353 | 41,504,643 | 44,464,350 |
| Taxes recoverable | 13 | 13,704,653 | 20,425,842 | 25,714,649 |
| Other current assets | 4, 14 | 2,245,319 | 2,760,665 | 2,166,828 |
| Cash and cash equivalents | 4, 15 | 170,739 | 950,886 | 390,501 |
| Total current assets | | 44,994,919 | 66,357,464 | 73,236,487 |
| | | 3,988,402,723 | 4,047,052,935 | 4,272,661,716 |
| EQUITY AND LIABILITIES | | | | |
| EQUITY: | | | | |
| Share capital | 16 | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 |
| Legal reserves | 18 | 247,276,603 | 244,211,592 | 244,211,592 |
| Other reserves | 19 | 1,042,902,457 | 1,064,634,250 | 1,344,393,827 |
| Retained earnings | | 101,174,851 | 146,534,851 | (133,137,559) |
| Profit for the year | | 93,223,270 | 15,940,218 | - |
| TOTAL EQUITY | | 3,484,577,181 | 3,471,320,911 | 3,455,467,860 |
| LIABILITIES: | | | | |
| NON-CURRENT LIABILITIES: | | | | |
| Bonds | 4, 21 | 158,758,711 | 158,361,552 | 207,406,442 |
| Bank loans | 4, 21 | 215,983,190 | 143,678,553 | 180,000,000 |
| Total non-current liabilities | | 374,741,901 | 302,040,105 | 387,406,442 |
| CURRENT LIABILITIES: | | | | |
| Bank loans | 4, 21 | 36,390,000 | 162,000,000 | 159,300,000 |
| Trade accounts payable | 4 | 286,234 | 545,724 | 403,764 |
| Loans obtained from group companies | 4, 22 | 77,494,244 | 38,642,000 | 201,328,447 |
| Other creditors | 4, 23 | 3,789,922 | 53,280,686 | 42,828,123 |
| Taxes and contributions payable | 13 | 8,919,178 | 15,749,775 | 20,205,511 |
| Other current liabilities | 4, 24 | 2,204,063 | 3,473,734 | 5,721,569 |
| Total current liabilities | | 129,083,641 | 273,691,919 | 429,787,414 |
| TOTAL EQUITY AND LIABILITIES | | 3,988,402,723 | 4,047,052,935 | 4,272,661,716 |

The accompanying notes are part of these separate financial statements.

The Board of Directors

## SEPARATE INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

| (Amounts expressed in euro) | Notes | 31 Dec 2017 | 31 Dec 2016 Restated (note 5) |
|---|---|---|---|
| Services rendered | 28 | 523,066 | 479,662 |
| Gains or losses on investments | 29 | 75,572,196 | 13,636,853 |
| Financial income | 30 | 3,243,663 | 29,483,595 |
| Other income | | 1,617,563 | 2,345,021 |
| External supplies and services | 31 | (3,574,692) | (3,786,607) |
| Staff costs | 32 | (1,938,085) | (1,967,496) |
| Depreciation and amortisation | 6, 7 | (31,950) | (35,508) |
| Provisions and impairment losses | | - | (1,913) |
| Financial expense | 30 | (7,396,261) | (14,204,643) |
| Other expenses | | (587,785) | (792,278) |
| Profit/(Loss) before taxation | | 67,427,715 | 25,156,686 |
| Taxation | 33 | 25,795,555 | (9,216,468) |
| Profit/(Loss) after taxation | | 93,223,270 | 15,940,218 |
| Profit/(Loss) per share | | | |
| Basic | 34 | 0.046612 | 0.007970 |
| Diluted | 34 | 0.046593 | 0.007968 |

The accompanying notes are part of these separate financial statements.

The Board of Directors

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

| (Amounts expressed in euro) | Notes | 31 Dec 2017 | 31 Dec 2016 Restated (note 5) |
|---|---|---|---|
| Net Profit / (Loss) for the year | | 93,223,270 | 15,940,218 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year | | 93,223,270 | 15,940,218 |

The accompanying notes are part of these separate financial statements.

The Board of Directors

## SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AS AT 31 DECEMBER 2017 AND 2016

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

| | | | | | Other reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (Amounts expressed in euro) | Notes | Share capital | Treasury shares | Legal reserve | Fair value reserve | Share based payments reserve | Free reserves | Total reserves | Retained earnings | Net Profit/(Loss) | Total |
| Balance as at 1 January 2016 | | 2,000,000,000 | - | 244,211,592 | 260,223,788 | 958,268 | 1,343,435,559 | 1,604,617,615 | (279,672,410) | - | 3,569,156,797 |
| Change in accounting policy | | - | - | - | (260,223,788) | - | - | (260,223,788) | 146,534,851 | - | (113,688,937) |
| Balance as at 31 December - Restated | | 2,000,000,000 | - | 244,211,592 | - | 958,268 | 1,343,435,559 | 1,344,393,827 | (133,137,559) | - | 3,455,467,860 |
| Total comprehensive income for the year | | - | - | - | - | - | - | - | - | 15,940,218 | 15,940,218 |
| Appropriation of profit of 2015: | | | | | | | | | | | |
| Transfer to retained earnings | | - | - | - | - | - | (279,672,410) | (279,672,410) | 279,672,410 | - | - |
| Obligation fulfilled by a third party | 20 | - | (1,118,141) | - | - | - | - | - | - | - | (1,118,141) |
| Share-based payments | 20 | - | - | - | - | 524,900 | - | 524,900 | - | - | 524,900 |
| Shares sold under the terms of annual performance bonus plan and medium term incentive plans | 20 | - | 1,118,141 | - | - | (404,600) | (207,467) | (612,067) | - | - | 506,074 |
| Balance as at 31 December 2016 Restated | | 2,000,000,000 | - | 244,211,592 | - | 1,078,568 | 1,063,555,682 | 1,064,634,250 | 146,534,851 | 15,940,218 | 3,471,320,911 |
| Balance as at 1 January 2017 | | 2,000,000,000 | - | 244,211,592 | - | 1,078,568 | 1,063,555,682 | 1,064,634,250 | 146,534,851 | 15,940,218 | 3,471,320,911 |
| Total comprehensive income for the year | | - | - | - | - | - | - | - | - | 93,223,270 | 93,223,270 |
| Appropriation of profit of 2016: | | | | | | | | | | | |
| Transfer to legal reserves | | - | - | 3,065,011 | - | - | - | - | - | (3,065,011) | - |
| Dividends distributed | | - | - | - | - | - | - | - | - | (58,235,207) | (58,235,207) |
| Free reserves distributed | | - | - | - | - | - | (21,764,793) | (21,764,793) | - | - | (21,764,793) |
| Transfer to retained earnings of the change of accounting policy effect | | - | - | - | - | - | - | - | (45,360,000) | 45,360,000 | - |
| Obligation fulfilled by a third party | 20 | - | (466,211) | - | - | - | - | - | - | - | (466,211) |
| Share-based payments | 20 | - | - | - | - | 475,900 | - | 475,900 | - | - | 475,900 |
| Shares sold under the terms of annual performance bonus plan and medium term incentive plans | 20 | - | 466,211 | - | - | (541,400) | 98,500 | (442,900) | - | - | 23,311 |
| Balance as at 31 December 2017 | | 2,000,000,000 | - | 247,276,603 | - | 1,013,068 | 1,041,889,389 | 1,042,902,457 | 101,174,851 | 93,223,270 | 3,484,577,181 |

The accompanying notes are part of these separate financial statements.

The Board of Directors

## SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

| (Amounts expressed in euro) | Notes | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Cash receipts from trade debtors | | 706,639 | 264,393 |
| Cash paid to trade creditors | | (3,867,851) | (3,637,472) |
| Cash paid to employees | | (1,903,085) | (2,125,002) |
| Cash flow generated by operations | | (5,064,297) | (5,498,081) |
| Income taxes (paid) / received | | (14,754,977) | (9,023,787) |
| Other cash receipts and (payments) relating to operating activities | | 1,511,840 | 1,388,351 |
| Net cash flow from operating activities (1) | | (18,307,434) | (13,133,517) |
| INVESTMENT ACTIVITIES | | | |
| Cash receipts arising from: | | | |
| Investments | | - | 2,102 |
| Tangible assets | | 603 | 2,084 |
| Interest and similar income | | 657,501 | 30,457,232 |
| Dividends | 12, 29 | 54,809,596 | 49,555,660 |
| Others | | 2,399,600 | 790,387 |
| Loans granted | | 2,482,084,000 | 2,646,654,272 |
| | | 2,539,951,300 | 2,727,461,737 |
| Cash payments arising from: | | | |
| Tangible assets | | (35,456) | (8,536) |
| Loans granted | | (2,419,641,000) | (2,451,503,139) |
| | | (2,419,676,456) | (2,451,511,675) |
| Net cash used in investment activities (2) | | 120,274,844 | 275,950,062 |
| FINANCING ACTIVITIES | | | |
| Cash receipts arising from: | | | |
| Loans obtained | 35 | 4,813,773,244 | 5,943,700,455 |
| Others | | - | 5,616 |
| | | 4,813,773,244 | 5,943,706,071 |
| Cash payments arising from: | | | |
| Loans obtained | 35 | (4,828,281,000) | (6,189,686,902) |
| Interest and similar charges | | (8,229,388) | (16,275,329) |
| Dividends | | (80,010,413) | - |
| | | (4,916,520,801) | (6,205,962,231) |
| Net cash used in financing activities (3) | | (102,747,557) | (262,256,160) |
| Net increase in cash and cash equivalents (4) = (1) + (2) + (3) | | (780,147) | 560,385 |
| Cash and cash equivalents at the beginning of the year | 15 | 950,886 | 390,501 |
| Cash and cash equivalents at the end of the year | 15 | 170,739 | 950,886 |

The accompanying notes are part of these separate financial statements.

The Board of Directors

# SONAE, SGPS, SA

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

(Translation of the separate financial statements originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

# 1 Introduction

SONAE, SGPS, SA (“the Company” or “Sonae”), has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

The separate financial statements are presented as required by Commercial Companies Code. According to Decree-Law 158/2009 of 13 July, the company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS – EU).

Consolidated financial statements are also presented in accordance with applicable legislation.

## 1.1 Changes in financial investments valuation

As described in Note 5, as at 31 December 2017, the Company voluntarily decided to change its accounting policy for the measurement of financial investments in subsidiaries, associates and joint ventures, not applying IAS 39 and starting to apply IAS 27.

# 2 Principal accounting policies

The principal accounting policies adopted in preparing the accompanying separate financial statements are as follows:

## 2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. These standards were issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") or by the previous Standing Interpretations Committee ("SIC"), that have been adopted by the European Union.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention.

Management has assessed the Company's ability to operate on a going concern basis, taking into consideration all relevant information, facts and circumstances of financial, commercial and other nature, including subsequent events to the date of the financial statements. As a result of this evaluation, Management concluded that the Company has adequate resources to maintain its activities, having no intention to cease activities in the short term, and considered the use of the going concern assumption as appropriate.

### New accounting standards and their impact in the financial statements

Up to the approval date of these financial statements, the European Union endorsed standards, interpretations, amendments and revisions, some of which have become effective during the year 2017. These changes are presented in note 2.1 of the notes to the consolidated financial statements. The adoption, during 2017, of the mentioned standards did not produce relevant impacts on the Company financial statements, since they aren't applicable to the separate financial statements of the Company.

The amendment to IAS 7 Statement of Cash Flows was applied for the first time this year. The objective of the amendment is for entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, independently of the impact in cash flows. The liabilities related to financing activity include loans (Note 21) and loans obtained from group companies (Note 22). The movement during the year of these captions is disclosed in Note 35.

Additionally, there are standards that have been approved for adoption in the periods started on or after 1 January 2018, and standards not yet approved by the European Union. The company did not early adopt any of the mentioned standards and do not expect significant impacts in the separate financial statements of the company from the application of those standards. The company is still reviewing the impacts of IFRS 9. The description of these standards is presented in note 2.1 of the notes to the consolidated financial statements.

## 2.2 Investments in subsidiaries, associates and joint ventures

Equity investments in subsidiaries, associates and joint ventures are accounted for in accordance with IAS 27, hence at acquisition cost less impairment losses.

Impairment analyses is performed on the basis of fair value estimate of its net assets, mainly equity investments in other Company's subsidiaries, less the subsidiaries' liabilities measured at fair value.

The above-mentioned estimate is based on the fair value computation of the value in use of its holdings by means of discounted cash flow models in order to estimate the value in use of such investments. Subsidiaries or joint ventures which main assets are investments in real estate companies or real estate assets are valued with reference to the fair value of the real estate assets owned by such companies.

It is the Board of Directors understanding that the use of the above mentioned methodology is adequate to conclude on the eventual existence of financial investments impairment as it incorporates the best available information as at the date of the financial statements.

## 2.3 Tangible assets

Tangible assets are recorded at acquisition cost in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Depreciation charges for the year are calculated on a straight line basis over the useful life of each asset in the caption depreciation and amortisation.

The impairment losses in the realisable value of tangible assets are recorded in the year they arise in the caption of the income statement - impairment losses.

## 2.4 Intangible assets

Intangible assets are stated at acquisition cost, net of amortisation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Company and if their cost can be reliably measured.

Depreciation charges for the year are calculated on a straight line basis over the useful life of each asset in the caption depreciation and amortization.

## 2.5 Borrowing costs

Borrowing costs are usually recognised as an expense in the period in which they are incurred on an accruals basis in accordance with effective interest rate method.

## 2.6 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their 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 cost to sell. These assets are not depreciated.

## 2.7 Financial instruments

The Company classifies the financial instruments in the categories presented and conciliated with the statement of financial position disclosed in note 4.

### 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 statement of financial position 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

The investments measured at fair value through profit or loss include the investments held for trading that the company acquires for sale in a short period of time, and are classified in the statement of financial position as current assets.

The Company classifies as available for sale those investments that are neither included as investments measured at fair value through profit or loss nor as investments held to maturity. These assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.

Investments are initially measured at fair value, which is considered to be the fair value of the consideration paid for them, including transaction costs, in the case of available for sale investments and investments held to maturity.

Available for sale investments and investments measured at fair value through profit or loss are subsequently measured at fair value, without any deduction for transaction costs which may be incurred on sale at the statement of financial position date. Available for sale investments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost or last reliable fair value measurement, 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, 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.

Gains or losses arising from a change in fair value of investments measured at fair value through profit or loss are recorded in the income statement captions financial gains or losses on investments.

Held to maturity investments are carried at amortised cost using the effective interest rate, net of capital reimbursements and interest income received.

### b) Loans and accounts receivable

Loans and accounts receivable are recorded at amortised cost using the effective rate method net of accumulated impairment losses, in order to reflect its realisable value.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the statement of financial position date, situations when they are classified as non-current assets. Loans and receivables are included in the captions presented in note 4.

### c) Trade accounts receivable

Receivables are stated at net realisable value corresponding to their nominal value less impairment losses (recorded under the caption impairment losses in accounts receivable).

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year the discount is considered null as it is immaterial.

### 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.

Equity instruments are contracts that evidence a residual interest in the assets of Sonae after deducting all of its liabilities. Equity instruments issued by Sonae are recorded by the amount of proceeds received, net of direct issuance costs.

### e) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments which corresponds to their fair value at transaction date.

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 2.9. 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.

Borrowings on the form of commercial paper are classified as non-current, when the Company has guarantees of placing for a period exceeding one year and it is its' intention to maintain the use of this form of financing for a period exceeding one year.

### f) Trade accounts payable and other creditors

Trade accounts payable are stated at their nominal value, since it relates to short term debt, and its discount effect is estimated to be immaterial.

### g) Derivatives

The Company uses derivatives in the management of its financial risks to hedge such risks and/or in order to optimise funding costs, in accordance with Management interest rate risk policy described in point 3.4.1.

Derivatives classified as cash flow hedge instruments are used by the Company 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. The gain or loss relating to the ineffective portion of the hedge, if any, is recorded in the income statement under financial income or expenses.

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 transaction being hedged is highly probable.

Cash flows hedge instruments used by the Company to hedge the exposure to changes in interest of its loans are initially accounted for at cost, if any which corresponds to its fair value, 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 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. Subsequent changes in fair value are recorded in the income statement.

Derivatives entered into in accordance with interest rate risk management policy described in point 3.4.1 and not eligible for hedge accounting (mainly interest rate option), are initially recorded at cost, which corresponds to fair value at inception, and then, remeasured at fair value through profit and loss under financial income or expenses captions.

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 instruments, and this is not stated at fair value through profit or loss.

### h) Treasury shares

Treasury shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of treasury shares are recorded in other reserves.

### i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, 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 statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the statement of financial position caption of current bank loans.

### j) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

### k) Impairment

Financial assets, other than investments measured at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For non-listed equity instruments determining whether the investment is impaired requires an estimation of the value in use of the investment. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the entity and a suitable discount rate in order to calculate present value.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

It is the Board of Directors understanding that the use of the above mentioned methodology is adequate to conclude on the eventual existence of financial investments impairment as it incorporates the best available information as at the date of the financial statements.

With the exception of equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of equity available for sale securities, impairment losses previously recognised through profit or loss are not reversed. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

## 2.8 Contingent assets and liabilities

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

Contingent liabilities are not recorded in the 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.

## 2.9 Revenue recognition and accrual basis

Revenue from services rendered is recognised in the income statement in the period they are performed.

Dividends are recognised as income in the year they are attributed to the shareholders.

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 that correspond to income or expenses of future years, when they will be recognized in the income statement.

## 2.10 Subsequent events

Events after the statement of financial position date that provide additional information about conditions that existed at the statement of financial position date (adjusting events), are reflected in the financial statements. Events after the statement of financial position date that are non-adjusting events are disclosed in the notes when material.

## 2.11 Judgements and estimates

The most significant accounting estimates reflected in the financial statements are as follows:

a) Record of adjustments to the value of assets and provisions;

b) Impairment analysis of financial investments and loans granted to affiliated and associated companies;

Estimates used are based on the best information available during the preparation of these financial statements and are based on the best knowledge of past and present events. Although future events are not controlled by the Company and are not foreseeable, some could occur and have impact on the estimates. Therefore and due to this uncertainty the outcome of the transactions being estimated may differ from the initial estimate. Changes to the estimates used by management that occur after the approval date of these separate financial statements, will be recognised in net income prospectively, in accordance with IAS 8.

The main estimates and assumptions in relation to future events included in the preparation of these financial statements are disclosed in the correspondent notes, if applicable.

## 2.12 Share-based payments

Deferred performance bonus plans are indexed to Sonae share price and are classified as share-based payments. These bonus plans vest within a period of 3 years after being granted.

Share-based payments are measured at fair value on the date they are granted (usually in March of each year).

The settlement of plans is made by the delivery of Sonae shares, although the Company has an option to settle in cash, and the value of each plan is determined as at the grant date based on fair value of shares granted and cost is recognized rateably during the period of each plan. The fair value of the plan is recognized as staff costs against equity.

## 2.13 Income tax

Since 2014, Sonae is taxed in accordance with Special Regime of Taxing Groups of Companies (Parent company). Each company included in the perimeter records income tax for the year in its financial statements by recognizing a liability to group companies. Since 2017, the parent company recognize the effect of such tax losses, without any cash out flow or assuming a liability to the group companies, considering tax losses generated within the group may only be used by the tax group. Up to 2016, the tax losses were paid to the generating company. Therefore, the Company in the caption Income tax recognizes the referred effect as income.

Deferred taxes are calculated using the statement of financial position 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 expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized 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 recognized and expected to reverse in the same period. At each statement of financial position date an assessment of the deferred tax assets recognized is made, being reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities 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.

## 2.14 Transactions with related parties

Transactions with related parties are performed at arm’s length conditions, and the gains or losses arising on those transactions are recognized and disclosed in note 27.

# 3 Financial risk management

## 3.1 Introduction

The ultimate purpose of financial risk management is to support the Company in the achievement of its strategy by reducing unwanted financial risk and volatility and mitigate any negative impacts in the profit or loss statement arising from such risks.

The Group'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 does not enter into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

Financial risk management policies are approved by the Sonae Executive Committee. Exposures are identified and monitored by the Finance Department. Exposures are also monitored by the Finance Committee as noted in the Corporate Governance Report.

## 3.2 Credit risk

Credit risk is defined as the probability of a counterparty defaulting on its payment contractual obligations resulting in a financial loss. Sonae is a holding company without any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalent instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) or from its lending activities to subsidiaries.

Additionally, Sonae may sometimes also be exposed to credit risk as a result of its portfolio management activities (buying or selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis (bank guarantees, escrow accounts, collaterals, among others ) under the supervision of the Executive Committee.

In order to reduce the probability of counterparties default Sonae transactions (short term investments and derivatives) are only concluded in accordance with the following principles:

- Only carry out transactions (short term investments and derivatives) with counterparties that have been selected based on its high national and international reputation, and taking, into account its rating notations and the nature, maturity and extension of the operations;

- Sonae should only invest in previously authorized financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made with a conservative approach (essentially consisting in short term monetary instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);

- In relation to excess funds: i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by relationship banks in order to reduce exposure on a net basis, and ii) may only be applied on pre-approved instruments;

- Any departure from the above mentioned policies needs to be pre-approved by the Executive Committee.

Given the above mentioned policies and the credit ratings restrictions imposed management does not expect any material failure in contractual obligations from its external counterparties. Nevertheless, exposure to individual counterparties resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Financial Department and any departure is promptly reported to the Executive Committee and Finance Committee.

Settlement risk is also a risk faced by Sonae, which is managed through the rigorous selection of its brokers which must be highly rated counterparties.

In relation to credit risk resulting from loans granted to subsidiaries, there is no specific risk management policy as the financing of its subsidiaries is part of the main operations of a holding company.

## 3.3 Liquidity risk

Sonae needs to raise external funds to finance its activities and investing plans. It holds a diversified loan portfolio, essentially made up of long term bond financing, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2017 the total gross debt was 411 million euro (464 million euro as at 31 December 2016) (note 21) excluding the loans obtained from group companies.

The purpose of liquidity risk management is to ensure, at all times, that Sonae has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy.

Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining, with its relationship banks, a combination of short and medium term committed credit facilities, commercial paper programme with sufficiently comfortable previous notice cancellation periods within a range between 90 and 360 days;

- Maintenance of commercial paper with different periods, that allow, in some cases, to place the debt directly in institutional investors;

- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;

- Diversification of financing sources and counterparties;

- Ensuring an adequate debt average maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. As at 31 December 2017 Sonae debt average life maturity, adjusted by the amount of committed long-term facilities and cash equivalents, was 4.5 years (4.4 years as at 31 December 2016);

- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;

- Where possible, by prefinancing forecasted liquidity needs;

- Management procedures of short term applications, assuring that the maturity of the applications will match with foreseen liquidity needs, including a margin to hedge forecasting deviations. The reliability of the treasury forecasts is an important variable to determine the amounts and the periods of the market applications/borrowings.

Sonae maintains a liquidity reserve in the form of credit lines with its relationship banks, to ensure the ability to meet its commitments without having to refinance itself on unfavourable terms. Sonae has a total of 381.3 million euro (395.5 million euro as at 31 December 2016) committed credit facilities. As at 31 December 2017, the amount of loans with maturity in 2018 is 36.4 million euro (162 million euro with maturity in 2017). At the reporting date Sonae has no expectation that such renewals will not occur. Additionally, considering the credit lines used at 31 December 2017, 210.6 million euro are available (as at 31 December 2016 Sonae had available credit lines amounting to 139.5 million euro). In view of the above Sonae expects to meet all its obligations by means of its investments cash flows and from its financial assets as well as from drawing existing available credit lines, if needed. Furthermore, Sonae maintains a liquidity reserve that includes cash and cash equivalents and current investments amounting as described in note 15.

Sonae believes that within the short term, it has access to all the necessary financial resources to meet its commitments and investments.

## 3.4 Interest rate risk

### 3.4.1 Policy

Sonae is exposed to cash flow interest rate risk in respect of items in the statement of financial position (loans and short term investments) and to fair value interest rate risk as a result of interest rate derivatives (swaps, FRA's and options). Most of Sonae debt bears variable interest rates, and interest rate derivatives may be entered into to convert part of the variable rate debt into fixed rate (usually through interest rate swaps or forward rate agreements), or to limit the maximum rate payable (usually through zero cost collars or the purchased caps).

Sonae mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve since hedging interest rate risk usually has an opportunity cost associated. Therefore a more flexible approach is considered preferable to a more strict traditional approach. Part of the risk is also mitigated by the fact that Sonae grants loans bearing interest at variable interest rates to its subsidiaries as part of its usual activities and thus there may be some degree of natural hedging on a company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae hedging activities do not constitute a profit-making activity and derivatives are deemed to be entered into without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be the same as the settlement dates of the hedging instrument to avoid any mismatch and hedging inefficiency;

- Perfect match between the base rates (the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction);

- The maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate);

- The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, as described in 3.2. above - Credit Risk Management. It is Group policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's existing relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;

- Swaps fair value was determined by discounting estimated future cash flows to the statement of financial position date. The cash flows result from the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg. For options, the fair value is calculated according the "Black-Scholes" model and other similar models. The future cash-flow estimates are based on market forward interest rates, discounted to the present using the most representative market rates. The estimate is supported on reliable sources, such as those conveyed by Bloomberg and others. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the evaluation. This estimate assumes all other variables constant.

- All transactions are documented under ISDA's agreements;

- All transactions which do not follow the rules above have to be individually approved by the Executive Committee, and reported to the Financial Committee, namely transactions entered into with the purpose of optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

### 3.4.2 Sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, they are included in the calculation of income-related sensitivities;

- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognized at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7;

- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;

- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculations;

- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations;

- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;

- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under the previously mentioned assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher, the company net profit before taxes as at 31 December 2017 (separate statements) would decrease by approximately 1.9 million euro (as at 31 December 2016 the net ptofit would have decrease by 5 million euro). The increase in interest rate in 75 basis points would not have an impact over total equity (not considering the impact over net profit) as at 31 December 2017 (no impact on 31 December 2016).

## 3.5 Foreign exchange risk

Due to its nature of holding company, Sonae has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise foreign exchange risk management seeks to minimise the volatility of such transactions made in foreign currency and to reduce the impact on the income statement of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae hedges such exposures mainly through forward exchange rate contracts. For uncertain exposures, options may be considered, subject to pre-approval from the company's Executive Committee.

Sonae does not have any material foreign exchange rate exposure at holding level, since almost all equity and loans to subsidiaries are denominated in euro.

## 3.6 Price risk and market risk

The Group is exposed to equity price risks arising from equity investments, maintained for strategic rather than for trading purposes as the group does not actively trade these investments. These investments are presented in note 8.

# 4 Financial instruments by class

The accounting policies disclosed in note 2.7 have been applied to the line items below:

| | | 31 Dec 2017 | | | | |
|---|---|---|---|---|---|---|
| Financial Assets | Notes | Loans and accounts receivable | Available for sale | Sub Total | Assets not within scope of IFRS 7 | Total |
| **Non-current assets** | | | | | | |
| Other available for sale investments | 9 | - | 49,880 | 49,880 | - | 49,880 |
| Other non-current assets | 10 | 110,649,867 | - | 110,649,867 | - | 110,649,867 |
| | | 110,649,867 | 49,880 | 110,699,747 | - | 110,699,747 |
| **Current assets** | | | | | | |
| Trade accounts receivables | 11 | 531,855 | - | 531,855 | - | 531,855 |
| Other debtors | 12 | 28,342,353 | - | 28,342,353 | - | 28,342,353 |
| Other current assets | 14 | 1,472,606 | - | 1,472,606 | 772,713 | 2,245,319 |
| Cash and cash equivalents | 15 | 170,739 | - | 170,739 | - | 170,739 |
| | | 30,517,553 | - | 30,517,553 | 772,713 | 31,290,266 |
| | | 141,167,420 | 49,880 | 141,217,300 | 772,713 | 141,990,013 |

| | | 31 Dec 2016 Restated | | | | |
|---|---|---|---|---|---|---|
| Financial Assets | Notes | Loans and accounts receivable | Available for sale | Sub Total | Assets not within scope of IFRS 7 | Total |
| **Non-current assets** | | | | | | |
| Other available for sale investments | 9 | - | 49,880 | 49,880 | - | 49,880 |
| Other non-current assets | 10 | 173,092,867 | - | 173,092,867 | - | 173,092,867 |
| | | 173,092,867 | 49,880 | 173,142,747 | - | 173,142,747 |
| **Current assets** | | | | | | |
| Trade accounts receivables | 11 | 715,428 | - | 715,428 | - | 715,428 |
| Other debtors | 12 | 41,504,643 | - | 41,504,643 | - | 41,504,643 |
| Other current assets | 14 | 2,041,758 | - | 2,041,758 | 718,907 | 2,760,665 |
| Cash and cash equivalents | 15 | 950,886 | - | 950,886 | - | 950,886 |
| | | 45,212,715 | - | 45,212,715 | 718,907 | 45,931,622 |
| | | 218,305,582 | 49,880 | 218,355,462 | 718,907 | 219,074,369 |

| Financial Liabilities | Notes | 31 Dec 2017<br>Other financial liabilities | Sub Total | Liabilities not within scope of IFRS 7 | Total |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Bonds | 21 | 158,758,711 | 158,758,711 | - | 158,758,711 |
| Bank loans | 21 | 215,983,190 | 215,983,190 | - | 215,983,190 |
| | | 374,741,901 | 374,741,901 | - | 374,741,901 |
| **Current liabilities** | | | | | |
| Bank loans | 21 | 36,390,000 | 36,390,000 | - | 36,390,000 |
| Trade accounts payable | | 286,234 | 286,234 | - | 286,234 |
| Loans obtained from group companies | 22 | 77,494,244 | 77,494,244 | - | 77,494,244 |
| Other payables accounts | 23 | 3,789,922 | 3,789,922 | - | 3,789,922 |
| Other current liabilities | 24 | 2,204,063 | 2,204,063 | - | 2,204,063 |
| | | 120,164,463 | 120,164,463 | - | 120,164,463 |
| | | 494,906,364 | 494,906,364 | - | 494,906,364 |

| Financial Liabilities | Notes | 31 Dec 2016 Restated<br>Other financial liabilities | Sub Total | Liabilities not within scope of IFRS 7 | Total |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Bonds | 21 | 158,361,552 | 158,361,552 | - | 158,361,552 |
| Bank loans | 21 | 143,678,553 | 143,678,553 | - | 143,678,553 |
| | | 302,040,105 | 302,040,105 | - | 302,040,105 |
| **Current liabilities** | | | | | |
| Bank loans | 21 | 162,000,000 | 162,000,000 | - | 162,000,000 |
| Trade accounts payable | | 545,724 | 545,724 | - | 545,724 |
| Loans obtained from group companies | 22 | 38,642,000 | 38,642,000 | - | 38,642,000 |
| Other payables accounts | 23 | 53,280,686 | 53,280,686 | - | 53,280,686 |
| Other current liabilities | 24 | 3,473,734 | 3,473,734 | - | 3,473,734 |
| | | 257,942,144 | 257,942,144 | - | 257,942,144 |
| | | 559,982,249 | 559,982,249 | - | 559,982,249 |

# 5 Changes in accounting policies

As referred in Note 1.1, the Company changed the measurement of financial investments over subsidiaries, associates and joint ventures from fair value to historical cost less any impairment losses.

The change in the accounting policy is justified because, based on the analysis carried out, this is the most common accounting policy used by holding companies to measure their financial investments and taking into account that the principles governing the definition of accounting policy, in particular, the fact that the subsidiaries were listed companies, no longer verifies.

The impacts of this change are as follows:

| Separate statement of financial position | 31 Dec 2016 | | | 01 jan 2016 | | |
|---|---|---|---|---|---|---|
| | Before restatement | Restatement | Restated | Before restatement | Restatement | Restated |
| ASSETS | | | | | | |
| NON-CURRENT ASSETS: | | | | | | |
| Tangible assets | 65,375 | - | 65,375 | 90,243 | - | 90,243 |
| Intangible assets | 47 | - | 47 | 2,153 | - | 2,153 |
| Investments in subsidiaries, associates and joint ventures | 4,124,887,745 | (318,367,338) | 3,806,520,407 | 3,965,569,344 | (113,688,937) | 3,851,880,407 |
| Other investments | 49,880 | - | 49,880 | 52,426 | - | 52,426 |
| Deferred taxes | 966,895 | - | 966,895 | - | - | - |
| Other non-current assets | 173,092,867 | - | 173,092,867 | 347,400,000 | - | 347,400,000 |
| Total non-current assets | 4,299,062,809 | (318,367,338) | 3,980,695,471 | 4,313,114,166 | (113,688,937) | 4,199,425,229 |
| CURRENT ASSETS: | | | | | | |
| Trade accounts receivables | 715,428 | - | 715,428 | 500,159 | - | 500,159 |
| Other debtors | 41,504,643 | - | 41,504,643 | 44,464,350 | - | 44,464,350 |
| Taxes recoverable | 20,425,842 | - | 20,425,842 | 25,714,649 | - | 25,714,649 |
| Other current assets | 2,760,665 | - | 2,760,665 | 2,166,828 | - | 2,166,828 |
| Cash and cash equivalents | 950,886 | - | 950,886 | 390,501 | - | 390,501 |
| Total current assets | 66,357,464 | - | 66,357,464 | 73,236,487 | - | 73,236,487 |
| | 4,365,420,273 | (318,367,338) | 4,047,052,935 | 4,386,350,653 | (113,688,937) | 4,272,661,716 |
| EQUITY AND LIABILITIES | | | | | | |
| EQUITY: | | | | | | |
| Share capital | 2,000,000,000 | - | 2,000,000,000 | 2,000,000,000 | - | 2,000,000,000 |
| Legal reserves | 244,211,592 | - | 244,211,592 | 244,211,592 | - | 244,211,592 |
| Hedging reserve, fair value reserve and other reserves | 1,484,176,439 | (419,542,189) | 1,064,634,250 | 1,604,617,615 | (260,223,788) | 1,344,393,827 |
| Retained earnings | - | 146,534,851 | 146,534,851 | - | 146,534,851 | 146,534,851 |
| Profit for the year | 61,300,218 | (45,360,000) | 15,940,218 | (279,672,410) | - | (279,672,410) |
| TOTAL EQUITY | 3,789,688,249 | (318,367,338) | 3,471,320,911 | 3,569,156,797 | (113,688,937) | 3,455,467,860 |
| LIABILITIES: | | | | | | |
| NON-CURRENT LIABILITIES: | | | | | | |
| Bonds | 158,361,552 | - | 158,361,552 | 207,406,442 | - | 207,406,442 |
| Bank loans | 143,678,553 | - | 143,678,553 | 180,000,000 | - | 180,000,000 |
| Total non-current liabilities | 302,040,105 | - | 302,040,105 | 387,406,442 | - | 387,406,442 |
| CURRENT LIABILITIES: | | | | | | |
| Bank loans | 162,000,000 | - | 162,000,000 | 159,300,000 | - | 159,300,000 |
| Trade accounts payable | 545,724 | - | 545,724 | 403,764 | - | 403,764 |
| Loans obtained from group companies | 38,642,000 | - | 38,642,000 | 201,328,447 | - | 201,328,447 |
| Other creditors | 53,280,686 | - | 53,280,686 | 42,828,123 | - | 42,828,123 |
| Taxes and contributions payable | 15,749,775 | - | 15,749,775 | 20,205,511 | - | 20,205,511 |
| Other current liabilities | 3,473,734 | - | 3,473,734 | 5,721,569 | - | 5,721,569 |
| Total current liabilities | 273,691,919 | - | 273,691,919 | 429,787,414 | - | 429,787,414 |
| TOTAL EQUITY AND LIABILITIES | 4,365,420,273 | (318,367,338) | 4,047,052,935 | 4,386,350,653 | (113,688,937) | 4,272,661,716 |

The impacts on the statement of financial position are justified by the reversal of the positive effects of measuring at fair value the investments in subsidiaries, associates and joint ventures, net of the reversal of impairment losses on investments in the same category as such reversal was not allowed under IAS 39.

| Separate income statement | 31 Dec 2016 | | |
|---|---|---|---|
| | Before restatement | Restatement | Restated |
| Services rendered | 479,662 | - | 479,662 |
| Gains or losses on investments | 58,996,853 | (45,360,000) | 13,636,853 |
| Financial income | 29,483,595 | - | 29,483,595 |
| Other income | 2,345,021 | - | 2,345,021 |
| External supplies and services | (3,786,607) | - | (3,786,607) |
| Staff costs | (1,967,496) | - | (1,967,496) |
| Depreciation and amortisation | (35,508) | - | (35,508) |
| Provisions and impairment losses | (1,913) | - | (1,913) |
| Financial expense | (14,204,643) | - | (14,204,643) |
| Other expenses | (792,278) | - | (792,278) |
| Profit/(Loss) before taxation | 70,516,686 | (45,360,000) | 25,156,686 |
| Taxation | (9,216,468) | - | (9,216,468) |
| Profit/(Loss) after taxation | 61,300,218 | (45,360,000) | 15,940,218 |
| Profit/(Loss) per share | | | |
| Basic | 0.030651 | (0.022680) | 0.007970 |
| Diluted | 0.030642 | (0.022674) | 0.007968 |

As at 31 December 2016, an impairment loss was recognized for the financial investment in Sontel, BV (an impairment reversal was recorded on January 1, 2016).

The accumulated impairment amount on January 1, 2016, December 31, 2016 and December 31, 2017 is disclosed in note 8.

| Separate statement of comprehensive income | 31 Dec 2016 | | |
|---|---|---|---|
| | Before restatement | Restatement | Restated |
| Net Profit / (Loss) for the year | 61,300,218 | (45,360,000) | 15,940,218 |
| Changes on fair value of available-for-sale financial assets | 159,318,401 | (159,318,401) | - |
| Other comprehensive income for the year | 159,318,401 | (159,318,401) | - |
| Total comprehensive income for the year | 220,618,619 | (204,678,401) | 15,940,218 |

# 6 Tangible assets

As at 31 December 2017 and 2016 tangible assets movements are as follows:

| | Plant and machinery | Vehicles | Fixtures and fittings | Others | In progress | Total |
|---|---|---|---|---|---|---|
| **Gross cost** | | | | | | |
| **Opening balance as at 1 January 2016 restated** | 132,742 | 194,768 | 1,651,037 | 723 | - | 1,979,270 |
| Increase | - | 3,690 | 761 | - | 4,085 | 8,536 |
| Decrease | - | (177,637) | (2) | - | - | (177,639) |
| Transfers and write-offs | - | - | 4,085 | - | (4,085) | - |
| **Opening balance as at 1 January 2017** | 132,742 | 20,821 | 1,655,881 | 723 | - | 1,810,167 |
| Increase | - | - | 27,615 | - | 7,841 | 35,456 |
| Decrease | - | - | (1,398) | - | - | (1,398) |
| Transfers and write-offs | 1,601 | - | 6,240 | - | (7,841) | - |
| **Closing balance as at 31 December 2017** | 134,343 | 20,821 | 1,688,338 | 723 | - | 1,844,225 |
| **Accumulated depreciation** | | | | | | |
| **Opening balance as at 1 January 2016 restated** | 78,752 | 194,768 | 1,614,784 | 723 | - | 1,889,027 |
| Increase | 13,229 | 615 | 19,558 | - | - | 33,402 |
| Decrease | - | (177,637) | - | - | - | (177,637) |
| **Opening balance as at 1 January 2017** | 91,981 | 17,746 | 1,634,342 | 723 | - | 1,744,792 |
| Increase | 12,748 | 3,075 | 16,100 | - | - | 31,923 |
| Decrease | - | - | (1,396) | - | - | (1,396) |
| **Closing balance as at 31 December 2017** | 104,729 | 20,821 | 1,649,046 | 723 | - | 1,775,319 |
| **Carrying amount** | | | | | | |
| As at 31 December 2016 restated | 40,761 | 3,075 | 21,539 | - | - | 65,375 |
| As at 31 December 2017 | 29,614 | - | 39,292 | - | - | 68,906 |

## 7 Intangible assets

As at 31 December 2017 and 2016 intangible assets movements are as follows:

| | Patents and other similar rights | Software | Total intangible assets |
|---|---|---|---|
| **Gross cost** | | | |
| **Opening balance as at 1 January 2016 restated** | 187,305 | 2,837 | 190,142 |
| **Opening balance as at 1 January 2017** | 187,305 | 2,837 | 190,142 |
| **Closing balance as at 31 December 2017** | 187,305 | 2,837 | 190,142 |
| **Accumulated depreciation** | | | |
| Opening balance as at 1 January 2016 restated | 185,247 | 2,742 | 187,989 |
| Increase | 2,058 | 48 | 2,106 |
| **Opening balance as at 1 January 2017** | 187,305 | 2,790 | 190,095 |
| Increase | - | 27 | 27 |
| **Closing balance as at 31 December 2017** | 187,305 | 2,817 | 190,122 |
| **Carrying amount** | | | |
| As at 31 December 2016 restated | - | 47 | 47 |
| As at 31 December 2017 | - | 20 | 20 |

## 8 Investments in subsidiaries, associates and joint ventures

As at 31 December 2017 and 2016, the Company held investments in the following subsidiaries, associates and joint ventures:

| | 31 Dec 2017 | | | | | |
|---|---|---|---|---|---|---|
| Companies | % Held | Opening balance | Increase | Decrease | Changes in fair value | Closing balance |
| Interlog, SGPS, SA | 1.02% | 106,686 | - | - | - | 106,686 |
| Fundo de Investimento Imobiliário Fechado Imosede | 19.60% | 30,000,544 | - | - | - | 30,000,544 |
| Sonae Investimentos, SGPS, SA | 25.03% | 532,246,696 | - | - | - | 532,246,696 |
| Sonae Investments, BV | 100.00% | 835,700,000 | - | - | - | 835,700,000 |
| Sonae RE, SA | 99.92% | 1,232,059 | - | - | 249,000 | 1,481,059 |
| Sonae Sierra SGPS, SA | 50.00% | 490,113,339 | - | - | - | 490,113,339 |
| Sonaecom, SGPS, SA | 26.02% | 111,098,824 | - | - | - | 111,098,824 |
| Sonaegest, SA | 20.00% | 159,615 | - | - | - | 159,615 |
| Sonaecenter Serviços, SA | 100.00% | 1,530,231,545 | - | - | 6,990,000 | 1,537,221,545 |
| Sontel, BV | 35.87% | 275,631,099 | - | - | 11,124,000 | 286,755,099 |
| Total | | 3,806,520,407 | - | - | 18,363,000 | 3,824,883,407 |

| | 31 Dec 2016 Restated | | | | | |
|---|---|---|---|---|---|---|
| Companies | % Held | Opening balance | Increase | Decrease | Changes in fair value | Closing balance |
| Interlog, SGPS, SA | 1.02% | 106,686 | - | - | - | 106,686 |
| Fundo de Investimento Imobiliário Fechado Imosede | 19.60% | 30,000,544 | - | - | - | 30,000,544 |
| Sonae Investimentos, SGPS, SA | 25.03% | 532,246,696 | - | - | - | 532,246,696 |
| Sonae Investments, BV | 100.00% | 835,700,000 | - | - | - | 835,700,000 |
| Sonae RE, SA | 99.92% | 1,082,059 | - | - | 150,000 | 1,232,059 |
| Sonae Sierra SGPS, SA | 50.00% | 490,113,339 | - | - | - | 490,113,339 |
| Sonaecom, SGPS, SA | 26.02% | 111,098,824 | - | - | - | 111,098,824 |
| Sonaegest, SA | 20.00% | 159,615 | - | - | - | 159,615 |
| Sonaecenter Serviços, SA | 100.00% | 1,496,231,545 | - | - | 34,000,000 | 1,530,231,545 |
| Sontel, BV | 35.87% | 355,141,099 | - | - | (79,510,000) | 275,631,099 |
| Total | | 3,851,880,407 | - | - | (45,360,000) | 3,806,520,407 |

Impairment tests on financial investments are carried out in accordance with the accounting policy mentioned in 2.7 k) and based on the valuation of the subsidiaries' assets made through discounted cash flow models in order to estimate the value of use of said investments.

The assumptions used are similar to those used on goodwill impairment test and are disclosed in the consolidated financial statements.

Accumulated impairment losses as at 31 December 2017 and 2016 are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated | 01 Jan 2016 Restated |
|---|---|---|---|
| Sonae RE, SA | 2,191,000 | 2,440,000 | 2,590,000 |
| Sonaecenter Serviços, SA | 300,010,000 | 307,000,000 | 341,000,000 |
| Sontel, BV | 118,886,000 | 130,010,000 | 50,500,000 |
| Total | 421,087,000 | 439,450,000 | 394,090,000 |

# 9 Other investments

As at 31 December 2017 and 2016 other investments available for sale are as follows:

| | 31 Dec 2017 | | | |
|---|---|---|---|---|
| Companies | Opening balance | Increase | Decrease | Closing balance |
| Associação Escola Gestão Porto | 49,880 | - | - | 49,880 |
| Total | 49,880 | - | - | 49,880 |

| | 31 Dec 2016 Restated | | | |
|---|---|---|---|---|
| Companies | Opening balance | Increase | Decrease | Closing balance |
| Associação Escola Gestão Porto | 49,880 | - | - | 49,880 |
| Fundo Especial de Invest.Imob. Fechado Imosonae Dois | 2,546 | - | (2,546) | - |
| Total | 52,426 | - | (2,546) | 49,880 |

# 10 Other non-current assets

As at 31 December 2017 and 2016 other non-current assets are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Loans granted to group companies: | | |
| Sonae Investments, BV | 110,649,867 | 173,092,867 |
| | 110,649,867 | 173,092,867 |

As at 31 December 2017 the loans granted to group companies, bear interest at market rates indexed to Euribor, have a long-term maturity and its fair value is similar to its carrying amount.

There are no past due or impaired receivable balances as at 31 December 2017 and 2016. The eventual impairment of loans granted to group companies is assessed in accordance with note 2.7 k).

## 11 Trade accounts receivable

Trade accounts receivable amounted to 531,855 euro and 715,428 euro as at 31 December 2017 and 2016 respectively, and include balances arising solely from services rendered to group companies.

As at the statement of financial position dates there are no accounts receivable past due, and no impairment loss was recorded, as there are no indications as of the reporting date that the debtors will not meet their payment obligations.

## 12 Other debtors

As at 31 December 2017 and 2016 other debtors are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Group companies | | |
| Interest | 2,630,955 | 44,793 |
| Sonae Investments, BV | 2,630,955 | 44,793 |
| Taxes - Special regime for taxation of group companies | 25,532,297 | 41,289,044 |
| Other debtors | | |
| Others | 179,101 | 170,806 |
| | 28,342,353 | 41,504,643 |

The amount recorded in the caption taxes-special regime for taxation of groups corresponds to the tax estimate calculated by the companies taxed under the Special Regime for Taxation of Corporate Groups, of which the Company is the dominant company.

Loans granted to group companies return interest at variable market rates indexed to Euribor and have a maturity of less than one year.

There were no assets impaired or past due as at 31 December 2017 and 2016. The fair value of loans granted is similar to its carrying amount.

## 13 Taxes

As at 31 December 2017 and 2016 taxes balances are as follows:

| Assets | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Advance payments | 8,172,423 | 8,400,836 |
| Taxes withheld | 3,738,704 | 10,687,395 |
| Others | 1,793,526 | 1,337,611 |
| | 13,704,653 | 20,425,842 |

| Liabilities | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Income tax charge for the year | 8,737,183 | 15,574,542 |
| Taxes withheld | | |
| Staff | 24,988 | 20,810 |
| Other | 3,750 | 9,268 |
| Value added tax | 137,119 | 129,113 |
| Social security contributions | 16,138 | 16,042 |
| | 8,919,178 | 15,749,775 |

The income tax charge for the year corresponds to the income tax estimated by the companies included in the special tax regime for company groups dominated by the Company and will be paid by the subsidiaries with taxable income.

## 14 Other current assets

As at 31 December 2017 and 2016 other current assets are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Accrued income | 1,472,606 | 2,041,758 |
| Prepayments | 772,713 | 718,907 |
| | 2,245,319 | 2,760,665 |

The amount recorded under the caption Accrued income relates essentially to the interests to be received for loans granted and commissions from guarantees given to subsidiaries.

## 15 Cash and cash equivalents

As at 31 December 2017 and 2016 cash and cash equivalents are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Cash in hand | 953 | 2,233 |
| Bank deposits | 169,786 | 948,653 |
| Cash and cash equivalents on the statement of financial position | 170,739 | 950,886 |
| Cash and cash equivalents on the cash flow statement | 170,739 | 950,886 |

## 16 Share capital

As at 31 December 2017 and 2016 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

As at 31 December 2017 and 2016 Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae's share capital.

## 17 Treasury shares

As at 31 December 2017 the Company do not hold directly or indirectly any treasury shares.

## 18 Legal reserve

The Company has set up legal reserves in accordance with Commercial Companies Code.

## 19 Other reserves

As at 31 December 2017 and 2016 other reserves are detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Free reserves | 1,041,889,389 | 1,063,555,682 |
| Share-based payments reserve (Note 20) | 1,013,068 | 1,078,568 |
| | 1,042,902,457 | 1,064,634,250 |

Movements occurred in 2017 and 2016 in these reserves are detailed in the Company statement of changes in equity.

Share-based payments reserve relates to equity-share based payments under the deferred performance bonuses to be settled by delivery of shares, measured based on shares fair value at grant date.

## 20 Share-based payments

In 2017 and in previous years, according to the remuneration policy disclosed in its Corporate Governance Report, Sonae granted deferred performance bonuses to its directors. These are based on shares to be acquired with discount, three years after being attributed. These shares are only granted if the Director still works for Sonae at the vesting date.

As at 31 December 2017 and 2016, the outstanding plans were as follows:

| | Vesting period | | 31 Dec 2017 | | 31 Dec 2016 Restated | |
|---|---|---|---|---|---|---|
| | Year of grant | Vesting year | Number of participants | Number of shares | Number of participants | Number of shares |
| Plan 2013 | 2014 | 2017 | - | - | 2 | 472,175 |
| Plan 2014 | 2015 | 2018 | 2 | 400,869 | 2 | 368,547 |
| Plan 2015 | 2016 | 2019 | 2 | 336,710 | 2 | 345,689 |
| Plan 2016 | 2017 | 2020 | 2 | 480,838 | - | - |
| | | | | | | |

The fair values of the attributed shares for the outstanding plans can be detailed as follows:

| | Year of grant | Vesting year | Grant date | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|---|---|---|
| Plan 2013 | 2014 | 2017 | 541,400 | - | 412,681 |
| Plan 2014 | 2015 | 2018 | 578,200 | 451,378 | 322,110 |
| Plan 2015 | 2016 | 2019 | 455,100 | 379,135 | 302,132 |
| Plan 2016 | 2017 | 2020 | 394,400 | 541,424 | - |
| | | | | | |

During the year the movements occurred can be detailed as follows:

| Number of shares | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Opening balance | 1,186,411 | 1,693,650 |
| Changes during the year: | | |
| Attribued | 435,320 | 469,176 |
| Vested | (497,027) | (769,166) |
| Canceled/ extinct/ correted/ transferred | 93,713 | (207,249) |
| Closing balance | 1,218,417 | 1,186,411 |

| Amount | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Recorded as staff cost in the year | 475,900 | 524,900 |
| Recorded as staff cost in previous year | 537,168 | 553,668 |
| | 1,013,068 | 1,078,568 |

## 21 Borrowings

As at 31 December 2017 and 2016 this caption included the following loans:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Bonds Sonae 2015/2022 | 100,000,000 | 100,000,000 |
| Bonds Sonae 2016/2023 | 60,000,000 | 60,000,000 |
| Up-front fees not yet charged to income statement | (1,241,289) | (1,638,448) |
| Bonds | 158,758,711 | 158,361,552 |
| Sonae SGPS - commercial paper | 166,250,000 | 144,000,000 |
| Sonae SGPS - bank loans | 50,000,000 | - |
| Up-front fees not yet charged to income statement | (266,810) | (321,447) |
| Bank loans | 215,983,190 | 143,678,553 |
| Non-current loans | 374,741,901 | 302,040,105 |
| | | |
| Sonae SGPS - commercial paper | 36,390,000 | 162,000,000 |
| Bank loans | 36,390,000 | 162,000,000 |
| Current loans | 36,390,000 | 162,000,000 |

As at 31 December 2017 and 2016, the major part of loans bear interests at variable interest rates. The above mentioned loans estimated fair value is considered to be near its carrying amount. Loans fair value was determined by discounting estimated future cash flows.

### Maturity of Borrowings

As at 31 December 2017 and 2016 the analysis of the maturity of loans excluding derivatives is as follows:

| | 31 Dec 2017 | | 31 Dec 2016 Restated | |
|---|---|---|---|---|
| | Nominal value | Interests | Nominal value | Interests |
| N+1 | 36,390,000 | 4,185,658 | 162,000,000 | 3,735,801 |
| N+2 | 4,000,000 | 4,162,803 | - | 3,483,874 |
| N+3 | 76,750,000 | 4,079,569 | - | 3,487,627 |
| N+4 | 83,000,000 | 3,309,021 | 55,000,000 | 3,481,854 |
| N+5 | 113,000,000 | 2,135,533 | 59,000,000 | 2,942,644 |
| after N+5 | 99,500,000 | 967,039 | 190,000,000 | 2,535,039 |

The maturities above were estimated in accordance with the contractual terms of the loans, and taking into account Sonae's best estimated regarding their reimbursement date.

The interest amount was calculated considering the applicable interest rates for each loan at 31 December.

As at 31 December 2017, there are financial covenants included in borrowing agreements at market conditions, and which at the date of this report are complied with.

Sonae held 190.6 million euro available to meet its cash requirements in lines of credit and commercial paper programs with firm commitments, as follows:

| | 31 Dec 2017 | | 31 Dec 2016 Restated | |
|---|---|---|---|---|
| | Commitments of less than one year | Commitments of more than one year | Commitments of less than one year | Commitments of more than one year |
| Agreed credit facilities amounts | 145,000,000 | 216,250,000 | 211,500,000 | 184,000,000 |
| Available credit facilities amounts | 140,610,000 | 50,000,000 | 49,500,000 | 90,000,000 |

Interest rate as at 31 December 2017 of the bonds and bank loan was, in average, 1.01% (0.95% as at 31 December 2016).

## 22 Loans from group companies

As at 31 December 2017 and 2016 loans obtained from group companies are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Sontel, BV | 20,030,244 | 4,254,000 |
| Sonae RE, SA | 1,199,000 | 1,596,000 |
| Sonaecenter Serviços, SA | 56,265,000 | 32,792,000 |
| | 77,494,244 | 38,642,000 |

Loans obtained from group companies bear interest at rates indexed to the Euribor.

## 23 Other creditors

As at 31 December 2017 and 2016 other creditors are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Group companies | | |
| Taxes - Special regime for taxation of groups | 3,690,603 | 53,092,883 |
| Shareholders | 97,223 | 107,636 |
| Others | 2,096 | 80,167 |
| | 3,789,922 | 53,280,686 |

## 24 Other current liabilities

As at 31 December 2017 and 2016 other current liabilities are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Accruals: | | |
| Salaries | 498,616 | 497,092 |
| Interest | 792,064 | 2,141,837 |
| Others | 913,383 | 834,805 |
| | 2,204,063 | 3,473,734 |

## 25 Contingent liabilities

As at 31 December 2017 and 2016, contingent liabilities were guarantees given are as follows

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Guarantees given: | | |
| on tax claims | 146,570,558 | 142,932,296 |
| on judicial claims | 70,766 | 70,766 |
| | | |
| Guarantees given in the name of subsidiaries (a) | 375,078,359 | 386,112,500 |
| | | |

a) Guarantees given to Tax authorities in favour of subsidiaries to defer tax claims. The main tax claims for which guarantees were issued are disclosed in consolidated financial statements.

The caption guarantees given on tax claims includes guarantees in favor of Tax authorities regarding the periods of 2007 up to 2014 income tax. Concerning these guarantees, the most significant amount relates to an increase in equity arising on the disposal of treasury shares to a third party in 2007 as well as to the disregarded of reinvestment concerning capital gains in shares disposal and the fact that demerger operations shall be considered neutral for income tax proposes. The Company has presented an appeal against this additional tax claim, being the Board of Directors understanding, based on its advisors assessment, that such appeal will be favorable.

No provision has been recorded to face risks arising from events related to guarantees given, as the Board of Directors considers that no liabilities will result for the Company.

# 26 Operational leases

As at 31 December 2017 and 2016, the company had operational lease contracts, as a lessee, whose minimum lease payments had the following schedule:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Due in | | |
| N+1 automatically renewable | 262,561 | 259,653 |
| N+1 | 21,533 | 2,236 |
| N+2 | 21,533 | - |
| N+3 | 21,533 | - |
| N+4 | 21,533 | - |
| N+5 | 16,150 | - |
| | 364,843 | 261,889 |

In 2017 Sonae recognized costs on operational leases amounting 267,378 euro (280,041 euro in 2016).

# 27 Related parties

As at 31 December 2017 and 2016 balances and transactions with related parties are as follows:

| Balances | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Subsidiaries | 29,929,831 | 52,150,959 |
| Jointly controlled companies | 218,605 | 420,628 |
| Other related parties | 98,000 | 98,000 |
| Accounts receivable | 30,246,436 | 52,669,587 |
| Parent company | 512,593 | 688,281 |
| Subsidiaries | 4,241,261 | 63,662,351 |
| Jointly controlled companies | - | 85 |
| Other related parties | 6,941 | 6,615 |
| Accounts payable | 4,760,795 | 64,357,332 |
| Subsidiaries | 110,649,867 | 173,092,867 |
| Loans granted | 110,649,867 | 173,092,867 |
| Subsidiaries | 77,494,244 | 38,642,000 |
| Loans obtained | 77,494,244 | 38,642,000 |

| Transactions | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Subsidiaries | 1,743,261 | 2,379,371 |
| Jointly controlled companies | 223,066 | 219,662 |
| Other related parties | 100,000 | 100,000 |
| Services rendered | 2,066,327 | 2,699,033 |
| Parent company | 540,705 | 716,561 |
| Subsidiaries | 1,337,149 | 1,495,434 |
| Jointly controlled companies | - | 85 |
| Other related parties | 42,206 | 14,396 |
| Purchases and services obtained | 1,920,060 | 2,226,476 |
| Subsidiaries | 3,243,663 | 29,479,647 |
| Interest income | 3,243,663 | 29,479,647 |
| Parent company | - | 56,341 |
| Subsidiaries | 1,099,011 | 4,121,493 |
| Interest expenses | 1,099,011 | 4,177,834 |
| Subsidiaries | 17,418,496 | 25,007,590 |
| Jointly controlled companies | 37,391,100 | 12,355,320 |
| Dividend income (Note 29) | 54,809,596 | 37,362,910 |
| Subsidiaries | 2,399,600 | 790,388 |
| Income from investment fund participation units | 2,399,600 | 790,388 |
| Subsidiaries | - | 368,244,000 |
| Disposal of bonds | - | 368,244,000 |

All Sonae, SGPS, SA subsidiaries, associates and joint ventures are considered related parties and are identified in Consolidated Financial Statements. All Efanor Investimentos, SGPS, SA (parent company), subsidiaries, including the ones of Sonae Indústria, SGPS, SA and of Sonae Capital, SGPS, SA are also considered related parties (Other related parties).

The remuneration attributed to the Board of Directors for the years ended 31 December 2017 and 2016 is detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Variable - short term | 1,309,500 | 1,274,000 |
| Share based payments | 425,100 | 394,400 |
| | 1,734,600 | 1,668,400 |

In 2017 and 2016 no loans were granted to the Company's Directors.

As at 31 December 2017 and 2016 no balances existed with the Company's Directors.

# 28 Services rendered

Services rendered amounted to 523,066 euro and 479,662 euro, in 31 December 2017 and 2016. These fees correspond to services rendered to subsidiaries of the Company, performed in accordance with Portuguese Holding Companies law.

# 29 Gains or losses related to investments

As at 31 December 2017 and 2016 investment income are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Dividends received (Note 27) | 54,809,596 | 37,362,910 |
| Gains/(Losses) on sale of investments | - | 20,843,555 |
| Impairment losses (Note 8) | - | (79,510,000) |
| Impairment reversal (Note 8) | 18,363,000 | 34,150,000 |
| Income from investment fund participation units | 2,399,600 | 790,388 |
| | 75,572,196 | 13,636,853 |

Dividends were received from Sonae Investimentos, SGPS, SA (11,123,853 euro), Sonaegest, SA (55,875 euro), Sonae Sierra, SGPS, SA (37,391,100 euro) and Sonaecom, SGPS, SA (6,238,768 euro).

As at 31 December 2016 the caption gains /(losses) on sale investments is essentially related to the gain on the disposal of Sonae Investimentos bonds (20,844,000 euro).

# 30 Financial income / expenses

As at 31 December 2017 and 2016 net financial expenses are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Interest arising from: | | |
| Bank loans | (2,177,490) | (3,046,673) |
| Bonds | (2,137,348) | (3,226,578) |
| Other | (1,099,011) | (4,177,834) |
| Up front fees on the issuance of debt | (1,827,820) | (3,634,005) |
| Other financial expenses | (154,592) | (119,553) |
| Financial expenses | (7,396,261) | (14,204,643) |
| | | |
| Interest income | 3,243,663 | 29,483,595 |
| Finacial income | 3,243,663 | 29,483,595 |

# 31 External supplies and services

As at 31 December 2017 and 2016 external supplies and services are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Operational rents | 425,914 | 439,024 |
| Services obtained | 2,131,031 | 2,119,047 |
| Others | 1,017,747 | 1,228,536 |
| | 3,574,692 | 3,786,607 |

# 32 Staff costs

As at 31 December 2017 and 2016 staff costs are as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Salaries | 1,699,075 | 1,745,250 |
| Social costs | 160,301 | 170,648 |
| Other staff costs | 78,709 | 51,598 |
| | 1,938,085 | 1,967,496 |

# 33 Income tax

Income tax amount can be detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Current tax | (503,745) | (9,173,073) |
| Deferred tax | 3,281,349 | - |
| Saving arising on special regime for groups of companies | 23,017,951 | (43,395) |
| | 25,795,555 | (9,216,468) |

The reconciliation between the profit before taxes and the tax charge for the years ended 31 December 2017 and 2016 are summarized as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Profit before taxes | 67,427,715 | 25,156,686 |
| Change in accounting policy | - | 45,360,000 |
| (Decrease) / Increase to net income for tax purposes | | |
| Dividends | (54,809,596) | (37,362,910) |
| Impairment losses | (18,363,000) | - |
| Others | 24,547 | (180,554) |
| Taxable income | (5,720,334) | 32,973,222 |
| Tax charge | 21% | 21% |
| Calculated tax | - | (6,924,377) |
| Saving arising on special regime for groups of companies | 23,017,951 | (43,395) |
| Deferred tax asset recognized by the Tax Group | 3,281,349 | - |
| Change in income tax estimate from previous years | (499,676) | (293,608) |
| Municipal surcharge | - | (1,948,259) |
| Autonomous taxation | (4,069) | (6,829) |
| Tax charge | 25,795,555 | (9,216,468) |

The caption Savings arising on Special tax regime for group companies correspond to the effect of the tax losses generated by subsidiaries within the tax group recognized by the parent company without giving rise to any financial cash flow or liability as described in Note 2.13.

As at 31 December 2017 and 2016, the amount of deferred tax assets and their movement can be detailed as follows:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| Opening balance | 966,895 | - |
| Record of deferred tax assets | 3,281,349 | 966,895 |
| Previous year income tax estimate excess /(insufiency) | 3,507,480 | - |
| Closing balance | 7,755,724 | 966,895 |

In accordance with Portuguese legislation, the tax losses for which deferred tax assets were recognized are as follows:

| | 31 Dec 2017 | |
|---|---|---|
| | Carried forward tax loss | Limit for use |
| Generated in 2016 | 21,306,549 | 2028 |
| Generated in 2017 | 15,625,470 | 2022 |
| | 36,932,019 | |

# 34 Earnings per share

Earnings per share for the period ended 31 December 2017 and 2016 were calculated taking into consideration the following amounts:

| | 31 Dec 2017 | 31 Dec 2016 Restated |
|---|---|---|
| **Net profit** | | |
| Net profit taken into consideration to calculate basic earnings per share (Net profit for the period) | 93,223,270 | 15,940,218 |
| Effect of dilutive potential shares | - | - |
| Interest related to convertible bonds (net of tax) | - | - |
| Net profit taken into consideration to calculate diluted earnings per share | 93,223,270 | 15,940,218 |
| **Number of shares** | | |
| Weighted average number of shares used to calculated basic earnings | 2,000,000,000 | 1,999,966,007 |
| Effect of dilutive potential ordinary shares from convertible bonds | - | - |
| Outsanding shares related with deferred performance bonus | 1,218,417 | 1,186,411 |
| Number of shares that could be acquired at average market price | (436,212) | (592,432) |
| Weighted average number of shares used to calculated diluted earnings per share | 2,000,782,205 | 2,000,559,986 |
| Profit/(Loss) per share | | |
| Basic | 0.046612 | 0.007970 |
| Diluted | 0.046593 | 0.007968 |

# 35 Reconciliation of liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities during 2017 is as follows:

| | Borrowings (note 21) | Group companies (note 22) |
|---|---|---|
| Opening balance as at 1 January 2017 | 464,040,105 | 38,642,000 |
| Receipts / (payments) arising from bank loans | (53,360,000) | - |
| Receipts / (payments) arising from group companies | - | 38,852,244 |
| Expenses on bank loans | 54,637 | - |
| Expenses on bond loans | 397,159 | - |
| Closing balance as at 31 December 2017 | 411,131,901 | 77,494,244 |

# 36 Dividends

For the year 2017, the Board of Directors will propose a gross dividend of 0.042 euro per share, in the total amount of 84,000,000 euro. This dividend is subject to the approval by shareholders of the Company in the Shareholders Meeting.

# 37 Approval of the financial statements

The accompanying financial statements were approved by the Board of Directors on 13th March 2018. These financial statements will be presented to the Shareholders' General Meeting for final approval.

# 38 Information required by law

**Decree-Law nr 318/94 art 5 nr 4**

In 2017 short-term loan contracts were entered into with the following companies:

Chão Verde - Sociedade de Gestão Imobiliária, SA

Elergone Energia, Lda

MCCARE, Serviços de Saúde, SA

Selifa - Sociedade de Empreendimentos Imobiliários, SA

SFS - Serviços de Gestão e Marketing, SA

SK Skin Health Cosmetics, SA

Sonae Center Serviços II, SA

Sonae Investimentos, SGPS, SA

Sonae RE, SA

Sonaecenter, Serviços, SA

Sonaecom - Serviços Partilhados, SA

Sonaecom, SGPS, SA

Sontel BV

As at 31 December 2017 amounts owed by subsidiaries can be detailed as follows:

| | Closing Balance |
|---|---|
| Sonae Investments, BV | 110,649,867 |
| Total | 110,649,867 |

As at 31 December 2017 amounts owed to subsidiaries can be detailed as follows:

| | Closing Balance |
|---|---|
| Sonae RE, SA | 1,199,000 |
| Sonaecenter Serviços, SA | 56,265,000 |
| Sontel, BV | 20,030,244 |
| Total | 77,494,244 |

## Article 66 A of the Commercial Companies Code

As at 31 December 2017, fees Statutory Auditor amounted to 38,845 euro fully related with audit fees.

Approved at the meeting of the Board of Directors held on March 13th, 2018

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

## LEGAL CERTIFICATION OF ACCOUNTS / AUDITORS REPORT

# Approval: Everything in Order

## STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Free translation of a report originally issued in Portuguese language: in case of doubt the Portuguese version will always prevail)

### REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

#### Opinion

We have audited the accompanying consolidated and separate financial statements of Sonae, SGPS, S.A. ("the Entity") and of its subsidiaries ("the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2017 (that presents consolidated and separate total assets of Euro 5,604,652,236 and Euro 3,988,402,723, respectively; consolidated and separate equity of Euro 2,135,038,133 and Euro 3,484,577,181 , respectively, including a net profit attributable to the Entity's shareholders of Euro 165,753,915 and an Entity's net profit of Euro 93,223,270, respectively), the consolidated and separate statements of profit and loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the accompanying notes to the consolidated and separate financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present true and fairly, in all material respects, the consolidated and separate financial position of Sonae, SGPS, S.A. as at 31 December 2017 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated and separate financial statements" section below. We are independent from the entities that constitute the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Applicable to consolidated financial statements

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s responses to the assessed risks of material misstatement</th></tr>
<tr><td colspan="2">Impairment of Goodwill and other non-current assets<br>(Notes 2.2, 2.9, 2.13 a), 8, 10, 12, 32 and 37 to the consolidated financial statements)</td></tr>
<tr><td>As at 31 December 2017, the carrying amount of goodwill amounts to 634 million Euro, tangible assets to 1,651 million Euro and intangible assets to 368 million Euro.<br><br>As disclosed in Notes 2.2 and 2.9, the Group recognizes impairment losses when the recoverable amount of a given asset or group of assets is lower than its carrying amount.<br><br>The impairment tests involve complex judgements, based on business plans, which are supported in assumptions, such as discount rates, forecasted margins, short term and long term growth rates, capital expenditure plans as well as the demand behaviour.<br><br>In some situations, namely for real estate assets, the group estimates fair value less costs to sell, essentially by the use of valuations performed by specialists. Such valuations are also based on several assumptions.<br><br>As a result of the analysis performed, the Group recognized, on its consolidated financial statements as at 31 December 2017, impairment losses on Goodwill in the amount of 2 million Euro on tangible and intangible assets and 3 million Euro in relation with investments in associates (Note 37).</td><td>Our audit procedures included the evaluation of relevant controls in relation with the assessment of impairment indicators in what relates with non-current assets, analysis of the recoverability of Goodwill and of cash generating units with Goodwill associated, as well as review of the impairment tests, in the cases where impairment indicators in non-current assets were identified by the Group.<br><br>In what concerns the estimate of the recoverable amount used by the Group in impairment evaluation, our procedures included:<br><br>• review of the criteria used by the Group to determine cash generating units;<br><br>• obtaining the valuation models used to determine the recoverable amount of each cash generating unit and test the clerical correction of those models;<br><br>• review of the methodology used by the Group to determine the value in use, namely its compliance with applicable accounting standards;<br><br>• assessing the assumptions used in the referred models, involving, whenever deemed necessary Deloitte specialists to challenge those assumptions, namely discount rates, short term and long term growth rates used, in addition to projected cash flows;<br><br>• meeting with management and other officers responsible for the preparation of the valuation models;<br><br>• performing sensitivity analysis on key assumptions in order to assess the model used and its forecasts;<br><br>• analysis of the procedures performed by the significant component auditors in relation of which the matter is applicable on the basis referred to in the following Key Audit Matter.<br><br>For the assets that were measured at fair value based on market values, we assessed the assumptions used, namely lease income and yields used by the Group and its specialists, as well as assessed the adequacy of the methodologies used comparing this year valuations with the ones provided in previous periods.<br><br>We evaluated the adequacy of disclosures made in relation with this matter.</td></tr>
<tr><td colspan="2">Valuation of investments in joint ventures and associates<br>(Notes 2.2. b), 6.2, 6.3 and 11 to the consolidated financial statements)</td></tr>
<tr><td>As at 31 December 2017, the Group holds significant investments on joint ventures and associates, with a carrying amount of 1,414 million Euro, mainly corresponding to shares of Sonae Sierra (601 million Euro), and NOS, through ZOPT, SGPS, S.A. (688 million Euro), as well as on a group of venture capital funds (79 million Euro).<br><br>Interests in joint ventures and associates are recognized in accordance with the equity method (Note 2.2.b), hence there is a risk for those investments to be incorrectly measured due to: (i) not recognizing eventual impairment losses that might arise, and from (ii) misstatements on the financial statements of those entities.<br><br>In what concerns impairment analysis over the referred investments it is worth mention:<br><br>• In relation with the investment in ZOPT, SGPS, S.A., the impairment tests are based on the assumptions of the future profitability of the related businesses, forecasted considering the short and long term growth rates, discounted to the end of the period (Note 11.3).</td><td>Our audit procedures included:<br><br>• obtaining the financial statements of the joint ventures and associates as well as the last available Auditors’ Report;<br><br>• validating the proper application of the equity method on the mentioned entities;<br><br>• verifying the valuation models used to determine the recoverable amount of each joint venture or associate investment as well as reviewing the clerical correction of the models;<br><br>• comparing ZOPT, SGPS, S.A. investment’s carrying amount with the market value of its assets (NOS);<br><br>• regarding ZOPT, SGPS, S.A. evaluation of associates on african markets:<br><br>- assessing the assumptions used in the models, including discount rates used, long term growth rates and forecasted cash flows;<br><br>- consulting with Deloitte specialists to challenge the assumptions used, namely discount rates and long term growth rates;<br><br>- assessing the consistency of the valuation performed at Sonae level with the valuation used for impairment</td></tr>
</table>

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|---|---|
| As referred in Note 11.3, ZOPT, SGPS, S.A. presents a significant exposure to African markets due to its investments in associates in Angola and Mozambique, with a carrying amount of, approximately, 195 million Euro. The Group performed impairment tests on the carrying amount of those investments considering the functional currencies of each associate.<br><br>Current economic conditions in those markets, namely the fact that Angolan economy was classified as hyperinflationary in 2017, cast additional risks of impairment over those investments, hence sensitivity tests were performed on the key assumptions and its results are disclosed in the referred note.<br><br>• In relation with Sonae Sierra SGPS, S.A., its recoverable amount is computed with reference to its selling price based on the valuation at fair value of its investment properties determined by specialized valuers (Notes 6.2 and 11.3.) and in accordance with INREV (European Association for Investors in Non-Listed Real Estate Vehicles) guidelines for Net asset value calculations.<br><br>• In what concerns Venture Capital Funds, the analysis is performed based on its equity considering that such funds measure its financial investments at fair value (Note 11.1).<br><br>Regarding risks of material misstatements on the financial statements of the referred joint ventures, it is important to mention:<br><br>• Sonae Sierra, SGPS, S.A.: the risk and complexity arising from the fair value measurement of investment properties;<br><br>• NOS, SGPS, S.A.: i) Revenue recognition and its inherent complexity as well as the recoverability of accounts receivable; ii) risk of inappropriate recognition of non-current assets, determination of useful live and its recoverability considering the significant amount of intangible assets (1,141 million Euro, including goodwill) and tangible assets (1,137 million Euro) – Note 6.3; and iii) the complexity judgement level regarding contingent liabilities at NOS (Note 47);<br><br>• Venture Capital Funds: the risk and complexity arising from the fair value measurement of financial investments held (Note 11.3).<br><br>The risk that material impairment losses might exist or errors in the fair value measurement given the amounts of the captions referred as well as the complex nature and judgements involved on the estimates used, causes us to consider this as a key audit matter. | purposes at Sonaecom, ZOPT and NOS when reviewing the work performed by the component auditors;<br><br>- considering the current economic environment, namely Angolan economy being considered hyperinflationary, as well as the uncertainty associated with the evolution of macroeconomic conditions. We have obtained the sensitivity analysis prepared by management to some assumptions used on the valuation of the referred associates, having verified that changes within a reasonable range may cause significant changes in the estimated recoverable value of the above mentioned investments, from 61% to 156% of its carrying amount (Note 11.3);<br><br>- analysis of the validation procedures of the adjustments made to financial statements on the basis of hyperinflation.<br><br>• we analysed the valuation performed over Sonae Sierra SGPS, S.A., regarding which we:<br><br>- obtained the valuation performed by independent specialized entities hired by the Group over the assets classified as investment properties;<br><br>- met with independent valuers and analysed the key assumptions used, namely lease income, discount rates and yields used;<br><br>- for a sample of assets, analysed the information provided to the valuers and validated its accuracy;<br><br>Additionally, Sonaecom, SGPS, S.A., ZOPT, SGPS, S.A. and the Venture Capital Funds are audited by other audit firms. In this context we issued audit instructions for the auditors of those entities in accordance with ISA 600 – Special considerations— Audits of Group Financial Statements (Including The Work of Component Auditors).<br><br>We assessed the technical competence of the component auditors and were involved in the Planning of the mentioned audits and, when considered relevant, reviewed the audit working papers assuring that the risks identified at group level were appropriately addressed. We reviewed the conclusion of the audit procedures to mitigate such risks, namely in what refers to internal control testing in the areas under analysis, and in what concerns revenue recognition.<br><br>We analysed the conclusion of financial statements audit, reviewed the reports issued by the component auditors and discussed the main conclusions and supporting information. |
| **Recoverability of non-current assets and deferred tax assets of retail operations in Spain**<br>(Notes 6.1 and 19 to the consolidated financial statements) | |
| As at 31 December 2017 the Group maintains recognized, approximately, 20 million Euro of deferred tax assets related with its retail operations in Spain, having recognized deferred tax liabilities amounting to 17.5 million Euro in relation with the same country (Note 19). The group maintains, approximately, 111 million Euro of non-current assets in that country (Note 6.1).<br><br>The recoverability of the above-mentioned assets depends on the accomplishment of the established business plans forecast by the entities taxed in Spain within the same tax group. The analysis of the recoverability of these assets involves a high level of judgement and uncertainty, namely considering the losses recorded in previous years by the retail | We obtained management documentation supporting the recoverability of deferred tax assets arising on tax losses carried forward of retail operations in Spain. We performed, among others, the following procedures:<br><br>• tested the arithmetical accuracy of the estimate and its compliance with Spanish tax rules;<br><br>• verified the consistency of the plan used to support the recoverability of deferred tax assets with the business plans for each business in Spain for the purpose of impairment testing;<br><br>• reviewed the main developments of the Group tax claims in Spain related with tax losses carried forward from previous years the corresponding tax effects, as well as assessed the |

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|---|---|
| operations in Spain as well as the long estimated period to recover the deferred tax assets (10 years) (Note 19).<br><br>For the above mentioned factors we consider this as a key audit matter. | impacts of such developments in future taxable profits of the Group in Spain;<br><br>• performed a specific analysis over the Spanish operations, namely verifying the capacity of the companies taxed under the consolidated tax regime to generate sufficient taxable income to offset the tax losses carried forward for which deferred tax assets have been recognized;<br><br>• assessed the main assumptions used by management regarding retail operations in Spain.<br><br>We evaluated the adequacy of disclosures made in relation with this matter. |

**Commercial income from suppliers**
(Notes 2.11, 2.17, 14, 18 and 39 to the consolidated financial statements)

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|---|---|
| As described in Notes 2.11 and 2.17 to the consolidated financial statements, the Group, through its retail operations, signs a significant number of agreements with suppliers from which obtains commercial income.<br><br>Commercial income from suppliers is an area of focus due to the quantum, complexity and the number of transactions recorded.<br><br>Generically, commercial income has two main natures:<br><br>(i) volume based discounts being recorded as a deduction to cost of sales, whenever not directly related with specific promotions. Determining the applicable volume of purchases made or to be made during the year, and the range of criteria on the determination of the products targeted for each specific discount, increases significantly the complexity of the calculations of the referred agreements;<br><br>(ii) related with promotional agreements linked with specific actions, placement of articles in stores, based on sales made to final customers, among other natures, but not directly related to the purchase of inventory, which are recognized as "Other operating income" (Notes 2.17 and 39).<br><br>The accounting recognition of each nature implies the existence of written agreements, detailed analysis of the terms of such agreement, judgement regarding the classification and timing of recognition of the income, being supported in specific information systems with defined categories of commercial income, being its accounting treatment mainly daily and automatic based on the applicable categories.<br><br>Given the nature of the operation, the materiality of the amounts involved, the judgement implicit in the recording and classification of the agreements made with suppliers, we consider the existence of a risk that the agreements are not being dully formalized or that the accounting of such agreements is not aligned with group accounting policies, hence we consider this area as a key audit matter. | Our audit procedures in this area included the analysis of the design and implementation of controls over commercial income as well as the assessment of operating effectiveness of identified key controls, when considered adequate.<br><br>The analysis of operating effectiveness of controls implemented by the Group includes not only the analysis of procedures established over the agreements, its existence, approval and proper agreement with suppliers, but also internal controls over information systems and interfaces supporting the computation of income, namely on volume based agreements, in order to assure the completeness and accuracy of data.<br><br>Additionally, among others, we performed the following procedures:<br><br>• several analytical procedures, namely involving the analysis of monthly changes in main captions, analysis of income over purchase ratios, comparing ratios with the ones verified in previous years;<br><br>• for a sample of agreements, selected based on quantitative and qualitative criteria, we performed an evaluation of these agreements and verified that those were properly agreed with suppliers;<br><br>• for the above mentioned sample, we independently computed the amount of discounts and compared it with accounting records, validating, when applicable, the amount of purchases used;<br><br>• for that sample, we validated the adequacy of the accounting treatment used;<br><br>• We also performed a sample over agreements accrued at year-end, verified the agreements and the proper cut off of income. Additionally, we performed specific cut-off procedures, namely through the analysis of subsequent credits;<br><br>• additionally, we performed procedures in order to identify unusual transactions, namely when considering its amount, standard accounting procedures of the Group or because of being manual adjustments to the common procedures to recognize commercial income. For those cases, including the situations where accrued income was recognized, we selected a larger sample considering the risk of distortion, assessed the nature of each case and obtained the reasoning for its recognition not to have followed the usual recognition procedures, as well as we have examined the support for income recognition.<br><br>Besides the above mentioned procedures we obtained third party confirmation of balances for a sample of suppliers, chosen based on its relevance to the group purchases, as well as considering qualitative criteria identified by the audit team. We have reviewed, when applicable, the reconciliations obtained between information received and the group accounting records. |

**Net realizable value of Inventories**
(Notes 2.11 and 14 to the consolidated financial statements)

| | |
|---|---|
| As disclosed in Note 14, as at 31 December 2017, Sonae Group presents, approximately, 713 million Euro of Inventories in its statement of financial position. The analysis of the net realizable value of those inventories | Our audit procedures comprise the analysis of the Group procedures in what concerns to the valuation of inventories, verifying its adequacy with the accounting policies, and included: |

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|---|---|
| is judgemental and its complexity is increased due to the fact that the inventories are scattered in more than 1,300 stores and in several warehouses, as well as from the fact that the Group operates stores in several retail areas, such as food, electronics, fashion and sports.<br><br>The definition of criteria to identify items that might be signalled as obsolete or slow movers, and, consequently which net realisable value might be below its cost, as well as the criteria defined to adjust the cost of inventories are matters which require a significant amount of judgement, hence we consider the impariment of inventories as a key audit matter. | • the analysis of the criteria defined by the Group to identify the slow moving or obsolete items, as well as the criteria to adjust its carrying amount to net realizable value;<br><br>• testing the operating effectiveness in what concerns inventories, namely the adequate interface of the information systems used and the general computer controls applicable to those systems;<br><br>• obtaining from the Group the internal analysis over the defined criteria, performing a comparison of the results of these criteria with recent historical information;<br><br>• we have performed test regarding the correct arithmetical application of the defined criteria for a sample of random itens. |
| **Tax contingencies**<br>(Notes 2.12, 2.14, 2.15, 32 and 34 to consolidated financial statements) | |
| As described in Note 34, the Group maintains uncertain tax positions being disputed in tax courts, for which the Group granted warranties amounting to more than 1,110 million Euro (which considers tax amounts as well as other related expenses), part of which (532 million Euro) related to disputes of value added tax additional assessments ("VAT") on commercial income from suppliers, that tax authorities understand should be liable of VAT, as well as VAT deducted over discount vouchers deducted by non-corporate clients.<br><br>The classification of the litigations as contingent liabilities or provisions, or its measurement in accordance with accounting standards on income taxes, are matters that imply a significant amount of judgement and uncertainty, hence being subject to error or inadequate assessment. Consequently we consider this as an area of focus in our audit. | Our audit procedures, with the assistance of our tax specialists, in relation with additional tax assessments and tax disputes included the following:<br><br>• we obtained from the tax department of the Group, for the significant subsidiaries of the Group, the list of tax disputes and its evaluation of probability of loss;<br><br>• for a sample of the main claims, based on qualitative and quantitative criteria we:<br><br>o obtained the assessment performed by the Group as well as the documentation of the claims;<br><br>o reviewed correspondence with tax authorities, reviewed the tax claims and appeals made by the Group to courts;<br><br>o discussed with the company the support and arguments used by the Tax Group department and that are the base of the positioning of management;<br><br>o independently reviewed the assumptions established by the Group as well as the level of risk attributed in the classification of the contingency, based on evidence and existence information related with analysed tax assessments;<br><br>• We reviewed the disclosures on these matters. |

Applicable to separate financial statements

| Description of the most significant risks of material misstatement identified | Summary of the auditor's responses to the assessed risks of material misstatement |
|---|---|
| **Impairment of investments in subsidiaries, joint ventures and associates and changes in accounting policy**<br>(Notes 2.2, 5 and 8 to the separate financial statements) | |
| As referred in Note 5 to separate financial statements, the Entity changed the accounting policy regarding the measure of investments in subsidiaries, joint ventures and associates, measuring such investments at acquisition cost less impairment losses, when, up to 2016, such investments, whenever reliably measurable, were measured at fair value.<br><br>As at 31 December 2017, the Entity, in its separate financial statements, has investments accounted for at cost less impairment losses with a carrying amount of 3,825 million Euro.<br><br>Considering the materiality of the referred assets to the separate financial statements, the complexity of the change of accounting policy and the level of estimate involved in the measuring impairment, we consider this area to be a key audit matter. | We have verified the procedures used by the Entity in preparing the restated financial statements presented for comparative purposes, validating the historical data used for that purposes as well as the arithmetical accuracy of the calculation performed for the purposes of applying the new account policy as referred in Note 5 to separate financial statements.<br><br>Our analysis on impairment tests performed by the Entity is based on the procedures performed regarding impairment test of Goodwill and other non-current assets for consolidated purposes, as well as on the analysis of the arithmetical accuracy of the tests performed by management and analysis of the remaining assumptions and methodologies used, namely in what concerns the valuation of real estate assets.<br><br>We reviewed the adequacy of the disclosures performed. |

**Responsibilities of management and supervisor body for the consolidated and separate financial statements**

Management is responsible for:

- the preparation of consolidated and separate financial statements that give a true and fair view of the Group's and Entity's financial position, financial performance and cash flows in accordance accordance with IFRS as adopted by the European Union;
- the preparation of a management report, including a corporate governance report, in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- assessing the Group's and Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's and Entity's ability to continue as a going concern.

The Statutory Audit Board is responsible for overseeing the Group's and Entity's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated and separate financial statements**

Our responsibility is to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatements, 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 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 skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate 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;
- 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 or Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- 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 or 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 report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, 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;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited consolidated and separate financial statements, and considering our knowledge and appreciation of the Group, we did not identify material misstatements. In compliance with article 451, number 7 of the Portuguese Commercial Code, this report isn't applicable to non-financial information presented in "Sustainability report".

### About the Corporate Governance report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

### About the non-financial information disclosed in accordance with article 508 G of the Portuguese Companies' Code

In compliance with article 451, number 6 of the Portuguese Commercial Code we confirm that the Entity has prepared the non-financial information required by articles 508 G of the Portuguese Companies' Code, including such information in section "Sustainability report" of Sonae Financial Report '17.

### About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, and beyond the key audit matters mentioned above, we further report on the following:

- We have been appointed auditors of Sonae, SGPS, S.A. (parent-company of the Group) in the shareholders' general meeting that took place on 31 March 2003 for a first complete mandate covering the period between 2003 and 2006, which has been successively renewed. We have been appointed in the shareholders' general meeting that took place on 30 April 2015 for the present mandate covering the period between 2015 and 2018.
- The Board of Directors confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated and separate financial statements

due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated and separate financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Entity's Statutory Audit Board as at [•] March 2017.
- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors and that we kept our independence from the Group during the execution of the audit.

Porto, 29 March, 2018

Deloitte & Associados, SROC S.A.
Represented by Nuno Miguel dos Santos Figueiredo, ROC

# REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

## Conclusions: Advice and Knowledge

Report and Opinion of Sonae SGPS Statutory Audit Board

(Translation of a Report and Opinion originally issued in Portuguese.
In case of discrepancy the Portuguese version prevails)

To the Shareholders

1 – Report

1.1 - Introduction

In compliance with the applicable legislation and statutory regulations, as well in accordance with the terms of our mandate, the Statutory Audit Board presents its report over the supervision performed and its Report and Opinion on the Report of the Board of Directors and the remaining individual and consolidated documents of accounts for the year ended 31 December 2017, which are the responsibility of the Board of Directors.

1.2 – Supervision

During the year under analysis, the Statutory Audit Board, in accordance with its competence, accompanied the management of the Company and its affiliated companies, and has oversaw, with the required scope, the evolution of the operations, the adequacy of the accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies, valuation criteria used as well as the compliance with legal and regulatory requirements.

In the exercise of its competences and mandate, the Statutory Audit Board had fourteen meetings during the year, six of which in person, with the presence of, depending on the matters in the agenda, the Board of Directors, the officers in charge of Planning and Control department, Administrative and Accounting department, Treasury and Finance department, Tax department, Internal Audit department, Risk Management department, the Statutory Auditor and External Auditor and Sonae's ombudsman. Additionally, the Statutory Audit Board participated in the Board of Directors meeting where the Report of the Board of Directors and the financial statements for the year were approved.

The Statutory Audit Board verified the effectiveness of the risk management and internal control, analyzed the planning and the results of external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities and oversaw the reports issued by Sonae's ombudsman. The Statutory Audit Board has also assessed the process of preparing the individual and consolidated statements, communicated to the Board of Directors information regarding the conclusion and quality of the financial statements audit and its intervention in the process, has pronounced itself in favor of the rendering of non-audit services by the Statutory and External Auditor, having exercised its mandate in what concerns the evaluation of the competence and independence of external auditors, as well as to the supervision of the establishment of the Statutory and External Auditor remuneration.

In compliance with the law and its policy, the Statutory Audit Board fulfilled what is established in al. f), nº 3 of Artº 3º of External Audit Supervision Law n. º 148/2015 and Artº 16.º of EU Regulation n.º 537/2014, having organized an enlarged selection bid, independent of any external influence and free of any contractual clause of the type mentioned in n. º 6 of that law, that concluded in a proposal for election to the Shareholders´ General Meeting.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that had had material impact on the evolution of operations and on the individual and consolidated financial position of Sonae SGPS, S.A., and highlights the positive evolution of the business segments and main joint ventures which effects are visible in the economic and financial development of the Group.

In compliance with CMVM's Recommendation V.2., the Statutory Audit Board take in consideration the criteria established by CMVM in paragraphs 3 to 5 of article 4 of CMVM's Regulation for description of businesses with significant relevance between the company and shareholders of qualifying holdings or related entities, in accordance with the number 1 of article 20 of the Portuguese Securities Market Code, neither having identified relevant transactions that complied with that criteria nor identified any conflict of interests.

The Statutory Audit Board complied with CMVM's Recommendations II.2.1, II.2.2, II.2.3, II.2.4 and II.2.5, regarding Corporate Governance. Being all members of the Statutory Audit Board independent considering the legal criteria and professionally able to perform its duties, the Statutory Audit Board exercised its competences and its relations with the other statutory bodies and Company's services, in accordance with the principles and conduct recommended in the referred Recommendations.

The Statutory Audit Board reviewed the Corporate Governance Report, enclosed to the Report of the Board of Directors, in accordance with nr. 5 of article 420º of Commercial Companies Code, having verified that the it includes the elements referred to in article 245º-A of the Portuguese Securities Market Code.

Still, in the fulfilment of its duties, the Statutory Audit Board reviewed the Report of the Board of Directors, including the Corporate Governance Report, and remaining individual and consolidated documents of account prepared by the Board of Directors, concluding that these information was prepared in accordance with the applicable legislation and that it is appropriate to the understanding of the financial position and results of the Company and the consolidation perimeter, and has reviewed the Statutory Audit and Auditors' Report issued by the Statutory Auditor and agreed with its content.

2 – Opinion

Considering the above, in the opinion of the Statutory Audit Board, that all the necessary conditions are fulfilled in order for the Shareholders' General Meeting to approve:

a) the Report of the Board of Directors;

b) the individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2017;
c) the proposal of net profit appropriation presented by the Board of Directors.

3 – Responsibility Statement

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 and with the terms defined in paragraph c) nº 1 of the article 245º of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained individual and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Sonae, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding that the Board of Directors Report faithfully describes the business evolution, performance and financial position of Sonae, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face. It is also declared that the Corporate Governance Report complies with article 245º A of the Portuguese Securities Market Code.

Maia, 29 March 2018

The Statutory Audit Board

Daniel Bessa Fernandes Coelho

Manuel Heleno Sismeiro

Maria José Martins Lourenço da Fonseca