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ANNUAL REPORT



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MANAGEMENT REPORT

SONAECOM GROUP

1.1. Group at a glance

Sonaecom is a sub-holding of the Sonae Group for the Technology, Media and Telecommunications areas, created in 1994 and first quoted on Euronext Lisbon in 2000.

Its business portfolio includes the Software and Technology area, with Sonae Investment Management, the Online & Media area where there are businesses such as the "Público" daily, generalist newspaper which has been in print for over 27 years in Portugal and the Telecommunications area, which owns an important stake in the NOS group, which is the main asset in its portfolio.

Sonaecom holds a participation of 50% in ZOPT, SGPS, S.A., which in turn holds 52.15% of the share capital of NOS, SGPS, S.A. (NOS).

1.1.1. About Sonaecom

Our mission

Sonaecom is an entrepreneurial growth company that chooses exceptional people to work and unlock their full potential. Sonaecom relentlessly pursues the creation of innovative products, services and solutions that fulfil the needs of its markets and generate superior economic value.

1.1.2. Our values

Ethics and trust

Our fundamental commitment is to create economic value founded on the principles of ethical business practice and sustainable development. We take a long-term strategic view based on stakeholder relationships built around confidence and trust.

People at the centre of our success

We develop the competencies and capabilities of every Sonaecom employee through fresh challenges, an appetite for change and teamwork. Supported by an internal culture that promotes meritocracy, we believe these factors are crucial to attracting, retaining and developing people with outstanding talent and potential.

Ambition

As our guiding force, the strength of our ambition is reflected in the way we continuously challenge ourselves to remain resilient and determined in our efforts to improve our capabilities and add value to our clients.

Innovation

Innovation is the lifeblood of our business. By continuously challenging conventions, we consistently surprise the market. We believe that failure can also be a source of learning. At the same time, we are aware that it is important to balance mistakes within acceptable risk limits.

Social responsibility

We have an active sense of social responsibility. With a strong concern for the environment and the development of human knowledge, fulfilling this responsibility involves helping to improve the lives of the communities around us.

Frugality and efficiency

We value efficiency and healthy competition, and continuously strive to optimise the use of our resources while maximising their returns.

Co-operation and independence

We take a position of independence and autonomy in relation to central and local government. That said, we are always ready to co-operate with the authorities to improve the regulatory, legislative and social environment.

1.2. Corporate developments in 2017

Shareholders' Annual General Meeting

On 28 April 2017, Sonaecom's shareholders decided, at the company's Annual General Meeting, to approve all the proposals of the agenda, namely:

- 1. Discuss and approve the Company's Annual Report, and the Individual and Consolidated Accounts for 2016;
- 2. Decide on the proposed appropriation of the Net Results for year ended 31 December 2016;
- 3. Assess the management and audit of the Company;
- 4. Discuss and approve the document setting out the proposed remuneration policy to be applied to the Company's management and auditing bodies and to persons discharging managerial responsibilities, as well as on the plan to grant shares and its respective regulation to be applied by the Shareholders' Remuneration Committee;
- 5. Authorise the purchase and sale of own shares up to the limit of 10%, as permitted by Portuguese Company Law;
- 6. Authorise both purchasing or holding of shares of the Company by affiliated companies, under the terms of Article 325-B of Portuguese Company Law.

Acquisition of several minority stakes:

Eat Tasty

In March, Bright Development Studio, SA, acquired a minority stake investing through a convertible loan in Eat Tasty, a start-up born in the North of Portugal and with headquarters in Lisbon, aims to bring to everyday life the homemade flavors, created by a network of neighborhood cooks who operate in their homes with guidance of two experienced Chefs.

Probe.lu

Probe.ly started as an internal project at Bright Development Studio, SA, wons Caixa Capital Empreender Award 2017 and, on May, 11th evolved from an MVP (Minimum Valuable Product) to an independent startup that aims to help companies building more secure applications.

• Omotria

In June, Sonae IM acquired a stake in Ometria, a London-based Al-powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers. Sonae IM has entered as a new investor in a \$6m Series A investment round, alongside several strategic investors (including Summit Action, the US VC fund of the Summit Series).

Secucloud

In October, Sonae IM announced its investment in Secucloud, a Germany based company that provides a cloud security platform for protecting all devices (subscriber endpoints) and operating systems with no installation required, offered to Telcos & ISPs as a white label solution.

Artic Wolf

In November, Sonae Im invested in Artic Wolf Networks, a US based campany, global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response (MDR), which provides a unique combination of technology and services for clients to quickly detect and contain threats. US technology investors Lightspeed Venture Partners and Redpoint were joined by Sonae IM and Knollwood Investment Advisory in the last round.

Continuum Security

In November, Sonae IM invested in this Spanish based company with an application security platform to address vulnerabilities early in the development process. The investment was made through an investment round of €1.5million euros, which was led by Swaanlaab Venture Factory.

Investment Reinforcement in Armilar Funds

Sonae Investment Management (Sonae IM), reinforced its stake in Armilar III Fund, participating in the capital increases occurred in March, July and November.

Also in Armilar II fund, Sonae IM reinforced its stake as a result of the withdrawal of a shareholder, occurred in July.

Constitution of Vector I Fund

In September, Sonae IM and IFD (Instituição Financeira de Desenvolvimento, S.A.) lauched Vector I Fund, in which Sonae IM holds a 50.13% stake. The Fund aims to invest in innovation processes, dedicated to the development of new products, and to support the creation and development of new technological companies; early-stage projects (this is, startups in Pre-seed/Seed to Series A investment stages).

1.3. Disclosure of Non-Financial Information

The non-financial information and the information about diversity at Sonaecom, as required by Decree Law n.89/2017, from July, 28th, which transposes the Directive n. 2014/95/UE from de European Parliament and of the Council, will be disclosed in the Sonae Group Sustainability Report, accordingly with the mentioned law and in the terms of article 508º-G n. 7 from the Portuguese Commercial Companies Code, introduced by that law.



2.1. Business Overview in 2017

2.1.1. Sonaecom Consolidated Results

Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method – which owns 52.15% stake in NOS, continues to grow in all its core services, posting total RGU and Operating Revenues growth.

Technology area, during 2017, continued to pursue its active portfolio strategy, with six new investments closed, a new pre-seed fund formally launched and reinforcement in some portfolio companies while commanding a strong pipeline with multiple active processes, across all investment stages.

Consolidated turnover in 2017 reached 139.6 million euros, increasing 6.9% when compared to 2016, with both technology and media areas contributing positively.

Operating costs amounted to 141.9 million euros, 8.1% above 2016. Personnel costs grew 11.1% reflecting the increase in the average number of employees. Commercial costs increased 33.7% to 48.8 million euros, driven by the increase in cost of goods sold, aligned with the higher level of sales. The decline in other operating costs is mainly explained by the lower level of Outsourcing services.

Total EBITDA stood at 27.3 million euros, 52.3% above 2016, essentially on the back of equity results, impacted mostly by ZOPT contribution which, in turn, depends on NOS net income evolution. Underlying EBITDA decreased to 0.3 million euros.

Sonaecom's EBIT increased to 17.8 million euros, from 2.5 million, mainly explained by the higher level of EBITDA but also driven by the lower depreciation costs.

Net financial results reached negative 1.0 million euros in 2017 that compares with negative 5.3 million in the previous year.

Sonaecom's earnings before tax (EBT) increased from negative 2.8 million to 16.8 million euros, driven by the higher EBITDA and the higher net financial results.

Indirect results of 6.8 million euros are related with Armilar Venture Funds' portfolio fair value adjustments. The 28.5 million euros recorded in 2016 are related with the acquisition of those stakes.

Net results group share stood at 22.8 million euros, which compares with 48.1 million euros in 2016.

Sonaecom's operating CAPEX decreased to 8.6 million euros, reaching 6.1% of turnover, 1.9 p.p. below 2016.

The cash position stood at 197.9 million euros, decreasing 6.3 million euros since December 2016, driven namely by 23.5 million euros of dividends distribution, which were not fully compensated by the positive free cash flow generation.

2.1.2. Sonaecom Consolidated Income Statement

Million euros		Nor	n-audited					
CONSOLIDATED INCOME STATEMENT	4Q16	4Q17	Δ17/16	3Q17	q.o.q.	2016	2017	Δ17/16
Turnover	32.4	34.5	6.3%	28.7	20.1%	130.5	139.6	6.9%
Service Revenues	23.8	23.4	-1.7%	20.1	16.1%	90.5	87.5	-3.3%
Sales	8.6	11.1	28.2%	8.5	29.6%	40.0	52.0	30.0%
Other Revenues	0.6	0.9	44.1%	0.8	10.7%	1.5	2.7	76.0%
Operating Costs	32.8	35.2	7.3%	30.3	16.2%	131.2	141.9	8.1%
Personnel Costs	13.7	14.8	7.7%	14.3	2.9%	51.5	57.3	11.1%
Commercial Costs ⁽¹⁾	8.0	10.3	28.3%	7.8	32.0%	36.5	48.8	33.7%
Other Operating Costs ⁽²⁾	11.1	10.2	-8.1%	8.2	24.7%	43.2	35.8	-17.1%
EBITDA	1.4	3.4	142.9%	6.6	-48.7%	17.9	27.3	52.3%
Underlying EBITDA ⁽³⁾	0.2	0.1	-57.5%	-0.8	-	0.8	0.3	-60.7%
Equity method ⁽⁴⁾	1.2	3.3	177.9%	7.4	-55.8%	17.1	27.0	57.6%
Underlying EBITDA Margin (%)	0.6%	0.3%	-0.4pp	-3.0%	3.2рр	0.6%	0.2%	-0.4рр
Depreciation & Amortization	7.5	2.1	-71.5%	2.4	-10.8%	15.5	9.4	-39.2%
EBIT	-6.1	1.2	-	4.2	-71.4%	2.5	17.8	-
Net Financial Results	-0.1	-0.6	-	-0.2	-152.1%	-5.3	-1.0	80.4%
Financial Income	0.6	1.8	180.5%	0.5	-	14.9	4.6	-68.9%
Financial Expenses	0.7	2.3	-	0.7	-	20.2	5.7	-71.9%
EBT	-6.2	0.6	-	4.0	-83.7%	-2.8	16.8	-
Tax results	19.8	-2.7	-	0.2	-	22.2	-0.8	
Direct Results	13.7	-2.1	-	4.2	-	19.3	16.0	-16.9%
Indirect Results ⁽⁵⁾	28.5	(0.0)	-	7.1	-	28.5	6.8	-
Net Income	42.1	-2.1	-	11.3	-	47.8	22.9	-52.1%
Group Share	42.1	-2.1	-	11.3		48.1	22.8	-52.7%
Attributable to Non-Controlling Interests	0.0	0.1	-	0.0	-	-0.4	0.1	-

¹⁾ Commercial Costs = COGS + Mktg & Sales Costs (2) Other Operating Costs = Outsourcing Services + G&A + Provisions + others;
3) Includes thebusinesses fully consolidated by Sonaecom;
4) Includes the 50% holding in Unipress, the 50% holding in SIRS, the 50% holding in Big Data and the 50% holding in ZOPT;
5) Includes equity method adjustments related with AVP funds.

2.1.3. Sonaecom Consolidated Balance Sheet

Million euros		Non	-audited					
CONSOLIDATED BALANCE SHEET	4Q16	4Q17	Δ17/16	3Q17	q.o.q.	2016	2017	Δ17/16
Total Net Assets	1 104.5	1 105.6	0.1%	1098.4	0.7%	1 104.5	1 105.6	0.1%
Non Current Assets	812.8	839.9	3.3%	829.8	1.2%	812.8	839.9	3.3%
Tangible and Intangible Assets	30.1	28.2	-6.2%	28.4	-0.7%	30.1	28.2	-6.2%
Goodwill	23.7	23.4	-1.4%	23.4	-0.1%	23.7	23.4	-1.4%
Investments	746.6	777.2	4.1%	766.4	1.4%	746.6	777.2	4.1%
Deferred Tax Assets	9.3	7.3	-21.4%	8.5	-14.2%	9.3	7.3	-21.4%
Others	3.1	3.8	22.1%	3.0	25.6%	3.1	3.8	22.1%
Current Assets	291.7	265.7	-8.9%	268.6	-1.1%	291.7	265.7	-8.9%
Trade Debtors	47.1	47.2	0.1%	37.6	25.5%	47.1	47.2	0.1%
Liquidity	210.3	202.0	-3.9%	190.3	6.1%	210.3	202.0	-3.9%
<u>Others</u>	34.3	16.5	-51.9%	40.7	-59.5%	34.3	16.5	-51.9%
Shareholders' Funds	1 033.1	1 031.9	-0.1%	1 032.7	-0.1%	1 033.1	1 031.9	-0.1%
Group Share	1 033.3	1 030.3	-0.3%	1 032.8	-0.2%	1 033.3	1 030.3	-0.3%
Non-Controlling Interests	-0.2	1.6	-	-0.2	-	-0.2	1.6	
Total Liabilities	71.3	73.7	3.4%	65.8	12.1%	71.3	73.7	3.4%
Non Current Liabilities	19.7	18.5	-6.2%	19.4	-4.5%	19.7	18.5	-6.2%
Bank Loans	3.8	2.4	-36.4%	3.2	-25.4%	3.8	2.4	-36.4%
Provisions for Other Liabilities and Charges	4.9	3.6	-26.8%	3.6	-1.1%	4.9	3.6	-26.8%
Others	11.1	12.5	13.2%	12.5	-0.2%	11.1	12.5	13.2%
Current Liabilities	51.6	55.2	7.0%	46.4	19.0%	51.6	55.2	7.0%
Loans	1.2	1.2	-3.0%	1.2	-0.6%	1.2	1.2	-3.0%
Trade Creditors	15.6	16.0	2.6%	12.5	27.7%	15.6	16.0	2.6%
Others	34.7	38.0	9.4%	32.6	16.4%	34.7	38.0	9.4%
Operating CAPEX ⁽¹⁾	2.4	2.0	-16.1%	2.1	-4.1%	10.5	8.6	-18.9%
Operating CAPEX as % of Turnover	7.3%	5.8%		7.3%		8.1%	6.1%	
Total CAPEX	7.5 <i>7</i> 0 34.7	11.0	-1.5pp -68.2%	7.3 <i>7</i> 6 3.5	-1.5pp	6.1 <i>7</i> 0 45.5	20.6	-1.9pp -54.6%
					7/. 00/	45.5 -9.7	-8.2	
Underlying EBITDA - Operating CAPEX	-2.2	-1.9	12.1%	-2.9	34.9%	-3./	-0.∠	15.4%
Gross Debt	6.0	4.1	-31.8%	5.1	-18.7%	6.0	4.1	-31.8%
Net Debt	-204.2	-197.9	3.1%	-185.3	-6.8%	-204.2	-197.9	3.1%

⁽¹⁾ Operating CAPEX excludes Financial Investments.

2.1.4. Sonaecom Consolidated Free Cash Flow (FCF)

Million euros		Non	ı-audited					
LEVERED FREE CASH FLOW	4Q16	4Q17	Δ17/16	3Q17	q.o.q.	2016	2017	Δ17/16
Underlying EBITDA-Operating CAPEX	-2.2	-1.9	12.1%	-2.9	34.9%	-9.7	-8.2	15.5%
Change in WC	-4.4	23.6	-	-1.4	-	-4.9	22.6	-
Non Cash Items & Other	2.9	1.2	-59.4%	1.0	13.9%	2.1	1.8	-14.4%
Operating Cash Flow	-3.7	22.9	-	-3.3	-	-12.5	16.2	
Investments	-35.0	-8.7	75.1%	-1.4	-	46.8	-12.1	-
Dividends	0.0	0.0	-	7.5	-100.0%	20.1	16.5	-17.7%
Financial results	0.9	-1.2	-	-0.9	-24.3%	-0.5	-4.0	-
Income taxes	-0.2	-1.5	-	-0.3	_	-0.1	-0.5	
FCF ⁽¹⁾	-37.9	11.5	-	1.5	-	53.6	16.1	-69.9%

⁽¹⁾ FCF Levered after Financial Expenses but before Capital Flows and Financing related up-front Costs.

2.2. Telecommunications Results in 2017

NOS operating revenues were 1,561.8 million euros in 2017, growing 3.1% y.o.y. EBITDA reached 580.6 million euros, increasing 4.3% when compared to 2016 and representing a 37.2% EBITDA margin. CAPEX amounted to 380.6 million euros in 2017, a decrease of 3.1% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX increased 21.9%.

At the end of 2017, net financial debt totalled 1,085.5 million euros, equal to 1.9x EBITDA, and with an average maturity of 3 years.

NOS published its 2017 results on 12th March, 2018, which are available at www.nos.pt.

During 2017, NOS share price decreased 2.86% from €5.638 to €5.481, whilst PSI20 increased by 15.2%.

Operational Indicators

Million euros		Noi	n-audited					
Operational Indicators ('000)	4Q16	4Q17	Δ17/16	3Q17	q.o.q.	2016	2017	Δ17/16
Total RGUs	9 076.8	9 411.7	3.7%	9 365.7	0.5%	9 076.8	9 411.7	3.7%
Convergent RGUs	3 387.2	3 650.6	7.8%	3 631.5	0.5%	3 387.2	3 650.6	7.8%

Financial indicators

Million euros		Non	ı-audited					
NOS HIGHLIGHTS	4Q16	4Q17	Δ17/16	3Q17	q.o.q.	2016	2017	Δ17/16
Operating Revenues	390.9	399.3	2.2%	393.1	1.6%	1 515.0	1 561.8	3.1%
EBITDA	125.0	129.1	3.3%	151.2	-14.6%	556.7	580.6	4.3%
EBITDA margin (%)	32.0%	32.3%	0.4pp	38.5%	-6.0рр	36.7%	37.2%	0.4pp
Net Income	12.0	18.6	55.3%	33.6	-44.6%	90.4	124.1	37.3%
CAPEX	100.0	117.0	17.0%	90.8	28.9%	392.7	380.6	-3.1%
EBITDA-CAPEX	24.9	12.1	-51.6%	60.5	-80.0%	164.1	200.1	21.9%

2.3. Technology Results in 2017

The Technology area aims to build and manage a portfolio of technology businesses around retail and telecommunications, as well as cybersecurity, with an international scale. This area currently comprises, alongside with minority stakes and Bright Pixel, five controlled companies – WeDo Technologies, S21Sec, Saphety, Bizdirect and Inovretail - that generated circa 50.3% of its revenues outside the Portuguese market with 38.7% out of the total 1,028 employees based abroad.

WeDo Technologies is a worldwide leader in Revenue Assurance and Fraud Management that works with more than 180 telecommunications operators in over 100 countries. The international markets represented 77.1% of its turnover.

WeDo Technologies' market leadership was recognized by Stratecast (Frost & Sullivan's Stratecast Global Communication Services Providers Financial Assurance Market Leadership), and the excellence of its products and implementations were recognized by Falcon Business Research (Best Revenue Assurance & Fraud Management Solution) and Informa BSS&OSS Latam Awards (Best Revenue Assurance Solution), amongst others.

During 2017, WeDo Technologies hosted its Worldwide User Group in Lisbon with more than 300 attendees and more than 65 telecom operators. The Company also held its User Group Americas in Miami and a regional event in Malaysia, with over 85 attendees, including 17 telecom operators. It also marked its presence at the Mobile World Congress in Barcelona, where it launched an online platform for Telecom Operators, counting with a set of cloud-based applications, RAID.Cloud, that tackle fraud, revenue loss and other telecom operational issues.

WeDo's RAID.Cloud also features ground breaking applications in customer digital risk profiling and crowdsourced service assurance analytics, leveraging the latest technologies in Artificial Intelligence and Machine Learning.

During 2017, the company acquired seventeen new telecom customers based in Moldova, Greece, Australia, Sri Lanka, USA, Benin, Georgia, UK, Curacao, Vietnam, Brazil, South Africa and Niger.

It is also worth noting that WeDo Technologies signed a Global Partnership agreement with Ericsson aiming at helping Operators in maximizing the value of their digital transformation investments, through smarter risk management and revenue stream protection.

S21Sec is a reference multinational pure cybersecurity player, focused on the delivery of cyber security services and development of proprietary supporting technologies. Since its foundation, the company has grown through constant R&D investment and today works with a global customer base, leveraging its teams in Spain, Portugal and Mexico.

S21sec has a strong commitment to the government sector and a recurrent collaboration with law enforcement agencies.

During 2017, the company worked on its portfolio positioning to focus as an MSSP (Managed Security Services Provider), with all the services provided built around continuity with customers. In what concerns its own product, Lookwise Device Manager (LDM), a world-class product for the ATM Protection market, the strategy also evolved very positively with relevant contracts being signed with Mexican Banks and with a leading global bank, the latter with a project including a significant number of licenses. Despite the growing number of cyber-attacks, no S21sec customer was affected by the 2 global attacks, WannaCry and Petya, occurred in 2017.

With a positive impact on brand visibility, S21sec powered Donostia Cyber Sec Event 2017 in San Sebastián and S21Sec Revolution event with Cymulate and FireEye. The Company participated also in several relevant events for the sector like "Mundo HackerDay", "Infosecurity Europe 2017", "Secure Payments & ID Congress 2017", "E-Crime & Cybersecurity Spain", "Cybercamp 2017", "IX International Congress of Industrial Cyber Security" in Madrid, "ATM & Cyber Security" in London and "Prevent of Fraud & Security Congress" in Colombia, among others.

Saphety is a solutions provider for business processes optimization that has a foothold in electronic invoicing and EDI (Electronic Data Interchange) market as well as in data synchronization for GS1 worldwide organizations.

This period has been marked by a market share reinforcement at Saphety GOV with 151 new customers. Saphety DOC also presented growth while EBP (Electronic Billing Presentment) project at Oi evolved favorably. After being homologated as an elnvoice platform by Colombian tax authorities in 2016, Saphety closed its first Saphety DOC contracts in the country, aligned with the defined market strategy.

Saphety's customer base has now over 8,500 customers and 130,000 users in 34 countries with international markets representing almost 30% of total revenues.

Bizdirect is a technology company specialized in IT solutions commercialization, consulting and management of corporate software licensing contracts and Microsoft solutions integration.

During 2017 Bizdirect revenues grew 16.0% versus 2016 while the Cloud business unit, focused in Microsoft contract management, infrastructure sale and Cloud products and services, grew more than 17%. Nearshore business unit, supported by Bizdirect Competence Center in Viseu, won 7 new customers.

International revenues represented 7.7% of total Turnover as Bizdirect notoriety in the European market is growing. Nearshore already counts with 32 international customers accross 15 countries.

InovRetail is a company focused in the development of advanced analytics tools, aiming to assist retailers in improving performance by making more informed decisions. The company's main product is the predictive analytics engine, Smart Measure, that provides highly reliable sales forecasts, promotion impacts and stock levels, based on machine learning algorithms that combine data from the retailers' stores and sales, as well as from over 100 external sources. The next steps include accelerating growth in existing markets, as well as penetrating new ones, through the investment in building up the team, improving the SaaS platform and reinforcing R&D.

Bright Pixel is a company builder studio whose goal is to transform the creation of new ventures and the way companies address innovation. Bright Pixel is managing a venture lifecycle going from experimentation and lab phases that have the objective to identify ideas and projects that should be

brewed in its incubation programme. Bright Pixel invests and supports the development of internally brewed projects as well as assisting their first batch of invited startups in their product development roadmap and market rollout. *Probe.ly*, having started as an internal project, won the *Caixa Capital Empreender Award 2017*, has recently stepped from MVP (minimum valuable product) to an independent startup.

Bright Pixel is also investing in events, like Pixels Camp, to link its activity to the tech community as well as promoting a close relationship with its

Bright Pixel is also investing in events, like Pixels Camp, to link its activity to the tech community as well as promoting a close relationship with its partners, by developing quick proof of concepts aimed at resolving technology and business needs in themes such as retail, media, cyber-security and telecommunications.

Armilar Venture Funds are the 3 Venture Capital funds in which Sonae IM owns participation units acquired to Novo Banco. With this transaction, concluded in December 2016, Sonae IM reinforced its portfolio with sizeable stakes in leading edge companies such as Outsystems and Feedzai, both consistently presenting meaningful and sustainable levels of growth.

Stylesage is a strategic analytics SaaS platform that helps fashion, home and beauty retailers and brands with critical pre, in and post season decisions globally. Every day, StyleSage pulls product data from competitors' ecommerce websites from around the world. Then, with groundbreaking technology in machine learning and visual recognition, StyleSage cleans, organizes, and analyzes the massive amounts of collected data into a cloud-based dashboard that empowers brands and retailers to make informed, data-driven decisions in areas such line planning, markdown optimization, and global expansion.

Ometria is a London based AI powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers. This investment was done by Sonae IM in the \$6m Series A round, alongside several strategic investors (including Summit Action, the US VC fund of the Summit Series).

Secucloud is a Germany based company that provides a cloud security platform for protecting all devices (subscriber endpoints) and operating systems with no installation required, offered to Telcos & ISPs as a white label solution. Sonae Investment Management totally subscribed the multimillion Series B financing round.

ArticWolf, a US based campany, is a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response (MDR), which provides a unique combination of technology and services for clients to quickly detect and contain threats. US technology investors Lightspeed Venture Partners and Redpoint were joined by Sonae IM and Knollwood Investment Advisory in the last round.

Continuum Security is a Spanish based company with an application security platform to address vulnerabilities early in the development process. In order to realise their international growth plans, the company has raised an investment round of €1.5million euros, which was led by Swaanlaab Venture Factory and joined by JME Venture Capital and Sonae IM.

2.3.1. Financial data

Million euros		No	n-audited					
TECHNOLOGY AREA	4Q16	4Q17	Δ17/16	3Q17	q.o.q.	2016	2017	Δ17/16
Turnover	28.8	31.2	8.5%	25.3	23.3%	116.7	125.9	7.9%
Service Revenues	22.1	21.9	-0.9%	18.9	16.1%	84.7	81.9	-3.3%
Sales	6.6	9.3	39.7%	6.4	44.4%	32.0	44.0	37.7%
Other Revenues	0.4	0.7	61.8%	0.5	25.9%	1.0	1.8	81.2%
Operating Costs	27.7	29.7	7.6%	25.8	15.5%	113.0	123.1	8.9%
Personnel Costs	10.8	12.1	11.7%	11.8	2.2%	41.6	47.4	13.9%
Commercial Costs ⁽¹⁾	6.7	9.3	37.9%	6.6	41.7%	32.4	44.5	37.4%
Other Operating Costs ⁽²⁾	10.1	8.3	-17.2%	7.3	13.6%	39.1	31.2	-20.1%
EBITDA	1.5	2.1	39.0%	0.1	-	4.7	4.7	0.1%
EBITDA Margin (%)	5.3%	6.8%	1.5pp	0.3%	6.5pp	4.0%	3.7%	-0.3рр
Operating CAPEX ⁽³⁾	2.1	1.6	-21.8%	1.8	-9.1%	9.7	7.3	-24.4%
Operating CAPEX as % of Turnover	7.3%	5.3%	-2.0pp	7.1%	-1.9рр	8.3%	5.8%	-2.5pp
EBITDA - Operating CAPEX	-0.6	0.5	-	-1.7	-	-5.0	-2.6	47.2%
Total CAPEX	34.4	10.7	-69.0%	3.2	-	44.6	19.4	-56.5%

⁽¹⁾ Commercial Costs = COGS + Mktg & Sales; (2) Other Operating Costs = Outsourcing Services + G + Provisions + others;

(3) Operating CAPEX excludes Financial Investments.

Turnover increased 7.9% y.o.y., benefiting from the 4Q17 accelerating growth trend, with an 8.5% growth y.oy., supported on a very strong performance of the commercial activity.

Operating costs increased 8.9%, reaching 123.1 million euros, impacted by higher staff costs and higher commercial costs, despite the decline of other operational costs. Staff costs increased 13.9% driven by the growth in the number of employees. Commercial costs increased 37.4% driven by cost of goods sold, aligned with the higher level of sales, and other operating costs decreased 20.1%, mainly explained by lower levels of outsourcing costs.

EBITDA reached 4.7 million euros, slightly above LY, and reaching a margin of 3.7%.

EBITDA-operating CAPEX stood at negative 2.6 million euros, increasing when compared to 2016, mainly explained by the lower level of Operating CAPEX.

2.4. Media Results in 2017

During 2017, Público continued to pursue its digital strategy reinforcing digital competencies and presence in online platforms. Moreover, the company continued to be recognized by SND (Society for News Design), that had already attributed an Award of Excellence, in the 2016 Best of Digital Design competition. During 2017, Público was also awarded by "Prémio 5 Estrelas", in the Social Communication Players category, as one of the preferred brands in Portugal. UNESCO also attributed two Honor Awards in the category of "Human Rights and Integration", alongside with some other recognitions to specific articles.

Throughout 2017, the company continued to implement important initiatives aimed at strengthening Público as the reference Portuguese speaking news organisation: editorial newsletters launch, opinion panel renovation, offline distribution improvement and digital skills reinforcement, while developing three digital media projects funded by Google DNI (Digital News Initiatives) Innovation Funds.

The positive performance of online advertising revenues coupled with online subscriptions having translated into an overall 0.3% revenue growth, when compared to 2016. Total paid circulation grew 6.0% versus 2016. Recurrent EBITDA, despite negative, increased 11.0%, when compared to last year.

2.5. Risk Management

Risk Management is one of the components of Sonaecom's culture and a pillar of Corporate Governance. Sonaecom's activity is exposed to a variety of risks, namely:

Economic Risks

Sonaecom is exposed to the economic environment in Portugal, although, due to the increasing pace of the internationalization of the Software and Technology area, this exposure is more and more mitigated.

In the scope of economic risks, we can highlight the need for constant technological innovation, the risk of competition and the risk of specialization in the scope of Portfolio Management.

A more detailed description of these risks and the instruments used for their coverage is included in the Corporate Governance Report.

Financial Risks

The Company's activity is exposed to a variety of financial risks such as market risk, interest rate risk, currency risk, liquidity risk and credit risk, arising from the characteristic uncertainty of the financial markets, which is reflected in the ability to forecast cash flows and profitability.

The financial risk management policy of the Company, underlying a perspective of continuity of long term operations seeks to minimize potential adverse effects arising from that uncertainty, using, whenever possible and advisable, derivative hedging instruments. A more detailed description of the risks and the instruments used for their coverage is included in the notes to the accounts.

MANAGEMENT REPORT

CAPITAL MARKETS

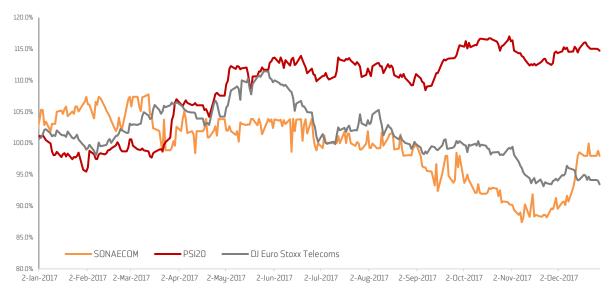
3.1. Equity Capital Markets in 2017

Sonaecom shares have been listed on the Portuguese Stock Exchange – Euronext Lisbon – since June 2000, with the symbol SNC. The table below lists the main statistics relating to Sonaecom's 2017 stock performance.

Sonaecom shares on the stock market during 2017

Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNCOAM0006
Bloomberg.code	SNC PL Equity
Reuters code	SNC.LS
Number of shares outstanding	311 340 037
Share capital	230 391 627
Stock price as of last day December (euros)	2.520
Stock price – High (euros)	2.750
Stock price – Low (euros)	2.230
Average daily volume – 2017 (# shares)	26 307
Average daily volume – 2016 (# shares)	43 368
Market capitalisation as of last day December (euros)	784 576 893

Market performance



Graph 1 – Sonaecom's performance vs PSI 20 and DJ Euro Stoxx Telecoms in 2017

At the end of 2017, Sonaecom's shares reached a market price of 2.520 euros per share, 1.2% below the closing price of 2.551 euros per share at 31 December 2016. The share price reached a maximum of 2.750 euros per share on 13 March 2017 and a minimum of 2.230 euros on 8 November 2017.

As far as the Portuguese market is concerned, PSI-20, the principal local stock index, ended 2017 at 5,388.33 points, an increase of 15.2% versus year-end 2016. DJ Euro Stoxx Telecoms, the European Stock Telecommunications index, ended 2017 with an annual decrease of 6.9%.

Sonaecom's market capitalisation stood at approximately 785 million euros at the end of 2017. The average daily trading volume reached approximately 26,000 shares, a 39.3% decrease compared to 2016 (less 17,000 shares).

3.2. Share price evolution during 2017

Sonaecom's share performance

In 2017, Sonaecom's market share price decreased 1.2% compared to 2016.

Sonaecom shares would have been influenced by various milestones during the year, as follows:

- 13 March 2017: Sonaecom full-year 2016 consolidated results released;
- 28 April 2017: Shareholders' Annual General Meeting held with release of information on approved decisions;
- 4 May 2017: Information about the payment of the dividends for 2016;
- 17 May 2017: Sonaecom first quarter 2017 consolidated results released;
- 28 July 2017: Sonaecom first-half 2017 consolidated results released;
- 13 November 2017: Sonaecom first nine months 2017 consolidated results released;

3.3. Shareholding structure and own shares

In accordance with the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.67% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

Simplified Sonaecom shareholding structure

Shareholder	Number of shares held	% Shareholding as at 31 Dec. 2016
Sonae - SGPS, S.A.	275,086,083	88.36%
Own shares	5,571,014	1.79%
Free Float	30,682,940	9.86%

Sonae – SGPS, S.A. (Sonae) is Sonaecom's largest shareholder, owning an 88.36% stake in Sonaecom, equivalent to 89.97% of the voting rights. Sonae is a Portuguese multinational retail company, market leader in Portugal in food and specialised retail formats, with two core partnerships: shopping centres and telecoms. At 31 December 2017, the free float stood at approximately 9.86%. The free float is the percentage of shares not held or controlled by shareholders with qualified holdings and excluding own shares.

Sonaecom didn't acquire or sell treasury shares in 2017.

MANAGEMENT REPORT

SONAECOM INDIVIDUAL RESULTS

4. Sonaecom Individual Results in 2017

4.1. Operational data

Sonaecom SGPS's individual results for the years ended 31 December 2017 and 2016 are summarised as follows:

Million euros	2016	2017	Difference	%
Service Revenues	0.3	0.5	0.3	103%
Operating Costs (1)	1.6	1.9	0.3	17%
EBITDA	(1.2)	(1.3)	(0.1)	-6%
EBIT	(1.3)	(1.3)	(0.1)	-6%
Dividend Received	20.1	16.5	(3.6)	-18%
Net Financial Activity	2.2	1.6	(0.6)	-28%
Other Financial Results	(4.2)	(0.9)	3.2	78%
EBT	16.8	15.8	(1.0)	-6%
Net Income	35.0	15.8	(19.2)	-55%

⁽¹⁾ Excludes Amortization, Depreciation and Provisions

On 31 December 2017, Sonaecom SGPS's Board of Directors was composed of three directors (the same of last year), and five employees

Service revenues

This line totalled 0.5 million euros and it essentially comprises management services provided to its subsidiaries.

Total operational costs

Total operating costs exclude depreciation, amortisation charges and provisions. This line amounted to 1.9 million euros, which compares with 1.6 million euros in 2016. The increase is mainly related to the increase in the number of employees.

EBITD/

EBITDA was negative by 1.3 million euros (negative 1.2 million euros in 2016) and the decrease versus last year was mainly driven by the higher level of operating costs despite of Service Revenues increase.

Dividends received

In 2017, Sonaecom received dividends from ZOPT (16.5 million euros). In 2016, Sonaecom received dividends from NOS (1.8 million euros) and ZOPT (18.3 million euros).

Net financial activity

The net financial activity (interest income less interest expenses) was positive by 1.6 million euros, which compares with 2.2 million euros in 2016.

Other financial results related with investments

Other financial results related with investments was negative by 0.9 million euros due to an impairments recorded in the financial investments in the amount of 0.8 million euros. In 2016, despite the capital gain generated by the sale to ZOPT of the 2.14% direct stake on NOS, were negative by 4.2 million euros. The negative 15.7 million of market value adjustments related to the 2.14% direct stake on NOS (shares recorded at fair value through profit and loss), until its sale, and the 7.3 million of impairments recorded in the financial investments, explained the negative performance in 2016.

Net income

Net results for the year were positive by 15.8 million euros, mainly driven by dividends. The decrease compared to 2016 is almost fully explained by the tax impacts related with the liquidations of Sonaecom BV and Sonaetelecom BV, occurred last year.

The amount of 30,803.98 euros is already reflected in the net income and is planned for a part of the short term variable bonus of executive directors, as a distribution of profit, pursuant to art. 33 n.2 of the Articles of Association as proposed by the Remunerations Committee, which is responsible for the implementation of the remuneration policy approved at the General Meeting held on April 28 th, 2017.

⁽¹⁾ Excluding depreciation, amortisation and provisions.

4.2. Financial data

The following table summarises the major cash movements during the year ended at 31 December 2017:

Changes in Sonaecom SGPS Liquidity	Million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2016	210.9
Cash and Bank	83.9
Treasury Applications	127.0
Bank	123.0
Subsidiaries	4.0
Changes in Nominal Gross Debt	
External Debt	-
Treasury applications from subsidiaries	-
Shareholder Loans and Supplementary capital granted	(25.0)
Dividend paid	(23.5)
Free Cash Flow	28.5
Interest paid	(0.1)
Interest received	1.7
Dividend received	16.5
Operational Free Cash Flow and others	10.4
Sonaecom SGPS stand-alone liquidity as at 31 December 2017	190.9
Cash and Bank	120.9
Treasury Applications	70.0
Bank	70.0
Subsidiaries	0.0

During the year 2017, Sonaecom's stand-alone liquidity decreased 20.0 million euros to 190.9 million euros due to the following movements:

- (i) Payment of dividends amounted to 23.5 million euros;(ii) Supplementary capital placed in subsidiaries increased by 27.7 million euros.

Although partially offset by the following movements:

- (iii) Loans granted to subsidiaries decreased 2.7 million euros; and
- (iv) FCF was positive by 28.5 million euros (including dividends of 16.5 million from ZOPT).



5. Subsequent events

The foreign exchange restatement of foreign currency assets and liabilities in associates in Angola (owned by ZOPT) and the conversion of these companies' financial statements to Euro were made using the exchange rate published by the National Bank of Angola on 31 December 2017. During the first quarter of 2018, the kwanza depreciated by approximately 30% against the Euro. As a result of the aforementioned devaluation and based on the position of assets and liabilities denominated in foreign currency in the referred companies and the net assets value thereof, Sonaecom will record in the caption 'Gains and losses on associated companies and jointly controlled entities' a loss of approximately Euro 2 million and the caption 'Exchange translation reserves' included under 'Reserves' will be reduced by approximately Euro 15 million.

MANAGEMENT REPORT



6. Proposal for the application of results

The Board of Directors proposes that the net profit in the Individual accounts, in the amount of 15,770,507.18 euros be transferred as follows:

- i) 788,525.36 euros to legal reserves;
- ii) 11,519,581.37 euros is distributed to shareholders;
- iii) The remaining 3,462,400.45 euros is transferred to the item "Other Reserves".

Since it is not possible to determine precisely the number of treasury shares that will be held by the company on the date of the above mentioned payments without limiting the company's capacity for intervention, we highlight the following:

- i) Each share issued will be paid a gross dividend of 0.037 euros;
- ii) The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.037 euros per issued share) will not be paid to shareholders, but will instead be maintained in Other Reserves.

MANAGEMENT REPORT

APPENDIX

GLOSSARY

COGS+ Marketing & Sales (Advertising plus Commissions)

Other Operating Costs External Supplies and Services except those referred above

as Marketing & Sales + Provisions + Others

EBITDA Underlying EBITDA + Equity method results (namely ZOPT

net income) + non recurrent items (when applicable)

Underlying EBITDA Operating Results excluding Amortizations and Depreciations

EBIT Direct EBT deducted from financial result or EBITDA

deducted from Depreciations and Amortizations

EBT Direct Result before minority results and taxes

Indirect Results Negative Goodwill related to AVP funds, net of correspondent

deferred tax liabilities

CAPEX Gross Investments in tangible and intangible assets and

investments in acquisitions

Operating CAPEX CAPEX excluding Financial Investments

Free Cash Flow (FCF)

EBITDA – CAPEX – change in working capital – financial results

-taxes

Gross Debt Bonds + bank loans + other loans + shareholder loans +

financial leases

Net Debt Bonds + bank loans + other loans + shareholder loans +

financial leases - cash, bank deposits, current investments

and other long term financial applications

Statement of the Board of Directors

Statement under the terms of Article 245 Paragraph 1, c) of the Portuguese Securities Code

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

Antonio Bernardo Aranha da Gama Lobo Xavier

Article 447 and Qualified Shareholdings

- Article 447

Board of Directors

			Additions	ı	Reductions	Position at 31.12.2017	Balance at 31 December 2017
	Date	Quantity M	arket price €	Quantity Mar	ket Price €		Quantity
Ângelo Gabriel Ribeirinho dos Santos Paupério							
Sonae- SGPS, S.A. ⁽⁶⁾	24.08.2017 25.08.2017			300 000 50 000	0.964 0.961		212 987
Shares attributed under the Medium Term Incentive Plan	31.03.2017	348739	0.047				
Enxomil - Consultoria e Gestão, S.A. ⁽¹⁰⁾ (a)(b) Enxomil - Sociedade Imobiliária, SA ⁽¹¹⁾ (a)						Dominant Dominant	
Maria Cláudia Teixeira de Azevedo Efanor Investimentos, SGPS, S.A. ⁽¹⁾ Linhacom, SGPS, S.A. ⁽⁴⁾ Sonae- SGPS, S.A. ⁽⁶⁾ Shares attributed under the Medium Term Incentive Plan	31.03.2017	58 168	0.047			Minoritary Dominant	377 318
António Bernardo Aranha da Gama Lobo Xavier Sonae- SGPS, S.A. ⁽⁶⁾							

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a) Includes shares held indirectly. b) Formerly know as Enxomil, SGPS, SA.

Management

			Additions	Reductions	Balance at 31 December 2017
	Date	Quantity	Market price €	Quantity Market price €	Quantity
David Graham Shenton Bain Sonae- SGPS, S.A. ⁽⁶⁾					20 000
Rui José Gonçalves Paiva Sonae- SGPS, S.A. ⁽⁶⁾ Shares attributed under the Medium Term Incentive					237 609
Plan Shares attributed under the company's remuneration	27.04.2017	65 933	0.0926		
policy	11.07.2017	1750	0.0477		
Carlos Alberto Rodrigues Silva Sonae- SGPS, S.A. ⁽⁶⁾ Shares attributed under the Medium Term Incentive	27.07.2017	25.005	0.0025		118 627
Plan	27.04.2017	26 805	0.0926		
Fernando José Lobo Pimentel Macareno Videira Sonae- SGPS, S.A. ⁽⁶⁾ Shares attributed under the Medium Term Incentive Plan	27.04.2017	26 703	0.0926		129176
Shares attributed under the company's remuneration policy	11.07.2017	8 389	0.0477		
Ana Cristina Dinis da Silva Fanha Vicente Soares					
Sonae- SGPS, S.A. ⁽⁶⁾					41697

		Additions	Reductions	Position at 31.12.2017	Balance at 31 December 2017
	Date	Quantity Market price	Quantity Market price		Quantity
(1) Efanor Investimentos, SGPS, S.A.					
Sonae - SGPS, S.A. ⁽⁶⁾					200 100 000
Pareuro, BV ⁽²⁾				Dominant	
(2) Pareuro, BV					
Sonae - SGPS, S.A. ⁽⁶⁾					849 533 095
(3) Migracom, SGPS, S.A.					
Imparfin - Investimentos e Participações Financeiras, S.A. (5)				Minority	
Sonae - SGPS, S.A. ⁽⁶⁾	03.04.2017	410 002 0.938			2 874 339
(4) Linhacom,SGPS, S.A.					
Imparfin - Investimentos e Participações Financeiras, S.A. (5)				Minority	
Sonae - SGPS, S.A. ⁽⁶⁾	22.11.2017		250 000 1.030		189 314
(5) Imparfin- Investimentos e Participações Financeiras, S.A.					
Sonae - SGPS, S.A. ⁽⁶⁾					4 105 280
(6) Sonae - SGPS, S.A.					
Sonaecom, SGPS, S.A. ⁽⁹⁾				Dominant	
Sonae Investments BV ⁽⁷⁾				Dominant	
Sontel BV ⁽⁸⁾				Dominant	
(7) Sonae Investments BV					
Sontel BV ⁽⁸⁾				Dominant	
(8) Sontel BV					
Sonaecom, SGPS, S.A. ⁽⁹⁾				Dominant	
(9) Sonaecom, SGPS, S.A.					5 571 014
(10) Enxomil - Consultoria e Gestão, S.A. (a)					
Sonae - SGPS, S.A. ⁽⁶⁾					2 021 855
(11) Enxomil - Sociedade Imobiliária, SA					
Sonae - SGPS, S.A. ⁽⁶⁾					450 000
a) Formerly know as Envomil SGPS SA					

a) Formerly know as Enxomil, SGPS, SA.

- Qualified Shareholdings

Shareholder	Number of shares	% of Share capital	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, S.A. ⁽¹⁾				
Directly				
Sontel BV (company controlled by Sonae SGPS)	194 063 119	62.33%	62.33%	63.47%
Sonae-SGPS, S.A. (company controlled by Efanor SGPS,S.A)	81 022 964	26.02%	26.02%	26.50%
Total attributable ⁽¹⁾	275 086 083	88.36%	88.36%	89.97%

(1) Sonaecom SPGS, S.A. is indirectly controlled company by Efanos Investimentos SGPS, S.A. ("Efanor"), as of this company indirectly controls Sonae SGPS, S.A. and Sontel BV. Efanor Investimentos SGPS, S.A., with effect from 29 November 2017, has no longer a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code

^{*} Voting rights calculated based on the Company's share capital with voting rights, as per subparagraph b) of paragraph 3 of article 16 of the Portuguese Securities Code

^{**}Voting rights calculated based on the Company's share capital with voting rights that are not subject to suspension of exercise



PART I - SHAREHOLDING STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. Shareholding Structure

I - Share capital structure

1. Capital structure

The company's share capital is 230,391,627.38 euros, fully subscribed and paid up and is divided into 311,340,037 registered ordinary shares with a nominal value of 0.74 Euro each.

All shares representing the share capital of Sonaecom are traded in the Euronext Lisbon regulated market.

2. Restrictions on share transferability and ownership

There are no restrictions on the transferability or ownership of Sonaecom shares.

3. Treasury shares

At 31 December 2017, Sonaecom held 5,571,014 treasury shares, representing 1.789% of its share capital.

4. Impact of the change in Sonaecom shareholder control in significant agreements

There are no agreements signed by Sonaecom that include clauses intended to constitute defensive measures against change in its shareholding control or which would cease in case of change in control of the company after a takeover bid.

The majority of Sonaecom's share capital is owned by one single shareholder.

System to which the renewal or removal of defensive measures are subject, in particular those which establish the limitation of the number of votes that can be cast or exercised by a single shareholder individually or in agreement with other shareholders.

No defensive measures were taken.

6. Shareholders' agreements

No shareholders' agreements regarding Sonaecom are known.

II - Shares and bonds held

7. Qualified shareholdings

In compliance with the Article 8, paragraph 1, subparagraph (b) of the Securities and Exchange Commission Regulation 05/2008, the qualified shareholdings of 2% or more of the share capital of Sonaecom, SGPS, S.A., calculated in accordance with article 20 of the Portuguese Securities Code, at 31 December 2017, are described as follows:

Shareholder	Number of shares	% of Share capital	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, S.A. ⁽¹⁾				
Directly				
Sontel BV (company controlled by Sonae SGPS)	194 063 119	62.33%	62.33%	63.47%
Sonae-SGPS, S.A. (company controlled by Efanor SGPS,S.A)	81 022 964	26.02%	26.02%	26.50%
Total attributable (1)	275 086 083	88.36%	88.36%	89.97%

(1) Sonaecom SPGS, S.A. is indirectly controlled company by Efanos Investimentos SGPS, S.A. ("Efanor"), as of this company indirectly controls Sonae SGPS, S.A. and Sontel BV. Efanor Investimentos SGPS, S.A., with effect from 29 November 2017, has no longer a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code

8. Number of shares and bonds held by the members of management and supervisory Board, presented pursuant to art. 447 paragraph 5 of the Portuguese Companies Act

The information can be found in Appendix of the Management Report.

9. Competence of the Board of Directors in capital increases

This is a competence that corresponds exclusively to the General Shareholders' Meeting.

^{*} Voting rights calculated based on the Company's share capital with voting rights, as per subparagraph b) of paragraph 3 of article 16 of the Portuguese Securities Code

^{**}Voting rights calculated based on the Company's share capital with voting rights that are not subject to suspension of exercise

10. Commercial relationships between the holders of qualified shareholdings and the company

Business and transactions with holders of qualified shareholdings are part of the usual activity of Sonaecom subsidiaries and are conducted in normal market conditions.

B. Statutory Governing Bodies and Committees

I - Shareholders' General Meeting

a) Composition of the General Shareholders' Meeting Board

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

The Shareholders' General Meetings are directed by a Board elected by the shareholders for a four-year mandate, which begins and ends within the same calendar mandate as that of the other statutory governing bodies.

The members of the Board of the Shareholders' General Meeting throughout the reference year were:

Manuel Eugénio Pimentel Cavaleiro Brandão Charmain Term of office 2016-2019 Maria da Conceição Henriques Fernandes Cabaços Secretary Term of office 2016-2019

b) Exercising voting rights

12. Any restriction on voting rights

The company's Articles of Association do not envisage any restriction in terms of voting rights. The company's share capital is integrally represented by a single kind of shares that correspond to one vote per share.

Pursuant to the law and the company's articles of association, shareholders with voting rights have the right to participate, discuss and vote at the General Shareholders' Meeting if, on the registration day (which is considered to be at 0:00 GMT of the fifth trading day before the meeting), they own shares which grant them at least one vote. Shareholders shall also comply with the legal formalities as described in the corresponding notice of the meeting.

The right to vote by proxy and how such right may be exercised is also given on the notice for each General Meeting, pursuant to the law and articles of association.

Notwithstanding the need to prove they are shareholders, shareholders can vote by post regarding all matters under appreciation at the General Meeting. The General Meeting notice shall contain adequate information about postal voting.

The Company also has an electronic voting system that allows shareholder unlimited access to exercise voting rights. Shareholders are advised how to vote electronically in the General Meeting notice.

13. Maximum percentage of voting rights that can be exercised by a single shareholder or by shareholders with whom s/he is in any of the relationships described in paragraph 1, article 20.

There is no statutory limitation on exercising voting rights.

14. Shareholder decisions which, due to the Articles of Association, may only be taken with a qualified majority

As established in the Company's Articles of Association, any decisions made by the General Shareholders' Meeting shall be by simple majority, unless otherwise required by law.

II - Management and supervision

a) Composition

15. Identification of the adopted governance model

This company has adopted the monist governance model, whose administration structure is centralised in the Board of Directors. The supervisory structure includes a Statutory Audit Board and a Statutory External Auditor.

The Board of Directors is the body in charge of managing the company's business, performing all the administration functions pertaining to the corporate purpose, monitoring risks, and executing the organisation's objectives and strategy. The Statutory Audit Board has the supervising responsibility.

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

The members of the Board of Directors are elected accordingly with the provisions established by the law and the Company's Articles of Association, in the terms specified in the proposal approved in the General Shareholders' Meeting.

The Articles of Association establish that, should shareholders representing at least 10% of the share capital vote against the winning proposal for the election of the directors, a director will be elected by the shareholders in said minority, in the same meeting, and the director elected shall automatically replace the person with the lowest number of votes in the winning list, or, in case of an equal number of votes, the person in the last position in the list. One shareholder may not nominate more than one candidate.

Should candidates be nominated by more than one group of shareholders, the vote shall concern those candidacies as a whole. These regulations shall not apply to the election of a substitute director.

It is also statutorily established that in case of death, resignation, or any temporary or definitive incapacity of any director other than a director elected under the minority rule, the Board of Directors shall replace that director through co-option. This appointment shall be subject to ratification by the shareholders in the following General Meeting.

However, the definitive lack, for any reason, of a director elected under the aforementioned special rules shall lead to a new election by the General Meeting.

The Board of Directors shall appoint its Chairman.

Recognizing the benefits of diversity within its board of directors and audit board as pillar of a good governance, the company adopted a Diversity Policy for the Board of Directors and Audit Board.

With such policy, the company seeks a significant and differentiated representation of gender, origins, qualifications and professional experience, as a way to ensure its alignment with the stakeholders' interests and to achieve an enhanced balance in its composition. Such policy, takes into account not only the nature and complexity of the activities carried out by the company, but also the context in which it operates.

In light of the above said, the Company undertakes to make every effort to ensure that, in the selection of the members of said corporate bodies, criteria that assure that they meet a greater breadth and diversity of knowledge, skills, experience and values are imperative.

These criteria focus mainly on: (i) gender diversity; ii) the professional qualification along with the necessary renewal of the composition of the governing bodies, in order to ensure a compatibility between seniority and the diversification of career paths, avoiding group thinking; iii) the plurality of knowledge and iv) not considering the age as an obstacle and without a restrictive view on the limits of such age, in particular regarding the following:

Gender: gender diversity aims to promote the existence of different perspectives and styles, bringing innovation and creativity to the respective bodu:

Professional experience: the coexistence of professional and diversified backgrounds provides appropriate know-how to the Company's activities and to the defined strategy, namely in the following areas: financial, accounting, legal, corporate governance, securities / derivatives market, retail, industry, investor relations, banking, corporate social responsibility, risk management, auditing, procurement and asset management, marketing, environment and sustainability;

Qualifications: a balanced diversity of professional qualifications enables the company to have the skills necessary to carry out its activities and the defined strategy, taking into account their complexity. The inclusion of different areas such as engineering, economics, management, law and other areas, promotes the diversity of technical knowledge, which will allow a better understanding of the issues, risks and opportunities inherent to the activity of the company; and

Age: the society does not have a restrictive view of the age limits for the exercise of administration or supervisory functions. The company trusts that age diversity will allow to combine the experience of older members with the perspective of the younger ones, which may result in a more innovative, agile and thoughtful decision-making process.

The company undertakes to implement and monitor the alignment of this policy with the most advanced corporate governance standards and to review it with adequate frequency (always in reasonable time before each elective general meeting), taking into account also the rules and principles of non-discrimination, including on the basis of ethnic origin, race, disability or sexual orientation.

In what regards the compliance with the described policy, reference is made to Annex I, where the curricula of the members of the Board of Directors and the Supervisory Board of the company are available, showing the diversity of the same, in what referrers to gender, age, qualifications literacy and professional experience.

It should also be noted in such respect that, by reference to 31 December 2017, the company fully complied with the balanced representation of men and women in management and supervisory bodies in listed companies, imposed by law since 1 August 2017.

17. Composition of the Board of Directors

Composition

Pursuant to the Sonaecom's Articles of Association, the Board of Directors may be constituted by an odd or even number of members, between a minimum of three and a maximum of twelve, elected by the shareholders in the General Shareholders' Meeting. The Board of Directors' term of office is four years. Its members may be re-elected.

In 2017, the composition of the Board of Directors was as follows:

Members	Date of 1st Appointment	End of term of Office
Angêlo Gabriel Ribeirinho dos Santos Paupério	24/04/2007	31/12/2019
António Bernardo Aranha da Gama Lobo Xavier	23/04/2010	31/12/2019
Maria Claúdia Teixeira de Azevedo	05/04/2006	31/12/2019

18. Description of the members of the Board of Directors

Members

Ângelo Gabriel Ribeirinho dos Santos Paupério António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Chairman of the Board of Directors

Non-Executive Director

Executive Director and CEO of the Software and Technologies areas and Online

& Media

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

The academic qualifications, experience, and duties of the directors are given in Appendix I of this report.

20. Significant family, professional, and commercial relationships of the members of the Board of Directors with shareholders that have qualified shares

Maria Cláudia Teixeira de Azevedo, executive member of the Board of Directors, is daughter of Maria Margarida Carvalhais Teixeira de Azevedo and sister of Nuno Miguel Teixeira de Azevedo and Duarte Paulo Teixeira de Azevedo, all shareholders of Efanor Investimentos, SGPS, S.A. ("Efanor"), a company that holds the control of Sonaecom's share capital. Duarte Paulo Teixeira de Azevedo (brother of the referred director) is also Co-CEO of Sonae – SGPS, S.A. – a company that holds, as of 31 December 2017, an 88.36% share in Sonaecom, corresponding to 89.97% of the voting rights. The Chairman of the Board of Directors of Sonaecom, Angelo Gabriel Ribeirinho dos Santos Paupério, is Co-CEO of Sonae - SGPS, S.A., shareholder of Sonaecom in the terms described above.

- 21. Distribution of competences among the various corporate bodies, committees, and/or company departments, including information about delegation of competence, in particular regarding delegation of the company's daily management
- Distribution of competences among the various corporate bodies and respective committees: Sonaecom's corporate structure clearly describes the functions, responsibilities and duties of its bodies.

	Sonaecom, SGPS, S.A.	
Shareholders' Remmuneration Commitee	Board of the Shareholders' General Meeting	Statutory Audit Board
Board and Corporate Governance Officer	Board of Directors	Statutory External Auditor
	Executive Committee	Company Secretary

Board of Directors

The Board of Directors is responsible for managing the company's business, monitoring risks, handling conflicts of interest, and executing the organisation's objectives and strategy.

Sonaecom's Articles of Association allow the Board of Directors to delegate powers in an Executive Committee when it comes to everyday business, duties and management responsibilities. However, the articles of association do not allow the Board of Directors to approve capital increases, which has to be decided in the General Shareholders' Meeting.

All the terms of reference for the Board of Directors, approved at the Board Meeting held on 3 May 2012 and amended by the resolutions taken on 2 November 2015 and 13 March 2017, may be viewed on the company's website (<u>www.sonae.com</u>) at http://other.static.sonae.com/2017/05/30/Scom__Regulamento_BoD___2017_03_13_ENG/Scom__Regulamento_BoD___2017_03_13_ENG.pdf

The Board of Directors is advised by a series of corporate functions:

Administrative and Financial Department

Main duties:

- To ensure the control of internal processes and transactions and the reliability and timely reporting of financial, fiscal, and management
- Accounting records of transactions and preparation of individual and consolidated financial reports for the companies;

- Efficient management of the Sonaecom Group's cash;
- Negotiation and contracting of the most suitable banking products and services for the Group's business needs;
- Efficient and effective management of all the administrative processes for the Sonaecom Group's business;
- Management of financial risk and support in execution of monetary market, interest rate, or exchange transactions;
- Management of the administrative processes for Accounts Payable, Receivables, Cash and Banks, Stocks, and Tangible and Intangible Assets;
- Ensuring the rigour and reliability of the financial information, with the support of the most efficient information system;
- Optimisation of the Sonaecom's Group tax efficiency, ensuring the monitoring of tax procedures in all Sonaecom businesses, as well as compliance with tax obligations;
- Management of the Sonaecom transfer pricing dossier;
- Support for decision-making and process implementation in the various areas in the Sonaecom Group;
- Collaboration in the definition of the strategy and tax objectives, in particular providing support to business internationalisation;
- Monitoring of all the litigation processes with the tax authorities;
- Participation in special projects in the Sonaecom Group, such as mergers and acquisitions and corporate restructuring.

Planning and Management Control Department

Main duties:

- Supporting the development of the corporate and/or business strategy;
- Promoting, leading, and implementing the annual strategic planning;
- Leading and monitoring the annual Sonaecom budgeting process, as well as preparing the report on budget implementation;
- Challenging the corporate business and areas as regards the goals set so as to constantly improve and optimise the efficiency of Sonaecom's business, performance, and results;
- Preparing and analysing business management information, as well as consolidated data, on a monthly, quarterly, and annual basis, analysing deviations from the budget and proposing corrective actions;
- Supporting decisions for the allocation of capital to ongoing businesses and new business opportunities; analysing the invested capital and the return on the invested capital;
- Creating business plans together with the business management teams;
- Performing technical and benchmark studies for the business in order to evaluate its performance in comparison with competitors and other players in the market.

Risk Management Department

The Risk Management is ensured at the level of company business. Thus, each business unit is involved in the functional processes, with the responsibility of implementing internal controls and managing specific risks. In general, the main responsibilities of each one of the businesses involves:

- Promoting a culture of risk awareness, as well as mediating and managing the business risks that interfere with the achievement of objectives and the creation of value in the organisation;
- Promoting and monitoring the implementation of programmes and actions aimed at bringing risk levels close to the acceptable levels established by the management.

Internal audit Department

Main duties:

- Assessing risk exposure and checking the effectiveness of risk management and internal controls through the execution of audits of business processes and information systems;
- Proposing measures to improve controls and monitor the evolution of risk exposure associated with the main audit findings.

Legal Department

Main duties:

- Relations with Euronext Lisbon, with the Portuguese Securities Market Commissions and with shareholders regarding legal issues;
- Legal management of company governance and monitoring of compliance with best practices in this area;
- Monitoring, controlling and ensuring compliance of business activities in Software, and Technologies and Online & Media areas;
- Drafting and/or analysing contracts to maximise security and reduce legal risks and potential costs;
- Management of all aspects pertaining to the intellectual and industrial property of the various businesses, such as brands, trademarks, names, patents, logos, domain names and copyright;
- Execution of all public deeds, registrations and notarial procedures required for business, whether they are commercial, property, or corporate;
- Management of all dispute processes;
- Support to obtain the various licences required for business;
- Monitoring the development of the legislation relevant to the Group's business;
- Legal support in national and international operations of the company's business, as well as analysis of new national and international operations, in particular, in the latter, regarding the legal environment in the countries under analysis;
- Mergers/demergers, acquisitions, winding up, liquidations and similar corporate restructuring.

Human Resources Department

Main duties:

- Support to senior management on the implementation and development of human resources policies;
- Defining and implementing the human resources strategy, planning and talent management on various levels;
- Ensuring the presence and development of the technical and management competences of Sonaecom executives, either through the implementation of adequate recruitment and selection practices, or through the design and implementation of transversal training and/or individualised training and development plans;

- Developing human resources management models and processes in areas such as remuneration and benefit policy; career management; social climate monitoring and development; administrative management and salary processing; staff budgeting and reporting on human resources issues; occupational health, hygiene; and safety management;
- Monitoring legal occupational issues;
- Representing the company in official bodies and associations linked to this area.

Investor Relations Department

Main duties:

- Manage the relationship between Sonaecom and the financial community, through the continuous preparation and disclosure of relevant and up to date information about the company;
- Support to the Board of Directors, providing relevant information about the capital markets;
- Support in the definition of the corporate message to be disseminated to the capital market.

b) Operating rules

22. Location of the terms of reference of the Board of Directors

The terms of reference of the Board of Directors are available on the company's website (<u>www.sonae.com</u>) at http://other.static.sonae.com/2017/05/30/Scom_Regulamento_BoD__2017_03_13_ENG.pdf

23. Number of meetings held and attendance level of each member of the Board of Directors.

The Sonaecom Board of Directors meets at least four times every year, as specified by the Company's Articles of Association, and whenever the Chairman or two members of the Board of Directors call a meeting. Five meetings of the Board were held in 2017 with a 100% attendance rate, in person. The following table displays detailed information about the attendance at meetings:

Date	Participants
13 March 2017	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
17 May 2017	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
28 July 2017	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
13 November 2017	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
15 December 2017	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier

24. Suitability of the competent corporate bodies to appraise the performance of the Executive Directors

To establish the variable component of remuneration, an individual evaluation of the Executive Directors' performance is carried out by the Remuneration Committee, which represents the company's shareholders, accordingly with the remuneration policy approved at the Shareholders' General Meeting. This evaluation is performed once the company's performance is known.

25. Predetermined criteria for evaluating the performance of Executive Directors

The performance evaluation of the Executive Directors is based on predetermined criteria, consisting of objective performance indicators established for each period and aligned with the overall strategy of growth and positive business performance.

These indicators consist in business, economic and financial Key Performance Indicators (KPIs) and are subdivided into collective, departmental and personal KPIs.

Collective business KPIs include economic and financial indicators based on the budget, on the performance of each business unit, as well as on the consolidated performance of Sonaecom.

In turn, departmental business KPIs are similar in nature to the previous ones, being directly influenced by the performance of the business Executive Director.

Personal KPIs include objective and subjective indicators and seek to assess the compliance with the obligations and commitments undertaken individually by the executive director.

26. Availability of each of the members of the Board of Directors, specifying the positions held simultaneously in other companies, inside and outside the Group, and other relevant activities performed by the members of these bodies during the business year.

The information regarding the positions held by the company directors simultaneously in other companies, inside and outside the group, is disclosed in Appendix I of this report.

Each one of the members of the Board of Directors consistently displayed their availability to perform their duties, attending meetings and taking part in the respective works on a regular basis.

c) Board of Directors' committees and managing directors

27. Identification of the committees created within the Board of Directors and where to find their operating regulations

At the Board Meeting held on 13 March 2017, the Board of Directors resolved to delegate to an Executive Committee the powers to manage the day-to-day operations of the Company, with the following powers:

- a) To appoint the Chairman of the Board;
- b) To co-opt a member to the Board;
- c) To convene Shareholders' General Meetings;
- d) To approve the annual report and accounts;
- e) To grant any pledges, guarantees or charges over the assets of the Company;
- f) To decide to change the Company's registered office or to approve any share capital increases;
- g) To decide on mergers, de-mergers, modifications to the corporate structure of the Company;
- h) To approve the annual portfolio management strategy;
- i) To approve the Company's annual budget and the financing of the Group's Business plan and any significant change thereto;

The terms of reference of the Executive Committee (included in Board of Directors' Terms) are available on the company's website, at http://other.static.sonae.com/2017/05/30/Scom Regulamento BoD 2017 03 13 ENG/Scom Regulam

The Board of Directors, in virtue of the company's dimension, considers that keeping any other specialized Committee is unnecessary.

The company keeps a Corporate Governance Officer, who reports to the Board of Directors, through the Chairman, or when there is one, through the Senior Independent Non-Executive Director.

In particular, the main duties of the Corporate Governance Officer are:

- (i) Ensuring the smooth running of the activities of the Board and, when applicable, Board Committees;
- (ii) Participating in Board Meetings and, if applicable, relevant Board Committee Meetings and, when appointed, serving as a member;
- (iii) Facilitating the acquisition of information by all Board members;
- (iv) Supporting the Board in defining its role, objectives and operating procedures; taking a leading role in organising Board evaluations and assessments;
- (v) Keeping all Legislative, Regulatory and Corporate Governance issues under close review; supporting and challenging the Board to achieve the highest standards in Corporate Governance;
- (vi) Ensuring that the Board is conscious of the concept of stakeholders and the need to protect minority interests, when important business decisions are being taken by the Board of Directors;
- (vii) Helping to ensure that the procedure to nominate and appoint Directors is properly carried out and assist in the induction of new directors;
- (viii) Acting as a primary point of contact and source of advice and guidance for Non-Executive Directors in particular as regards the company and its activities; facilitating and supporting the Independent Non-Executive Directors in the assertion of their 'independence';
- (ix) Helping to ensure compliance with the continuing obligations of the Portuguese Securities Market Commissions;
- (x) Participating in making arrangements for and managing the process of Shareholders' General Meetings;
- (xi) Participating in the arrangement of insurance cover for Directors and Officers;
- (xii) Participating, on behalf of the company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

28. Composition, if applicable, of the Executive Committee and/or identification of the managing director(s)

The Executive Committee is composed as follows:

Ângelo Gabriel Ribeirinho dos Santos Paupério - Chairman

Maria Cláudia Teixeira de Azevedo - Board Member

29. Specification of the competences of each of the Committees created and synthesis of the activities performed in the exercise of those competences

The Board of Directors, given its composition and considering the company's dimension trusts that keeping any specialized Committee is unnecessary.

The company has a Corporate Governance Officer, with the functions and responsibilities disclosed in section 27 of this Report.

The company has also a company's secretary, who is responsible for:

- (i) Ensuring the minutes and attendance lists of the Shareholders' General Meeting;
- (ii) Sending summons and other legal documents necessary to hold the General Meeting;
- (iii) Supervising the preparation of supporting documentation for the General Meetings and Board of Directors' meetings and drawing up the corresponding minutes;
- (iv) Responding to requests for information by the shareholders within the framework of the law;
- (v) Proceeding with the legal registration of any act or decision of the Company's governing bodies.

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III - Supervision

a) Composition

30. The supervisory body

Under the adopted governance model, the Board of Auditors and the Statutory Auditor Board are the company's supervisory bodies.

31. Composition

In accordance with the Articles of Association, the SAB may be made up of an odd or even number of members, with a minimum of three and a maximum of five members, elected for four-year terms. The SAB also includes one or two alternate members, depending on whether the number of members is three or more.

In 2017, the Board of Auditors was composed of the following members, elected for the 2016/2019 four-year period:

João Manuel Gonçalves Bastos Chairman Maria José Martins Lourenço Fonseca Member Óscar José Alçada da Quinta Member

António Augusto Almeida Trabulo (Alternate Member)

The Statutory External Auditor is identified in Chapter IV of this Report.

32. Degree of independence of the members of the Statutory Audit Board

All members of the Statutory Audit Board ("SAB") are independent under the terms of article 414, paragraph 5, and they are not covered by any incompatibility under the terms of article 414-A paragraph 1, both from the Portuguese Companies Act. The Statutory Audit Board carried out an assessment of the independence of its members by the renewal of written declarations issued individually.

Members of the Statutory Audit Board must notify the company immediately of any occurrence during the course of their terms of office that gives rise to incompatibilities or a loss of independence, as required by law.

33. Professional Qualifications

Professional qualifications and other relevant curricular elements are disclosed in Appendix I of this Report.

b) Operation

34. Terms of reference and annual activity report

The operating regulations of the Statutory Audit Board can be consulted in the Sonaecom website (www.sonae.com), at www.sonae.com), at <a href="http://other.static.sonae.com/2016/03/22/Statutory Audit Board ToR Nov2015/Statutory Audit Board ToR Nov2015.pdf.

The annual report and opinions of the Statutory Audit Board are published during each financial year, together with documents relating to accountability of the Board of Directors, available at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (the 2017 documents are in the folder MR&A 2017 /Chapter IV).

35. Statutory Audit Board Meetings

The resolutions of the Statutory Audit Board are taken by a majority of the votes, with dissenting members being required to give their reasons for dissent in the minutes.

The Statutory Audit Board meets at least once a quarter. In 2017, the Statutory Audit Board held five meetings with a 100% attendance rate.

36. Availability of the members, with a description of roles held in other companies inside and outside the Group, as well as other activities carried out by members of the Statutory Audit Board

Members of the Statutory Audit Board consistently demonstrated their availability when carrying out their functions, having regularly attended meetings of the board and taken part in the respective work.

Information relating to other posts held by the members of the Statutory Audit Board, as well as those members' qualifications and professional experience are available in Appendix I to this report.

c) Competencies and functions

37. Description of the procedures and criteria that apply to interventions by the Supervisory Body for the purpose of contracting services additional to the external auditor

The Statutory Audit Board shall have the authority to approve the provision of services that are additional to the audit services provided by the External Auditor.

To that end, at the first meeting held in each financial year, the Statutory Audit Board schedules a work plan that includes supervisions of the External Auditor's activity in matters concerning: (i) the External Auditor's annual activity plan; (ii) monitoring of work performed and review of conclusions of the audit work and of interim and annual statutory audits; (iii) overseeing the External Auditor's independence; (iv) providing services other than audit services, in fulfilment of Recommendation CMVM IV.2 and (v) assessing annual activity.

In the assessment of criteria that supports the hiring of additional duties to the Statutory External Auditor, the Board verifies the presence of the following:

- contracting additional services should not affect the independence of the External Auditor;
- additional services do not account for a surcharge of more than 30%;
- additional services not prohibited (according to the legislation currently in force) shall be provided with high levels of quality, autonomy and independence in relation to the services carried out as part of the audit process;
- the necessary factors guaranteeing independence and exemption are in place.

38. Other functions of the Supervisory Body

38.1 Statutory Audit Board

The Statutory Audit Board, while performing its statutory and legally assigned functions, including the ones set out in Art. 420 of the Portuguese Companies Act, has the following main duties, among others:

- a) To oversee the company's management;
- b) To oversee compliance with legal and regulatory requirements and the company's Articles of Association;
- c) To verify that the books of account, accounting records and supporting documentation are correctly maintained and kept up to date;
- d) To verify the accuracy of the documents used in the presentation of the accounts;
- e) To verify if the accounting policies and accounting criteria used by the company are suitable to showing a true and fair view of the financial position and the results of its operations;
- f) To prepare an annual report on the supervisory work performed and express an opinion on the management report, accounts and other proposals submitted by the Board of Directors, in which it should express its agreement or not, with the management report and the year's accounts;
- g) To check if the disclosed corporate governance report includes the information listed in Art. 245.9 A of the Portuguese Securities Code;
- h) To convene the Shareholders' General Meeting, should the Chairman of the General Meeting fail to do this in circumstances when it is necessary; i) To assess the risk management systems, internal control system and internal audit system and to monitor the effectiveness of them, and receive the respective reports;
- j) To oversee the independence of the internal audit function, particularly with regard to restrictions to its organisational independence and any lack of resources for internal audit activity;
- k) To receive communications of alleged irregularities occurring in the company and presented by the company's shareholders, employees or others;
- I) To appoint and hire services from experts to help one or more members in the exercise of their duties. The hiring and fees of these experts should take into consideration the complexity of the matters involved and the financial position of the company;
- m) To oversee the preparation and disclosure of financial information;
- n) To propose the appointment of the Statutory External Auditor to the Shareholders' General Meeting and corresponding remuneration;
- o) To oversee the company's financial statements, and to assess the Statutory External Auditor on an annual basis and recommend their dismissal to the Shareholders' General Meeting, if there is due case to do so;
- p) To assure that the company provides the Statutory External Auditor with the necessary conditions for carrying out its duties, to intermediate between him and the company, as well as, to receive the reports;
- q) To issue a prior opinion on relevant business activities (higher than 10 million euros) with qualified shareholders, or entities with whom they are in any relationship, according to Art. 20 of the Portuguese Securities Code;
- r) To carry out any other supervisory duties required by law.

The SAB obtains all the necessary information to carry out its duties from the Board of Directors, namely relating to the operational and financial progress of the company, changes to its business portfolio, the terms of any transactions that have occurred and the details of the decisions taken.

The SAB is the overall supervision body of the company for matters of internal control and risk management, acts in an independent manner and has primacy over other bodies regarding the supervision of those matters.

The full Terms of Reference of the Statutory Audit Board are available on the company's website (www.sonae.com), at http://other.static.sonae.com/2016/03/22/Statutory Audit Board ToR Nov2015, pdf.

38.2 Statutory Auditor

The Statutory Auditor is the supervisory body responsible for the legal certification of the Company's financial information with the following competences:

- a) To check the regularity of all books, records and supporting documents;
- b) To check the extension of cash and values of any type of assets or securities belonging to the Company or received as a guarantee, deposit or another purpose whenever it feels appropriate and through whatever means it deems appropriate;
- c) To check the accuracy of financial statements and express opinions regarding them on the Statutory Audit Certificate and on the Audit Report;
- d) To verify that the accounting policies and valuation criteria adopted by the Company result in the correct valuation of assets and results;
- e) To perform any examinations and tests required for the audit and legal certification of accounts and execute all procedures set forth in the law;
- f) To verify, within its functions, the implementation of policies and remuneration systems, as well as the efficiency and effectiveness of the internal control mechanisms, reporting any deficiencies to the Statutory Audit Board, within the limits of legal powers and applicable procedures; g) To evaluate if the corporate governance report includes the information listed in Art. 245-A of the Portuguese Securities Code.

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IV - Statutory External Auditor

39. Identification of the Statutory External Auditor and the partner who represents it

The Statutory External Auditor is PWC - Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA., registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia integrating the mandate of 2016/2019.

The alternate Statutory External Auditor is Joaquim Miguel de Azevedo Barros (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036).

40. Number of consecutive years in which the external auditor and the respective partner who represents it, have performed duties for the company and/or for the Group

In 2016, a new mandate corresponding to the 2016/2019 four-year period began and PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. was elected to the post of Statutory External Auditor, through a proposal submitted by the Statutory Audit Board to the Shareholders' Annual General Meeting held on 29 April 2016.

41. Description of other services rendered to the company by the Statutory Auditor

PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. performs the duties of an External Auditor and provides other services of assurance under the supervision of the Statutory Audit Board.

V - External Auditor

42. Identification of Statutory external auditor designated for the purposes of article 8 and of the partner who represents it in the performance of these duties, as well as the respective registry number at the Portuguese Securities Market Commission (CMVM).

The Sonaecom External Auditor, designated for the purposes of Article 8 of the Portuguese Securities Code, is PWC - Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia.

The alternate Statutory External Auditor is Joaquim Miguel de Azevedo Barros (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036).

43. Number of consecutive years in which the external auditor and the respective partner who represents it have performed duties for the company and/or for the Group

PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. was first elected on 29 April 2016, to integrate the mandate 2016/2019.

44. Policy and frequency for rotation of the external auditor and the respective partner who represents it

The Statutory Audit Board has adopted the recommended principle of not replacing the External Auditor after the end of two four-year mandates if, after a careful assessment, it concludes that the supervision of its activity does not interfere with the independence of the External Auditor, and the advantages and costs of renewing the mandate outweigh its replacement. Such principle shall also meet the conditions set forth in article 54° , paragraphs 4 and 5 of Law n° 140/2015, of 7 September.

45. Body in charge of assessing the External Auditor and frequency of assessment

Based on the company's governance model, the appointment or removal of the Statutory Auditor/External Auditor is decided at the General Shareholders Meeting, based on a proposal from the Statutory Audit Board.

The Statutory Audit Board oversees the performance of the External Auditor and the work done each year, considers and approves the additional work to provide and, annually, prepares an overall appraisal of the External Auditor, which includes an assessment of their independence.

46 and 47. Work other than auditing performed by the External Auditor for the company and/or for companies with which it is in a control relationship, as well as reporting on the internal procedures for purposes of approval of the contracting of such services and the reasons for such hiring and the annual remuneration paid by the company and/or by legal entities in a control or group relationship to the auditor and to other individuals or legal entities belonging to the same network, and break out of the percentages for each service.

The remuneration paid to the Statutory External Auditor and to the External Auditor, PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. In 2017 and 2016, by proposal of the Statutory Audit Board, and to other individuals and entities of the same company network, supported by the Company and/or by corporate entities in a control relation with the latter, are as follows, analysed by type of service:

	20	17	2016		
	Values in €	%	Values in €	%	
For the company *					
Statutory audit review	18 926	11%	17 138	13%	
By entities inclued in the group					
Statutory audit review	143 031	86%	101135	77%	
Other guarantee and reliability services	-	-	13 000	10%	
Otherservices	3 572	2%	-	-	
Total					
Audit services	161 957	98%	118 273	90%	
Otherservices	3 572	2%	13 000	10%	
Total	165 529	100%	131 273	100%	

^(*) Includes individual and consolidated accounts.

The additional services to the auditing services were contracted from the External Auditor upon authorisation from the Statutory Audit Board, which recognised that the contracting of the additional services did not affect the External Auditor's independence, and corresponded to the satisfaction of the company interests, given the provider's expertise, the history of providing services in those areas and the knowledge of the Company and its Group.

As an additional safeguard, the SAB receives and analyses the information about the fees and services provided by the Statutory Auditor every quarter and in the adoption of the procurement of services to the External Auditor, it was ensured that:

- a) no prohibited services are provided according to Law 140/2015, which came into force on 1 January 2016;
- b) the additional services do not account for a surcharge of more than 30%;
- c) the tax consulting services and the other services, when existing, are provided by experts other than those who were involved in the audit process;
- d) the fees paid by Sonaecom group to the PWC group represented less than 1% of PWC's total billing in Portugal:
- e) the External Auditors' internal control system, according to the provided information, monitors the potential loss of independence risks, or of any conflicts of interest with Sonaecom and ensures the quality and the rules of ethics and independence.

Every year a Declaration of Independence is prepared by the External Auditor, in which they guarantee the respective independence and compliance with international guidelines in matters of auditor independence (IFAC – International Federation of Accountants).

C. Internal Regulation

I – Articles of association

48. Rules applicable to amendment of the company's articles of association

Amendments to the company's articles of association follow the terms of the Portuguese Companies Act, requiring a two-thirds majority of the votes cast for approval. For the Shareholders' General Meeting to be held, in the first occasion it is convened, the Company's Articles of Association require that a minimum of 50% of the issued share capital should be present or represented at the meeting.

II - Reporting irregularities

49. Means and policy for reporting irregularities occurring in the company

Sonaecom's values and principles, widespread and deeply rooted in the culture of its people, are based on absolute respect and the adoption of rules of good conduct in the management of conflicts of interests and duties of care and confidentiality, having adopted a Code of Ethics and Conduct which sets out the principles and standards of conduct that reflect the culture of the company.

This Code of Conduct, which should guide the actions of its employees when exercising their functions, is available at http://www.sonae.com/investidores/governo-das-sociedades/codigo-de-etica-e-conduta/

Any individual who seeks to report an irregularity that they think has been or know to have been committed by any manager, staff member or partner of Sonaecom shall do so through a letter sent to the Statutory Audit Board, with a brief description of the facts. The identity of the discloser will be kept anonymous if this is expressly requested.

The complaint will be analysed and, if there are grounds for reporting an irregularity, the appropriate steps will be taken.

The Statutory Audit Board has statutory accountability in this process, specifically to receive reports of alleged irregularities, submitted by company stockholders, by staff or by other parties. After the receipt, the Statutory Audit Board must record all alleged irregularities reported, undertake an investigation with due diligence by the Board of Directors through internal and/or external auditing, and to report its/their conclusions.

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III - Internal control and risk management

50. Individuals, bodies, or committees in charge of internal auditing and/or implementing internal control systems

Risk Management is one of the components of Sonaecom's culture and a pillar of the Corporate Governance, which is why each business unit in Sonaecom has, as part of its competencies in the functional processes, the responsibility of implementing internal controls and management of specific risks.

At the same time, the Internal Audit Department evaluates the exposure to risk and verifies the effectiveness of risk management in the internal controls of business processes and information systems. Additionally, it proposes measures to improve controls and monitor the evolution of risk exposure associated with the main audit findings and conclusions.

51. Making explicit (if necessary by including an organisation chart) the hierarchical and/or functional dependency relationships with other company bodies or committees

The Board of Directors monitors the activities of the Internal Audit Department, which reports functionally to the Statutory Audit Board, as a supervisory body and independent entity of the Board of Directors. Internal Audit can meet with the Statutory Audit Board, without the presence of any member of the Board of Directors.

As regards matters of internal control and risk management, the Statutory Audit Board is the supervisory statutory body, acting independently and with the responsibility of overseeing the Internal Audit plan of activities, gathering regular information on their work, evaluating findings and issuing the guidelines it deems necessary.

The External Auditor, within the scope of the annual audit process, analyses the functioning of internal control mechanisms and reports identified shortcomings.

Responsibilities for the creation, operation and periodic evaluation of the internal control and risk management systems are published under the terms of reference of the Board of Directors and the Statutory Audit Board, all of which are available at the company's website.

52. Existence of other functional areas with risk control competencies

Besides the areas mentioned above, Sonaecom has other functional areas and business processes with competency in controlling and monitoring risks, in particular the following:

- The functions of Planning and Control, along with the respective pivots in the business areas, are responsible for preparing and monitoring the execution of annual plans of action as well as resources, budgets and forecasts in the finance and operating areas;
- The various business areas have processes and indicators to monitor operations and KPIs;
- Technical areas have indicators and alerts for interruption in service and safety incidents at the operating level.

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

Risks are presented and ranked, in the present section, based on the ranking and structure of Sonaecom's *Business Risk Management (BRM)*. BRM is a systematic way of identifying risks that affect the organisation (everyday language) and makes it possible to define and group risks along with their main causes (dictionary of risks).

Economic risks

According to Sonaecom's BRM, economic risks are associated with the following risk categories: business environment, strategy, operations, information processing and technology, empowerment and integrity.

Economic influences

Sonaecom is exposed to the current adverse economic environment in Portugal, although, due to the increasing pace of the internationalisation of the Software and Technology area, this exposure is more and more mitigated.

Regarding WeDo Technologies, the impact of the adverse economic environment in the business is diluted due to regional expansion, to the expansion of the respective product portfolio and to the expansion to other business sectors.

S21Sec, although mainly operating in the Spanish market, in which the economic recovery has been slower, mitigates that risk by operating in a segment of high growth and criticality in organizations.

In the case of Bizdirect, although it is still highly dependent on the national market for IT equipment, the company has continued to diversify its risk with the provision of software licensing corporate agreements' management services and with the expansion of the Microsoft solutions integration activity.

Saphety has a constant position in the domestic market as a leader in process simplification and automation solutions and has been investing in the expansion of this activity into the international market.

In the case of Público, the exposure to a segment that is going through a period of financial crisis and changing of reading trends has forced the definition of a restructuring project. With the need to ensure sustainability without compromising its role as an independent information source in

Portugal, Público has continued to conduct this project, which involves a greater focus on meeting growing demands in the digital world and a sizeable reduction in its operating costs structure.

Bright Pixel, despite acting in very early stages of business and in venture capital areas, is able to mitigate its risk by working in technological market with high potential for growth and international expansion. As for Inovretail, the technological argument is also applicable.

With respect to Armilars' venture capital funds, the economic risk is mitigated by asset portfolio diversification, which operates in different segments and different geographic markets.

Technological innovation

For Sonaecom, having an optimised technology infrastructure is a critical success factor that helps to reduce potential failures in leveraging technological developments. Accordingly, its various businesses continue to take actions to optimize the technological structure and boost innovation.

WeDo Technologies is certified in Research, Development and Innovation Management (NP 4457:2007). This certification, along with its existing quality certification (ISO 9001:2008), helps the company to continue innovating sustainably and helps to mitigate potential risk factors, ensuring that the offer is continuously adapted to technological trends. In 2015, WeDo Technologies also managed to be awarded ISO/IEC 27001: 2013 certification, for the Managed Services area.

S21Sec operates in a sector that demands constant innovation and a clear domain of all technological trends and it continuously invests in research and innovation. It is also certified by UNE-EN ISO 9001:2008 quality management and by UNE-ISO/IEC 27001:2007, Information Security management International reference Standard.

Although Bizdirect assumes cloud computing as a risk factor for their activity, since it can cannibalise the market for the sale of infrastructure and reduce procurement of systems by clients, it also assumes it as a chance to extend its offer. Strategic relationships with partners allow them to offer a full portfolio of products, including cloud solutions. We emphasise, for example, the partnership that allows Bizdirect to offer integration of Microsoft solutions, such as Dynamics CRM, SharePoint, BizTalk, and Office 365.

Inovretail is certified in Research, Development and Innovation Management (NP 4457:2007) and in Quality by ISO 9001:2008.

Público has continued with restructuring of its layout and content and in adopting technological innovations in its online edition. These innovations are designed to ensure a greater alignment with the new reading habits of the Portuguese, offering new access channels to information using smartphones and tablets, as well as sustaining Público's position as the leading non-specialist online newspaper.

Competition

Sonaecom's various companies are exposed to risks of competition from other operators in the domestic and international markets in its respective businesses sectors.

WeDo Technologies may be most exposed to international competition; however, it is known as the worldwide leader in revenue assurance software and is a top-three global competitor in the aggregate market for revenue assurance and fraud management.

Business portfolio

The risk of specialization and consequent limitation of activity due to portfolio has been mitigated in all Sonaecom's businesses, through the expansion of the product line or business segments.

WeDo Technologies continues to consolidate its global presence outside Portugal and has identified new target business sectors since 2009, in order to reduce exposure to centralization in a single market and in a single line of products. Therefore, to offset the concentration of clients in the telecommunications sector, it expanded the scope of its activity into new sectors, like retail, energy, and financial sectors. It also enlarged its product portfolio, expanding from revenue assurance and fraud management to business assurance. Also, since 2012, following the acquisition of Connectiv Solutions in the USA, WeDo Technologies has made a commitment to managed services and Software as a Service (SaaS).

In the case of S21Sec, one of the strategic priorities is to strengthen its position in the telecommunications sector, while still maintaining its focus in the financial segment. In addition, its product portfolio is to be extended in order to evolve in the e-crime market and incorporate analytic technologies, thus allowing the expansion of its operating area.

Bizdirect has recently expanded its portfolio to the integration of solutions focused on Microsoft technologies.

Saphety, apart from being divided into three types of solutions that can operate in integrated fashion SaaS: SaphetyGov, SaphetyBuy and SaphetyDoc, has widened its portfolio to a new solution: SaphetySync. This is a global standard solution, based on GS1 standard, which allows for the continuous and safe data synchronization, thus representing a differentiating key-factor for the internationalization of its portfolio.

Bright Pixel explores different types of activity being the only link to technological component.

Inovretail, despite its focus on retail segment and product sales, also includes a significant component of professional services in its portfolio.

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Business interruption and catastrophic losses (Business Continuity Management)

Since Sonaecom businesses are particularly focused on the use of technology, potential faults with technical/operational resources (network infrastructure, information system applications, servers etc.) can present a significant risk of business interruption if they are not well managed. This, in turn, can pose other risks to the company, such as adverse impacts on our reputation and our brand, on the integrity of our revenues and client satisfaction, and on quality of service. These can lead to loss of clients.

In the IT sector, business clients typically have a lower tolerance for interruptions. In this context, technology companies face risks associated with the availability of software platforms that support the companies' processes as well as the corresponding clients.

To identify this specific set of risks and to implement actions for prevention and mitigation that guarantee continuity of critical services and operations, Sonaecom has adopted a Business Continuity Management (BCM) programme over several years.

Confidentiality, integrity and availability (Information Security Management)

Since Sonaecom is primarily a technology, media and telecommunications group, all its subsidiary companies extensively use technology and information that are typically subject to availability, integrity, confidentiality and privacy risks.

In addition to being a technological issue, security should also be considered as a cultural and behavioural issue. In this sense, awareness is a key success factor when it comes to promoting a strong culture of information security among employees, partners and key stakeholders. Sonaecom has developed several initiatives to raise awareness and accountability over the past few years, of which the following stand out:

- A security communication plan based on campaigns to raise awareness of the issues considered most relevant in each year;
- Publication of the information security policy on the company's Intranet, accessible to all employees from the homepage;
- Clauses on personal data protection and confidentiality in contracts with employees and business partners. All employees are bound to obligations of confidentiality, secrecy and protection of personal data. As such they are forbidden from disclosing to third parties information to which they have access as a result of their roles in the company. These obligations and these duties shall remain in force even after the end of the employment relationship between the company and the employee. Our business partners have, generally, the same confidentiality obligations.

For specific issues related to the confidentiality and privacy of personal data, a few Sonaecom companies has appointed a Chief of Personal Data Protection Officer (CPDPO), who:

- Has responsibility for implementing and complying with the laws and regulations applicable to data processing.
- Acts on behalf of the company during interactions with the national regulatory authority for data protection (CNPD National Data Protection Commission).
- Promotes the adoption of data protection principles that are consistent with international standards and best practices.

Product-service failure (professional liability)

As Sonaecom companies are customer-oriented, we give special attention to the impact that the potential failure of our products or services may have on our customers, particularly with regard to civil liability issues. Risk events can be physical (for example: damage to equipment or facilities) or non-physical (for example: error in a software installation) and, usually, they are related to accidents, unintentional acts, errors or omissions by employees or subcontractors.

The risk management strategy selected by Sonaecom for this type of risk, involves the transfer of risk through insurers in addition to the implementation of internal controls. In this context, we continue to carry out the actions designed and implemented in previous years relating to professional liability insurance, and which consist of:

- Implementation of improvements in certain internal controls to further reduce the causes of risk.
- Renewal of existing professional liability insurance that incorporates an extended scope of coverage and is adapted to the business realities of Technology companies and Media;
- Additional subscriptions of professional liability insurance for foreign companies, improving coverage in certain international locations where our general insurance policy is not applicable due to legal restrictions.

Financial risks

Sonaecom's businesses are exposed to a variety of financial risks associated with its operations, namely interest rate risk, foreign exchange risk, liquidity risk, and credit risks (described and analysed in detail in the Appendix to the Annual Consolidated Financial Statements).

The financial risks management policy is determined by the Board of Directors, and the risks are identified and monitored by the Finance Department and Treasury.

In addition to a management policy for each of the identified risks and the implementation of control mechanisms to identify and determine them, Sonaecom uses, among others, natural hedges, credit insurances and, occasionally, derivative financial hedging instruments. Sonaecom's attitude in relation to financial risk management is conservative and prudent, refusing speculative purposes and resorting only to high credit quality financial institutions.

Legal, statutory and regulatory risks

Sonaecom and its subsidiaries have the support of legal and tax departments permanently dedicated to the specifications of the corresponding activity, under management's supervision, and exercising their competencies in interaction with other functions and departments, in order to preemptively ensure the protection of the company's interests and businesses, in compliance with their legal obligations, as well as by applying good

practices. The teams in these departments have specialized training and participate in in-house and external training courses to update their knowledge.

Legal and tax advice is also provided, nationally and internationally, by outsourced resources selected from firms with established reputations and which always have the highest standards of competence, ethics and experience.

The Software and Technology companies face an additional risk relating to the globalisation process, arising because these companies have a presence in several countries, which involves specific risks relating to very different legal frameworks in each country.

They are exposed to specific national, local and sectorial laws and regulations, depending on the market they operate in; they are particularly exposed to the continuous risk of eventual regulatory changes that can condition business and, consequently, hinder or harm the range of the strategic goals.

Sonaecom collaborates with the authorities with the aim of defining an optimal legal and regulatory framework that, in our opinion, promotes the development of the Information Technology sector in Portugal. Such collaboration may involve sending comments in response to public consultations, issued by national and international entities.

54. Description of the risk management processes: identification, assessment, monitoring, control and management

The risk management process is supported by a consistent and systematic methodology, based on the international standard Enterprise Risk Management – Integrated Framework issued by COSO (Committee of Sponsoring Organisations of the Treadway Commission). This methodology aims to identify business risks, assess their causes, measure triggers, manage the identified risks and, finally, monitor them.

Derived from this general framework, the management and control of the main risks facing Sonaecom, are achieved through the following key approaches and methods:

Concerning the Enterprise-Wide Risk Management, this approach allows Sonaecom's businesses to prioritise and identify critical risks that might compromise their performance and goals and to take actions to manage those risks, within the predefined levels of acceptance. This is achieved through constant monitoring of risks and the implementation of certain corrective measures.

Regarding Safety Management, the implementation of Information Security Management processes is intended to manage the risks associated with the availability, integrity, confidentiality, and privacy of information. The scope of this process also includes the development and maintenance of the Information Security Policy, verification of compliance with policy procedures, development of training programmes and awareness, setting and supervision of KPIs for information security.

Finally, regarding the Specific Risk Management Cycles or Processes, the development of specific risk management cycles/processes enables the mitigation of critical risks that can impact certain processes, areas or entities, positioning these risks within the levels defined by the management team. In addition, it identifies and monitors other operational risks that management considers relevant.

55. The key elements of the risk management and internal control systems implemented in-company regarding the disclosure of financial information

Sonaecom acknowledges that, as with other listed companies with similar activities, it is potentially exposed to risks related to the financial and accounting reporting processes, in addition to other financial risks, as detailed above. Sonaecom's attitude concerning financial risk management is conservative and prudent, and these principles have been maintained during 2017.

Therefore, Sonaecom is committed to ensuring an effective internal control environment, particularly regarding the financial reporting process. It seeks to identify and improve the most relevant processes in terms of the preparation and disclosure of financial information, with the objectives of transparency, consistency, simplicity and materiality. The internal control system aims to obtain reasonable assurance regarding the preparation of financial statements, in accordance with accounting principles and adopted policies, and warranting the quality of financial reporting.

The internal control system for the accounting department and the preparation of financial statements includes the following key controls:

- The process of disclosing financial information is documented, the risks and key controls are identified, the criteria for its preparation and disclosure are duly established and approved, and they are periodically reviewed;
- II. There are three main types of controls: High-level controls (entity level controls), information systems' controls (IT level controls) and process controls (process level controls). Those include a set of procedures related to the execution, supervision, monitoring and process improvement, with the main purpose of preparing the Company's financial reporting;
- III. The accounting principles used, which are disclosed throughout the notes to the financial statements (see chapter III, section 1.2, note 1 in the Report and Accounts), constitute one of the fundamental pillars of the internal control system;
- IV. The plans, procedures and records of the Group, provide a reasonable assurance that transactions are executed solely with the general or specific authorisation of management and that those transactions are recorded to ensure that financial statements comply with the generally accepted accounting principles. This also ensures that the company keeps updated records regarding assets, that the access to said assets rely on management authorisation and that whenever differences occur checking against existing assets, appropriate measures are taken;
- V. During the process of preparing and reviewing financial information, a schedule is first established and shared with the different areas involved, and all documents are reviewed in detail. This includes a review of the principles followed, verifying the accuracy of the provided information, and the consistency with the principles and policies defined and followed in previous periods;
- VI. The Group's financial statements are prepared and reviewed by the Finance and Accounting Department, under the supervision of the Group's Executive Committee. The Management Report and the Corporate Governance Report are both prepared by the Investor Relations Department, with the input and further review by several business and support areas and with the support and the supervision

of the Director of Corporate Governance and the Legal Department. The set of documents that constitute the Annual Report are sent for review and approval by the Sonaecom Statutory Audit Board and the Board of Directors. After approval, the documents are sent to the Statutory External Auditor, which issues its legal certification of accounts and the Auditor Report.

The most significant accounting estimates are disclosed in the notes to the financial statements. These estimates were based on the best information available during the preparation of the financial statements, and in the best knowledge and experience of past and/or present events. The most significant balances and transactions with related parties are disclosed in the notes to the financial statements. In the appendix to the Report and Accounts, we present a list of all parties related to the Sonaecom Group. These are mainly associated with the operational activities of the Group, as well as the granting and obtaining of loans under arm's length conditions.

More specific information regarding how these and other risks were mitigated, is disclosed in the notes to the financial statements.

IV - Investor Relations

56. Department responsible for investor relations, composition, functions, information provided by these services and contact details

The Investor Relations Department is responsible for managing Sonaecom's relationship with the financial community – current and potential investors, analysts and market authorities – with the goal of enhancing their knowledge and understanding of Sonaecom's businesses and activities, by providing relevant, timely and reliable information.

The department regularly prepares presentations and communications covering quarterly, half-year and annual results. It is also its responsibility to make any announcements to the market, whenever necessary, and disclose or clarify any relevant event that could influence Sonaecom's share price.

Any interested party may contact the Investor Relations Department using the following contact details:

Tel: (+351) 22 013 2349

E-mail: investor.relations@sonae.com

Address: Edifício 1.A Lugar do Espido – Via Norte – 4471-909 Maia

Website: www.sonae.com

57. Legal representative for Capital Market Relations

The legal representative for Capital Market Relations and Euronext is António Bernardo Aranha da Gama Lobo Xavier, who may be contacted by phone or e-mail:

. Tel: (+351) 22 013 2349

E-mail: antonio.xavier@sonae.com / investor.relations@sonae.com Address: Edifício 1.A Lugar do Espido – Via Norte – 4471-909 Maia

58. Details regarding information requests received during the target year or pending from previous years, amount and average response time During 2017, the Investor Relations Department received a normal number of information requests, considering the size of the company in the capital markets. These information requests were submitted either by e-mail or post, or by phone. The response to these requests was provided with the maximum possible speed. The average response time, without prejudice to the complexity of the matter, didn't exceed 2 working days.

V – Company's Website

59. Address

Company's website: www.sonae.com

60. Location of the information mentioned in Article 171 of the Portuguese Companies Act

Website: http://www.sonae.com/investidores/governo-das-sociedades/identificacao-da-sociedade/?l=en

61. Location where the Articles of Association, Bodies and/or Committees' regulations can be found

Website:

http://other.static.sonae.com/2015/05/19/Articles_of_Association_of_Sonaecom_SGPS_SA/Articles_of_Association_of_Sonaecom_SGPS_S A.pdf?download=1

http://www.sonae.com/investidores/governo-das-sociedades/orgaos-de-governacao/?l=en in the documents called "Internal Regulation of The Board of Directors" and "Statutory Audit Board"

62. Location where is provided information concerning the identity of the governing bodies, the representative for market relations, the Investor Relations Department, functions and means of access

Websites: http://www.sonae.com/investidores/governo-das-sociedades/orgaos-de-governacao/?l=en

http://www.sonae.com/investidores/contactos/?l=en

63. Location of accounting documents and the calendar of corporate events

Accounting documents: http://www.sonae.com/investidores/calendario-do-investidor/?l=en Calendar of corporate events: http://www.sonae.com/investidores/calendario-do-investidor/?l=en

64. Location of the notice for the General Meeting and all the preparatory and subsequent information related to it

Website: http://www.sonae.com/investidores/assembleia-geral/?l=en in the document called "Notice of meeting" included in each of the annual folders

65. Location of the historical records with the resolutions taken at the Company's General Meetings, the represented share capital and the voting results, with reference to the previous three years

Website: http://www.sonae.com/investidores/assembleia-geral/?l=en

D. Remuneration

I - Determining Competence

66. Competence for determining the remuneration of Governing bodies, members of the Executive Committee or Managing Director and the Company's Directors

Sonaecom's Remuneration Committee is responsible for approving the remuneration of Board members and other Statutory Governing Bodies, on behalf of the shareholders and under the terms specified in the compensation policy approved at the Shareholders' General Meeting.

II - Remuneration Committee

67. Composition of the Remuneration Committee, including identification of other individuals or companies hired to provide support and statement on the independence of advisors

Sonaecom has a Remuneration Committee consisting of two members: Duarte Paulo Teixeira de Azevedo, on behalf of Sonae SGPS, S.A. and Francisco de la Fuente Sánchez, on behalf of Sontel BV.

The company has not hired any entities to provide regular support to the Remuneration Committee.

When establishing the remuneration policy, the Remuneration Committee resorts to benchmark studies on remuneration practices annually disclosed by the internationally renowned consultants Hay Group and Mercer, and also by companies included in the main Portuguese Stock Market Index (PSI 20), in order to ensure that the statutory governing bodies' remuneration policy to be submitted to the approval of the Shareholders' Annual General Meeting fulfils comparable market standards.

The members of the Remuneration Committee are independent in relation to the Board of Directors.

68. Knowledge and experience of the members of the Remuneration Committee on remuneration policy

The experience and professional qualifications of the members of Sonaecom's Remuneration Committee are disclosed in their curricula vitae and available for consultation in Appendix II of this report. These qualifications allow them to exercise their responsibilities competently and accurately, each having the appropriate skills to perform their duties.

During 2017, the Remuneration Committee held one meeting with a 100% attendance rate.

III - Remuneration Structure

69. Description of the remuneration policy of the Board of Directors and the Supervisory bodies

Sonaecom's remuneration policy is structured in order to find a balance between the performance of Executive Directors in relation to goals established for them, and the Company's positioning in the market and comparable situations. Proposals regarding the remuneration of members of the Statutory Governing Bodies are elaborated taking into account (i) overall market comparisons, (ii) practises of similar companies, including other segments of the Group with comparable situations and (iii) the individual assessments and performance.

Remuneration policy constitutes therefore a formal means of aligning the interests of the Company's management with those of shareholders, such that, among the various component parts of the remuneration package, the variable component, the value of which depends on the individual's and Sonae's performance, is given high importance. A management approach focusing on the long term interests of the Company in which business risks are carefully considered, is thus encouraged.

The remuneration policy includes control mechanisms, which consider the link between individual and group performance, in such a manner as to avoid behaviour which is likely to involve excessive risk. This goal is also achieved by limiting the maximum value of each KPI.

The body responsible for approval of the remuneration of both executive and non-executive members of the Board of Directors and the other statutory governing bodies of the Company, is the Shareholders' Remuneration Committee, whose members are elected and remuneration decided upon at the Shareholders' General Meeting.

As part of the Company's principles of corporate governance, guidelines regarding remuneration policy have been established and reflected in the Remuneration and Compensation Policy, currently in operation (available for consultation at the website http://other.static.sonae.com/2017/03/27/4.SCOM_Proposta4.0ENG/4.SCOM_Proposta4.0ENG.pdf?download and approved at the Shareholders' General Meeting held on 28 April 2017. The Remuneration and Compensation Policy is based on the following principles:

Remuneration Policy Principles:

Competitiveness:

At Sonaecom, the remuneration policy is determined by comparison with the overall market and the practices of comparable companies. This information is obtained from the main remuneration surveys carried out independently for Portugal and the main European markets. Currently, the market surveys conducted by Mercer and the Hay Group are used as references.

The average value for top managers in Europe is used to determine the figures for the overall market. The companies that make up the pool of comparable companies, are those included in the Portuguese stock market index, the PSI-20.

The remuneration paid to Executive Directors is based on comparisons with the market, using market studies on top managers' remuneration packages in Portugal and across Europe, seeking to ensure that fixed remuneration is equal to the median market value and the total remuneration is close to the market third quartile.

Guidance to performance:

A significant part of the remuneration of Sonae's executive directors is determined by the success of the Company. The variable component of remuneration is structured in such a way as to establish a link between the sums awarded and the level of performance, both at individual and group level. If predefined objectives are not achieved, measured through KPIs applicable to the business and to the individual performance, the value of short and medium term incentives will be partially or totally reduced.

Alignment with the interests of shareholders:

Part of the variable remuneration of Executive Directors is paid in the form of shares and deferred for a period of 3 years.

Given that there is a link between the Company's share prices and its performance, the remuneration paid will be impacted by the manner in which the Executive Director has contributed towards this result. Hence, the interests of directors are aligned with those of Shareholders and with medium term performance.

Transparency:

All aspects of the remuneration structure are clear and openly disclosed internally and externally through documentation published on the Company's website. This communication process contributes towards promoting equal treatment and independence.

Reasonahilitu

Executive Directors' remuneration at Sonaecom aims to be reasonable, ensuring the balance between the Company's interests and market positioning, the expectations and motivations of our employees and the need to retain talent.

The Remuneration and Compensation Policy currently in place, was approved at the Shareholders' General Meeting that took place on the 28 April 2017, and is based on the following principles:

· no compensation payments to Board Directors or members of Statutory Governing Bodies related to the cessation of their duties, whether their resignation occurs according to their original mandate or whether it is anticipated for whatever reason, without prejudice to the obligation of the Company to comply with any relevant legislation in force in this area;

· non-existence of any specific system of benefits, in particular relating to retirement, in favour of members of the Board of Directors and auditing bodies.

Sonaecom reviews its remuneration policy annually as part of its risk management process, in order to ensure that it is entirely consistent with its desired risk profile. During 2017, no problems relating to payment practice were found that posed significant risks to the Company.

In designing remuneration policy, care has been taken not to encourage excessive risk-taking behaviour, attributing significant importance, but at the same time a balanced approach, to the variable component, thus closely linking individual remuneration to group performance.

Sonaecom has in place internal control procedures concerning remuneration policy, which target the identification of potential risks. Firstly, the variable remuneration structure is designed in such a way as to discourage excessive risk-taking behaviour to the extent that remuneration is linked to the evaluation of performance. The existence of KPI goals constitutes an efficient control mechanism. Secondly, the Company does not allow contracts to be signed that would minimise the importance of the Medium Term Incentive Plan (MTIP). This policy includes forbidding any transaction that might eliminate or mitigate the risk of share price variations.

The remuneration of the members of the Statutory Audit Board is made up of fixed annual fees, based on the Company's financial situation and market practice, and does not include any variable remuneration.

The company's External Auditor is paid accordingly with the standard fees table for similar services, at market rates and under a proposal from the Statutory Audit Board.

70, 71, 72 and 73. Information regarding how remuneration is structured to align the interests of management body members with the company's long-term interests, as well as how it is based on performance evaluation and lack of incentives to take on excessive risk. Reference, if applicable, to the variable remuneration policy and how performance evaluation can potentially affect this component. Deferred payment of the variable remuneration component, specifying the deferral period. Criteria underpinning the attribution of variable remuneration in shares, as well as the executive directors' retention of these shares in the event of any contracts related to them, specifically hedging or risk transfer contracts, the respective limit, and their relationship with the total annual remuneration and the company's managers

The Remuneration and Compensation Policy applicable to statutory governing bodies complies with community guidelines, national legislation and the recommendations of the Securities Market Commission. It is based on the presumption that initiative, competence and commitment are the essential foundations for good performance and must be aligned with the company's medium and long-term interests, with the aim of sustainability.

The content of the performance indicators, on which the variable remuneration component depends, and its specific role in determining actual remuneration, ensures that the Executive Directors are aligned with the defined strategic objectives and the compliance with the legal standards that govern the company's activities.

Therefore, for each financial year, individual performances and contributions to collective success are assessed and the results will necessarily influence allocation of the fixed and variable component of each member's remuneration plan.

The remuneration of executive directors is determined according to the level of responsibility of the director involved. The salary is paid in 14 monthly amounts and is subjected to annual review.

Above and beyond the fixed remuneration, Executive Directors are also entitled to a variable remuneration, in accordance with the company's Remuneration Policy. The variable remuneration is divided into two equal parts:

- (i) Short Term Variable Bonus (STVB): awarded in the first half following the year to which it relates (after gauging the profits for the period) and linked to the performance in the prior year. It aims to guide and compensate the Executive Board Directors for achieving predefined objectives.
- (ii) Medium Term Variable Bonus (MTVB) or (MTIP) is deferred for 3 years depending on the amount awarded and market share price, so as to link remuneration to long-term performance and provide alignment with the interests of shareholders (in accordance with the Share Award Plan, described in greater detail in chapter IV in this Report

The Executive Directors' variable remuneration is of a discretionary nature and, in view of the fact that it is dependent on the achievement of objectives, its payment is not guaranteed. Variable remuneration is determined annually with the value based on a predefined goal of between 30% and 60% of total annual remuneration (fixed remuneration, plus variable remuneration target values).

The variable part of the remuneration is checked by assessing the performance of a series of performance indicators from the various businesses that are mainly economic and financial – Key performance Indicators of Business Activity (Business KPIs). The content of the performance indicators and their specific weighting in determining the effective remuneration ensure the executive directors are aligned with the defined strategic objectives and compliance with legal standards that cover the company's activity.

The amount of each bonus is between 0% and 160% of the previously defied bonus objective.

The variable remuneration is paid in cash, but the Remunerations Committee may decide it should be paid, within the same period, in shares.

The payment of the variable bonus can be made by any of the means of extinguishing the obligation foreseen in the law and the articles of association.

The payment of at least 50% (fifty percent) of the variable component of the remuneration is deferred for 3 (three) years, under the terms described below.

The Medium Term Variable Bonus aims to compensate the Executive Board Administrator's loyalty, aligning their interests with those of the shareholders and increasing the awareness of their importance on the overall success of the Company.

Variable remuneration is awarded annually, according to the results of the previous year, and is then integrated into the MTVB plan. Payment of this component of variable remuneration is dependent on the director continuing to work with the Company for a period of three years after its award, as well as the overall continuing success of the company during this period, measured in accordance with the objectives set by the Shareholders' Remuneration Committee every three years.

If, subsequently to being awarded the right to this kind of remuneration and before exercising this rights, dividends are distributed, changes are made in the nominal value of shares or the company's share capital is changed, the number of shares on the plan will be adjusted to the number of shares that, considering the above modifications, are equivalent to the number of initial shares. This maintains an alignment with the total shareholder return. At the vesting date, shares are only delivered if the criterion for continuing positive performance of the company, mentioned above, is met. Payment is made by delivering shares at a discount that can vary between 90% and 100%, although Sonaecom retains an option to pay an equivalent value in cash.

The remuneration of Non-Executive directors, when applicable, will be exclusively composed of fixed values, according to market values. Therefore, for each Non-Executive director, approximately 15% of fixed remuneration will be dependent on the attendance rate of the meetings of the Board of Directors. In addition, a further annual responsibility allowance will be paid. The fixed remuneration can be increased by up to 6% for those non-executive directors who chair a Board of Directors' Committee. There will be no variable remuneration.

74. Criteria underpinning the assignment of variable remuneration in options, indication of the deferral period and the exercise price Not applicable. The Company did not establish any variable remuneration in options.

75. Main parameters and reasoning concerning annual bonuses and any other non-cash benefits

The main parameters and reasoning concerning the variable remuneration system are disclosed in the remuneration policy approved in the Shareholders General Meeting, held on 28 April 2017, which is available for consultation at the Company's website: <a href="http://other.static.sonae.com/2017/05/02/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResolutionSonaecom_28.04.2017_ENG/InformationResol

76. Main features of the Directors' complementary pensions or early retirement schemes and date of approval by the General Shareholders' Meeting, individually

Not applicable. The Company does not have any complementary pension or early retirement schemes for Directors, and there are no other significant benefits in kind.

IV - Disclosure of Remuneration

77, 78 and 79. Indication of the annual remuneration earned, in aggregate and individual amount, by the Company's members of the Board of Directors, including fixed and variable remuneration. Related to this, reference to the different components that led to them, amounts of any kind paid by other controlled or Group companies, or those under shared control, and remuneration paid as profit sharing and/or bonus payments and the reasons why such bonuses and/or profit sharing payments were made

The remuneration for each Sonaecom director, awarded by the Company and Group Companies during the year 2017 and 2016, is summarized in the charts below.

Remuneration of each Sonaecom Board member awarded by the company in 2017 and 2016

				2017				2016
Amounts in euros	Fixed Remuneration	Short Term Variable Bonus *	Medium Term Variable Bonus/MTIP	Total	Fixed Remuneration	Short Term Variable Bonus *	Medium Term Variable Bonus/MTIP	Total
Individual breakdown								
Executive Directors								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	183 900	142 100	142 100	468 100	183 900	136 200	136 200	456 300
Maria Cláudia Teixeira de Azevedo	146 100	79 400	79 400	304 900	141 480	69 200	69 200	279 880
António Bernardo Aranha Gama Lobo Xavier (Note 1)	28 011	-	-	28 011	153 320	-	_	153 320
	358 011	221 500	221500	801 011	478 700	205 400	205 400	889 500
Non-Executive Directors								
António Bernardo Aranha Gama Lobo Xavier (Note 1)	115 990	=	-	115 990	=	-	-	-
Total	474 002	221500	221500	917 002	478 700	205 400	205 400	889 500

^{*} Amount earned through the company and its subsidiaries

Note 1: António Bernardo Aranha Gama Lobo Xavier left his Executive Director role on 13 March 2017 and remained on the Board as a Non-Executive Director. His remuneration for 2017 has been split of a time proportional basis in the table above.

The short-term variable bonus of executive directors includes a participation in the profits of the company.

Directors' participation in MTIP

Executive Directors	Plan (Performance Year)	Award Date	Vesting Date	Value Vested and Paid in 2017*	Open Plans Value at Awared Date*	Open Plans Value at 31 December 2017 * * *
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	2013	Mar-14	Mar-17	233 213		
	2014	Apr-15	Apr-18		125 100	122 489
	2015	Mar-16	Mar-19		142 600	172 395
	2016	Mar-17	Mar-20		136 200	176 289
	Total			233 213	403 900	471172
Maria Claúdia Teixeira de Azevedo	2013	Mar-14	Mar-17	51834		
	2014	Apr-15	Apr-18		75 400	73 826
	2015	Mar-16	Mar-19		78 100	94 417
	2016	Mar-17	Mar-20		69 200	89 569
	Total			51 834	222 700	257 812
Total				285,047***	626 600	728 984

^{*} Values in Euros

 $^{^{\}star\star}$ Calculated using the closing price of last trading day in 2017 (29-Dec-17).

^{***} The total value of plans that vested during 2017 was Euros 285,047

Remuneration earned by Directors in group companies

	2017					20	16	
Amounts in euros	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total remuneration	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total remuneration
Name Ângelo Gabriel Ribeirinho dos Santos Paupério	276 800	219 800	219 800	716 400	276 800	203 900	203 900	684 600

80. Compensation paid or owed to former Executive Directors following loss of office

No compensation was paid or is currently owed to former Executive Directors in relation to early loss of office during 2017.

81. Indication of the annual remuneration earned, in aggregate and individual amount, by the Company's Statutory Audit Board

The remuneration of the members of the Statutory Audit Board is made up of fixed annual fees, based on the Company's financial situation and market practice, and does not include any variable remuneration. Thus, the Chairman of the Statutory Audit Board earned 9,900 euros in 2017 and 2016 and the other members earned, in the same period, 7,900 euros. The alternate members of the Statutory Audit Board did not receive any remuneration.

82. Remuneration in the reference year for the Chairman of the General Shareholders' Meeting Board CSM

The Chairman of the General Shareholders' Meeting Board earns a fixed annual remuneration of 5,000 euros and the Secretary earns a fixed annual remuneration of 2,500 euros.

V - Agreements with Remuneration Implications

83. Contractual limitations on compensations to be paid upon to Directors' dismissal without due cause and its relation with the variable component of the remuneration

There are no agreements in place with members of the Board of Directors that establish amounts to be paid in case of dismissal without due cause, without prejudice to the applicable legal provisions.

84. Reference to the existence and description, stating the sums involved, of the agreements between the company and members of the Board of Directors, providing for compensation in case of dismissal without due cause or termination of the employment relationship, following a change in Company control

There are no agreements made between the company and members of the Board of Directors, that provide for compensation in cases of dismissal, unfair dismissal or termination of employment following a change in Company's control.

VI - Share attribution plans or stock options

85 and 86. Identification of the plan and respective recipients. Plan features (assignment conditions, share transfer clauses, share price and option exercise price criteria, period during which options can be exercised, features of the shares or options to be assigned, incentives to acquire shares and/or exercise options).

Medium Term Variable Bonus - MTVB

Framework

The MTVB is designed to align the interests of the Executive Directors with the success of the company, reinforcing their engagement and the perception of the impact of their performance on the success of Sonaecom.

General features of the Medium Term Incentive Plan

The MTVB is subjected to the Medium Term Incentive Plan eligibility rules described in this report.

The general terms of the MTIP and any significant amendments thereto are reviewed by the Remuneration Committee and then approved at the Shareholders' General Meeting. The participation of Sonaecom's Executive Committee's members is approved by the Remuneration Committee, in line with the Group's Remuneration Policy, which is also approved at the Shareholders' General Meeting.

Eligibility

All executive directors of Sonaecom are eligible to be awarded an MTVB.

Definition of the MTVB reference value

The MTVB is valued at the award date, based on the listed share prices in Portugal of the shares that make up the respective share package. The most favourable of the following prices is used: the closing price on the first working day after the company's Shareholders' Annual General Meeting; or the average of the closing prices of the last 30 trading sessions, before the Annual General Meeting.

Those entitled to the MTVB shall have the right to acquire a number of shares calculated by the quotient between the value of the awarded medium-term variable bonus and the quotation value at the attribution date, determined in accordance with the previous paragraph. During the deferral period, the amount of the bonus, converted into shares, may additionally be adjusted to match the success degree in achieving a medium terms KPI, in order to ensure the continued alignment with the business long terms sustainability objectives.

In line with the policy for enhancing the alignment of Executive Directors with the company's medium term interests, the Shareholders' Remuneration Committee may, in its sole discretion, graduate the discount percentage to be granted to the Executive Directors for the acquisition of Company's shares, by determining that the Executive Directors contribute to the acquisition in an amount corresponding, at the maximum, to 5% of the share market price at the transfer date.

If, after awarding the MTVB, the company distributes dividends, the Company's share capital is changed or any other change is made to the Company's capital structure, then the number of shares, which the director has been awarded, will be adjusted to an equivalent number, taking into account the impact of these changes.

Duration of the plan

The MTVB plan is established annually, based on the variable remuneration awarded, and each plan has a three year term. As from the award date of the third consecutive plan, three tri-annual plans will be open.

Vesting of the MTVB

On the vesting date of MTVB plans – three years after being awarded -, compensation can be paid in the form of shares or as a discount when purchasing shares. The company awarding the MTVB retains the right to pay the cash equivalent to the shares' value, rather than delivering actual shares.

Share Retention Policy

The following Shareholding and Retention Policy ("SH&R Policy") is applicable to the members of Sonaecom's Board of Directors (Management Levels: GF1 and GF2):

Each GF1 or GF2 is required to retain 50% of the shares delivered on the vesting of each Plan until they hold, on an accumulated basis, a total number of shares that is equivalent to the value of two annual fixed salaries. The requirement to retain shares ends as soon as the respective manager holds, on an accumulated basis, a total number of shares that meets the agreed shareholding requirement, either by retaining MTPB shares awarded by Sonaecom or by acquiring shares in their individual name. The inclusion of the latter shares is optional and is of the exclusive decision of each manager, who, in this case, should inform Sonaecom. For this purpose, the annual fixed salary is the monthly base remuneration paid 14 times a year.

The Executive Directors shall not sign, nor will sign contracts with the Company or with any third parties that would have the effect of mitigating the risk inherent in the variability of the remuneration established by the company.

Conditions of exercising the right

The right to MTVB ceases when an employee no longer shares a legal or administrative relationship with Sonae, or any company that represents the sub-holding where they work, nor any other company directly or indirectly affiliated with either of the above. In the event of death or permanent disability, the MTVB is valued at current market prices of the shares and the equivalent value will be paid, depending on the case, to the employee or to his or her legal heirs. In the event of retirement, rights to a MTVB are retained and vest on the normal vesting date.

The right to acquire shares attributed under the MTPB plan expires when the beneficiary no longer works with Sonae before the end of the vesting period, without prejudice to the provisions set forth in the following paragraphs. The right to receive payment may however remain in case of permanent disability or decease, with the due amount being paid to the member of the Board of Directors or to his/her heirs at the normal time for payment at the vesting period.

If the beneficiary retires, any right to awards can be exercised on the due date of payment.

87. Option rights granted to acquire shares ("stock options") where the beneficiaries are company employees

There are no stock options to acquire the attributed shares.

88. Planned control mechanisms for any employee share capital participation scheme, to the extent voting rights are not directly exercised by them

There are no control mechanisms established to control employee participation in the Company's capital.

E. Transactions with related parties

I - Mechanisms and control procedures

89. Mechanisms implemented by the Company to monitor transactions with related parties (for the purposes of the concept of IAS 24)

Sonaecom endeavours to carry out transactions with related parties based on principles of rigour and transparency, and in strict observance of the rules of market competition. Such transactions are subject to specific internal procedures based on mandatory standards, in particular transfer pricing rules, or on voluntarily adopted internal systems of checks and balances – for example, formal validation or reporting processes, depending on the value of the transaction in question.

In this regard, Sonaecom has adopted specific procedures in order to prevent conflicts of interest, such as promoting communication between the Board of Directors and the Statutory Audit Board, which provides the necessary clarifications to assure that transactions are concluded under normal market conditions.

90. Indication of transactions subjected to control in the reference year

As stated in section 10 above, there were not, during 2017, any significant relations, of a commercial nature or otherwise, between qualified shareholders and the Company. The executed transactions, without any significant relevance, fall within the Company's scope of activity, were executed on arm's length conditions and side-by-side with other equivalent transactions executed with national and international parties, in terms that conform to the preceding framework of Sonaecom's practice and under the supervision of the Statutory Audit Board, as described in point 92 below. The Company did not execute any transaction with any member of the management or audit bodies during 2017.

91. Description of the procedures and criteria for intervention of the Statutory Audit Board for the purpose of preliminary assessment of the business carried out between the Company and holders of qualified shareholdings or entities that are in a relation with them, under the terms of article 20 of the Portuguese Securities Code

Transactions with owners of qualified shares or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, are subject to a formal prior opinion by the Statutory Audit Board, if their value exceeds 10 million euros. In addition, all transactions with related parties in excess of 1 million euro, are also submitted to quarterly reports by the Statutory Audit Board.

II - Business related elements

92. Location of accounting documents containing information regarding transactions with related parties, in accordance with IAS 24 or, alternatively, disclosure of this information

Information on transactions with related parties, in accordance with IAS 24, can be found in note 37 of the 2017 Consolidated Financial Statements' Appendix.

PART II – STATEMENT OF COMPLIANCE

1. Identification of the adopted Corporate Governance Code

The Corporate Governance Report provides a description of the Corporate Governance structure, policies and practices followed by the Company under the terms of article 245-A of the Portuguese Securities Code and information duties required by CMVM Relation no. 4/2013, of 1 August. The Report additionally discloses, in light with the principle of comply or explain, the terms of compliance by the Company with the CMVM Recommendations contained in the CMVM Corporate Governance Code (2013), adopted by the Company.

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

The requirements for the provision of information as per article 3 of Law no. 28/2009, of 19 June, article 447 of the Portuguese Companies Act, article 245-A of the Portuguese Securities Code and of CMVM Regulation no. 5/2008, have also been fulfilled.

All of the rules and regulations mentioned in the Report are publicly available at www.cmvm.pt.

Unless otherwise expressly stated, all remissions to be read as being made to the Report itself.

2. Analysis of compliance with the adopted Corporate Governance Code

The governance model adopted by Sonaecom enabled the Board of Directors to operate normally, and none of the other statutory governing bodies have reported any constraints to their normal functioning.

The Statutory Audit Board exercised its supervisory function, having received appropriate support from the Board of Directors to this end, via regular provision of information.

The Statutory External Auditor monitored the company's activities and conducted the examinations and verifications deemed necessary to review and legally certify the accounts, interacting with the Statutory Audit Board, within the framework of their competences and responsibilities and with full cooperation from the Board of Directors.

The Board of Directors has been carrying out its duties and cooperating with the Statutory Audit Board and the Statutory External Auditor, when so requested, in a transparent and rigorous manner and in compliance with its Terms of Reference and best corporate governance practices.

The full text containing the corporate governance guidelines currently adopted by Sonaecom - whether published by specific regulation, recommendation or voluntarily, including the Code of Conduct, are made publicly available on our website www.sonae.com and also at the CMVM website: www.cmvm.pt.

The CMVM's recommendations on Corporate Governance (as issued in July 2013) and the respective level of compliance by Sonaecom at 31 December 2017, are listed below.

I. VOTING AND CORPORATE CONTROL

1.1. Companies shall encourage shareholders to attend and vote at general meetings, namely by not setting an excessively large number of shares required for the entitlement of one vote, and by implementing the means necessary to exercise the voting right by post and electronically.

RECOMMENDATION FULLY ADOPTED.

The Company encourages its shareholders to participate in general meetings, by assigning one vote to each share, not limiting the number of votes that may be held or exercised by each shareholder and making available to shareholders all the means necessary to exercise voting by post or electronically.

Additionally, the Company publishes on its website, from the date of notice of each General Meeting, standard documentation for participation at the General Meeting, thereby facilitating the shareholders' compliance with the applicable legal attendance requirements, and also provides a specific, dedicated e-mail address for communication between shareholders and the Chairman of the general meeting answer shareholders' enquiries and for the reception of all communications to participate in the General Meeting.

I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including setting a resolution-fixing quorum greater than that required by law.

RECOMMENDATION FULLY ADOPTED.

The Company's Articles of Association do not set a resolution-fixing quorum that exceeds that fixed by law.

I.3. Companies shall not establish mechanisms that might cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly substantiated in terms of long-term interests of shareholders. RECOMMENDATION FULLY ADOPTED.

No such mechanisms have been adopted or established.

I.4. The company's articles of association that provide for a limitation to the number of votes that may be held or exercised by a sole shareholder, either individually or in agreement with other shareholders, shall also foresee that, at least every five years, the maintenance of such bylaw provision shall be subject to a resolution at the General Meeting – with no requirements for an aggravated quorum as compared to the legal one – and that in said resolution, all votes issued be counted, without applying said restriction.

RECOMMENDATION FULLY ADOPTED.

The Company's Articles of Association do not establish any limitation on the number of votes that may be held or exercised by a single shareholder.

I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and are able to impair the free transfer of shares and the free assessment by shareholders of the performance of Board members, shall not be adopted.

RECOMMENDATION FULLY ADOPTED.

The Company does not adopt, unilaterally, policies that have the effect of any restrictions listed in this recommendation.

II. SUPERVISION, MANAGEMENT AND AUDIT

II.1. SUPERVISION AND MANAGEMENT

II.1.1. Within the limits established by law, and unless the company is of a reduced size, the board of directors shall delegate the daily management of the company, and the delegated duties should be identified in the Annual Report on Corporate Governance.

RECOMMENDATION FULLY ADOPTED.

By a Board resolution take non the 28 April 2017, the Board of Directors has delegated the daily management of the Company to the Executive Committee, the role and competencies of which are described in the present Corporate Governance Report (please refer to sections 27 and 28).

II.1.2. The Board of Directors shall ensure that the company acts in accordance with its goals and should not delegate its duties, as regards the following: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; iii) decisions considered to be strategic due to the amount, risk and particular characteristics involved.

RECOMMENDATION FULLY ADOPTED.

The powers not delegated by the Board of Directors are described in the present Report and comply with the rules contained in this recommendation (please refer to section 27.1).

II.1.3. In addition to its supervisory duties, the General and Supervisory Board shall take full responsibility at corporate governance level, hence, either through the statutory provision, or equivalent, it must be established, as a mandatory requirement, that this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of the company's key policies.

RECOMMENDATION NOT APPLICABLE.

Sonaecom did not adopt said Corporate Governance model.

- II.1.4. Unless the company is of a reduced size, and depending on the adopted model, the Board of Directors and the General and Supervisory Board shall create the necessary committees in order to:
- a) Ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as of its own overall performance. And further yet, the performance of all existing committees;
- b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies measures to be implemented with a view to their improvement.

RECOMMENDATION FULLY ADOPTED.

The Board of Directors has decided that, considering the current dimension of the company, the existence of a specific Committee to ensure the effectiveness and the quality of the work performed by Executive Directors is not justified. Such responsibility is delegated to the Remuneration Committee.

The Company has a Corporate Governance Officer who reports hierarchically to the Board of Sonaecom and its main duties are to assess the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies measures to be implemented with a view to their improvement (as detailed above in Part I, paragraph 29).

II.1.5. Depending on the applicable model, the Board of Directors or the General and Supervisory Board should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.

RECOMMENDATION FULLY ADOPTED.

The Board of Directors has established internal risk control systems (see points 50 to 55 of this report) which are monitored by the Statutory Audit Board.

II.1.6. The Board of Directors shall include a sufficient number of non-executive members, whose role is to ensure effective monitoring, supervision and assessment of the activity of the remaining members of the board.

RECOMMENDATION FULLY ADOPTED.

The Board of Directors has a total number of three members, one of which is a non-executive member (please refer to section 18).

II.1.7. The non-executive members of the management body shall include a number of independent members as appropriate, taking into account the adopted corporate governance model, the size of the company, its shareholder structure and the relevant free float.

The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed under the terms of the legislation in force. The other members of the Board of Directors are considered independent, if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, namely due to:

- a. Having been an employee of the company or of a company holding a controlling or group relationship with the latter, within the last three years;
- b. Having, in the past three years, provided services or established a commercial relationship with the company or company which is in a control or group relationship with the latter, either directly, or as a partner, board member, manager or director of a legal person;
- c. Being paid by the company or by a company with the latter in a control or group relationship, other than the remuneration paid for the exercise of Board member functions;
- d. Living with a partner or being spouse, relative or any next of kin relative, either direct or up to and including the third degree of collateral affinity, of board members or natural persons that are direct and indirectly holders of qualifying holdings;
- e. Being a qualifying shareholder or representative of a qualifying shareholder.

RECOMMENDATION NOT ADOPTED.

The company believes that its current dimension and respective shareholder structure and the reduced dispersion of its share capital do not justify the existence of independent directors.

II.1.8. When executive directors are requested by other Board members to supply information, the former shall do so in a timely and appropriate manner.

RECOMMENDATION FULLY ADOPTED.

The company Directors fulfil this recommendation, disclosing its decisions in an expeditious, clear and complete manner.

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

RECOMMENDATION FULLY ADOPTED.

The announcement of all the Board of Directors' meetings and its respective minutes are communicated to the Chairman of the Statutory Audit Board.

II.1.10. Should the Chairman of the Board of Directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination and the conditions of other non-executive members' work, so that said non-executive members can make independent and informed decisions or set up an equivalent mechanism to ensure such coordination.

RECOMMENDATION NOT ADOPTED.

Although the Chairman of the Board is an executive director, the company considers that in virtue of its current dimension and respective shareholding structure, the reduced dispersion of its share capital do not justify the existence of independent directors.

II.2. SUPERVISORY

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

RECOMMENDATION FULLY ADOPTED.

The Chairman of the Statutory Audit Board, as well as all the members of this body, are independent under the terms of article 414, paragraph 5, of the Portuguese Companies Act, and possess the necessary skills and experience to perform their duties.

The assessment of the conditions of independence, pursuant to the legal criteria, is established at the time of election and repeated annually on an internal assessment and, apart from that, every member of the SAB is obliged to inform the company immediately if there are any circumstances that compromise their independence.

II.2.2. The supervisory body shall be the main representative of the External Auditor and the first recipient of the relevant reports, and is responsible for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the companu.

RECOMMENDATION FULLY ADOPTED.

The Statutory Audit Board is responsible for overseeing the work performed and verifying the Statutory External Auditor's independence. Also, primordially receiving its reports and interacting with it according to the role of the Statutory Audit Board and in compliance with its Regulation, available at the Company's website, at

http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf

II.2.3. The supervisory board shall assess annually the Statutory External Auditor and propose to the competent body its dismissal or termination of the contract as to the provision of their services, whenever justifiable grounds are present.

RECOMMENDATION FULLY ADOPTED.

The Statutory Audit Board reports annually on the work performed by the Statutory External Auditor.

II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management, proposing adjustments if deemed necessary.

RECOMMENDATION FULLY ADOPTED.

The Board of Directors proactively ensures the internal control system and risk management. The SAB assesses the effectiveness of these systems, proposing any optimisation measures that may be necessary and giving their opinion about them in the annual report opinion, made available together with the other documents and statements at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (2017 MR&A folder/Chapter V)

II.2.5. The Audit Committee, the General and Supervisory Board and the Statutory Audit Board should decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services, at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential irregularities.

RECOMMENDATION FULLY ADOPTED.

The SAB supervises the internal auditing activity, receives activity reports, assesses the results and conclusions found, checks on the existence of any irregularities and issues the directives it believes are necessary.

II.3. REMUNERATION APPROVAL

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

RECOMMENDATION FULLY ADOPTED.

The members of the Remuneration Committee, Duarte Paulo Teixeira de Azevedo and Francisco de la Fuente Sánchez, are independent in relation to the Board of Directors' members, acting in this capacity and with relevant knowledge and experience in the matter of remuneration policy. The curricula vitae of the Remuneration Committee's members are available for consultation in the Appendix II of this report.

II.3.2. Any individual or entity who, in the last three years, has rendered services to any structure under the direction of the Board of Directors to the company management body itself or who currently has a relationship with the company or with a consultant of the company, should not be hired to assist the Remunerations Committee in the performance of its duties. This recommendation is equally applicable to any individual or legal entity that has a relationship with such by means of an employment or service agreement.

RECOMMENDATION FULLY ADOPTED.

It is the Shareholders' Remuneration Committee policy to hire internationally recognised consultants to provide support in the carrying out of its duties. The independence of such consultants is ensured by the fact that they are not in any way related to the Board of Directors, to the Company or to the Group, and by their self-evident broad experience and recognized market.

The company does not hire any entity that rendered services to any structure under the direction of the Board of Directors to assist the Remunerations Committee in the performance of its duties. The Remuneration Committee resorts to benchmark studies on remuneration practices annually disclosed by internationally renowned consultants, whose independence is assured either by the fact that they have no connection to the Board of Directors, or due to their broad experience and recognised status in the market.

- II.3.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on:
- a) Identification and explanation of the criteria for determining the remuneration granted to the members of the governing bodies;
- b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate terms, to be

paid to the members of the corporate bodies, and also the identification of the circumstances whereby these maximum amounts may be payable;

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

A statement on the Company's remuneration policy was presented to the Shareholders' General Meeting on 28 April 2017 and includes the information referred to in this recommendation. Payments for the dismissal or termination of appointment of directors are not required, subject to the applicable legal provisions.

A statement on the remuneration policy is available at http://www.sonae.com/investidores/assembleia-geral/?l=en in the following address: <a href="http://other.static.sonae.com/2017/05/02/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/Informa

II.3.4. A proposal for approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the information necessary for a proper appraisal of the plan. RECOMMENDATION FULLY ADOPTED.

In its proposal, the company includes the approval of the share allocation plan and always accompanies it with the respective regulation (available at <a href="http://other.static.sonae.com/2017/05/02/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionsAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationResolutionSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017_ENG/InformationSAGM_Sonaecom_28.04.2017

II.3.5. Approval of any retirement benefit scheme established for members of the statutory governing bodies must be submitted to the General Meeting's approval. The proposal shall contain all the information necessary for the correct assessment of the system.

RECOMMENDATION NOT APPLICABLE.

Currently, the company has no retirement pension plans in force for the members of the corporate bodies.

III. REMUNERATION

III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk taking. RECOMMENDATION FULLY ADOPTED.

The remuneration of the members of the Board of Directors who perform executive duties is based on their effective performance, in accordance with pre-determinated criteria and is constructed in order to align its performance with the sustainability of the Company and the long-term interests of the shareholders, discouraging thus excessive risk taking.

III.2. The remuneration of the non-executive board members and the members of the supervisory board, shall not include any component whose value depends on the performance of the company or of its value.

RECOMMENDATION FULLY ADOPTED.

The remuneration policy approved at the Shareholders' General Meeting under proposal of the Remuneration Committee, states that the remuneration of non-executive members of the Board of Directors, when existing, and the remuneration of members of the Supervisory Board includes only one fixed component. As a result, these members do not receive variable remuneration nor do they participate in the MTIP.

III.3. The variable remuneration component shall be overall reasonable in relation to the fixed component of the remuneration and maximum limits should be set for all components.

RECOMMENDATION FULLY ADOPTED.

The company's remuneration policy includes a fixed component and a variable component, as set forth in the main European reference indicators. In comparative terms, the fixed remuneration is close to the average and the total remuneration is close to the third quartile of the indicators. The variable component represents over 40% of the total income received. The minimum and maximum variable components are pre-established as a percentage of a fixed component and, thus, are objectively established.

III.4. A significant part of the variable remuneration should be deferred for a period of no less than three years and its payment should depend on the continued positive performance of the company during said period.

RECOMMENDATION FULLY ADOPTED.

The MTIP, an integral part of the remuneration of the management body's executive members, is based precisely on this deferral.

III.5. Members of the Board of Directors shall not enter into contracts with the company or third parties which intend to mitigate the risk inherent to remuneration variability set by the Company.

RECOMMENDATION FULLY ADOPTED.

The remuneration policy approved at the Shareholders' General Meeting, held on the 28 April 2017, under proposal of the Remuneration Committee, addresses the principle defined in this recommendation: that Executive Directors shall not sign contracts with the Company or with third parties that would have the effect of mitigating the risk inherent in the variability of the remuneration established by the company.

The company did not identify any contracts of this nature.

The Remuneration policy is available for consultation at the website disclosed on paragraph II.3.3..

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

RECOMMENDATION FULLY ADOPTED.

Since 2008, the company has implemented a share retention policy that fully complies with this recommendation.

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

RECOMMENDATION NOT APPLICABLE.

The variable component of the company remuneration does not include the allocation of options.

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

RECOMMENDATION FULLY ADOPTED.

The company uses the appropriate legal instruments available in law for this situation. There are no individual contracts with the directors to establish how eventual compensations would be calculated. In addition, the company has never attributed or contemplated attributing compensation to the directors in the event of dismissal or cessation due to inadequate performance.

IV. AUDITING

IV.1. The Statutory External Auditor shall, within the framework of its duties, verify the implementation of remuneration policies and systems of the corporate bodies, as well as the efficiency and effectiveness of the internal control mechanisms, reporting any deficiencies to the Company's supervisory body.

RECOMMENDATION FULLY ADOPTED.

The External Auditor discloses the activities carried out during 2017 in its annual audit report, which is subject to approval at the Shareholders' Annual General Meeting, and is available for consultation at the website: http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en at the folder MR&A 2017/Chapter IV).

IV.2. The Company or any other entities with the latter in a control relationship, shall not engage the Statutory External Auditor or any entity with the latter in a group relationship or which is part of the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - said value should not exceed more than 30% of the total value of services rendered to the company.

RECOMMENDATION FULLY ADOPTED.

The services provided by the Statutory External Auditor were approved by the Statutory Audit Board within the recommended principles (please see points 46 and 47).

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

RECOMMENDATION FULLY ADOPTED.

PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA., registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia, was elected by the Shareholders' Annual General Meeting, through a proposal submitted by the Statutory Audit Board, for the first time, on 29 April 2016, integrating the mandate of 2016/2019.

The alternate Statutory External Auditor is Joaquim Miguel de Azevedo Barros (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036).

V. CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

V.1. In relation to business conducted between the company and shareholders with qualified shareholdings, or entities with which these are related, in accordance with article 20 of the Portuguese Securities Code, such business should be conducted on an arm's length basis. RECOMMENDATION FULLY ADOPTED.

The Company endeavours to carry out transactions with related parties based on principles of rigour and transparency, and in strict observance of the rules of market competition. Such transactions are subject to specific internal procedures based on mandatory standards, in particular transfer pricing rules, or on voluntarily adopted internal systems of checks and balances – for example, formal validation or reporting processes, depending on the value of the transaction in question.

V.2. The supervisory or audit board shall establish procedures and criteria that are required to define the relevant level of significance of business with qualifying shareholders - or entities with which they are in any of the relationships described in paragraph 1 of article 20 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body. RECOMMENDATION FULLY ADOPTED.

Transactions with owners of qualified shares or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, are subject to a formal prior opinion by the Statutory Audit Board, if their value exceeds 10 million euros. In addition, all transactions with related parties in excess of 1 million euro, are also submitted to quarterly reports by the Statutory Audit Board.

VI. INFORMATION

VI.1. Companies shall provide, via their websites in both Portuguese and English version, access to information on their progress as regards the economic, financial and governance standing. RECOMMENDATION FULLY ADOPTED.

The company's website, www.sonae.com, provides information that fulfils the requirements of this recommendation.

VI.2. Companies shall ensure the existence of an investor support and market liaison office, capable of responding to investors' requests in a timely manner. A record of the submitted requests and their processing shall be kept. RECOMMENDATION FULLY ADOPTED.

The company has an Investor Relations Department, which fulfils the requirements of this recommendation.

APPENDIX I

Curricula Vitae and positions held by members of management and supervisory bodies.

- Board of Directors:

Ângelo Gabriel Ribeirinho dos Santos Paupério

CEO of Sonaecom, SGPS, S.A.

Birth date

14 September 1959

Educational qualifications

Degree in Civil Engineering - University of Porto

MBA by Porto Business School

Professional experience

Co-CEO of Sonae - SGPS, S.A.

Member of the Board of Directors of Sonae Investimentos, SGPS, S.A.

Chairman of the Board of Directors MDS, SGPS, S.A.

Member of the Board of Directors of Sonae Sierra, SGPS, S.A.

Vice President of Sonae MC - Modelo Continente, SGPS, S.A.

Member of the Board of Directors of ZOPT, SGPS, S.A.

Member of the Board of Directors of NOS, SGPS, S.A.

Guest professor of Porto Business School

Member of High Council of Universidade Católica Portuguesa

Member of High Council of Porto Business School

Chairman of the Board of Directors of APGEI - Associação Portuguesa de Gestão e Engenharia Industrial

Offices held in companies in which Sonaecom is a shareholder

Chairman of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.

Member of the Board of Directors of ZOPT, SGPS, S.A.

Chairman of the Board of Directors of Público - Comunicação Social, S.A.

Member of the Board of Directors of NOS, SGPS, S.A.

Chairman of the Remuneration Committee of NOS, SGPS, S.A.

Offices held in other entities

Co-CEO of Sonae, SGPS, S.A.

 $\label{thm:member of the Board of Directors of Sonae Center Serviços II, S.A.$

Member of the Board of Directors of Sonae Investimentos, SGPS, S.A.

Vice President of the Board of Directors of Sonae MC - Modelo Continente, SGPS, S.A.

Member of the Board of D	Directors of Sonae Sierra, SGPS, S.A	١.	
	f Directors of Sonae Financial Servic	•	
Chairman of the Board of	f Directors of SFS - Serviços de Ges	tão e Marketing, S.A.	
	f Directors of MDS, SGPS, S.A.		
Member of the Board of D	Directors of Love Letters – Galeria d	e Arte, S.A.	
Member of the Board of D	Directors of Enxomil - Consultoria e	Gestão, S.A.	
Member of the Board of D	Directors of Enxomil - Sociedade Im	obiliária, S.A.	

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Maria Cláudia Teixeira de Azevedo

Executive Member of the Board of Directors of Sonaecom, SGPS, S.A.

Birth date

13 January 1970

Educational qualifications

Degree in Management - Catholic University of Porto

MBA by INSEAD

Professional experience

Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.

Executive Director of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.

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

Member of the Board of Directors of ZOPT, SGPS, S.A.

Offices held in companies in which Sonaecom is a shareholder

Member of the Board of Directors of ZOPT, SGPS, S.A.

Executive Director of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.

Chairman of the Board of Directors of Sonaecom – Serviços Partilhados, S.A.

Chairman of the Board of Directors of Sonaecom – Cyber Security and Intelligence, SGPS, S.A.

Chairman of the Board of Directors of S21SEC PORTUGAL - CYBERSECURITY SERVICES, S.A.

Chairman of the Board of Directors of WeDo Consulting, Sistemas de Informação, S.A.

Chairman of the Board of Directors of Saphety Level – Trusted Services, S.A.

Chairman of the Board of Directors of Digitmarket – Sistemas de Informação, S.A.

Member of the Board of Directors of Público - Comunicação Social, S.A.

Chairman of the Board of Directors of PCJ – Público, Comunicação, e Jornalismo, S.A.

Chairman of the Board of Directors of BRIGHT DEVELOPMENT STUDIO, S.A.

Chairman of the Board of Directors of INOVRETAIL, S.A.

Member of the Board of Directors of Armilar Venture Partners - Sociedade de Capital de Risco, S.A.

Director of We Do Technologies España – Sistemas de Información S.L. (previously designated Sonaecom - Sistemas de Información España, S.L.)

Chairman of the Board of Directors of Grupo S 21 SEC Gestión, S.A.

Member of the Board of Directors of WeDo Technologies (UK) Limited

Member of the Board of Directors of Praesidium Services Limited (UK)
Manager of WeDo Technologies México, S. De R.L. De C.V.
Chairman of the Board of Directors of WeDo Technologies Americas Inc.
General Manager of Saphety – Transacciones Electronicas, S.A.S
Director of WeDo Technologies Egypt
Member of the Board of Directors of WeDo Technologies Australia PTY Limited
Member of the Board of Directors of NOS, SGPS, S.A.
Offices held in other entities
Chief Executive Officer of Sonae Capital, SGPS, S.A.
Chairman of the Board of Directors of SC, SGPS, S.A.
Chairman of the Board of Directors of SC HOSPITALITY, SGPS, S.A.
Chairman of the Board of Directors of Troiaresort, SGPS, S.A.
Chairman of the Board of Directors of Capwatt, SGPS, S.A.
Chairman of the Board of Directors of RACE, SGPS, S.A. (previously designated Sistavac, SGPS, S.A.)
Chairman of the Board of Directors of Efanor - Serviços de Apoio à Gestão, S.A.
Member of the Board of Directors of Efanor - Investimentos, SGPS, S.A.
Member of the Board of Directors of IMPARFIN - Investimentos e Participações Financeiras, S.A.
Chairman of the Board of Directors of TLANTIC PORTUGAL - Sistemas de Informação, S.A.
Chairman of the Board of Directors of Linhacom, SGPS, S.A.
Member of the Board of Directors of SEKIWI, SGPS, S.A.
Member of the Board of Praça Foz - Sociedade Imobiliária, S.A.
Member of the Board of VISTAS DA FOZ - SOCIEDADE IMOBILIÁRIA S.A.
Member of the Board of SETIMANALE - SGPS S.A.
Member of the Board of BA - BUSINESS ANGELS, SGPS S.A.
Member of the Board of BA - CAPITAL, SGPS S.A.

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António Bernardo Aranha da Gama Lobo Xavie

Non-Executive Member of the Board of Directors of Sonaecom, SGPS, S.A.

Birth date

16 October 1959

Educational qualifications

Degree in Law - University of Coimbra

Master in Economics Law - University of Coimbra

Professional experience

Partner and Member of the Board of Directors of MLGTS

Non-executive Director of the Board of Directors of Banco BPI, S.A.

Non-executive Director of the Board of Directors of Riopele, S.A.

Non-executive Director of Board of Directors of Mota-Engil, SGPS, S.A.

Member of the Board of Directors of Público - Comunicação Social, S.A.

Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.

Member of the Board of Directors of NOS, SGPS, S.A.

Member of Council of State (since 07.04.2016)

Offices held in companies in which Sonaecom is a shareholder

Member of the Board of Directors of NOS - SGPS, S.A.

Offices held in other entities

Partner and Member of the Board of Directors of MLGTS & Associados, Sociedade de Advogados

Member of the Board of Directors of Banco BPI, S.A.

Member of the Board of Directors of Mota-Engil, SGPS, S.A.

Member of the Board of Directors of Riopele, S.A.

Member of the Board of Directors of Vallis Capital Partners, SGPS, S.A.

Member of the Board of Directors of Fundação Casa da Música

Director of Fundação Francisco Manuel dos Santos

Member of the Curators Council of Fundação Belmiro de Azevedo

Chairman of the General Meeting of Ascendum, SA

Chairman of the General Meeting of Têxtil Manuel Goncalves, S.A.

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Chairman of the General Meeting of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado

Chairman of the General Meeting of Berd Bridge Engineering Research & Design

Member of Council of State

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- Statutory Audit Board

Offices held in other entities

Shareholder and President of the Board of Arcádia Group

João Manuel Gonçalve	es Bastos
Birth date	
23 April 1958	
Educational qualificati	ions
1981	Degree in Economics at Faculdade de Economia da Universidade do Porto
Professional experien	се
1981-1984	Teacher of Macroeconomics at Faculdade de Economia da Universidade do Porto
1982-1984	Commercial department in Crédit Lyonnais
1984-1986	Development and Planning department in Sonae Group
1986-1987	Assistant of the Board in Focor Group
1987 - 1998	CFO and member of the Board of several participated companies in Figest Group
1998 - 2007	Senior Manager and member of the Board of several participated companies in Sonae Group

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Maria José Martins Lourenço da Fonseca

Birth date

4 September 1957

4 September 1957				
Educational qualifi	cations			
1984	Degree in Economics at Faculdade de Economia da Universidade do Porto - Doutor António José Sarmento Prize			
1987	Post graduate Program in European Studies at the European Studies Center, Universidade Católica Portuguesa			
1992	Participation in the Young Managers Programme at European Institute of Business Administration, Fontainebleau.			
2002	Master in Business and Administration at Faculdade de Economia da Universidade do Porto			
2015	PhD in Business and Administration at Faculdade de Economia da Universidade do Porto			
Professional exper	ience			
1984-1985	Invited Assistant at Faculdade de Economia da Universidade do Porto - Microeconomics			
1985-1990	Technician in the Department of Economic Studies and Planning at BPI - Banco Português de Investimento, S.A.			
1990-1992	Senior Analyst at the Corporate Banking Department at BPI - Banco Português de Investimento, S.A.			
1991-1999	Invited Assistant at Faculdade de Economia da Universidade do Porto - Accounting area			
1992-1996	Vice-manager at the Corporate Banking Department at BPI - Banco Português de Investimento, S.A.			
1996-2006	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) as trainer for the External Auditor Preparatory Course			
Since 1996	Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)- Accounting area, Director of the Master's Degree in Auditing and Taxation, since 2017			
2002-2008	Cooperation with the Certified Public Accountant Association (OTOC) in the field of professional formation			
2008-2009	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) in the field of professional formation			
Since 2008	Consulting activity through the Centro de Estudos de Gestão e Economia Aplicada (CEGEA) of Católica Porto Business School (Universidade Católica Portuguesa)			
2015	Member of the Selection Board for the Oral Test for External Auditor (ROC)			
2015-2017	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) as trainer for the External Auditor Preparatory Course			
Offices held in othe	er entities			
Member of the Sta	itutory Audit Committee of Sonae SGPS, S.A.			
Member of the Statutory Audit Committee of Sonae Investimentos SGPS, S.A.				
Member of the Statutory Audit Committee of Ibersol SGPS, S.A.				
President of the Statutory Audit Committee of AEGE - Associação para a Escola de Gestão Empresarial				
Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)				

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Óscar José Alçada da Quinta

Birth date

1 December 1957

1 December 195 /	1 December 1927				
Educational qualifi	cations				
1982	Degree in Economics at Faculdade de Economia da Universidade do Porto				
1990	Statutory auditor				
Professional exper	ience				
1982-1986	Administrative and financial responsibilities in the area of textile companies, construction and office equipment				
Since 1986	Provision of services related to external audit for Statutory Auditors and for companies in the previous activities				
1990-1992	Independent Statutory Auditor				
Since 1992	Statutory Auditor and Partner of Óscar Quinta, Canedo da Mota &Pires Fernandes, SROC				
Offices held in other	er entities				
Member of the Board of Directors of Óscar Quinta, Canedo da Mota &Pires Fernandes, SROC					
Member of the Fiscal Council of Sonae Indústria, SGPS, SA					
Member of the Fiscal Council of Caetano-Baviera - Comércio de Automóveis, S.A.					

Member of the Fiscal Council of BA GLASS I - Serviços de Gestão e Investimentos, S.A.

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António Augusto Almeida Trabulo

Birth date

23 November 1954

Educational qualifications

Degree in Economics at Faculdade de Economia da Universidade do Porto

Attendance in a Post Graduate Course in Financial Analysis, in Economics Faculty of the University of Oporto

Attendance in a Post Graduate Course in International Financial Management, in Economics Faculty of the University of Oporto

Post Graduate Course in Accounting and Corporate Finance from Universidade Aberta

Sufficiency Researcher Diploma in Economia Financiera y Contabilidad area from Valladolid University

Student of the Doctorate Course in Management and Business Administration in Valladolid University

Statutory Auditor

Professional experi	ence
1980-1999	Teacher of Secondary Education
1986-1987	Administrative Head of Guimar Footwear Factory
1987-1988	Administrative - Financial Director of Polystar Footwear Factory
1989	Administrative-Financial Director of Sociedade de Construções Alberto Leal, SA (SCAL), and administration advisory in new investments, tax and organization areas
1990 -1993	Responsible for the Management Control of the Real State Sector in Sonae Group
1993 -1998	Responsible by Management Control, Administrative Business and Tax Direction of Sonae Imobiliária, SGPS, S.A.
1998 -1999	Teaching the Subject of Financial Management of Cultural Management Course in Instituto Empresarial Português
1998 -1999	Teaching the Subject of Tax in Training Course for Statutory Auditors in the Statutory Auditors Chamber
1998 - 2001	Administrator responsible for the tax consultancy department of the Oporto Ernst & Young office
1998 - 2001	Teaching the Subject of Advanced Accounting Topics of Post Graduate Course in Corporate Finance of Lusíada University
1999 - 2002	Statutory Auditor and Partner of A. Santos, J. Alves e Associados, SROC
2002 - 2012	Statutory Auditor and Partner of UHY & Associados, SROC, Ltd ^a
2006-2012	Member of the Comissão Técnica dos Valores Mobiliários of Portuguese Institute of Statutory Auditors
2007-2008	Teaching Taxation Subject of Tax of Post Graduate Course of Management Oporto School of University of Oporto
2007-2011	Controller - reporter of the Quality Control Commission of Portuguese Institute of Statutory Auditors
000	

Offices held in other entities

Statutory Auditor and Partner of AAT - António Trabulo, SROC, Unipessoal, Lda.

Member of Fiscal Council of Sonae Investimentos, SGPS, S.A.

Member of Fiscal Council of Sonae Indústria, SGPS, S.A.

President of Fiscal Council of Fundação Visabeira – Instituição de Solidariedade Social

President of the Superior Council of Fundação João e Fernanda Garcia, IPSS

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APPENDIX II

Curricula Vitae of the members of the Remuneration Committee.

Duarte Paulo Teixeira de Azevedo				
Member of Remuneration	on Committee of Sonaecom, SGPS, S.A.			
Date of Birth				
31 December 1965				
Academic Curriculum				
1986	Degree in Chemical Engineering - École Polytechnique Féderále de Lausanne			
1989	MBA - Porto Business School			
Executive Education				
1994	Executive Retailing Program - Babson College			
1996	Strategic Uses of Information Technology Program - Stanford Business School			
2002	Breakthrough Program for Senior Executives - IMD			
2008	Proteus Programme - London Business School			
2011	Ariel Group - Leading with Presence immersion experience			
2012	Corporate Level Strategy - Harvard Business School			
Professional Experience				
1988-1990	Analyst and Manager of "Projeto Novos Investimentos" in Sonae Tecnologias de Informação			
1990-1993	Manager of "Projeto de Desenvolvimento Organizativo" and Comercial Director in Portugal in New Business in Sonae Indústria (Painéis Derivados de Madeira)			
1989-1990	Member of the Executive Committee of APGEI - Associação Portuguesa de Gestão e Engenharia Industrial			
1993-1996	Director of Planning and Strategic Control and Organizational Development in Sonae Investimentos - SGPS, S.A. (currently Sonae - SGPS, S.A.)			
1996-1998	Executive Director of Modelo Continente Hipermercados, SA (Merchandising, IT e Marketing Retalho)			
1998-2000	Chairman of the Executive Committee of Optimus - Telecomunicações, S.A. (Operador Móvel)			
1998-2007	Executive Director of Sonae - SGPS, S.A.			
2001-2002	Chairman of Apritel - Associação dos Operadores de Telecomunicações			
2001-2008	Member of the General Council of EGP - UPBS (now Porto Business School)			
2002-2007	Chairman of the Executive Committee of Sonaecom, SGPS, S.A.			
2002-2007	Chairman of the General Board of Público - Comunicação Social, S.A.			
2003	Co-author of the book "Reformar Portugal"			
2003-2007	Chairman of the General Board of Glunz, AG			
2004-2007	Chairman of the Board of Directors of Tableros de Fibras, S.A. (Tafisa)			
2006-2013	Member of the Board of Founders of Fundação Casa da Música			
2007-2014	Chairman of the Board of Directors of Sonaecom, SGPS, S.A.			

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2007-2015	Vice President of the Board of Directors of Sonae Indústria, SGPS, S.A.
2007-2015	Chairman of the Executive Committee of Sonae - SGPS, S.A.
2008-2009	Member of the General Council of AEP - Associação Empresarial de Portugal
2008-2014	Chairman of the Board of Directors of MDS, SGPS, S.A.
2009-2013	Chairman of the Board of Directors of Sonaegest, Sociedade Gestora de Fundos e Investimentos
2009-2014	Member of the Board of Trustees of AEP - Associação Empresarial de Portugal
2009-2015	Chairman of the Board of Trustees of Universidade do Porto
2010-2013	Chairman of the Board of Directors of Sonae RP - Retail Properties
2010-2016	Chairman of the Board of Directors of Sonae - Sprecialized Retail , SGPS, S.A.
2012-2015	Member of the Board of COTEC
2012-2017	Member of the Board of Trustees of Fundação Belmiro de Azevedo
Offices held in other ent	ities
Since April 2015	Chairman of the Board of Directors and Co-CEO of Sonae - SGPS, S.A.
Since March 2015	Chairman of the Board of Directors of Sonae Indústria, SGPS, S.A.
Since March 2015	Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.
Since May 2007	Chairman of the Board of Directors of Sonae Investimentos, SGPS, S.A.
Since April 2010	Chairman of the Board of Directors of Sonae MC - Modelo Continente , SGPS, S.A.
Since May 2013	Chairman of the Board of Directors of Sonae Center Serviços II, SGPS, S.A.
Since May 2007	Chairman of the Board of Directors of Sonae Sierra, SGPS, S.A.
Since May 2016	Chairman of the Board of Directors of Sonae Arauco, S.A.
Since July 1990	Member of the Board of Directors of Imparfin, SGPS, S.A.
Since December 2010	Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Since December 2010	Chairman of the Board of Directors of Migracom, SGPS, S.A.
Since 2008	Member of ERT - European Round Table of Industrialists
Since 2013	Membrer of International Advisory Board of Allianz SE
Since 2015	Member of Consejo Iberoamericano para La Productividad y la Competitividad
Since 2017	Member of the Board of Trustees of Espaço-T
Since 2017	Member of the Board of EFANOR - Serviços de Apoio à Gestão, S.A.

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Francisco de La Fuente Sánchez

Member of Remuneration Committee of Sonaecom, SGPS, S.A.

Birth date

1965

2 January 1942

Educational qualifications

Professional Experience 2000-2010 Non-Executive Director of Fundação Portugal-África 2004-2010 Member of Advisory Council of Instituto Português de Corporate Governance 2005-2012 Member of Advisory Council of Fórum para a Competitividade 2007-2012 Guest vowel of Conselho Nacional da Água 2007-2012 Vice-president and Non-Executive Chairman of Directors of EFACEC Capital Chairman of the General Board of PROFORUM 2007-2013 2007-2013 Chairman of Conselho Nacional do Colégio de Engenharia Eletrotécnica da Ordem dos Engenheiros 2010-2015 Chairman of the General Meeting of Iberwind - Desenvolvimento e Projetos, S.A.

Member co-opted of the Conselho de Escola do Instituto Superior Técnico

Member of the Board of Trustees of Fundação Luso-Espanhola

Member of the Board of Trustees of Fundação Luso-Brasileira

Member of Employers of Fundação Hidroelétrica del Cantábrico

Chairman of Direction of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico

Degree in Electrical Engineering - Technical University

Offices held in other entities

2009-2016

2012-2016

Since 2002

Since 2004

Since 2005

Non-Executive Director of Sonae Capital S.G.P.S., S.A.

Member of Remuneration Committee of Sonae, SGPS, S.A.

Chairman of the General Meeting of APEDS - Associação Portuguesa de Engenheiros para o Desenvolvimento Social

Chairman of the General Meeting of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico

President of honor of Hidroelétrica del Cantábrico, S.A.

Member of Employers of Fundação Hidroelétrica del Cantábrico

Member of the Board of Trustees of Fundação Luso-Brasileira

Member of the Board of Trustees of Fundação Luso-Espanhola

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1. Financial Information

1.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

For the years ended at 31 December 2017 and 2016

(Amounts expressed in Euro)	Notes	December 2017	December 2016
Assets			
Non-current assets			
Tangible assets	1.c, 1.h and 5	3,211,795	3,289,758
Intangible assets	1.d, 1.e, 1.x and 6	25,019,894	26,793,457
Goodwill	1.f, 1.x and 7	23,351,829	23,683,622
Investments in associated companies and companies jointly controlled	1.b and 8	771,735,367	746,061,735
Investments available for sale	1.g, 4 and 10	5,480,963	539,614
Other non-current assets	1.g, 1.r, 1.y, 4, 12 and 37	3,812,536	3,123,287
Deferred tax assets	1.p, 1.t and 11	7,324,057	9,314,972
Total non-current assets		839,936,441	812,806,445
Current assets			
Inventories	1.i, 13	232,706	285,311
Trade debtors	1.g, 1 j, 4, 14, 23 and 37	47,170,847	47,143,492
Other current debtors	1.g, 1.j, 4, 15, 23 and 37	2,942,113	20,632,559
Income tax receivable	1.p, 4 and 28	3,315,918	3,055,627
Other current assets	1.g, 1.r, 1.x, 4, 16 and 37	9,985,136	10,281,066
Cash and cash equivalents	1.g, 1.k, 4 ,17 and 37	202,025,688	210,256,338
Total current assets	- By - F	265.672.408	291,654,393
Total assets	·	1,105,608,849	1,104,460,838
Shareholders' funds and liabilities			
Shareholders' funds			
Share capital	18	230,391,627	230,391,627
Own shares	1.v and 19	(7,686,952)	(7,686,952)
Reserves	1.u	784,781,832	762,449,012
Consolidated net income/(loss) for the year		22,765,966	48,131,541
	-	1,030,252,473	1,033,285,228
Non-controlling interests	20	1,625,044	(155,054)
Total Shareholders' funds		1,031,877,517	1,033,130,174
Liabilities		40040114001	
Non-current liabilities			
Non-current loans net of short term position	1 g, 1.l, 1.m, 1q, 4 and 21.a	2.389.738	3.756.781
Other non-current financial liabilities	1g, 1.1, 1.111, 1q, 4 and 21.a	173,478	509,530
Provisions for other liabilities and charges	1.0, 1.t and 23	3,603,145	4,919,669
Deferred tax liabilities	1.0, 1.t and 25 1.p, 1.t and 11	10,243,448	8,263,418
Other non-current liabilities	1g, 1.r, 1q, 4, 24, 37 and 41	2,093,069	2,282,297
Total non-current liabilities	1g, 1.1, 1y, 4, 24, 37 and 41	18,502,878	19,731,695
Current liabilities		16,502,676	19,731,095
Current loans and other loans	1 g, 1.l, 1.m, 1q 4 and 21.b	1,203,639	1.241.107
Trade creditors	9 1		1,241,107
	1g, 4, 25 and 37	16,019,197	-11
Other current financial liabilities	1g, 1.h, 4 and 26	341,479	519,787
Other creditors	1g, 4 and 27	5,293,896	4,533,307
Income tax payable	1.p, 4 and 28	112,690	170,502
Other current liabilities	1g, 1q, 1.r, 1y, 4, 29, 37 and 41	32,257,553	29,518,512
Total current liabilities		55,228,454	51,598,969
Total Liabilities		73,731,332	71,330,664
Total Shareholders' funds and liabilities	<u> </u>	1,105,608,849	1,104,460,838

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

Consolidated profit and loss account by nature

For the years ended at 31 December 2017 and 2016

(Amounts expressed in Euro)	Notes	December 2017	September to December 2017 (not audited)	December 2016	September to December 2016 (not audited)
Sales	1.s, 30 and 37	52,044,191	11,077,882	40,039,841	8,637,804
Services rendered	1.s, 29 and 37	87,515,371	23,378,683	90,492,931	23,787,563
Other operating revenues	1.q,23, 31 and 37	2,661,389	851,538	1,511,994	590,924
		142,220,951	35,308,103	132,044,766	33,016,291
Cost of sales	1.i, 13	(44,493,096)	(9,186,503)	(32,429,804)	(6,770,703)
External supplies and services	1.h, 32 and 37	(37,524,704)	(9,575,537)	(45,560,452)	(11,225,185)
Staff expenses	1q, 1.y, 41, 42 and 44	(57,279,014)	(14,757,509)	(51,547,363)	(13,703,749)
Depreciation and amortisation	1.c, 1.d, 1.f, 5, 6 and 7	(9,407,071)	(2,127,140)	(15,463,247)	(7,474,744)
Provisions and impairment losses	1j, 1o, 1x and 23	(1,977,534)	(1,483,959)	(886,873)	(693,971)
Other operating costs	33	(630,639)	(216,794)	(817,034)	(415,668)
		(151,312,058)	(37,347,442)	(146,704,773)	(40,284,020)
Gains and losses in associated companies and companies jointly controlled	1.b, 8 and 35	35,779,065	3,242,570	53,850,309	37,911,377
Gains and losses on financial assets at fair value through profit or loss	1.g, 9 and 35	=	=	(4,554,534)	158
Other financial expenses	1h, 1.m, 1.w, 1.x, 21 and 34	(5,665,134)	(2,349,175)	(4,487,309)	(715,303)
Other financial income	1.w, 21 and 34	4,624,204	1,795,362	3,734,563	639,913
Current income / (loss)		25,647,028	649,418	33,883,022	30,568,416
Income taxation	1.p, 11, 36 and 37	(2,742,817)	(2,704,228)	13,894,133	11,550,208
Consolidated net income/(loss) for the period	39	22,904,211	(2,054,810)	47,777,155	42,118,624
Attributed to:					
Shareholders of parent company	39 and 40	22,765,966	(2,118,778)	48,131,541	42,128,981
Non-controlling interests	20 and 39	138,245	63,968	(354,386)	(10,357)
Earnings per share	40				
Basic		0.07	(0.01)	0.16	0.14
Diluted		0.07	(0.01)	0.16	0.14

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

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Consolidated statements of comprehensive income

For the years ended at 31 December 2017 and 2016

(Amounts expressed in Euro)	Notes	December 2017	September to December 2017 (not audited)	December 2016	September to December 2016 (not audited)
Consolidated net income / (loss) for the period		22,904,211	(2,054,810)	47,777,155	42,118,624
Components of other consolidated comprehensive income, net of tax, that will be reclassified subsequently to profit or loss: Changes in reserves resulting from the application of equity method Changes in currency translation reserve and other Components of other consolidated comprehensive income, net of tax, that will not be reclassified	8 1.w	653,663 (2,420,494)	481,203 (247,204)	(11,615,452) 1,046,814	256,979 1,032,653
subsequently to profit or loss: Changes in reserves resulting from the application of equity method	8	19.899	(165,494)	(11,436,702)	971
Consolidated comprehensive income for the period		21,157,279	(1,986,305)	25,771,815	43,409,227
Attributed to:					
Shareholders of parent company		21,019,034	(2,050,273)	26,126,201	43,419,583
Non-controlling interests		138,245	63,968	(354,386)	(10,357)

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

Consolidated movements in shareholders' funds

For the years ended at 31 December 2017 and 2016

								Reserves			
(Amounts expressed in Euro)	Notes	Share capital (note 18)	Own shares (note 19)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non-controlling interests (note 19)	Net income / (loss)	Total
2017											
Balance at 31 December 2016		230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	(35,691,494)	762,449,012	(155,054)	48,131,541	1,033,130,174
Appropriation of the consolidated net result of 2016											
Transfers to other reserves		-	-	-	1,750,185	-	46,381,356	48,131,541	-	(48,131,541)	-
Dividend Distribution	37	-	-	-	-	-	(23,544,214)	(23,544,214)	(79,680)	-	(23,623,894)
Percentage change in subsidiaries		-	-	-	-	-	(507,575)	(507,575)	507,575	-	-
Increase in share capital in subsidiaries		-	-	-	-	-	-	-	1,207,700	-	1,207,700
Consolidated comprehensive income for the year ended at 31 December 2017		-	-	-	-	-	(1,746,932)	(1,746,932)	138,245	22,765,966	21,157,279
Other changes		-	-	-	-	-		-	6,258	-	6,258
Balance at 31 December 2017		230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	(15,108,859)	784,781,832	1,625,044	22,765,966	1,031,877,517
		-	-								
								Reserves			
(Amounts expressed in Euro)	Notes	Share capital (note 18)	Own shares (note 19)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non-controlling interests (note 19)	Net income / (loss)	Total
2016			, ,		_						
Balance at 31 December 2015 Appropriation of the consolidated net result of 2015		230,391,627	(7,686,952)	775,290,377	13,443,724	7,686,952	(26,811,749)	769,609,304	(1,706,447)	34,610,042	1,025,217,574
Transfers to other reserves		-	-	-	1,719,453	-	32,890,589	34,610,042	-	(34,610,042)	-
Dividend Distribution	37	-	-	-	-	-	(17,734,603)	(17,734,603)	(29,880)	-	(17,764,483)
Percentage change in subsidiaries		-	-	-	-	-	(2,030,391)	(2,030,391)	2,030,391	-	-
Consolidated comprehensive income for the year ended at 31 December 2016		-	-	-	-	-	(22,005,340)	(22,005,340)	(354,386)	48,131,541	25,771,815
Other changes			-	-	-		-	-	(94,732)	-	(94,732)
Balance at 31 December 2016		230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	(35,691,494)	762,449,012	(155,054)	48,131,541	1,033,130,174

The notes are an integral part of the consolidated financial statement.

The Chief Accountant

Consolidated cash flow statements

For the years ended at 31 December 2017 and 2016

(Amounts expressed in Euro)	Notes		December 2017		December 2016
Operating activities					
Receipts from trade debtors		136,904,072		128,472,158	
Payments to trade creditors		(80,293,772)		(80,985,801)	
Payments to employees		(61,061,614)		(61,374,751)	
Cash flows generated by operations		(4,451,314)		(13,888,394)	
Payments / receipts relating to income taxes		17,542,785		3,493,553	
Other receipts / payments relating to operating activities		(457,281)		77,604	
Cash flows from operating activities (1)			12,634,190		(10,317,237)
Investing activities					<u> </u>
Receipts from:					
Financial investmens		-		361	
Tangible assets		22,765		31,517	
Intangible assets		351,263		62,042	
Dividends	8 and 37	16,512,303		20,074,110	
Interest and similar income		830,602		1,223,315	
Disposals of investments at fair value	8	· -		82,840,847	
Payments for:				· · ·	
Financial investmens		(11,440,620)		(33,197,646)	
Tangible assets		(917,373)		(1,260,665)	
Intangible assets		(1,043,639)		(2,945,635)	
Others		· -		(2,778,027)	
Cash flows from investing activities (2)			4,315,301		64,050,219
Financing activities					
Receipts from:					
Capital increases, supplementary capital and share premium		947,500		-	
Payments for:					
Leasing	17	(514,353)		(593,102)	
Interest and similar expenses		(563,904)		(487,255)	
Dividends	37	(23,623,894)		(17,764,483)	
Loans obtained	17	(1,276,636)		(5,853,317)	
Cash flows from financing activities (3)			(25,031,287)		(24,698,157)
Net cash flows $(4)=(1)+(2)+(3)$			(8,081,796)		29,034,825
Effect of the foreign exchanges			(148,510)		132,883
Cash and cash equivalents at the beginning of the year	17		210,255,685		181,087,977
Cash and cash equivalents at the end of the year	17		202,025,379		210,255,685

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

Notes to the consolidated cash flow statements

For the years ended at 31 December 2017 and 2016

1. Description of non-monetary financing activities

	Notes	December 2017	December 2016
a) Bank credit obtained and not used	21	1,000,000	1,000,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

2. Acquisition or sale of subsidiaries or other businesses

	Notes	December 2017	December 2016
a) Amounts paid of acquisitions			
Secucloud	3.c and 8	4,000,000	-
Artic Wolf	3.c and 10	3,830,113	-
Ometria	3.c and 10	854,165	-
Continuum Security, SL	3.c and 10	299,802	-
Probe.ly	3.c and 8	515,000	-
Food Orchestrator	3.c and 10	104,933	-
Sirs	3.c and 8	10,000	-
Armilar; Armilar II; Armilar III and ESVIINT	3.c and 8	1,409,697	31,749,338
Style Sage	3.c and 10	416,910	448,834
Sysvalue purchase	3.c	-	346,128
Inovretail purchase	3.c	_	653,346
		11,440,620	33,197,646
b) Amounts received of dividends			
ZOPT	8	16,512,005	18,311,947
NOS SGPS	37	-	1,762,005
CAIXA BANK		298	158
		16,512,303	20,074,110

3. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2017				
Media	282,432	(273,999)	(14,962)	(6,529)
Information Systems	(255,020)	(12,550,939)	(1,214,802)	(14,020,761)
Holding	12,629,353	17,140,239	(23,824,098)	5,945,494
	12,656,765	4,315,301	(25,053,862)	(8,081,796)
	Cach flow from	Cach flow from	Cach flow from	
Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
Activity 2016				Net cash flows
				Net cash flows (5,047,615)
2016	operating activities	investing activities	financing activities	
2016 Media	operating activities (4,542,120)	investing activities (478,360)	financing activities (27,135)	(5,047,615)

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

1.2. Notes to the consolidated financial statements of Sonaecom

SONAECOM, SGPS, S.A. (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. It is the parent company of the Group of companies listed in notes 2 and 3 ('the Group').

Sonaecom SGPS, S.A. is owned directly by Sontel BV and Sonae SGPS, SA and Efanor Investimentos SGPS, S.A. is the ultimate controlling company.

Pargeste, SGPS, S.A.'s subsidiaries in the communications and information technology area were transferred to the Company through a demerger-merger process, executed by public deed dated 30 September 1997.

On 3 November 1999 the Company's share capital was increased, its Articles of Association were modified and its name was changed to Sonae.com, SGPS, S.A.. Since then the Company's corporate object has been the management of investments in other companies. Also on 3 November 1999, the Company's share capital was re-denominated to Euro, being represented by one hundred and fifty million shares with a nominal value of 1 Euro each.

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public;
- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

In addition to the Combined Share Offer, the Company's share capital was increased under the terms explained below. The new shares were fully subscribed for and paid up by Sonae, SGPS, S.A. (a Shareholder of Sonaecom, hereinafter referred to as 'Sonae'). The capital increase was subscribed for and paid up on the date the price of the Combined Share Offer was determined, and paid up in cash, 31,000,000 new ordinary shares of 1 Euro each being issued. The subscription price for the new shares was the same as that fixed for the sale of shares in the aforementioned Combined Share Offer, which was Euro 10.

In addition, in this year, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae Group managers and to the former owners of the companies acquired by Sonaecom.

By decision of the Shareholders' General Meeting held on 17 June 2002, Sonaecom's share capital was increased from Euro 181,000,000 to Euro 226,250,000 by public subscription reserved for the existing Shareholders, 45,250,000 new shares of 1 euro each having been fully subscribed for and paid up at the price of Euro 2.25 per share.

On 30 April 2003, the Company's name was changed by public deed to SONAECOM, SGPS, S.A..

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased by Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 euro each and with a share premium of Euro 242,455,195, fully subscribed by France Télécom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, from Euro 296,526,868 to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. ('EDP') and Parpública – Participações Públicas, SGPS, S.A. ('Parpública'). The corresponding public deed was executed on 18 October 2006.

By decision of the Shareholders General Meeting held on 16 April 2008, bearer shares were converted into registered shares.

During the year ended on 31 December 2013, the merger between Zon Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ('Zon') and Optimus SGPS, SA (note 8) was closed. Accordingly, the telecommunications segment was classified, for presentation purposes, as a discontinued operation and the Group's business became of, rather than the holding activity:

- Media;
- · Information systems consultancy.

Consequently, since the merger mentioned above, the telecommunications segment became jointly controlled (note 8).

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital of Sonaecom.

The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

The period of the offer, during which sales orders were received, ran for two weeks, beginning on 6 February and ending on 19 February 2014. On 20 February 2014, the results of the offer were released. The level of acceptance reached 62%, corresponding to 54,906,831 Sonaecom shares (notes 9 and 18).

In 2014 Sonaecom reduced its share capital to Euro 230,391,627.

Euronext Lisbon announced Sonaecom exclusion from the PSI-20 from 24 February 2014 forward.

The Group operates in Portugal and has subsidiaries (from the information systems consultancy segment) operating in about 12 countries.

The consolidated financial statements are also presented in euro, rounded at unit, and the transactions in foreign currencies are included in accordance with the accounting policies detailed below.

1. Basis of presentation

Annual Report 2017

The accompanying financial statements relate to the consolidated financial statements of the Sonaecom Group and have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation through full consolidation method (note 2) in accordance with the International Financial Reporting Standards (IFRS) as adopted and effective in the European Union on 1 January 2017. These financial statements were prepared based on the historical cost, except for the revaluation of some financial instruments.

Sonaecom adopted IFRS for the first time according to SIC 8 (First-time adoption of IAS) on 1 January 2003.

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union, and have mandatory application to financial years beginning on or after 1 January 2017 and were first adopted in the year ended on 31 December 2017:

Standard/Information

Effective date (annua periods beginning or or after

Amendments to IAS 7 - Disclosure initiative

1-Jan-17

Amendments to AS 7 - Disclosure Initiative intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses

1-Jan-17

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The application of these standards and interpretations had no material effect on the financial statements of the Group.

The following standards, interpretations, amendments and revisions, whose application is mandatory in future financial years, have been at the date of approval of these financial statements, approved (endorsed) by the European Union:

Standard / Interpretation

Effective date (annua periods beginning or or after)

IFRS 15 - Revenue from Contracts with Customers

1-Jan-18

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

Amendments to IFRS 15 - Revenue from contracts with

1-Jan-18

Review of accounting treatment for license revenue, definition of agency and transitory regime.

IFRS 9 Financial instruments

1-Jan-18

This standard introduces new requirements for classifying and measuring financial assets.

Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts

1-Jan-18

The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments.

IFRS 16 - Leases

1-Jan-19

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases, replacing IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.

The Group has not yet implemented any of these standards in the financial statements for the year ended on 31 December 2017.

Disclosure of impacts of IFRS 15 and IFRS 9

With respect to the new standards that became effective in the fiscal year beginning on January 1, 2018, the group performed an analysis of the changes introduced and their potential impact on the financial statements.

I – IFRS 15 – Revenue from contracts with customers

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

Management reviewed the recognition impact of adopting IFRS 15 on the revenue in terms of 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:

- 1. Recognition 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 record of all services in a contract as a unique 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 mainly consist on administrative tasks required to perform the primary SaaS service, but do not provide an incremental benefit to the customer alone. Thus, in these contracts, the group should identify only one performance obligation (implementation and SaaS) and recognise the revenue from this performance obligation on a monthly basis over-the-time, over the contract period. Currently the Group recognises the revenue associated with the implementation over it period, so the introduction of IFRS 15 will generate a deferral of recognition of revenue over the SaaS contract period.
- 2. Recognition for certain costs incurred in the fulfillment of a contract (fulfillment costs) The costs related to the implementation phase are considered fulfillment 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 accounting standard.

These costs will be capitalised and recognised in profit and losses according to the estimated period of permanence of cleint or over the contract period. These costs are currently recognised in results when incurred.

- 3. Recognition for IT Audit Contracts In accordance with IFRS 15, recognition of audit revenue must be "over-the-time" at the time that the benefits of the performance obligation are transferred to the customer, that is, in accordance with the milestones reports delivery to the client. Currently revenue is recognised taking into account the percentage completion of each audit, so the introduction of IFRS 15 will generate a deferral of recognition of revenue to the time of delivery of the report.
- 4. Recognition for the sale of newspapers and associated products through the distributor- In accordance with the definitions of IFRS 15, the revenue from these contracts must be recognised at the total amount. The conditions previse in IFRS 15 are verified in order for the Group to perform the role of Principal in these contracts. In this way, revenue must be recognised by the total value of sales of newspapers and associated products and the discount attributed to the distributor should be recognised as cost of distribution. Currently the recognised revenue is the total amount net cover amount of the discount attributed to the distributor.
- 5. Presentation of contractual assets and contractual liabilities in the balance sheet IFRS 15 requires the separate presentation of contractual assets and contractual liabilities in the balance sheet. This will result in some reclassifications as of January 1, 2018 in respect of service agreements.

From this analysis it is concluded that the adoption of IFRS 15 in the Group's financial statements will have an estimated net impact of circa Euro 400,000.

In adopting IFRS 15, the Group decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of 1 January 2018, with the use of the following practical records:

- a) Application only for contracts not completed on 01/01/2018
- b) Non-restatement of modified contracts before 01/01/2017

II – IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introducing changes at the level of: i) classification of financial assets; ii) calculation of the impairment of financial assets; and iii) designation of hedging relationships.

In assessing the impacts of adopting IFRS 9, the group assessed the nature of the financial assets recorded in order to identify the measurement impacts. The group's financial

assets refer mainly to accounts receivable and treasury applications.

Regarding the measurement and classification, the Group does not expect a significant impact on its balance sheet or Equity in applying the classification and measurement requirements of IFRS 9.

At 31 December 2017, the Group has investments in non-listed companies classified as available-for-sale at fair value, adjusted whenever applicable by the related impairment losses, which are held for a long-term purpose. In accordance with IFRS 9, the group elected to present subsequent changes in fair value through other comprehensive income, through capital, that would otherwise be measured at fair value through profit or loss. Consequently, the fair value gains and losses are recorded under "Other comprehensive income" and no impairment is recognized in the income statement.

With regard to the calculation of impairment, the new model requires the recognition of impairment losses based on expected credit losses rather than credit losses incurred as in IAS 39. Based on the assessments made until now, the Group does not expect to have material impacts on impairment losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. They are expected to change the nature and extent of the group disclosures about its financial instruments particularly in the year of adoption of the new standard.

In adopting IFRS 9, the Group decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of January 1, 2018.

The following standards, interpretations, amendments and revisions have not yet been approved (endorsed) by the European Union, at the date of approval of these financial statements:

Standard / Interpretation

Effective date (annual periods beginning on or after)

IFRIC 23 - Uncertainty over income tax treatments

1-Jan-19

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Amendments to IFRS 2 - Share-based payment

1-Jan-18

The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions..

Standard / Interpretation

Effective date (annual periods beginning on or after)

Annual Improvements to IFRS Standards 2014-2016 Cycle

1-Jan-18

Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs.

IFRIC Interpretation 22 - Foreign currency transactions and advance consideration

1-Jan-18

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

Amendments to IAS 40 - Transfers of investmenty property

1-Jan-18

Amendments to IAS 40 clarifles the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.

Amendments to IFRS 9 - Prepayment features with negative compensation

1-jan-19

The objective of the amendments to IFRS 9 is examine whether amortized cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.

Amendments to IAS 28 - Long-term interests in associates and joint ventures

1-jan-19

The objective of the amendments is clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Annual Improvements to IFRS Standards 2015-2017 Cycle

1-Jan-19

Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2017 cycle for annual improvements to IFRSs.

IFRS 17 - Insurance contracts

1-Jan-21

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the year ended on 31 December 2017. Their application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group on 31 December 2017 are comparable with those used in the preparation of 31 December 2016 financial statements.

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Main accounting policies

The main accounting policies used in the preparation of the accompanying consolidated financial statements are as follows:

a) Investments in Group companies

Sonaecom has control of the subsidiary when the company cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights over, variable results from its involvement with the subsidiary; and iii) the ability to use its power to affect its returns. These Investments were fully consolidated in the accompanying consolidated financial statements. Third party participations in the Shareholders' equity and net results of those companies are recorded separately in the consolidated statement of financial position and in the consolidated profit and loss statement, respectively, under the caption 'Non-controlling interests'.

Total comprehensive income is attributed to the owners of the Shareholders of parent company and the non-controlling interests even if this results in a deficit balance of non-controlling interests.

In the acquisition of subsidiaries, the purchase method is applied. The results of subsidiaries bought or sold during the year are included in the profit and loss statement as from the date of acquisition (or of control acquisition) or up to the date of sale (or of control cession). Intra-Group transactions, balances and dividends are eliminated.

The fully consolidated companies are listed in note 2.

The acquisition cost is the amount of cash or cash equivalents paid or the fair value of other consideration transferred to acquire an asset at the time of its acquisition or constitution or, where applicable, the amount attributed to that asset upon initial recognition in accordance with the specific requirements of IFRS 3.

The transferred consideration may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair value at the acquisition date (for example, non-cash assets or a business of the acquirer). If so, the acquirer shall remeasure the assets or liabilities transferred at their fair value at the acquisition date and recognise any gains or losses arising, if any, on the statement of income. However, sometimes the transferred assets or liabilities remain in the entity acquired after the business is carried out, and therefore, the acquirer retains control over them. In such situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognise any gain or loss in the statement of profit

and loss on assets or liabilities that it controls both before and after the business.

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred.

b) Investments in associated companies and companies jointly controlled

Investments in associated companies correspond to investments in which the Group has significant influence (generally investments representing between 20% and 50% of a company's share capital) and are recorded using the equity method.

The investments in companies jointly controlled are also recorded using the equity method. The classification of these investments is determinate based on Shareholders Agreements, which regulate the shared control.

In accordance with the equity method, investments are adjusted annually by the amount corresponding to the Group's share of the net results of associated companies, against a corresponding entry to gain or loss for the year, and by the amount of dividends received, as well as by other changes in the equity of the associated companies, which are recorded by a corresponding entry under the caption 'Other reserves'. These equity variations, excluding the cost related to NOS's own share plans, are recorded under the caption 'Other Comprehensive Income'. An assessment of the investments in associated companies and companies jointly controlled is performed annually, with the aim of detecting possible impairment situations.

When the Group's share of accumulated losses of an associated company or a company jointly controlled exceeds the book value of the investment, the investment is recorded at nil value, except when the Group has assumed commitments to the associated company or a company jointly controlled, a situation when a provision is recorded under the caption 'Provisions for other liabilities and charges'.

The difference between the acquisition price of the investments in associated companies and companies jointly controlled and the fair value of identifiable assets and liabilities at the time of their acquisition, when positive, is recorded as Goodwill, included in the investment value and, when negative, after a reassessment, is recorded, directly, in the profit and loss statement under the caption 'Gains and losses in companies in associated companies and companies jointly controlled'.

The description of the associated companies and companies jointly controlled is disclosed in note 8.

c) Tangible assets

Tangible assets are recorded at their acquisition cost less accumulated depreciation and less estimated accumulated impairment losses.

Depreciations are calculated on a straight-line monthly basis as from the date the assets are available for use in the necessary conditions to operate as intended by the management, by a corresponding charge under the profit and loss statement caption 'Depreciation and amortisation'.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of useful life
Buildings and other constructions	3 - 20
Plant and machinery	3 - 15
Vehicles	4
Fixtures and fittings	1 - 10
Tools and utensils	4-5

Impairment losses detected in the realisation value of tangible assets are recorded in the year in which they arise, by a corresponding charge under the caption 'Depreciation and amortisation' in the profit and loss statement.

Current maintenance and repair expenses of tangible assets are recorded as costs in the year in which they occur. Improvements of significant amount, which increase the estimated useful life of the assets, are capitalised and depreciated in accordance with the remaining estimated useful life of the corresponding assets.

The estimated costs related with the mandatory dismantling and removal of tangible assets, incurred by the Group, are capitalised and depreciated in accordance with the estimated useful life of the corresponding assets.

Work in progress corresponds to tangible assets still in the construction/development stage which are recorded at their acquisition cost. These assets are depreciated as from the moment they are in condition to be used and when they are ready to start operating as intended by the management.

d) Intangible assets

Intangible assets are recorded at their acquisition cost less accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised if they were identifiable and if it is likely that they will bring future economic benefits to the Group, if the Group controls them and if their cost can be reasonably measured.

Intangible assets comprise, essentially, software, industrial property, costs incurred with the acquisition of customers'

portfolios (value attributed under the purchase price allocation in business combinations) and know-how.

Amortisations of intangible assets are calculated on a straight-line monthly basis, over the estimated useful life of the assets, as from the month in which the corresponding expenses are incurred. The amortisation of the customer's portfolios is provided on a straight-line basis over the estimated average retention period of the customers (six years).

Expenditures with internally-generated intangible assets, namely research and development expenditures, are recognised in the profit and loss statement when incurred. Development expenditures can only be recognised as an intangible asset if the Group demonstrates the ability to complete the project and is able to put it in use or available for sale.

Amortisation for the year is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of intangible assets are recorded in the year in which they arise, by a corresponding charge under the caption 'Depreciation and amortisation' in the profit and loss statement.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of
	useful life
Brands and patents	1 - 15
Customers' portfolios	6
Contratuals rights	3 - 6
Software	1 - 15
Software	-

e) Brands and patents

Brands and patents are recorded at their acquisition cost and are amortised 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.

Sonaecom Group does not hold any brands or patents with undetermined useful life, therefore the second half of the above referred paragraph is not applicable.

f) Goodwill

The differences between the acquisition price of investments in Group companies, companies jointly controlled and associated companies added the value of non-controlling interests (in the case of subsidiaries), the fair value of any interests previously held at the date and the fair value of the identifiable assets, liabilities and contingent liabilities of these

companies at the date of business combination, when positive, are considered 'Goodwill'. If related to subsidiaries are recorded under the caption "Goodwill" (note 7), if related to jointly controlled and associated companies are included in the value of the investment in the caption "Investments in associated companies and companies jointly controlled" (note 8). The differences between the price of investments in foreign subsidiaries whose functional currency is not the Euro, the value of non-controlling interests (in case of subsidiaries) and the fair value of the identifiable assets and liabilities of these companies at the acquisition date are recorded in the functional currency of those subsidiaries. The reporting currency of Sonaecom (EUR) at the exchange rate on the date of the statement of financial position. The exchanges rate differences that arise upon conversion are recorded in the caption "Reserves".

Contingent consideration is recognised 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 that existed at the acquisition date, otherwise these changes must be recognised in profit or loss.

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.

In the moment that a sales transaction generate a loss of control, should be derecognised assets and liabilities of the entity and any interest retained in the entity sold should be remeasured at fair value and any gain or loss calculated on the sale is recorded in profit and loss.

The Goodwill amount is not amortized, being tested annually or whenever there are impairment indices, to verify if there are any impairment losses to be recognized. The recoverable amount is determined based on the business plans used by Sonaecom's management. Goodwill impairment losses of the year are recorded in the profit and loss statement of the year under the caption 'Depreciation and amortization'.

Goodwill impairment losses can not be reversed.

Goodwill, if negative, is recognized as income on the acquisition date after reconfirmation of the fair value of identifiable assets, liabilities and contingent liabilities.

g) Financial instruments

The Group classifies its financial instruments in the following categories: 'Financial assets at fair value through profit or loss',

'Held-to-maturity investments', 'Available-for-sale financial assets', 'Loans and receivables', 'Cash and cash equivalents' (note 1.k)) and 'Derivates' (note 1.n)).

Investments

(i) 'Financial assets at fair value through profit or loss'

Financial assets at fair value through profit or loss include financial assets held for trading that the Group acquires with the purpose of trading in the short term. This category also includes derivatives that do not qualify for hedging purposes. Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the date of the statement of financial position.

Gains or losses, realized or not, arising from a change in fair value of 'Financial assets at fair value through profit or loss' are recorded under the caption 'Gains and losses on financial assets at fair value through profit and loss'.

Aat 31 December 2017, the Group did not hold any investments recorded at fair value through profit or loss.

(ii) 'Held-to-maturity investments'

Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the statement of financial position date, being recorded under this caption investments with defined maturity and for which it is the intention of the Board of Directors to hold them until the maturity date.

On 31 December 2017 the Group did not hold any 'Held-to-maturity investment'.

(iii) 'Available-for-sale financial assets'

Financial assets available for sale are non-derivative financial assets which:

- (i) are designated as available for sale at the time of their initial recognition; or
- (ii) do not fit into the other categories of financial assets

They are recognized as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position.

Equity holdings other than participations in Group companies, jointly controlled companies or associated companies are classified as financial investments available for sale and are recorded in the statement of financial position as non-current assets.

Investments are initially recorded at their acquisition cost. After initial recognition, the investments available for sale are revalued at their fair value by reference to their market value

at the date of the statement of financial position, without any deduction regarding transaction costs that may occur until their sale. The available-for-sale financial assets not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

Gains or losses arising from a change in the fair value of available-for-sale investments are recorded in equity until the investment is sold, received or otherwise disposed of, or until it is determined to be impaired, at which time the accumulated gain or loss is recorded in the profit and loss statement. These impairment losses are not reversible in subsequent periods.

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 equity investments 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 acquisition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or variable refunds that are not quoted in an active market and they are carried at amortised cost using the effective interest method, deducted from any impairment losses.

These financial investments arise when the Group 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 their maturity is greater than 12 months from the balance sheet date, a situation in which they are classified as non-current assets. Loans and receivables are included in the captions 'Trade debtors', 'Other current debtors', 'Other non-current assets' and 'Cash and cash equivalents' in the balance sheet

Assets and liabilities due in more than one year from the balance sheet date are classified, respectively, as non-current assets and liabilities.

Purchases and sales of investments are recognised on tradedate – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, being the only exception the financial assets at fair value through profit or loss. In this case, the investments are initially recognised at fair value and the transaction costs are recorded in the profit and loss statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or all

substantial risks and rewards of their ownership have been transferred.

h) Financial and operational leases

Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

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 are recognised as expenses in the profit and loss statement for the period to which they relate.

Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

i) Inventories

Inventories are stated at their acquisition cost, net of any impairment losses, which reflects their estimated net realisable value.

Accumulated inventory impairment losses reflect the difference between the acquisition cost and the realisable amount of inventories, as well as the estimated impairment losses due to low turnover, obsolescence and deterioration, and are registered in profit and loss statement, in 'Cost of sales'.

j) Trade and other current debtors

Trade and other current debtors are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

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

The amounts of these captions are presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the

profit and loss statement under the caption other operating revenue

k) Cash and cash equivalents

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications, with less than three months' maturity, where the risk of change in value is insignificant.

The consolidated cash flow statement has been prepared in accordance with IAS 7, using the direct method. The Group classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the balance sheet caption 'Current loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions, in quality of shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

I) Loans

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the loan, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

m) Financial expenses relating to loans obtained

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at

the end of the production or construction phases or when the associated project is suspended.

n) Derivatives

The Group only uses derivatives in the management of its financial risks to hedge against such risks. The Group does not use derivatives for trading purposes.

The cash flow hedges used by the Group are related to:

(i) Forward's exchange rate for hedging foreign exchange risk, particularly from receipts from customers of subsidiary Wedo Consulting. The values and times periods involved are identical to the amounts invoiced and their maturities.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

On 31 December 2017, the Group had foreign exchange forwards in amount to USD 930,000 (USD 520,000 on 31 December 2016), fixing the exchange rate for EUR, which have an average maturity of 2.5 months (1.5 months on 31 December 2016).

o) Provisions and contingencies

Provisions are recognised when, and only when, the Group has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated. Provisions are reviewed at the balance sheet date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Group has a detailed plan and if that plan has already been communicated to the parties involved.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, if the possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when future economic benefits are likely to occur.

p) Income tax

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom was covered, since January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules, however, for the

year ended on 31 December 2015, the Sonaecom Group, no longer has an independent group of companies covered by the special regime for taxation due to of having passed to integrate the special regime for taxation of groups of Sonae SGPS companies.

Therefore, since 1 January 2015, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company. The tax losses generated by the companies controlled in the tax group (RETGS) determine their allocation to the tax losses of the group, so that, since 2017, only the parent company has recognized the amounts corresponding to such tax losses, without giving rise to any financial, and until fiscal year 2016 these tax losses generated by the companies controlled within the group were offset by the group's dominant entity. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements. The subsidiaries Digitmarket, Inovretail and S21sec Portugal are not part of the special regime for the taxation of groups of companies, since Sonae SGPS's indirect shareholding in Digitmarket is less than 75% and once Sonae SGPS's indirect participation in more than 75 % in Inovretail and S21sec Portugal has not yet completed one year.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each year the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are, likely, enabling the recovery of such assets (note 11).

Deferred taxes are calculated with the tax rate that is expected to be in force at the time the asset or liability will be used based on decreed tax rate or substantially decreed tax rate at balance sheet date.

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made under the Shareholders' funds caption. In all other situations, deferred taxes are always recorded in the profit and loss statement.

q) Government subsidies

Subsidies awarded to finance staff expenses are recognised as less cost during the period in which the Group incurs in its costs and are included in the profit and loss statement under the caption 'Staff expenses'.

Subsidies awarded to finance investments are recorded as deferred income on the Balance Sheet and are included in the profit and loss statement under the caption 'Other operating revenues'. Subsidies are recognized during the estimated useful life of the corresponding assets.

For businesses in the digital security area, non-repayable subsidies are recognized in the balance sheet as deferred income and are recognized in the profit and loss statement in 'Other operating income'. The incentive is recognized during the project development period. The reimbursable subsidies are recognized in the balance sheet as liabilities in 'Medium and long-term loans – net of short-term portion ' and 'Short-term loans and other loans' and are depreciated in accordance with the established payment plans. These subsidies are recorded at amortized cost in accordance with the method of effective interest rate.

r) Accrual basis

Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions of 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amounts in the results of the periods that they relate to.

The costs attributable to current year and whose expenses will only occur in future years are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (paragraph o).

s) Revenue

Revenue should be measured at the fair value of the consideration received or receivable for the sale or rendering of services resulting from the normal activity of the company. The revenue is recognized net from taxes and taking into

account the amount of any trade discounts and volume rebates allowed by the entity.

Sale of goods

Revenue from the sale of goods should be recognised in the profit and loss statement when all the following conditions have been satisfied:

- (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

The revenues and costs of the consultancy projects are recognised in each year, according to the percentage of completion method, which is obtained by the percebtage of costs incurred over the total estimated costs of the transaction.

Revenue from rendering of services should be recognised in the profit and loss statement when all the following conditions have been satisfied:

- (i) the amount of revenue can be measured reliably;
- (ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- (iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Dividends

Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

t) Fair value

The measurement of fair value presumes that an asset or liability is changed in an orderly transaction between market participants to see the asset or transfer the liabilitie at the measurement date, under current market conditions.

The measurement of fair value is based on the assumption that the transaction of sell the asset or transfer the liability may occur:

(i) In the main asset and liability market, or

(ii) The principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability

The Group uses valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which classifies into three levels the data to be used in the fair value measurement, detailed below:

Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;

Level 2 - Valuation techniques that use inputs that are not quoted are directly or indirectly observable;

Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data.

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

u) Reserves

Legal reserve

Portuguese commercial legislation requires that at least 5% of the 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 case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Share premiums

The share premiums relate to premiums generated in the issuance of capital or in capital increases. According to Portuguese Commercial law, share premiums follow the same requirements of 'Legal reserves', i.e., they are not distributable, except in case of liquidation, but they can be used to absorb losses, after all the other reserves are exhausted or to increase share capital.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and deducted in equity, being unavailable for distribution in the amount of Euro 433.625.

Other reserves

This caption includes retained earnings from previous years and accumulated exchange differences.

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial

statements of the Company, presented in accordance with IFRS. Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, on 31 December 2017, Sonaecom have free reserves distributable amounting approximately Euro 58.7 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the year ended 31 December 2017.

v) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses arising from the sale of own shares are recorded under the heading 'Other reserves'.

w) Balances and transactions in foreign currency

Euro is the functional currency of presentation. All transactions in foreign currency are translated for the functional currency at the exchange rate of the transaction date. At each closing date, the exchange restatement of outstanding balances is carried out, applying the exchange rate in effect at that date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the balance sheet date are recorded as income and expenses in the consolidated profit and loss statement of the year, in financial results.

Assets and liabilities of the financial statements of foreign entities are translated for the functional currency of the Group (EUR) using the exchange rates in force at the statement of financial position date, while expenses and income in such financial statements are translated into euro using the average exchange rate for the period. The resulting exchange differences were recorded under the Shareholders' funds caption 'Other reserves'.

Entities operating abroad with organisational, economic and financial autonomy are treated as foreign entities.

Goodwill and adjustments to fair value generated in the acquisitions of foreign entities reporting in a functional currency other than Euro are translated at the statement of financial position.

The following rates were used to translate into Euro the financial statements of foreign subsidiaries and the balances in foreign currency:

		2017		2016
	31 December	A	71 D	A
		Average	31 December	Average
Pounds Sterling	1.1271	1.1414	1.1680	1.2239
Brazilian Real	0.2517	0.2783	0.2915	0.2611
American Dollar	0.8338	0.8872	0.9487	0.9041
Mozambique Metical	0.0141	0.1399	0.0133	0.0149
Australian Dollar	0.6516	0.6799	0.6851	0.6726
Mexican Peso	0.0423	0.0470	0.0459	0.0485
Egyptian Pound	0.0469	0.0498	0.0524	0.0905
Malaysian Ringgit	0.2060	0.2062	0.2115	0.2183
Swiss Franc	0.8546	0.9006	0.9312	0.9175
South African Rand	0.0675	0.0667	0.0692	0.0618
Canadian Dollar	0.6649	0.6835	0.7048	0.6827
Turkish Lira	0.2200	0.2434	0.2698	0.2996
Colombian Peso	0.0003	0.0003	0.0003	0.0003

x) Assets impairment

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and Goodwill and for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment

Impairment tests are performed for assets with undefined useful life and Goodwill at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

Impairment tests are performed for assets with defined useful lives and investments in associated whenever there is evidence that their book value is higher than the recoverable value

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount obtainable upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value in use is the present value of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For the value of Goodwill and Investments in associated companies, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Group's Board of Directors. For Goodwill and Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Group's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, except goodwill, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Financial assets impairment

The group evaluate at each reporting date the existence of impairment in financial assets at amortized cost.

A financial asset is impaired if events occurring after initial recognition have an impact on estimated cash flows of the asset that can be reasonably estimated.

Evidence of the existence of impairment in accounts receivables appears when:

- The counterparty presents significant financial difficulties;
- There are significant delays in interest payments and in other leading payments from the counterparty;
- It is probable that the debtor goes into liquidation or into a financial restructuring.

For certain categories of financial assets for which it is not possible to determine the impairment for each asset individually, the analysis is made for a group of assets. Evidence of an impairment loss in a portfolio of accounts receivable may include past experience in terms of collections, increasing number of delays in collections, as well as changes in national or local economic conditions that are related with the collections capacity

For Accounts receivables, the Group uses historical and statistical information to estimate the amounts in impairment. For inventories, impairments are calculated on the basis of market values and various stock rotation indicators.

y) Medium Term Incentive Plans

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Medium Term Incentive Plans Reserve', within the heading 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on fair value and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point of time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plann, the above accounting treatment is subject to the following changes:

- (i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';
- (ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the balance sheet as either 'Other noncurrent assets' or 'Other current assets':
- (iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';
- (iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

For plans settled in cash, the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

On 31 December 2017, the plans allovates during the years 2015, 2016 and 2017 are not covered by the contract being recorded liability at fair value. The responsibility of all plans is recorded in the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognized on the income statement under the caption 'Staff expenses'.

z) Subsequent events

Events occurring after the date of the balance sheet which provide additional information about conditions prevailing at the time of the balance sheet (adjusting events) are reflected in the consolidated financial statements. Events occurring after the balance sheet date that provide information on postbalance sheet conditions (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements.

aa) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements of the years ended on 31 December 2017 and 2016 are as follows:

- (i) Useful lives of tangible and intangible assets (note 1c and 1d);
- (ii) Impairment analysis of goodwill, investments in associated companies and companies jointly controlled and of other tangible and intangible assets (note 7);
- (iii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities;
- (iv) Recoverability of deferred tax assets (note 11); and
- (v) Valuation at fair value of assets, liabilities and contigent liabilities in operations of concentration of business activities.

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

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

Entities included in the consolidation perimeter

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed, or has rights, to variability in returns from its involvement with that entity and can take possession of them through the power it holds over this entity.

The decision that an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to return variability and the ability to take possession of them through its power.

Other assumptions and estimates could lead to the Group's consolidation perimeter being different, with direct impact on the consolidated financial statements.

ab) Financial risk management

Due to its activities, the Group is exposed to a variety of financial risks such as market risk, liquidity risk and credit risk. These risks arise from the unpredictability of financial markets, which affect the capacity of project cash flows and profits. The Group financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, whenever it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.n).

The Group is also exposed to equity price risks arising from equity investments, although they are usually maintained for strategic purposes.

Market risk

a) Foreign exchange risk

The Group operates internationally, having subsidiaries that operate in countries with a different currency than Euro namely Brazil, United Kingdom, United States of America, Mexico, Australia, Egypt, Colombia and Malaysia (branch) and so it is exposed to foreign exchange rate risk.

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currencies and contributes to reduce the sensitivity of Group results to changes in foreign exchange rates.

Whenever possible, the Group uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such a procedure is not possible, the Group adopts derivative financial hedging instruments (note 1.n).

The Group's exposure to foreign exchange rate risk, results essentially from the fact that some of its subsidiaries report in

a currency different from euro, making the risk of operational activity immaterial.

The amount of assets and liabilities (in Euro) belonging to the Group and recorded in a different currency is as follows:

		Assets		Liabilities
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
American Dollar	37,582,423	40,875,357	22,885,337	23,257,732
Australian Dollar	26,966	30,899	922,656	704,413
Egyptian Pound	201,038	230,568	2,930	-
Pounds Sterling	4,107,398	3,373,743	4,149,614	4,545,831
Mexican Peso	3,729,306	2,751,383	6,879,735	6,259,551
Brazilian Real	7,639,799	7,507,947	5,028,524	5,421,566
Malaysian Ringgit	334,981	888,070	978,647	663,246
Swiss Franc	10,655	3,193	-	-
Canadian Dollar	20,594	46,021	-	-
Pesos Colombianos	1,812,274	804,481	866,413	682,788
Mozambique Metical	7,886	-	-	-
Kuwaiti dinar	-	-	2,389	-
Singapore dollar	-	-	(514)	-
Russian ruble	-	-	(188)	-
South African Rand	-	-	-	(67)
Turkish Lira	-	-	-	165
Chilean peso	-	-	3	-

The Group's sensitivity to the variations of the exchange rate is as follows (increases/(decreases)):

			2017		2016
	Change in		Shareholders'		Shareholders'
	exchange rates	Income	funds	Income	funds
American Dollar	5%	1,125,777	(390,923)	1,101,271	(220,389)
Australian Dollar	5%		(44,785)	-	(33,676)
Egyptian Pound	5%	9,905	-	11,528	
Pounds Sterling	5%	63,249	(65,360)	72,494	(131,099)
Mexican Peso	5%	34,889	(192,410)	586	(175,994)
Brazilian Real	5%	(15,182)	145,745	(51,709)	156,028
Malaysian Ringgit	5%	2,181	(34,364)	35,310	(24,068)
Swiss Franc	5%	533	-	160	-
Canadian Dollar	5%	1,030	-	2,301	-
South African Rand	5%	-	-	3	-
Pesos Colombianos	5%	38,193	9,100	85	6,000
Singapore dollar	5%	26	-	-	-
Kuwaiti dinar	5%	(119)	-	-	=
Russian ruble	5%	9	-	-	-
Mozambique Metical	5%	394	-	-	-
		1,260,885	(572,996)	1,172,029	(423,198)

b) Interest rate risk

Sonaecom's 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 results or on its Shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility to use derivative financial instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth having the latter a positive effect in other lines of the Group's consolidated results (particularly operational), and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Group only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility/transaction which is being hedged;
- As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Group's business plan.

As all Sonaecom's borrowings (note 21) are at variable rates, interest rate are used swaps and other derivatives, when it is deemed necessary, to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with third parties (banks) to exchange, in predetermined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Group's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

In determining the fair value of hedging operations, the Group uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the balance sheet date.

Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Group, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

On 31 December 2017, are not contracted any derivatives of interest rate hedging.

Liquidity risk

The existence of liquidity in the Group requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related to that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments within the respective dates of maturity as well as any eventual not forecasted requests for funds, within the deadlines set for this; (ii) Safety, i.e. to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial Efficiency, i.e., to ensure that the Group maximises the value / minimises the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity in the Group should be applied to the alternatives and by the order described below:

- (i) Amortisation of short-term debt after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;
- (ii) Consolidated management of liquidity the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and
- (iii) Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to ensure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equal the forecasted payments (or the applications should be easily convertible, in the case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

The maturity analysis for the loans obtained is presented in note 21, the maturity of Trade creditors and Other creditors is present in note 25 and 27, and the maturity of Other financial liabilities is presented in note 22.

Taking into account the low value of the liabilities and the high value of the cash and cash equivalents of the Company is understood that the liquidity risk is very low.

Credit risk

The Group's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities and cash investments.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk. The amounts included in the financial statements related to trade debtors, other non-current assets, other current debtors and cash and cash equivalents, net of impairment losses, represent the maximum exposure of the Group to credit risk. Sonaecom holds financial assets resulting from its relationship with its financial institutions (Note 17. There is a credit risk associated with the potential pecuniary default of the Financial Institutions that are counterparts in these relationships, however, in general, the exposure related to this tupe of financial assets is widely diversified and of limited duration in time.

The credit risk associated to financial institutions is limited by the management of risks concentration and a rigorous selection of counterparties that presents a high prestige and international recognition and based on their ratings, taking into account the nature, maturity and size of operations.

Taking into account the above mentioned policies, the Administration does not anticipate the possibility of any occurrence of any immaterial non-compliance with contractual obligations.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximizes shareholder returns and optimizes the cost of financing.

Risks, opportunities and necessary adjustment measures in order to achieve the referred objectives are periodically monotirized by Sonaecom.

In 2017, Sonaecom reported an average gearing (accounting) of -18.7%. The average gearing in market values in 2017 was negative in 24.4%.

${\bf 2. \, Companies \, included \, in \, the \, consolidation}$

* Sonaecom effective participation

Group companies included in the consolidation through full consolidation method, their head offices, main activities, shareholders and percentage of share capital held on 31 December 2017 and 2016, are as follows:

						ercentage of shar	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	2017 Effective*	Direct	2016 Effective*
Parent company							
SONAECOM, S.G.P.S., S.A. ('Sonaecom') Subsidiaries	Maia	Management of shareholdings.		<u> </u>	-	-	-
Bright Developement Studio, S.A. ('Bright')	Lisbon	Research, development and commercialization of projects and service solutions in the area of information technology, communications and retail, and consulting activities for business and management.	Sonae IM	100%	100%	100%	100%
Bright Ventures Capital, SCR, S.A.	Lisbon	Realization of investment in venture capital, management of venture capital funds and investment in venture capital fund units.	Bright	100%	100%	100%	100%
Cape Technologies Limited ('Cape Technologies')	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
Digitmarket - Sistemas de Informação, S.A. ('Digitmarket' - using the brand 'Bizdirect')	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae IM	75.10%	75.10%	75.10%	75.10%
Inovretail, S.A.	OPorto	Industry and coméricio of electronic equipment and software; development, installation, implementation, training and maintenance of systems and software products; rental equipment, sale of software use license; consulting business, advisory in retail segments, industry and services.	Sonae IM	100%	100%	100%	100%
Fundo Bright Vector I ('Bright Vector I') (a)	Lisbon	Venture Capital Fund	Sonae IM	50.13%	50.13%		
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')		Editing, composition and publication of periodical and non-periodical material and the exploration of radio and TV stations and studios.	Sonaecom	100%	100%	100%	100%
Praesidium Services Limited ('Praesidium Services') (d)	Berkshire	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Público – Comunicação Social, S.A. ('Público')	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaecom	100%	100%	100%	100%
S21Sec Portugal Cybersecurity Services, S.A.('S21 Sec Portugal')	Maia	Commercialization of products and management services, implementation and consulting in information systems and technologies areas.	S21 Sec Gestion	100%	100%	100%	100%
S21 Sec Brasil, Ltda ('S21 Sec Brasil')	São Paulo	Consulting in information technology, Development and licensing of customizable computer programs. Development of custom computer programs. Technical support, maintenance and other services in information technology.	S21 Sec Gestion	99.99%	100%	99.99%	100%
S21 Sec Ciberseguridad S.A. de CV (b)	Mexico City	Computer consulting services	S21 Sec Gestion S21 Sec México	Merged into S21	l Sec, S.A. de	50% 50%	100%
S21Sec Gestion, S.A. ('S21Sec Gestion')	Guipuzcoa	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	Sonaecom CSI	100%	100%	100%	100%
S21 Sec Information Security Labs, S.L. ('S21 Sec Labs')	Navarra	Research, development and innovation, as well as consulting, maintenance and audit for products, systems, facilities and communication and security services.	S21 Sec Gestion	100%	100%	100%	100%
S21 Sec México, S.A. de CV ('S21 Sec México') (b)	Mexico City	Computer consulting services	S21 Sec Gestion	Merged into S21	l Sec, S.A. de	99.87%	100%
S21 Sec, S.A. de CV ('S21 Sec, S.A. de CV')	Mexico City	Computer consulting services	S21 Sec Gestion S21 Sec Labs	99,9996% 0,0004%	100%	99,9999% 0,0001%	100%
Saphety Level – Trusted Services, S.A. ('Saphety')	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonae IM	86.995%	86.995%	86.995%	86.995%
Saphety Brasil Transações Eletrônicas Ltda. ('Saphety Brasil')	São Paulo	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	99.99%	86.986%	99.99%	86.986%
Saphety – Transacciones Electronicas SAS ('Saphety Colômbia')	Bogotá	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	100%	86.995%	100%	86.995%

				1		ercentage of share	_
	11 d -ff:	Material and Materials	Charabaldas	Discort	2017	Discort	2016
Company (Commercial brand) Sonaecom – Cyber Security and Intelligence, SGPS,	Head office Maia	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
S.A. ('Sonaecom CSI')	маіа	Management of shareholdings.	Sonae IM	100%	100%	100%	100%
Sonaecom - Serviços Partilhados, S.A. ('Sonaecom SP')	Maia	Support, management consulting and administration, particularly in the areas of accounting, taxation, administrative procedures, logistics, human resources and training.	Sonaecom	100%	100%	100%	100%
Sonae Investment Management – Software and Technology, SGPS, S.A. ("SonaelM")	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonaecom - Sistemas de Información España, S.L.	Madrid	Rendering of consultancy services in the area of information	We Do	100%	100%	-	_
('SSI Espanã') (c)		systems.	Sonae IM	-	-	100%	100%
Tecnológica Telecomunicações, LTDA. ('Tecnológica')	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications.	We Do Brasil	99.99%	99.90%	99.99%	99.90%
We Do Consulting – Sistemas de Informação, S.A. ('We Do')	Maia	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. ('We Do Brasil')	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	99.91%	99.91%	99.91%	99.91%
We Do Technologies Americas, Inc ('We Do USA')	Delaware	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies Australia PTY Limited ('We Do Asia')	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies BV ('We Do BV')	Amsterdam	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies BV – Malaysian Branch ('We Do Malásia')	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%
We Do Technologies Egypt LLC ('We Do Egypt')	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV We Do	90% 10%	100%	90% 10%	100%
We Do Technologies (UK) Limited ('We Do UK') (d)	Berkshire	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
We Do Technologies Mexico, S de R.L. ('We Do Mexico') * Spnaecom effective participation	Mexico City	Rendering of consultancy services in the area of information systems.	We Do We Do BV	0.001% 99.999%	100%	0.001% 99.999%	100%

Sonaecom effective participation

All the above companies were included in the consolidation in accordance with the full consolidation method under the terms of IFRS 10 – 'Consolidated Financial Statements'.

3. Changes in the Group

During the years ended on 31 December 2017 and 2016, the following changes occurred in the composition of the Group:

a) Constitutions

Buyer	Subsidiary	Date	% Direct Participation	% Effective Participation
2017				
Bright	Probe.ly	May-17	22.88%	22.88%
Sonae IM	Bright Vector I	Sep-17	50.13%	50.13%
Dunas	Subsidiary	Date	% Direct Participation	% Effective
Buyer	Subsidially	Date	% Direct Participation	Participation
2016				
Sonae IM	Bright	Mar-16	100%	100%
Bright	Bright Ventures	Jul-16	100%	100%

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⁽a) Fund constituted in September 2017

⁽b) Companies merged in S21 Sec, S.A. De CV in April 2017

⁽c) In June 2017 the participation held by Sonae Investment Management - Software and Technology, SGPS, S.A. was sold to We Do Consulting - Sistemas de Informação, S.A. (d) Companies exempt from audit of financial accounts for the year ended at 31 December 2017 under local law (479 A of companies ACT 2006 relating to subsidiary companies.

Bright Vector I

During 2017, Sonae IM together with the Fundo de Capital e Quase Capital (FC & QC) constituted the Bright Vector I Fund, with 25% of the total amount subscribed, amounting to Euro 952,500 and Euro 947,500, respectively. As Sonae IM holds control over the Fund, the participation was included in the consolidation in accordance with the full consolidation method as established by IFRS 10. The Fund's main objective is to create added value for investors with long-term capital appreciation through acquisition, exploration, distribution or temporary disposal of holdings in companies. During the 2017 financial year, the fund did not realise any investment.

b) Dissolutions

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2016				
Cape Technologies	We Do Poland	Mar-16	100%	100%

c) Acquisitions

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2017				
Bright	Food Orchestrator, Lda (note 10)	Mar-17	0.17%	0.17%
	Fundo de Capital de Risco Armilar Venture Partners	Mar-17		
Sonae IM	III ('Armilar III') (note 8)	Jul-17	0.65%	0.65%
	III (ATTIIIat III) (Note o)	Nov-17		
Publico	Sirs, Soc. Independente de Rádiodifusão Sonora,	Jun-17	5%	5%
- ublico	S.A (Rádio Nova) (note 8)	Juli-17	270	J/0
Sonae IM	Ometria, Ltd. (note 10)	Jun-17	4.54%	4.54%
Sonae IM	Secucloud Network GmbH ('Secucloud') (note 8)	Oct-17	27.45%	27.45%
Sonae IM	Continuum Security SL ('Continuum') (note 10)	Nov-17	6.66%	6.66%
Sonae IM	ArcticWolf Networks, Inc ('ArcticWolf') (note 10)	Nov-17	4.68%	4.68%

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2016				
S21 Sec Portugal	Sysvalue	Apr-16	100%	100%
Sonae IM	Inovretail, Lda	Jul-16	100%	100%
Sonae IM	StyleSage, Inc. (Nota 10)	Oct-16	5%	5%
Sonae IM	Armilar Venture Partners - Sociedade de Capital de Risco, SA ('Armilar') (note 8)	Dec-16	35.00%	35.00%
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners II ('Armilar II') (note 8)	Dec-16	50.21%	50.21%
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III') (note 8)	Dec-16	41.99%	41.99%
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização ('AVP I+I') (note 8)	Dec-16	37.54%	37.54%

As a result of the exit of one of the participants of Armillary Fund II, in July 2017 there was a change in the number of units of participation in this fund, thus giving SonaelM the holding in the year ended at 31 December 2017 of 50.74%.

In April 2016 the company carried out an operation, which proceeded to reduce its capital to cover losses, followed by an increase in the fully subscribed capital and paid by the subsidiary Sonaecom CSI and this, from that date, holds 100% of the share capital of its subsidiary.

Effects of the acquisition of subsidiaries in the consolidated financial statements

Sysvalue and Inovretail

The subsidiary Sysvalue was acquired by the group in April 2016 and its main activity is the development and marketing of professional consulting, integration, management and operation of information systems and electronic security. In August 2016, the merger of Sysvalue into S21 Sec Portugal (previously called as Itrust) occurred through the global transfer of Sysvalue's assets to S21 Sec Portugal, with the consequent extinction of the incorporated company.

This merger had no impact on the consolidated accounts of Sonaecom in the year ended at 31 December 2017.

The subsiduary Inovretail, Lda was acquired by the group in July 2016 and its main activity is the development and investigation of technology solutions, consulting business, advisory in retail segments, industry and services.

The allocation of the purchase price can be detailed as follows:

			Sysvalue			Inovretail	
(Amounts expressed in thousand Euro)	Notes	Balance value before acquisition	Adjustments to Fair value	Fair value	Balance value before acquisition	Adjustments to Fair value	Fair value
Acquired assets							
Tangible assets	5	3,578		3,578	8,916		8,916
Intangible assets	6	111	155,726	155,837	550,521	288,307	838,828
Other financial assets		1,581		1,581	-		-
Investments available for sale		750		750	-		-
Other non-current assets		9		9	1,746		1,746
Financial assets at fair value through profit or loss		-		-	3,100		3,100
Trade debtors		537,053		537,053	201,026		201,026
Other current debtors		27,588		27,588	115,884		115,884
Other current assets		74,594		74,594	3,116		3,116
Cash and cash equivalents		64,312		64,312	48,654		48,654
		709,576	155,726	865,302	932,963	288,307	1,221,270
Acquired liabilities							
Loans obtained		100,000		100,000	272,865		272,865
Trade creditors		330,797		330,797	7,139		7,139
Other creditors		72,166		72,166	80,005		80,005
Other current liabilities		203,369		203,369	412,227		412,227
		706,332	-	706,332	772,236		772,236
Total net assets acquired		3,244		158,970	160,727		449,034
Acquisition price		941,640		941,640	1,713,771		1,713,771
Financial actualisation				(40,578)			(99,015)
Final Goodwill	7			742,092			1,165,722

Following the acquisition of Sysvalue and Inovretail, the company made an valuation of the fair value of the assets acquired and the liabilities assumed, which in resulted the recognition of software and customers' portfolio in the amount of Euro 155,726 and Euro 288,307, respectively

As usual on business combinations, also in the acquisition of this two subsidiaries there was a part of the acquisition price which was not possible to be allocated to the fair value of some identified assets and liabilities, was considered as Goodwill in the year ended at 31 December 2016, the amount fo Euro 742,092 to Sysvalue and Euro 1,165,722 to Inovretail. This Goodwill is related to a number of different elements, which cannot be individually quantified and isolated in a viable way and include, for example, synergies, qualified workforce, technical skills and market power.

The acquisition price of subsidiary Sysvalue includes a contigent amount (Euro 531,200) to be annually paid, over 3 years, depending on the company's revenues performance.

In turn, the acquisition price of subsidiary Inovretail, includes the phased payment of Euro 571,771 payable annually until 2020 and a contingent amount to be paid annually for 5 years, depending on the company's revenue performance, which was estimated at Euro 440,000.

In the year ended at 31 December 2017, no changes were identified in the allocation of the purchase price of Sysvalue and Inovretail to the allocation granted in the year ended at 31 December 2016.

The contribution of Inovretail to the consolidated net income attributed to Sonaecom's Shareholders, in the period ended on 31 December 2017, was positive in Euro 17,472. In the case of Sysvalue, it was not possible to calculate its contribution in the year ended at 31 December 2017, because since August 2016 it has been merged into S21 Sec Portugal, being presented the contribution in the period prior to the merger. The detail of the referred contribution is as follows:

	Sysvalue	Inovretail
(Amounts expressed in Euro)	Contribution at 31 July 2016 (*)	Contribution at 31 December 2017
Total Revenues	381,387	1,148,340
Costs and losses		
Cost of sales	(157,559)	(115,343)
External supplies and services	(51,312)	(434,675)
Staff expenses	(188,297)	(799,851)
Depreciations and amortisations	(225)	(158,134)
Provisions	-	(25,369)
Other operating costs	(676)	(6,498)
	(16,682)	(391,530)
Financial results	(1,458)	(760)
Income tax	(81)	409,762
Net income for the year before non-controlling interests	(18,221)	17,472
Net income attributed to non-controlling interests	-	<u> </u>
Net income attributed to shareholders of parent company	(18,221)	17,472
(*) In August 2016 the company was merged into S21 Sec Portugal (previously called as Itrust) and its contribution, from that date, entered in this company.		

The contributions in the consolidated balance sheet of Sonaecom on 31 December 2017 is as follows:

	Sysvalue	
(Amounts expressed in Euro)	Contribution at 31 July 2016 (*)	Contribution at 31 December 2017
Assets		
Tangible assets	3,436	13,767
Intangible assets	28	795,199
Other non-current assets	9	4,376
Financial assets at fair value through profit or loss	-	421,851
Trade debtors	320,144	133,525
Other current debtors	27,583	236,878
Cash and cash equivalents	14,441	11,512
Other assets	257,082	145,599
Total assets	622,723	1,762,707
Liabilities		
Current liabilities	445,158	634,351
Total liabilities	445,158	634,351
Net assets	177,565	1,128,356

^(*) In August 2016 the company was merged into S21 Sec Portugal (previously called as Itrust) and its contribution, from that date, entered in this company.

Effects of the acquisition of associate and jointly controlled companies

Armilar, Armilar II, Armilar III and AVP I+I

Following the announcement made on 5 August 2016, Sonae IM together with a group of investors celebrated a contract with NOVO BANCO, S.A. and his subsidiary, ES TECH VENTURES, SGPS, S.A, for the acquisition to Novo Banco, of participation units in three venture capital funds: Espirito Santo Ventures Innovation and Internationalization (currently called to FCR Armilar Venture Partners Innovation and Internationalization ('AVP I+I')); Espírito Santo Ventures II (currently called to Ventures Capital Fund Armilar Venture Partners II, 'Armilar III') and Venture Capital Fund Espírito Santo Ventures - Sociedade de Capital de Risco (currently called Armilar Ventures Partners III, 'Armilar III') and the total capital of Espírito Santo Ventures - Sociedade de Capital de Risco (currently called Armilar Ventures - Sociedade de Capital de Risco (currently called Armilar Ventures - Sociedade de Capital de Risco (currently called Armilar Ventures - Sociedade de Capital de Risco (currently called Armilar Ventures - Sociedade de Capital de Risco (currently called Armilar Ventures - Sociedade de Capital Capital

Venture Partners – Sociedade de Capital de Risco. S.A. 'Armilar'), held by its subsidiar ES TECH VENTURES, SGPS, S.A.. After approval by Banco de Portugal, the transaction was completed on 13 December 2016.

Armilar II, Armilar III and AVP I+I have the purpose of investing their assets in minority interests, in companies with high potential for growth and appreciation, and which have technological base or innovate business concept subjacent their activity, being privileged projects in phase of start-up, early-stage and expansion in Portugal and internationally.

The allocation of the purchase price of the 3 funds can be detailed as follows:

(Amounts expressed in Euro)	Armilar II	Armilar III	AVP I+I	Total
Assets				
Financial investments	80,587,398	69,452,246	18,585,117	168,624,761
Other current assets	1,172,000	2,682,053	109,180	3,963,233
Cash and cash equivalents	1,761,897	613,065	92	2,375,054
	83,521,295	72,747,364	18,694,389	174,963,048
Liabilities				
Loans obtained	8,965,340	7,111,940	-	16,077,280
Trade creditors	1,479,656	1,533,153	23,767	3,036,576
Other creditors	2,535,468	1,771,881	328,446	4,635,795
	12,980,464	10,416,974	352,213	23,749,651
Total net assets	70,540,831	62,330,390	18,342,176	151,213,397
% Acquired	50.21%	41.99%	37.54%	
Total net assets acquired	35,416,004	26,173,814	6,885,820	68,475,638
Acquisition price				31,749,338
Negative goodwill (Nota 8)				36,726,300
included by				30,720,300

In the year ended at 31 December 2017, no material changes were identified in the allocation of the purchase price of the funds against the allocation granted in the year ended at 31 December 2016. Negative goodwill was determined in each of the Funds.

Secucloud

During 2017, Sonae IM acquired a 27.45% stake in Secucloud for the amount of Euro 4,000,000 (Note 8). Secucloud is a company that provides cloud-based IT security services.

The allocation of the purchase price can be detailed as follows:

		Secucloud		
(Amounts expressed in Euro)	Notes	Balance value before acquisition	Adjustments to fair value	Fair value
Acquired assets				
Tangible assets		175,693	-	175,693
Intangible assets		1,477,540	120,724	1,598,264
Other financial assets		3,674	(3,674)	-
Trade debtors		81,033	=	81,033
Other current assets		245,436	=	245,436
Cash and cash equivalents		661,180	=	661,180
		2,644,556	117,050	2,761,606
Acquired liabilities				
Loans obtained		3,920,776	=	3,920,776
Trade creditors		117,443	-	117,443
Other creditors		65,835	=	65,835
Other current liabilities		107,916	78,750	186,666
		4,211,970	78,750	4,290,720
Total net assets		(1,567,414)		(1,529,114)
% Acquired				27.45%
Total net assets acquired				(419,742)
Acquisition price		4,000,000		4,000,000
Goodwill	8			(4,419,742)

d) Mergers

In April 2017 the merger of S21Sec Ciberseguridad and S21Sec México occurred in S21 Sec, S.A. de CV.

The merger by incorporation of Sysvalue into S21SEC Portugal, with accounting effects retroactive to 1 July 2016, occurred in August 2016.

This merger has no impact on Sonaecom's consolidated accounts for the years ended on 31 December 2017 and 2016.

4. Breakdown of financial instruments

On 31 December 2017 and 2016, the breakdown of financial instruments was as follows:

						2017
	Loans and receivables	Investments available for sale	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets Investments available for sale (note 10) Other non-current assets	- 3,812,536	5,480,963 -	-	5,480,963 3,812,536	-	5,480,963 3,812,536
Strict non-eartern assets	3,812,536	5,480,963		9,293,499		9,293,499
Trade debtors (note 14) Other current debtors (note 15)	47,170,847 1,726,510	-	-	47,170,847 1,726,510	- 1,215,603	47,170,847 2,942,113
Income taxa receivable (note 28) Other current assets (note 16)	-		- 7,946,826	- 7,946,826	3,315,918 2,038,310	3,315,918 9,985,136
Cash and cash equivalents (note 17)	202,025,688 250,923,045	<u>-</u>	7,946,826	202,025,688 258,869,871	- 6,569,831	202,025,688 265,439,702

						2016
	Loans and receivables	Investments available for sale	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets Investments available for sale (note 10) Other non-current assets	- 3,123,287	539,614 -	-	539,614 3,123,287	-	539,614 3,123,287
7 1 11 (3,123,287	539,614	-	3,662,901	-	3,662,901
Trade debtors (note 14) Other current debtors (note 15) Income taxa receivable (note 28)	47,143,492 19,734,397	-	-	47,143,492 19,734,397	- 898,162 3,055,627	47,143,492 20,632,559 3,055,627
Other current assets (note 16) Cash and cash equivalents (note 17)	- 210,256,338	- -	8,519,901 -	8,519,901 210,256,338	1,761,165	10,281,066 210,256,338
	277,134,227	-	8,519,901	285,654,128	5,714,954	291,369,082

					2017
	Liabilities recorded at			Others not covered by	
	amortised cost	Other financial liabilities	Subtotal	IAS 39	Total
Non-current liabilities					
Non-current loans net of short term position (note 21)	2,389,738	=	2,389,738	-	2,389,738
Other non-current financial liabilities (note 22)	173,478	-	173,478	-	173,478
Other non-current liabilities (note 24)	875,582		875,582	1,217,487	2,093,069
	3,438,798	-	3,438,798	1,217,487	4,656,285
Current liabilities					
Current loans and other loans (note 21)	1,203,639	-	1,203,639	-	1,203,639
Trade creditors (note 25)	=	16,019,197	16,019,197	-	16,019,197
Other current financial liabilities (note 26)	=	341,479	341,479	-	341,479
Other creditors (note 27)	=	1,057,086	1,057,086	4,236,810	5,293,896
Income tax payable (note 28)	-	-	-	112,690	112,690
Other current liabilities (note 29)	=	19,836,818	19,836,818	12,420,735	32,257,553
	1,203,639	37,254,580	38,458,219	16,770,235	55,228,454

					2016
	Liabilities recorded at			Others not covered by	
	amortised cost	Other financial liabilities	Subtotal	IAS 39	Total
Non-current liabilities					
Non-current loans net of short term position (note 21)	3,756,781	-	3,756,781	-	3,756,781
Other non-current financial liabilities (note 22)	509,530	=	509,530	=	509,530
Other non-current liabilities (note 24)	1,162,090	=	1,162,090	1,120,207	2,282,297
	5,428,401	-	5,428,401	1,120,207	6,548,608
Current liabilities					
Current loans and other loans (note 21)	1,241,107	-	1,241,107	-	1,241,107
Trade creditors (note 25)	-	15,615,754	15,615,754	-	15,615,754
Other current financial liabilities (note 26)	-	519,787	519,787	-	519,787
Other creditors (note 27)	-	687,165	687,165	3,846,142	4,533,307
Income tax payable (note 28)	=	- -	-	170,502	170,502
Other current liabilities (note 29)	-	16,725,696	16,725,696	12,792,816	29,518,512
. ,	1,241,107	33,548,402	34,789,509	16,809,460	51,598,969

Considering the nature of the balances, the amounts to be paid and received to/from 'State and other public entities' as well as specialized costs related to the share based plans were considered outside the scope of IAS 39. On the other hand, the deferred costs/profits recorded in the captions other current and non-current assets/liabilitie were considered non-financial instruments.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument. In addition, other financial assets and other current financial liabilities correspond to assets and liabilities measured at amortized cost that will be satisfied in the short term. Additionally, investments held for sale correspond mostly to transactions of the year.

5. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended on 31 December 2017 and 2016 was as follows:

							2017
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2016	4,059,411	10,054,035	72,116	9,705,401	447,759	68,388	24,407,110
Additions	176,252	64,026	-	257,027	5,469	459,107	961,881
Disposals	-	-	(44,718)	(33,751)	-	-	(78,469)
Effect of currency translation	(64,309)	(34,682)	-	(291,455)	(98)	-	(390,544)
Transfers and write-offs	90,012	53,299	-	126,220	691	(300,030)	(29,808)
Balance at 31 December 2017	4,261,366	10,136,678	27,398	9,763,442	453,821	227,465	24,870,170
Accumulated depreciation and impairment losses							
Balance at 31 December 2016	2,438,690	9,777,774	57,453	8,476,182	367,253	-	21,117,352
Depreciation for the year	219,616	132,450	5,761	567,214	5,704	-	930,745
Disposals	-	-	(35,816)	(25,968)	-	-	(61,784)
Effect of currency translation	(48,249)	(21,934)	-	(256,805)	(86)	-	(327,074)
Transfers and write-offs	(3,171)	288	-	2,019	-	-	(864)
Balance at 31 December 2017	2,606,886	9,888,578	27,398	8,762,642	372,871	-	21,658,375
Net value	1,654,480	248,100	-	1,000,800	80,950	227,465	3,211,795

							2016
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2015	3,418,910	9,756,011	72,116	9,002,845	422,547	18,218	22,690,647
New companies (note 3. c)	-	168,392	-	28,664	16,479	-	213,535
Additions	67,347	87,506	-	286,069	7,200	898,493	1,346,615
Disposals	-	(25,162)	-	(5,727)	-	-	(30,889)
Effect of currency translation	54,602	8,489	-	151,368	146	977	215,582
Transfers and write-offs	518,552	58,799	-	242,182	1,387	(849,300)	(28,380)
Balance at 31 December 2016	4,059,411	10,054,035	72,116	9,705,401	447,759	68,388	24,407,110
Accumulated depreciation and impairment losses							
Balance at 31 December 2015	2,174,077	9,507,187	44,306	7,785,240	342,058	-	19,852,868
New companies (note 3. c)	-	164,908	-	20,610	15,522	-	201,040
Depreciation for the year	206,930	113,396	13,147	558,565	9,233	-	901,271
Disposals	-	(11,882)	-	(3,796)	-	-	(15,678)
Effect of currency translation	57,337	3,816	-	115,262	94	-	176,509
Transfers and write-offs	346	349	-	301	346	-	1,342
Balance at 31 December 2016	2,438,690	9,777,774	57,453	8,476,182	367,253		21,117,352
Net value	1,620,721	276,261	14,663	1,229,219	80,506	68,388	3,289,758

Depreciation and amortization for the year ended on 31 December 2017 and 2016 can be detailed as follows:

	2017	2016
	Total	Total
Tangible assets	930,745	901,271
Intangible assets (note 6)	8,476,326	9,599,359
Goodwill (note 7)		4,962,617
	9,407,071	15,463,247

The acquisition cost of 'Tangible assets' and 'Intangible assets' held by the Group under finance lease contracts, amounted to Euro 2,422,072 and Euro 1,890,698 as of 31 December 2017 and 2016, and their net book value as of those dates amounted to Euro 583,630 and Euro 675,209 respectively.

On 31 December 2017 and 2016, the heading 'Tangible assets' does not include any asset pledged or given as a guarantee for loans obtained.

'Tangible assets in progress' on 31 Decemeber 2017 and 2016 were made up as follows:

	2017	2016
Information systems / IT equipment	21,727	33,820
Other projects in progress	205,738	34,568
	227,465	68,388

During the year ended on 31 December 2017 and 2016, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

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

				2017
				2017
	Brands and patents	Software	Intangible assets in	
	and other rights		progress	Total
Gross assets				
Balance at 31 December 2016	12,172,469	82,785,488	4,224,640	99,182,597
Additions	19,210	774,894	6,795,337	7,589,441
Disposals	-	(9,443)	(341,821)	(351,264)
Effect of currency translation	(860,472)	(1,248,197)	(42,150)	(2,150,819)
Transfers and write-offs	102,529	5,219,900	(5,180,811)	141,618
Balance at 31 December 2017	11,433,736	87,522,642	5,455,195	104,411,573
Accumulated amortisation and impairment losses				
Balance at 31 December 2016	11,413,562	60,975,578	-	72,389,140
Amortisation and impairment for the year (note 5)	426,909	8,049,417	-	8,476,326
Effect of currency translation	(807,022)	(786,631)	-	(1,593,653)
Disposals	-	-	-	-
Transfers and write-offs	96,629	23,237		119,866
Balance at 31 December 2017	11,130,078	68,261,601	-	79,391,679
Net value	303,658	19,261,041	5,455,195	25,019,894
				2016
				2010
	Brands and patents	Software	Intangible assets in	
	and other rights	Jortware	progress	Total
Gross assets				
Balance at 31 December 2015	11,630,222	69,480,822	6,755,183	87,866,227
New companies (note 3.c)	288,307	859,339	92,784	1,240,430
Additions	30,341	1,826,760	7,338,731	9,195,832
Disposals	-	(38,067)	-	(38,067)
Effect of currency translation	223,599	576,612	(12,671)	787,540
Transfers and write-offs	<u> </u>	10,080,022	(9,949,387)	130,635
Balance at 31 December 2016	12,172,469	82,785,488	4,224,640	99,182,597
Accumulated amortisation and impairment losses				
Balance at 31 December 2015	10,797,665	51,019,958	-	61,817,623
New companies (note 3.c)	-	245,765	-	245,765
Amortisation and impairment for the year (note 5)	402,207	9,197,152	-	9,599,359
Disposals	· -	1,727	-	1,727
Effect of currency translation				557700
	213,690	453,699	-	667,389
Transfers and write-offs	213,690	453,699 57,277	-	667,389 57,277
Transfers and write-offs	213,690 	57,277		
	<u> </u>		- - 4,224,640	57,277

In the year ended on 31 December 2016, were recorded impairment losses in the amount of Euro 1,141,736 and reversed in 2017 in the amount of Euro 704,097, with impairment losses being recognised in intangible assets amounting to Euro 437,639 in the Media segment.

On 31 December 2017, the additions related with intangible assets in progress include about Euro 5.5 million of capitalizations of personnel costs related to own work (note 42), mainly related to IT software development and RAID, NetClarus products and Lookwise.

The assessment of impairment for the main tangible and intangible assets, in the various segments, is carried out as described in note 7 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analysed separately.

For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoveries, so not result material additional impairments.

7. Goodwill

For the years ended on 31 December 2017 and 2016, the movements occurred in Goodwill were as follows:

	2017	2016
Opening balance	23,683,622	26,893,310
Acquisition of Sysvalue (Note 3.c)	-	742,093
Acquisition of Inovretail (Note 3.c)	-	1,165,722
Other movements of the period	(331,793)	(154,886)
Impairment losses (note 5)		(4,962,617)
Closing balance	23,351,829	23,683,622

For the years ended on 31 December 2017 and 2016, the caption 'Other movements of the year' includes the effect of the exchange rate update of the Goodwill.

On 31 December 2017 and 2016, Goodwill by business area was made up as follows:

2017	Technologies					
	Telecomunications	Retail	Retail			
Goodwill	21,444,015	742,093				
2016		Technologies				
	Telecomunications	Retail	Cybersecurity			
Goodwill	21,775,808	1,165,721	742,093			

Goodwill impairment is tested annually. Impairment tests were performed on intangible assets, including Goodwill, which were to determine the recoverable amount using the discounted cash flow method. The measurement of the existence or not of impairment of the main amounts of interests in group companies recorded in the accompanying financial statements is made taking into account the cash generating units, based on the last business plans approved by the Group's Board of Directors made on an annual basis unless there are indications of impairment, which are prepared using cash flows projected for periods of 5 years.

At 31 December 2017 and 2016, the assumptions used are based on the group's various businesses and the growth in the various geographic areas where the group operates:

		Media			
Pressupostos	Telecomunications	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Discount rate	6.75%-16.75%	10.5%	7.5%- 10.75%	9%-13.5%	8.5%
Growth rate in perpetuity	1.0%	3.0%	3.0%	1%-2%	0.01%

The average growth rate considered for the 5-year turnover was 9.2% for the Technology sector. For the Media sector, the average growth rate of turnover considered was around 2.4%.

The discount rates used are based on the weighted average capital costs estimated based on the segments and geographies where the companies are inserted. In Europe, discount rates are used between 6.8% and 9%, in Asia between 9% and 10.3%, in Latin America rates are used between 11% and 13.5% and in Africa 16.75%.

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended on 31 December 2017. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, varying the discount rate by 0.5 pp in the media sector and in the technology sector by varying the discount rate by 0.5 pp and 0, 5 pp in the perpetuity growth rate, did not lead to material changes in the recovery amounts, and therefore no additional material impairment would result.

8. Investments in associated companies and companies jointly controlled

The associated companies and the companies jointly controlled, their head offices, percentage of ownership and value in profit and loss statement on 31 December 2017 and 2016, are as follows:

		Percentage of ownership			Value in profit and loss statement		
		31 Decer	mber 2017	31 Decem	ber 2016	31 December 2017	31 December 2016
	Head Office	Direct	Total	Direct	Total	31 December 2017	31 December 2016
ZOPT, SGPS, S.A. ('ZOPT') (a)	Oporto	50.00%	50.00%	50.00%	50.00%	27,234,000	17,075,644
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%	45,449	21,862
Rádio Nova (e)	Oporto	50.00%	50.00%	45.00%	45.00%	25,923	27,192
Intelligent Big Data, S.L. ('Big Data') (b)	Gipuzcoa	50.00%	50.00%	50.00%	50.00%	(372)	(690)
Armilar (c)	Lisboa	35.00%	35.00%	35.00%	35.00%	-	1
Armilar II (c) (f)	Lisboa	50.74%	50.74%	50.21%	50.21%	8,917,715	19,085,969
Armilar III (c) (d)	Lisboa	42.64%	42.64%	41.99%	41.99%	(2,663,005)	13,145,011
AVP I+I (c)	Lisboa	37.54%	37.54%	37.54%	37.54%	2,545,424	4,495,320
Secucloud (g)	Hamburg	27.45%	27.45%	-	-	(282,834)	-
Probe.ly (h)	Lisbon	22.88%	22.88%	-	-	(43,235)	-
Total (note 35)						35,779,065	53,850,309

- $(a) \ Includes \ the incorporation \ of \ the \ results \ of \ the \ subsidiaries \ in \ proportion \ to \ the \ capital \ held.$
- (b) Company directly owned by S21 Sec Gestion
- (c) Company acquired in December 2016
- (d) In March 2017, July 2017 and November 2017 an aditional participation of 0.41% and 0.20% and 0,04% was acquired respectively
- (e) In June 2017 an aditional participation of 5% was acquired
- (f) Change in the share capital held by Sonae IM following the exit of one of the participants og the Fund in July 2017 and the participants of the participants of the participants of the Fund in July 2017 and the participants of the participants of the participants of the Fund in July 2017 and the participants of the participants of the Fund in July 2017 and the Fund in July 2
- (g) Participation acquired in October 2017
- (h) Company incorporated in June 2017

Armilar, Armilar II, Armilar III and AVP I+I

Following the announcement made on 5 August 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 New Bank, of units in three venture capital funds (Note 3.c)) 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 participation in 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, with Sonae IM subscribed and paid in the amount of Euro 302,598, corresponding to 0.20% and in November 2017, another increase of participation 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 participation of 42.64% in the Armilar III fund. Also in July 2017, there was a change in the number of shares of Armilar II fund due

to the exit of one of the Shareholders, thus giving SonaelM a participation of 50.74% 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 12).

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. Sonaecom 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 subsidiaries. Associated companies and companies jointly controlled are included in the consolidation under the equity method.

Secucloud

In October 2017 Sonae IM invested Euro 4,000,000 in the company Secucloud, representing this investment 27.45% of the company's capital.

Probe.ly

Probe.ly was incorporated on 11 May 2017. In the year ended at 31 December 2017, Bright subsidiary holds a 22.88% stake in this company, which corresponds to an investment of Euro 375,000. In addition, during this year, the subsidiary Bright made a loan to this company in the amount of Euro 140,000 recorded in the caption 'Other non-current assets'.

During the years ended on 31 December 2017 and 2016, the movement occurred in investments in associated companies and companies jointly controlled, were as follows:

	71 Danambar 2017					71 Dansamhan 2016	
	31 December 2017			31 December 2016			
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment	
Investments in associated companies and companies jointly controlled							
Balance at 1 January	658,212,535	87,849,200	746,061,735	623,385,393	87,849,200	711,234,593	
Increases	989,578	4,795,119	5,784,697	68,475,639	-	68,475,639	
Equity method			-				
Effect on gains and losses (note 35)	35,753,514	-	35,753,514	17,097,474	-	17,097,474	
Effect on reserves	673,562	-	673,562	(32,415,097)	-	(32,415,097)	
Dividends	(16,538,141)	-	(16,538,141)	(18,330,874)		(18,330,874)	
	679,091,048	92,644,319	771,735,367	658,212,535	87,849,200	746,061,735	
Registered in Provisions for other liabilities and charges (note 23)			-				
Balance at 1 January	(119,250)	-	(119,250)	(145,784)	-	(145,784)	
Increases	(12,705)	-	(12,705)	-	-	-	
Equity method							
Effect on gains and losses (note 22 and 35)	25,551	-	25,551	26,534		26,534	
	(106,404)	-	(106,404)	(119,250)		(119,250)	
Total investment in associated companies and companies jointly controlled net of impairment losses	678,984,644	92,644,319	771,628,963	658,093,285	87,849,200	745,942,485	

At the year ended at 31 December 2017, the increase of Euro 5,784,697 in associates and jointly controlled companies corresponds to increases in the participation of the Armilar III fund in the amount of Euro 1,409,697, to the investment in Secucloud in the value of Euro 4,000,000 and the investment in Probe.ly of Euro 375,000.

In the period ended at 31 December 2017, a provision was also recorded in the amount of Euro 12,705 resulting from the acquisition of a further 5% interest in S.I.R.S. in June 2017 for the amount of its capital at that date.

During the years ended at 31 December 2017 and 2016 the company received the amount of Euro 16,512,005 and Euro 18,311,947 respectively, referring to dividends received from Zopt SGPS.

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 9), 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 gave impact on equity equivalence recorded through reserves by reducing the fair value of 2.14% of non-controlling interests. These impacts on Reserves were presented by the net in the Consolidated movements in shareholders' funds.

In accordance with the IFRS 11, the classification of investments in companies jointly controlled is determined based on the existence of an agreement that clearly demonstrate and regulate the joint control. Thus, on 31 December 2017 the group held associated and jointly controlled companies, as decomposition below.

The division by company of the amount included on the investments in associated companies and join controlled is as follows:

	31 December 2017					31 December 2016
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in companies jointly controlled						
Zopt	600,667,267	87,527,500	688,194,767	589,271,710	87,527,500	676,799,210
Unipress	484,500	321,700	806,200	465,187	321,700	786,887
SIRS	(105,373)	-	(105,373)	(118,591)	-	(118,591)
Big Data	(1,031)	-	(1,031)	(659)	-	(659)
	601,045,363	87,849,200	688,894,563	589,617,647	87,849,200	677,466,847
Investments in associated companies						
Armilar	1	-	1	1	-	1
Armilar II	44,333,718	-	44,333,718	35,416,004	-	35,416,004
Armilar III	24,920,506	-	24,920,506	26,173,814	-	26,173,814
AVP I+I	9,431,244	-	9,431,244	6,885,820	-	6,885,820
Secucloud	(702,576)	4,419,742	3,717,166	-	-	-
Probe.ly	(43,612)	375,377	331,765	-	-	_
	77,939,281	4,795,119	82,734,400	68,475,639	-	68,475,639
Total	678,984,644	92,644,319	771,628,963	658,093,285	87,849,200	745,942,485

The aggregated amounts of the main financial indicators of the entities can be resumed as follows:

(Amounts expressed in thounsand Euro)								2017
								Comprehensive
Entity	% holding	Asset	Liability	Equity	Revenue	Operational results	Netresult	income
ZOPT*	50.00%	4,378,070	1,994,389	2,383,681	1,561,781	124,349	108,143	111,506
Unipress	50.00%	1,990	1,021	969	2,701	503	91	91
SIRS	50.00%	502	712	(211)	1,106	90	53	53
Big Data	50.00%	1	4	(4)	-	-	(1)	(1)
Armilar	35.00%	4,909	678	4,231	2,245	426	284	284
Armilar II	50.74%	92,742	5,361	87,381	18,622	17,959	17,869	17,869
Armilar III	42.64%	69,695	11,350	58,344	(5,330)	(6,652)	(6,353)	(6,353)
AVP I+I	37.54%	32,059	6,937	25,123	12,412	5,828	5,894	5,894
Secucloud	27.45%	5,707	4,251	1,456	1,493	(2,592)	(3,448)	(3,448)
Probe.ly	22.88%	311	502	(191)	1	(531)	(531)	(531)
*The concolidated accounts audited of	Group ZODT propar	od in accordance i	with the Internation	al Einancial Donort	Ctatomonte (IEDO	') as adopted by t	ho Europoan Union	The value of the

*The consolidated accounts audited of Group ZOPT, prepared in accordance with the International Financial Report Statements ('IFRS') as adopted by the European Union. The value of the shareholder funds includes non-controlling interests in amount of Euro 1,165 million and on 31 December 2017 the NOS' market capitalization amount to Euro 2,824 million.

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 definided in IFRS 13 – Fair value, as shown in the table bellow:

(Amounts expressed in thounsand Euro)			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

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 December 31, 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.

Regarding the area of telecommunications (Zopt), the assessment of whether or not the impairment 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).

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	7.4%
Growth rate in perpetuity	1.4%

For other business sectors, the assessment of whether or not impairment to the goodwill value is determined based on the considerations presented in Note 7.

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the years ended on 31 December 2017 and 2016.

For the sensitivity analyses made, have not lead to material changes of the recoveries, so not result material additional impairments.

The consolidated financial statements of Zopt, on 31 December 2017 and 2016 can be resumed as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	December 2017	December 2016
Assets		
Tangible assets	1,181,572	1,205,070
Intangible assets	2,314,324	2,350,493
Deferred tax assets	110,916	128,824
Other non-current assets	223,794	205,021
Non-current assets	3,830,606	3,889,408
Trade debtors	406,904	348,926
Cash and cash equivalents	5,493	7,094
Other current assets	135,067	178,415
Current assets	547,464	534,435
<u>Total asseis</u>	4,378,070	4,423,843
Liabilities		
Loans	997,423	1,035,508
Provisions	174,546	190,152
Other non-current liabilities	69,067	85,748
Non-current liabilities	1,241,036	1,311,408
Loans	210,175	224,692
Trade creditors	224,917	238,851
Other current liabilities	318,261	298,337
Current liabilities	753,353	761,880
Total liabilities	1,994,389	2,073,288
Shareholders' funds excluding non-controlling interests	1,218,544	1,192,361
Non-controlling interests	1,165,137	1,158,194
Total Shareholders' funds	2,383,681	2,350,555
Total Shareholders' funds and liabilities	4,378,070	4,423,843

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	December 2017	December 2016
Total revenue	1,561,781	1,514,969
Costs and losses		
Direct costs and External supplies and services	(672,773)	(642,138)
Depreciation, amortisation and impairment losses	(443,229)	(414,384)
Other operating costs	(321,430)	(338,042)
	(1,437,432)	(1,394,564)
Gains/ (losses) in associated companies	20,251	(10,991)
Financial results	(25,528)	(25,352)
Income taxation	(10,929)	(15,802)
Consolidated net income/(loss) for the year	108,143	68,260
Consolidated net income/(loss) for the year attributed to non-controlling interests	52,585	34,090
Attributed to shareholders of parent company	55,558	34,170

The value on the income statement related to Zopt results from net income of NOS, the net income of Zopt and the impact on results of the process of allocating the fair value to the assets and liabilities acquired by Zopt.

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial holdings that Group holds in associated companies operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The net book value of the associates in the financial statements of ZOPT on 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 were used intervals above the usual in the sensivity analyses, in wich 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 (analyzed 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't 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.

a) Zopt Group provision's

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

1. 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 Euro 100 million, 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 Euro 20 million 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.

2. 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 Euro 6.5 million 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 Euro 6.5 million. 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 Euro 6.5 million was reversed.

3. 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 Euro 20.5 million. NOS SA contested the decision with regard to all the above mentioned years. As for the year 2004, the Court has decided favorably. This decision is concluded (favorably), originating a reversal of provisions, in 2016, in the amount of Euro 1.3 million plus interest. As for the years 2006 and 2007, the Oporto Fiscal and Administrative Court has already decided unfavorably. The company has contested this decision and the final decision of the processes is still pending.

4. 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, MED, 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 Euro 3 million for illegally designating MED. 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 Euro 66.8 million, decision contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of Euro 18.6 million, 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 Euro 47.1 million, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes to the Company in amount of Euro 13 million 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 Euro 26 million and Euro 20 milion, respectively, decision which was contested by the companie In December 2016, the liquidation notes relating to NOS, SA, NOS Madeira and NOS Azores, relating to that period, amounting to Euro 13.6 million, 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 Euro 7.7 million, 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 Euro 2,4 million 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.

Legal actions and contingent assets and liabilities of Zopt Group

5. Legal actions 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: Euro 1,861 thousands, 2010: Euro 3,808 thousands, 2011: Euro 6,049 thousands, 2012: Euro 6,283 thousands, 2013: Euro 7,270 thousands, 2014: Euro 7,426 thousands, 2015: Euro 7,253 thousands, 2016: Euro 8,242 thousands and 2017: Euro 9,099 thousands.
- NOS Azores: 2009: Euro 29 thousand; 2010; Euro 60 thousand, 2011: Euro 95 thousand, 2012: Euro 95 thousand, 2013: Euro 104 thousand, 2014: Euro 107 thousand, 2015: Euro 98 thousand, 2016: Euro 105 thousand e 2017: Euro 104 thousand.
- NOS Madeira: 2009: Euro 40 thousand, 2010: Euro 83 thousand, 2011: Euro 130 thousand, 2012: Euro 132 thousand, 2013: Euro 149 thousand, 2014: Euro 165 thousand, 2015: Euro 161 thousand, 2016: Euro 177 thousand e 2017: Euro 187 thousand.

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.

6. 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 Euro 19 million, 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 Euro 7.7 million. 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.

7. Actions by MEO against NOS S.A., 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 Euro 10.3 million, 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 beendelivered 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 Euro 5.3 million, 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 Euro 26 million (from August 2011 and May 2014), in the case of NOS Açores, in the

amount of Euro 195 thousand and NOS Madeira, amounting to Euro 817 thousand.

• In 2011, NOS SA brought an action in the Lisbon Judicial Court against MEO (PT), claiming payment of Euro 22.4 million, 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 Euro 1,150 million.

8. Action against NOS SA

In 2014, a NOS SGPS providers of marketing services has brought a civil lawsuit seeking a payment of about Euro 1,243 thousand, 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.

9. 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 Euro 71,799 thousand. During the year ended on 31 December 2017 Euro 1,540 thousand 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.

10. Interconnection tariffs

At 31 December 2017, accounts receivable and accounts payable include Euro 37,139,253 and Euro 29,913,608, 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 favorable 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.

b) Other commitments Zopt Group

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 Euro 400 million, 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 Álvalade 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 clubs home football games, as well as the broadcasting and distribution rights of sports and sports clubs 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	following
Estimated cash flows with the contracts signed by NOS with the sports entities*	Euro 50.1 million	Euro 1,098 million
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	Euro 22.5 million	Euro 624 million

^{*}Includes games and channels broadcasting rights, advertising and othes.

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement for the development and sharing of infrastructure with a national scope. This partnership allows the two Operators to make their commercial offers available under the shared network from the beginning of 2018. The agreement covers the reciprocal sharing of dark fiber in about 2.6 million houses, in which each entity sharing with the other an equivalent amount of investment, that is, sharing similar goods, assuming that the two companies maintain full autonomy, independence and confidentiality in the design of commercial offers and management of the database of customers and in the choice of technological solutions that have no effect on the Group's financial statements (in accordance with IAS 16, this exchange of similar non-cash assets will be presented by the net).

The partnership was also extended to the sharing of mobile infrastructure, where it is agreed the minimum sharing of 200 mobile towers.

9. Financial assets at fair value through profit or loss

Sonaecom Group began to hold NOS shares recorded at fair value through profit or loss, as a result of the merger between Optimus SGPS and Zon, since it is the initial classification of an asset held for a sale purpose in a short-time. In accordance with the 'Shareholders Agreement', these shares neither concedes any additional vote right or affect the shared control situation with ZOPT. Some of these shares were used as part of the General Public and Voluntary Offer acquisition of own shares.

In the years ended at December 2017 and 2016, Sonaecom did not hold NOS shares, since it sold the entire NOS interest (2.14%) to ZOPT in June 2016 as described in Note 8, "Investments in jointly controlled companies". 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 fair value calculation resulted in a loss of Euro 15,681,846 (recorded in "Gains and losses on investments recorded at fair value through profit and loss") (note 35).

In the year ended December 2017, Sonaecom did not hold Sonae shares in the portfolio.

The movements occurred in financial assets at fair value through profit or loss, on 31 December 2016 were as follows:

					2016
Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 34)		
NOS	79,796,807	(64,114,961)	(15,681,846)	-	-
Sonae SGPS	144,477	(146,683)	2,206		
	79,941,284	(64,261,644)	(15,679,640)		

^{*}Incentive medium-term plans

The increases and decreases in the fair value adjustments are recorded under the caption 'Gains and losses on Group companies' in Profit and Loss Statement (note 35). With the exception of the increases and decreases in the fair value of shares allocated to cover the medium-term incentive plans whose value is recorded under "Other operating expenses" and "Other financial expenses" in the income statement.

The decreases on 31 December 2016 in the investment in Sonae SGPS shares correspond essentially to the payment of the medium-term incentive plan that expired in the year ended on 31 December 2016.

On 31 December 2016, the decreases of the investment in NOS shares correspond to the sold of all the direct participation of Sonaecom in NOS (2.14%) to ZOPT, as described above.

10. Investments available for sale

On 31 December 2017 and 2016, this caption included investments classified as available-for-sale and was made up as follows:

	%	2017	2016
Lusa – Agência de Notícias e Portugal, S.A.	1.38%	197,344	197,344
VISAPRESS - Gestão de Conteúdos dos Média, CRL	10.00%	5,000	5,000
Arctic wolf	4.68%	3,830,113	-
StyleSage	5.00%	448,834	448,835
Ometria	4.54%	854,165	-
Continuum Security	6.66%	299,802	-
Food Orchestrator	0.17%	1	-
Others		7,586	10,710
Impairment losses		(161,882)	(122,275)
		5,480,963	539,614

On 31 December 2017, these investments correspond to shareholdings, in unlisted companies, in which the Group has no significant influence, and in which the acquisition cost of such investments is a reasonable estimation of their fair value, adjusted where applicable, by the respective impairment losses.

According to IAS 39, these investments are an 'Available-for-Sale Investment' and are recorded at the acquisition cost representing the fair value at that date.

Arctic Wolf

During 2017, Sonae IM acquired a participation of 4.68% 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.

StyleSage

During 2016, Sonae IM acquired preferred shares of Style Sage representing 5% of its share capital for USD 500,000 (Euro 448,835). During the year ended at 31 December 2017, Sonae IM also granted a convertible loan in the amount of USD 500,000 (Euro 416,910), recorded under 'Other non-current assets' (note 12). This loan is remunerated at market interest rates.

Ometria

During 2017, Sonae IM acquired a participation of 4.54% in Ometria for GBP 750,000 (Euro 854,165). The company is a cross-channel and customer disclosure platform that enables retailers to send personalized marketing messages along the customer's lifecycle.

Continuum Security

During 2017, Sonae IM acquired a participation of 6.66% in Continuum Security for Euro 299,802. The main activity of the company is to build tools to manage the security of customers' software.

Food Orchestrator (using the branch 'Eat Tasty')

In March 2017 the subsidiary Bright acquired a 0.17% stake in the company Food Orchestrator for a value of Euro 1, whose main activity is the provision of technological support services for the sale of meals at home.

In addition, Bright granted a loan to this company amounting to Euro 99,999, recorded under 'Other non-current assets' (note 12). This loan is remunerated at market interest rates.

The assessment existence or not of impairments for the investments described above is made through comparisons with the share of the value of equity owned by the group and with sales and EBITDA multiples of companies in the same industry.

11. Deferred taxes

Deferred tax assets on 31 December 2017 and 2016, amounted to Euro 7,324,057 and Euro 9,314,972 respectively, and arose, mainly, from tax losses carried forward, from tax benefits, from differences between the accounting and tax amount of some fixed assets and from others temporary differences.

The balance of deferred tax assets by nature at 31 December 2017 and 2016 is as follows:

	2017	2016
Tax losses	4,172,738	5,909,936
Temporary differences (provisions not accepted for tax purposes and other temporary diferences)	2,379,824	2,899,182
Tax Benefits	771,496	505,853
	7,324,057	9,314,971

The movements in deferred tax assets in the years ended on 31 December 2017 and 2016 were as follows:

	2017	2016
Opening balance	9,314,972	6,098,375
Impact on results:		
Record of deferred tax assets related to tax losses of the year	107,764	2,059,781
Record/(reverse) of deferred tax assets related to tax losses from previous years	(522,649)	250,630
Record/(reverse)/use of tax benefits	280,998	(578,032)
Record/(reverse) of tax provisions not accepted and other temporary differences of the year	(228,253)	901,812
Record/(reverse) of temporary differences from previous years	(99,285)	488,802
Tax rate change effect	(933,955)	
	(1,395,380)	3,122,993
Impact on reserves:		
Exchange variations	(595,535)	93,604
	(1,990,915)	3,216,597
Closing balance	7,324,057	9,314,972

On 31 December 2017 and 2016, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated. The main criteria used in those business plans are described in note 7.

On 31 December 2017, the caption tax benefits item includes mainly amounts related to the incentive associated with the Conventional Remuneration of Capital in the amount of Euro 315,000 and SIFIDE in the amount of Euro 345,030. The 'tax rate change effect' caption refers to the impact of the change of the tax rate in United States from 39% in 2016 to 28.5% in 2017.

The rate used on 31 December 2017 and 2016, in Portuguese companies, to calculate the deferred tax assets relating to tax losses carried forward was 21%. The rate used in 2017 and 2016 to calculate the temporary differences in Portuguese companies, including provisions not accepted and impairment losses, was 22.5%. It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable. Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits. For foreign companies was used the rate in force in each country: Brazil 34%, Mexico 30%, USA 28.5%, Spain 25%, Egypt 22.5%.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets, by nature, on 31 December 2017 was as follows:

														2017
	Companies included in the		S21Sec							S21 Sec		S21 Sec SA		Total
Nature	tax group*	Digitmarket	Portugal	Inovretail	We Do Brasil	We Do USA	We Do Egipto	SSI Espanā V	We Do Mexico	Gestion	S21 Sec Labs	CV	Total	Sonaecom Group
Tax losses:														
To be used until 2018	125,646	-	-		-	-	-		-	-	-	-	-	125,646
To be used until 2021	-	-	-		-	-	-		26,499	-	-	-	26,499	26,499
To be used until 2022	-	-	-	-	-	-	-	-	26,517	-	-	-	26,517	26,517
To be used until 2023	-	-	-	-	-	-	-	-	183,770	-	-	-	183,770	183,770
To be used until 2025	-	-	-	-	-	-	-	-	71,135	-	-	-	71,135	71,135
To be used until 2026	-	-	-	-	-	-	-	-	334,525	-	-	-	334,525	334,525
To be used until 2027	-	-	-	-	-	-	-	-	107,764	-	45,833	-	153,597	153,597
To be used until 2028	-	-	-	-	-	-	-	-	-	612,877	12,017	-	624,894	624,894
To be used until 2029	-	-	-	-	-	-	-	-	-	253,352	-	-	253,352	253,352
To be used until 2030	-	-	-	-	-	125,598	-	-	-	-	54,052	-	179,650	179,650
To be used until 2033	-	-	-	-	-	96,635	-	-	-	-	-	-	96,635	96,635
To be used until 2034	-	-	-	-	-	532,766	-	-	-	-	-	-	532,766	532,766
To be used until 2035	-	-	-	-	-	649,416	-	-	-	-	-	-	649,416	649,416
To be used until 2036	-	-	-	-	-	1,132,816	-	-	-	-	-	-	1,132,816	1,132,816
Unlimited		-	-	-	-	-	-	185,787	-	-	-	-	185,787	185,787
Tax losses	125,646	-	-	-	-	2,537,230	-	185,787	750,210	866,229	111,902	-	4,451,358	4,577,004
Tax provisions not accepted and other temporary differences	1,552,888	19,716	886		422,096	270,281	15,693	-	147,103	-	-	-	875,775	2,428,663
Tax benefits	157,499	37,258	200,921	264,352	-	126,216	-	-	-	-	-	-	628,747	786,246
Others		-	-	-	(50,592)	(287,239)	-	-	(130,025)	-	-	-	(467,856)	(467,856)
Total	1,836,033	56,974	201,807	264,352	371,504	2,646,488	15,693	185,787	767,288	866,229	111,902	-	5,488,024	7,324,057

On 31 December 2017 and 2016, the Group has other situations where potential deferred tax assets could be recognised, but since it is not expected that sufficient taxable profits will be generated in the future to cover those losses, such deferred tax assets were not recorded:

	2017	2016
Tax losses	9,007,281	6,897,978
Temporary differences (provisions not accepted for tax purposes and other temporary diferences)	24,370,354	27,840,084
Others	13,319,569	12,403,119
	46,697,204	47,141,181

At 31 December 2017 and 2016, the caption "Temporary differences" includes deferred taxes related to impairment of financial investments that can not be recorded.

On 31 December 2017 and 2016, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2017 2016
2017	,920 1,019
2018	9,777 78,209
2019),186 30,468
2020 12	,679 123,013
2021 2	2,911 89,127
2022 40	,723 68,615
2023	,262 114,036
2024	,923 58,418
2025	,933 318,078
2026	,269 988,584
2027 40	,433 339,180
2028 4	,973 39,603
2029	,680 878,680
2030 5	,704 74,473
2031	- 120,896
2037 62	-,918
Unlimited 4,73	,990 3,575,579
9,00	,281 6,897,978

The years 2029 and following are applicable to the subsidiaries incorporated in countries in which the reporting period of tax losses is greater than twelve years.

The movement that occurred in deferred tax liabilities in the years ended on 31 december 2017 and 2016 were as follows:

	2017	2016
Opening balance	(8,263,418)	-
Temporary differences between accounting and tax result	(1,980,030)	(8,263,418)
Sub-total effect on results (note 36)	(1,980,030)	(8,263,418)
Closing balance	(10,243,448)	(8,263,418)

In the year ended at 31 December 2017, deferred tax liabilities arose from the application of the equity method and in the year ended at 31 December 2016 the negative Goodwill related to the participation in the capital stock of Armilar, Armilar II, Armilar III and AVP I+I (notes 8 and 36).

The reconciliation between the earnings before taxes and the taxes recorded for the years ended on 31 December 2017 and 2016 is as follows:

	2017	2016
Earnings before tax	25,647,028	33,883,022
Income tax rate (21%)	(5,385,876)	(7,115,435)
Autonomous taxation and surchage	(414,246)	(217,971)
Tax provision Accounting adjustments not accepted	(581,439) 308,744	978,851 957,093
Temporary differences and tax losses of the year without record of deferred tax assets	(3,465,797)	(218,891)
Use of tax losses and tax benefits without record of deferred tax assets in previous years	946,700	30,944
Deffered tax assets of temporary differences of previous years	(99,285)	488,802
Effect of the existence of different tax rates from those in force in Portugal	579,192	697,049
Effect of the untaxed equity method Consolidation adjustments	5,650,666 894,130	3,585,938 (2,512,575)
Deffered tax assets from tax losses of previous years	(522,649)	250,630
Record/(reverse)/use of deffered tax assets related to tax benefits Impact of companies liquidation	280,998	(578,032) 17,547,730
Tax rate change Income taxation recorded in the year (note 36)	(933,955) (2,742,817)	13,894,133.35

In the year ended at 31 December 2017, the caption 'Tax rate change' refers to the impact of the change in the tax rate in the United States of America impacting Wedo USA in 2017.

In addition, in the year ended on 31 December 2016, the caption 'Consolidation adjustments' includes the amount of Euro 1,966,218 related to the 50% of the capital gain generated by the sale of the direct participation of Sonaecom in NOS (2.14%) to Zopt (note 8), an adjustment that does not contribute to the formation of taxable income for the year.

In the year ended on 31 December 2016, the caption 'Impact of companies' liquidation' refers to the tax impact of the liquidation of the subsidiaries SonaecomBV and SonaetelecomBV.

The tax rate used to reconcile the tax expense and the accounting profit is 21% in 2017 and 2016 because it is the standard rate of the corporate income tax in Portugal, country where almost all of the income of Sonaecom group are taxed.

Portuguese Tax Authorities can review the income tax returns of the Company and of its subsidiaries with head office in Portugal for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in course, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not have a significant impact on the accompanying consolidated financial statements.

Supported by the Company's lawyers and Tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the consolidated financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, on 31 December 2017.

12. Other non-current assets

On 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Convertible loans	661,842	-
Others	3,150,694	3,123,287
	3,812,536	3,123,287

13. Inventories

On 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Raw materials	229,645	227,177
Goods	43,061	93,134
	272,706	320,311
Accumulated impairment losses on inventories (note 23)	(40,000)	(35,000)
	232,706	285,311

The cost of goods sold in the years ended on 31 December 2017 and 2016 amounted to Euro 44,493,096 and Euro 32,429,804 respectively and was determined as follows:

	2017	2016
Opening inventories	320,311	433,911
Purchases	44,506,119	32,258,218
Increase of accumulated impairment losses on inventories (note 23)	5,000	-
Inventory adjustments	(65,628)	57,986
Closing inventories	(272,706)	(320,311)
	44,493,096	32,429,804

The accumulated impairment losses on inventories reflect the difference between the acquisition cost and market net realisable value of the inventory, as well as the estimate of impairment losses due to low stock turnover, obsolescence and deterioration. The accumulated impairment losses are registered in the caption 'Cost of sales' (note 1.i).

14. Trade debtors

On 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Trade debtors:		
Information Systems	44,305,755	41,843,682
Multimedia and others	2,865,092	5,299,810
	47,170,847	47,143,492
Doubtful debtors	4,156,097	2,713,099
	51,326,944	49,856,591
Impairment losses in accounts receivable (note 23)		
Information Systems	(2,515,339)	(1,879,612)
Media and others	(1,640,758)	(833,487)
	(4,156,097)	(2,713,099)
	47,170,847	47,143,492

Trade debtors by age on 31 December 2017 and 2016 were as follows:

		Due without impairment				Due	e with impairment		
				From 30 to 90	More than 90		From 90 to 180	From 180 to 360	More than 360
	Total	Not due	Until 30 days	days	days	Until 90 days	days	days	days
2017									
Trade debtors	51,326,944	26,977,878	6,253,658	3,223,516	10,715,795	10,699	38,502	441,360	3,665,536
2016									
Trade debtors	49,856,591	27,148,577	5,629,412	4,688,396	9,677,107	-	-	56,867	2,656,232

On 31 December 2017 and 2016, where applicable, of the total amount of accounts receivable impaired are net of VAT, that the Group expects and makes efforts to recover.

Credit risk monitoring, which is performed on a continuous basis, can be resumed as follows:

- (i) In the case of regular customers, impairment adjustment is calculated by applying an uncollectibility percentage based on historical data regarding collections, to the accounts receivables overdue.
- (ii) In the case of the remaining accounts receivable, impairment adjustments are determined on a stand-alone basis, based on the age of the receivables, net of the amounts payable and the information of the financial situation of the debtor.

The Group's exposure to credit risk is mainly related to accounts receivable arising from its operational activity. The existence of debt matured for more than 90 days without impairment is essentially due to the group's business typology, essentially related to the technologies that also add to the geographic dispersion of performance and the size of the clients. Notwithstanding some extension of the receipt periods, the history of losses recorded for non-payment is low. The amounts presented in the statement of financial position are net of accumulated impairment losses for doubtful collections that were estimated by the group, according to an analysis based on their experience and on the assessment of the economic environment and surroundings. It was concluded that although the amounts were in debt for more than 90 days, there was no expectation of losses in these amounts. The Board of Directors believes that the book value of the accounts receivable does not differ significantly from its fair value.

15. Other current debtors

On 31 December 2017 and 2016, the caption 'Other current debtors' was made up as follows:

	2017	2016
State and other public entities	868,294	603,350
Advances to suppliers	347,309	294,812
Other debtors	1,857,929	19,864,753
Accumulated impairment losses in accounts receivable (note 23)	(131,419)	(130,356)
	2,942,113	20,632,559

On 31 December 2016, the caption "Other debtors" includes the amount of Euro 17,285,277 to be received from Sonae SGPS, in relation to income tax rate from companies that include in the special regime for the taxation of groups of companies, whose this company is leader. The amount receivable for 2016 is associated to the tax effect of Sonaecom BV and SonaetelecomBV liquidation's (Euro 17,547,730).

On 31 December 2017 and 2016 the caption 'State and other public entities' was made up as follows:

	2017	2016
Value-added tax	369,331	410,953
Cocial security contributions	1,211	2,686
Withheld Taxes (IRRF, INSS ans several contributions)	134,286	127,492
Taxes on invoicing (ISS/PIS/COFINS)	13,466	-
Other taxes	350,000	62,219
	868,294	603,350

Other debtors and advances to suppliers by age on 31 December 2017 and 2016 are as follows:

		Due without impairment					Due w	ith impairment	
	Total	Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
2017									
Advances to suppliers	347,309	21,788	37,133	95,136	193,252	-	-	-	-
Other debtors	1,857,929	611,737	31,301	191,233	892,239	-	-	-	131,419
	2,205,238	633,525	68,434	286,369	1,085,491	-	-	-	131,419
2016									
Advances to suppliers	294,812	65,011	60,416	94,106	75,279	-	-	-	-
Other debtors	19,864,753	17,356,117	411,917	95,298	1,672,556	-	-	256,454	72,411
	20,159,565	17,421,128	472,333	189,404	1,747,835	-	-	256,454	72,411

The amounts due and without impairment correspond, mostly, to debts with companies of the Sonae group and with other entities, for which there is no credit risk.

16. Other current assets

On 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Invoices to be issued to clients for services rendered (note 30)	7,125,522	8,053,359
Specialised work paid in advance	1,367,695	1,051,771
Other costs paid in advance	433,365	470,934
Prepaid rents	237,250	238,460
Other accrued income	418,269	297,120
Other current assets	396,862	163,249
Rappel discounts	6,173	6,173
	9,985,136	10,281,066

17. Cash and cash equivalents

On 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Cash in hand	23,565	22,336
Bank deposits repayable on demand	131,452,333	87,131,132
Treasury applications	70,549,790	123,102,870
Cash and cash equivalents	202,025,688	210,256,338
Bank overdrafts (note 21)	(309)	(653)
	202,025,379	210,255,685

In years ended on 31 December 2017 and 2016, Sonaecom entered into financial transaction contracts with Sonae, SGPS of which obtained the financial income referred to in Note 37. On 31 December 2017 and 2016, the caption "Treasury Applications" matched only bank applications.

The above mentioned applications were paid and, during the year ended on 31 December 2017, the interest tax rate in force was 0.29% (0.664% in 2016) being, in the referred date, distributed by two financial institutions.

On 31 December 2017 the reconciliation of liabilities whose flows affect financing activities is as follows:

							Non-cash changes
			Conversion of loans				
			in supplementary	0 0			
	31.12.2016	Cash Flows	capital	movement	actualization	Others	31.12.2017
Long-term borrowing (note 21)	3,756,781	(1,245,320)	(260,200)	-	136,502	1,975	2,389,738
Short-term borrowing (note 21)	1,202,324	(31,316)	-	-	1,173	31,458	1,203,639
Lease liabilities	1,029,317	(514,353)	-	-	-	-	514,964
Total liabilities from financiag activities	5,988,422	(1,790,989)	(260,200)	_	137,675	33,433	4,108,341

18. Share capital

On 31 December 2017 and 2016, the share capital of Sonaecom was comprised by 311,340,037 ordinary registered shares, of Euro 0.74 each.

At those dates, the Shareholder structure was as follows:

		2017		2016
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 19)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorized, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

19. Own shares

During the year ended on 31 December 2017, Sonaecom did not acquire, sold or delivered own actions, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.380.

20. Non-controlling interests

Non-controlling interests on 31 December 2017 and 2016 are made up as follows:

201	7			Movement during the year				
	% held	Shareholders' funds	Net Result	Book value of uncontrolled interests 2016	Proportion of attributable result	Others	Book value of uncontrolled interests 2017	
Digitmarket	24.90%	3,583,924	692,853	177,916	172,520	(79,680)	270,756	
Saphety Colômbia	13.01%	182,005	(281,130)	(82,679)	(33,532)	41,401	(74,810)	
Saphety	13.01%	4,176,537	(189,200)	343,999	24,045	229,511	597,555	
Saphety Brasil	13.02%	(852,612)	(333,922)	(90,408)	(24,505)	(3,754)	(118,667)	
Tecnológica	0.102%	117,928	11,524	(2,479)	(15)	(10)	(2,504)	
Wedo Brasil	0.09%	4,158,762	667,713	6,172	627	(690)	6,109	
Bright Vector I	49.87%	1,898,205	(1,795)	-	(895)	947,500	946,605	
Others			, ,	(507,575)	` -	507,575	-	
				(155,054)	138,245	1,641,853	1,625,044	

2016				Movement during the year			
	% held	Shareholders' funds	Net Result	Book value of uncontrolled interests 2015	Proportion of attributable result	Others	Book value of uncontrolled interests 2016
Digitmarket	24.90%	3,211,072	307,807	447,035	76,712	(345,831)	177,916
Saphety Colômbia	13.01%	250,689	(137,034)	(55,467)	(20,411)	(6,801)	(82,679)
Saphety	13.01%	2,178,838	682,240	(5,323)	113,255	236,067	343,999
Saphety Brasil	13.02%	(637,682)	(78,774)	(64,410)	(28,270)	2,272	(90,408)
S21 Sec Brasil	0%	(507,279)	70,114	(65,308)	8,391	65,308	8,391
S21 Sec Labs	0%	378,133	(411,697)	(293,422)	(293)	293,422	(293)
S21 Sec Gestion (Note 3.c))	0%	1,542,114	(4,004,718)	(1,639,672)	(539,538)	1,628,473	(550,737)
Tecnológica	0.102%	148,639	10,435	(2,489)	(7)	17	(2,479)
Wedo Brasil	0.09%	4,116,891	750,365	4,598	711	863	6,172
Sec S. A. de CV	0%	(1,776,428)	348,353	6,413	55,288	(6,413)	55,288
Sec Mexico	0%			(2,222)	(257)	2,222	(257)
Ciberseguridad	0%			(36,180)	(19,967)	36,180	(19,967)
				(1,706,447)	(354,386)	1,905,779	(155,054)

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In the year ended at 31 December 2017, the amount reflected in the 'Othera' column of the Bright Vector Fund is related to the investment in capital and quasi-equity funds (FC & QC) in the amount of Euro 947,500 (note 3.a).

In April 2016, the company S21 Sec Gestion carried out a capital reduction to cover losses, immediately followed by an increase in the share capital fully subscribed and paid by Sonaecom CSI, which to holds 100% of the share capital of its subsidiary. On 31 December 2016, there are no minority interests in S21Sec Gestión and, therefore, in all its subsidiaries (S21 Sec Brasil, S21 Sec Labs, Sec SA de CV, Sec Mexico and Ciberseguridad), movement reflected in the "Others".

21. Loans

On 31 December 2017 and 2016, the caption loans had the following breakdown:

a) Medium and long-term loans

					Amount outstanding
			Type of		
Company	Issue denomination	Maturity	reimbursement	2017	2016
S21 Sec Labs	Reimbursable grants	Jun-24	Parcel	1,071,729	1,482,164
S21 Sec Gestion	Reimbursable grants	Jun-25	Parcel	1,161,033	1,859,416
Saphety	Minority Shareholder loans	-	-	152,122	412,322
	Interests incurred but not yet due	-		4,854	2,879
				2,389,738	3,756,781

b) Short-term loans

					Amount outstanding
			Type of		
Company	Issue denomination	Maturity	reimbursement	2017	2016
S21 Sec Labs	Reimbursable grants	Nov-18	Parcel	456,029	445,129
S21 Sec Gestion	Reimbursable grants	Oct-18	Parcel	715,499	756,542
Several	Bank overdrafts (note 17)	-	-	309	653
Several	Interests incurred but not yet due			31,802	38,783
				1,203,639	1,241,107

Grants

On 31 December 2017 the Group had grants obtained from dependent entities of the Government of Navarra, CDTI and 'Ministerio de Ciencia y Tecnología'. These subsidies are recorded at amortized cost in accordance with the method of effective interest rate and have the following repayment plan:

	2017
2018	1,171,528
2019	806,221
2020	631,015
2021	366,104
2022 and follows	429,422
	3,404,290

These subsidies bear interest at rates between 0% and 4%.

Given the nature of debts, there are no financial covenants.

Bank credit lines of short-term portion

Sonaecom has also a short term bank credit line, in the form of current or overdraft account commitment, in the amount of Euro 1 million.

All these bank credit lines of short-term portion bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in Euro.

On 31 December 2017 and 2016, the available bank credit lines of the Group were as follows:

						Maturity
			Amount			More than 12
Company	Credit	Limit	outstanding	Amount available	Until 12 months	months
2017						
Sonaecom	Authorised overdrafts	1,000,000		1,000,000	X	
		1,000,000	-	1,000,000		
2016						
Sonaecom	Authorised overdrafts	1,000,000		1,000,000	X	
		1,000,000	-	1,000,000		

On 31 December 2017 and 2016, there is no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

Based on the debt exposed to variable rates at the end of 2017, including the debt on finance lease, and considering the applications and bank balances at the same date, if market interest rates has rised (fallen), in average, 25bp during the year 2017, the interest paid that year would be decreased (increased) in an amount of approximately Euro 166,000 (Euro 293,000 in 2016).

22. Other non-current financial liabilities

On 31 December 2017 and 2016, this caption was made up of accounts payable to tangible and intangible assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 173,478 and Euro 509,530, respectively.

On 31 December 2017 and 2016, the payment of these amounts was due as follows:

	2017			2016
		Present value of		Present value of
	Lease payments	lease payments	Lease payments	lease payments
2017	-	=	559,443	519,787
2018	358,863	343,878	368,598	358,045
2019	160,472	156,932	154,223	151,485
2020	11,609	11,178	-	-
2021	3,002	2,969	-	-
	533,946	514,957	1,082,264	1,029,317
Interests	(18,989)	-	(52,946)	-
	514,957	514,957	1,029,318	1,029,317
Short-term liability (note 26)		(341,479)	<u> </u>	(519,787)
	514,957	173,478	1,029,318	509,530

23. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended on 31 December 2017 and 2016 were as follows:

	Opening balance	Companies included in the consolidation perimeter (note 3.c)	Increases	Decreases	Utilisations and Transfers	Closing balance
2017						
Accumulated impairment losses on trade debtors (note 14)	2,713,099	-	1,826,955	(177,019)	(206,938)	4,156,097
Accumulated impairment losses on other current debtors (note 15)	130,356	-	1,063	-	-	131,419
Accumulated impairment losses on inventories (note 13)	35,000	-	5,000	-	-	40,000
Provisions for other liabilities and charges	4,919,669	-	923,126	(1,544,283)	(695,367)	3,603,145
	7,798,124	-	2,756,144	(1,721,302)	(902,305)	7,930,661
2016						
Accumulated impairment losses on trade debtors (note 14)	2,625,442	40,456	322,185	(45,420)	(229,564)	2,713,099
Accumulated impairment losses on other current debtors (note 15)	94,422	-	44,042	-	(8,108)	130,356
Accumulated impairment losses on inventories (note 13)	35,000	-	-	-	-	35,000
Provisions for other liabilities and charges	4,292,553	-	2,989,014	(494,297)	(1,867,601)	4,919,669
	7 በ47 417	40 456	3 355 241	(539 717)	(2 105 273)	7 798 124

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, on 31 December 2017 and 2016, are detailed as follows:

		2017		2016
Accumulated impairment losses on accounts receivables	Increases	Decreases	Increases	Decreases
Registed in the line 'Provisions and accumulated impairment losses' (increases) and in 'Other operating				
costs' (decreases)	1,828,018	(177,019)	322,185	(45,420)
Total increases/(decreases) of accumulated impairment losses on accounts receivables	1,828,018	(177,019)	322,185	(45,420)
Provisions for other liabilities and charges	Increases	Decreases	Increases	Decreases
Recorded in the income statement, under the caption 'Income Tax' (note 36)	427,922	(1,009,361)	1,192,744	(213,893)
Recorded in balance sheet, under the caption Taxes (note 15)	-	(31,744)	523,548	-
Recorded in 'Fixed Assets' regard to the provision for dismantling and abandonment of offices net value recorded in 'Other financial expenses' related to the financial actualization of the provision for dismantling	1,525	-	1,753	-
as foreseen in IAS 16 - 'Fixed Assets' (note 1.c)				
Recorded in the income statement in 'Gains and losses of associates and jointly controlled entities' related to the registration of the provision resulting from the application of the equity method (note 8)	-	(25,551)	10,568	(37,102)
Recorded in the income statement 'Staff expenses' related to the provisions for redundancy paments	344,163	(165,533)	739,755	(206,502)
Other increses and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases)	149,516	(312,094)	520,646	(36,800)
Total increases/(decreases) of provisions for other liabilities and charges	923,126	(1,544,283)	2,989,014	(494,297)
Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases) (note 31)	1,977,534	(489,113)	842,831	(82,220)

On 31 December 2017 and 2016, the breakdown of the provisions for other liabilities and charges is as follows:

	2017	2016
Several contingencies	2,591,315	3,270,741
Legal processes in progress	86,870	137,350
Dismantling	53,468	51,944
Other responsibilities	871,492	1,459,634
	3,603,145	4,919,669

On 31 December 2017 and 2016, the value of provisions for the dismantling is recorded at its present value, accordingly with the dates of its utilization in accordance with IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'.

The heading 'Several contingencies' relates to contingent liabilities arising from transactions carried out in previous years and for which an outflow of funds is probable.

In relation to the provisions recorded for legal processes in progress and other responsabilities, given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used and therefore no financial actualisation was carried out.

In the caption "Other responsabilities" are included provisions for restructuring an amount of Euro 356,010 associated with severance payment (Euro 733,040 in 2016).

24. Other non-current liabilities

On 31 December 2017 and 2016, the caption 'Other non-current liabilities' is as follows:

	2017	2016
Medium Term Incentive Plan (note 41)	1,217,487	1,120,207
Others	875,582	1,162,090
	2,093,069	2,282,297

The "Others" caption includes the medium and long-term phased price payable by Inovretail and Sysvalue in the amount of Euro 608,103 and Euro 228,822, respectively, which was measured using the amortized cost method (note 3.c.).

25. Trade creditors

On 31 December 2017 and 2016, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2017				
Suppliers – current account	13,914,618	13,914,618	-	-
Intangible and tangible assets suppliers	143,184	143,184	-	-
Suppliers – invoices pending approval	1,961,395	1,961,395		
	16,019,197	16,019,197	-	_
2016				
Suppliers – current account	12,626,016	12,626,016	-	-
Intangible and tangible assets suppliers	387,471	387,471	-	-
Suppliers – invoices pending approval	2,602,267	2,602,267	-	-
	15,615,754	15,615,754	-	

On 31 December 2017 and 2016, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of intangible and tangible assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

26. Other financial liabilities

On 31 December 2017, this heading "Other finantial liabilities" includes the amount of Euro 341,479 (Euro 519,787 in 2016) related to the short term portion of lease contracts (note 22).

27. Other creditors

On 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
State and other public entities	4,236,810	3,846,142
Other creditors	1,057,086	687,165
	5,293,896	4,533,307

The liability to other creditors matures as follows:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2017				
Other creditors	1,057,086	1,057,086	-	-
2016				
Other creditors	687,165	687,165	_	_

At 31 December 2017, the caption 'other creditors' consisted of advances of customers amounting to Euro 483,285 (Euro 13,278 in 2016) and other liabilities of Euro 543,370 (Euro 673,887 in 2016).

The liability to other creditors does not incorporate any interest. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

On 31 December 2017 and 2016, the caption 'State and other public entities' can be detailed as follow:

	2017	2016
Value-added tax	2,486,816	2,152,158
Social security contributions	952,743	890,782
Personal Income Tax (IRS)	658,037	676,692
Withheld Taxes (IRRF, INSS ans several contributions)	104,657	72,542
Other taxes	34,557	53,968
	4,236,810	3,846,142

28. Income tax

a) Income tax receivable

On 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Special account payment	1,625,208	1,600,139
Payments on account	246,470	213,116
Corporate income tax	1,444,240	1,242,372
	3,315,918	3,055,627

b) Income tax payable

On 31 December 2017 and 2016, this caption was only constituted by corporate income tax of Euro 112,690 and Euro 170,502, respectively.

29. Other current liabilities

On 31 December 2017 and 2016, this caption was made up as follows:

	20	2016
Costs:		
Personnel costs	11,572,97	6 10,110,785
Medium Term Incentive Plans (note 41)	1,503,45	9 1,245,853
Specialised works	1,416,14	4 1,173,578
Other costs	1,164,7	71 700,531
Advertising and promotion	637,38	31 453,671
Tangible and intangible assets	338,75	0 144,320
Rents	110,64	9 133,189
Rappel discounts (annual quantity discounts)	130,13	7 113,155
Other external suppliers and services	2,962,55	0 2,650,613
	19,836,8	.7 16,725,695
Deferred income:		
Customer advance payments related projects in progress (note 30)	9,408,50	9,345,096
Other customer advance payments	1,680,68	6 2,143,827
Other deferred income	1,331,48	9 1,303,894
	12,420,73	6 12,792,817
	32,257,55	3 29,518,512

30. Sales and services rendered

On 31 December 2017 and 2016, the caption 'Sales and services rendered' was made up as follows:

	2017	2016
Technologies	125,046,765	116,086,895
Media and others	14,512,797	14,445,877
	139,559,562	130,532,772

The results related to projects carried out by the area of technologies are recognized based on the percentage of completion of the same.

On 31 December 2017 and 2016, projects in progress can be summarized as follows:

	2017	2016
Number of projects in progress	1,537	1172
Total costs recognised in the year	44,808,312	42,388,920
Total revenues recognised in the year	83,620,660	78,920,956
Total deferred revenues (note 29)	9,408,561	9,345,096
Total accrued revenues (note 16)	7,125,522	8,053,359

Bank guarantees were provided for "Good execution of work to be performed" (note 38).

31. Other operating revenues

On 31 December 2017 and 2016, the caption 'Other operating revenues' was made up as follows:

	2017	2016
Supplementary income	792,872	522,753
Reversal of provisions (note 23)	489,113	82,220
Allowances	670,607	68,595
Others	708,797	838,426
	2,661,389	1,511,994

The change in 'Allowances' relates mainly to the projects of the subsidiary Público financed by Google in the amount of Euro 428,474.

32. External supplies and services

'External supplies and services' for the years ended on 31 December 2017 and 2016 had the following composition:

	2017	2016
Subcontracts	12,764,997	20,308,320
Specialised works	5,911,853	6,237,938
Rents	5,330,246	5,235,610
Travelling costs	4,331,560	4,687,650
Advertising and promotion	3,974,890	3,799,481
Fees	1,214,199	1,238,772
Communications	1,188,968	1,158,313
Fuel	443,183	429,825
Energy	398,250	405,130
Maintenance and repairs	331,871	206,603
Commissions	370,890	294,363
Security	143,614	136,004
Others	1,120,183	1,422,443
	37,524,704	45,560,452

The changes in "subcontracts" are mainly due to reclassifications between the cost of goods sold (note 13) and subcontracts.

At 31 December 2017, "Specialised works" includes approximately Euro 1.3 million in consulting services (Euro 1.9 million in 2016) and Euro 1.2 million in computer services (Euro 880 thousand in 2016).

The commitments assumed by the Group on 31 December 2017 and 2016 related to operational leases are as follows:

	2017	2016
Minimum payments of operational lease:		
2017	3,573,295	3,649,239
2018	2,017,365	2,799,418
2019	1,247,822	1,301,194
2020	657,740	696,518
2021 onwards	255,317	350,567
Renewable by periods of one year	950,982	872,825
	8,702,521	9,669,761

During the years ended on 31 December 2017, an amount of Euro 4,910,476 (Euro 4,985,961 on 31 December 2016) was recorded in the caption 'External supplies and services' related with operational leasing rents, recorded in 'Rents'. The operating leases essentially relate to vehicles, rental of buildings and equipment rentals.

33. Other operating costs

On 31 December 2017 and 2016, the caption 'Other operating costs' was made up as follows:

	201:	7 2016
Taxes	254,053	3 209,159
Others	376,585	607,875
	630,638	817,034

34. Financial results

Net financial results for the years ended on 31 December 2017 and 2016 were made up as follows ((costs) / gains):

	2017	2016
Financial expenses:		
Interest expenses:		
Bank loans	(1,245)	(49,154)
Leasing	(33,559)	(53,357)
Other interests	(152,948)	(269,401)
Foreign exchange losses	(5,030,286)	(3,722,161)
Other financial expenses	(447,096)	(393,236)
	(5,665,134)	(4,487,309)
Financial income:		
Interest income	543,651	1,288,056
Foreign exchange gains	4,049,611	2,331,145
Others financial gains	30,942	115,362
	4,624,204	3,734,563

During the years ended on 31 December 2017 and 2016, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications (note 17 and 37).

35. Gains and losses on Investments

Gains and losses on investments for the years ended on 31 December 2017 and 2016 are as follows ((expenses) / revenues):

	201	2016
Financial results of associates and jointly controlled companies:		
Gains and losses related with the aplication of the equity method (note 8)	35,779,06	5 17,124,008
Gains on acquisitions of associates companies (note 8)		- 36,726,301
	35,779,06	53,850,309
Gains and losses on financial assets at fair value through profit or loss	•	•
Gains and losses on financial assets at fair value through profit or loss (note 9)		- (15,679,640)
Gains on disposal of financial assets at fair value through profit or loss (note 8)		- 9,362,943
Dividends obtained		- 1,762,163
	•	- (4.554.534)

During the period on 31 December 2016 the caption "Gains on disposal of financial assets at fair value through profit or loss" includes the gain generated from the sale of the NOS shares (Euro 9,362,943) as described in note 8 "Investments in associated companies and companies jointly controlled".

36. Income taxation

Income taxes recognised during the years ended on 31 December 2017 and 2016 were made up as follows ((costs) / gains):

	2017	2016
Current tax	1,214,032	18,055,707
Tax provision net of reduction (note 23)	(581,439)	978,851
Deferred tax assets (note 11)	(1,395,380)	3,122,993
Deferred tax liabilites (note 11)	(1,980,030)	(8,263,418)
	(2,742,817)	13,894,133

The amount of current tax for the year 2016 is mainly due to the impact of liquidation's subsidiaries (note 11).

37. Related parties

During the years ended on 31 December 2017 and 2016, the balances and transactions maintained with related parties were mainly associated with the normal operational activity of the Group and to the concession and obtainment of loans.

The most significant balances and transactions with related parties, which are listed in the appendix to this report, during the years ended on 31 December 2017 and 2016 were as follows:

	Balances at 31 December 201					
	Accounts receivable (note 14 and 15)	Accounts payable (note 25 and 26)	Other assets (note 12 and 16)	Other liabilities (note 24 and 29)	Treasury applications (note 17)	Loans Obtained (note 21)
Parent company	337,063	116,938	-	128,872	-	-
Companies jointly controlled	393,717	556,672	11	(4,276)	3,700	-
Associated companies	-	-	2,918,027	-	-	-
Other related parties	11,077,991	657,035	499,580	5,365,585		156,916
	11,808,771	1,330,645	3,417,618	5,490,182	3,700	156,916

	Balances at 31 December 201					
	Accounts receivable	Accounts payable	Other assets	Other liabilities	Treasury applications	Loans Obtained
	(note 14 and 15)	(note 25 and 26)	(note 12 and 16)	(note 24 and 29)	(note 17)	(note 21)
Parent company	18,454,597	129,615	-	153	-	-
Companies jointly controlled	1,024,602	584,554	-	23,250	2,200	-
Associated companies	-	-	2,778,027	-	-	-
Other related parties	12,397,109	527,511		6,968,089		412,322
	31,876,308	1,241,680	2,778,027	6,991,492	2,200	412,322

	Transactions at 31 December 2017				
	Sales and services	Supplies and services	Interest and similar	Interest and similar	
	rendered	received	income	expense	Supplementary income
	(note 30)	(note 32)	(note 34)	(note 34)	(note 31)
Parent company	21,641	100,000	490,442	-	-
Companies jointly controlled	17,220	405,517	215	-	196,985
Other related parties	32,538,920	2,711,067	<u> </u>	14,073	184,692
	32,577,781	3,216,584	490,657	14,073	381,677

	Transactions at 31 December 2016				
	Sales and services	Supplies and services	Interest and similar	Interest and similar	
	rendered	received	income	expense	Supplementary income
	(note 30)	(note 32)	(note 34)	(note 34)	(note 31)
Parent company	2,871	-	1,192,276	-	(26)
Companies jointly controlled	15,383	493,804	6,842	-	310,784
Other related parties	29,998,921	2,227,190	-	13,337	51,317
	30,017,175	2,720,994	1,199,118	13,337	362,075

During the years ended on 31 December 2017, the company distributed as dividends the amount of Euro 6,238,768 to Sonae SGPS (Euro 4,699,332 on 31 December 2016) and Euro 14,942,860 to Sontel BV (Euro 11,255,661 on 31 December 2016). In 2017 each issued share corresponded to a gross dividend of Euro 0.077 (Euro 0.058 in 2016).

During the year ended at 31 December 2017 and 2016, the company recognized the amount of Euro 16,512,005 and Euro 18,311,947, respectively, referring to dividends of Zopt.

In the year ended at 31 December 2016, the company recognized the amount of Euro 1,762,005 related to NOS dividends (note 8).

During the year ended on 31 December 2016, Sonaecom sold its all direct participation in NOS (2.14%) to Zopt. This transaction generated a capital gain of 18,725,887 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 9).

The transactions between Group companies were eliminated in consolidation, and therefore are not disclosed in this note.

All the above transactions were made at market prices.

Both income and outcome will be paid in cash and have no guaranties attached.

During the years ended on 31 December 2017 and 2016, no imparity losses have been recognized on the income to be made by other entities.

Remuneration attributed to "key personnel" is disclosed in note 42.

38. Guarantees provided to third parties

Guarantees provided to third parties on 31 December 2017 and 2016 were as follows:

Company	Beneficiary	Description	2017	2016
Saphety, S21 Sec Gestion; WeDo and WeDo Egypt	Administrador de Infraestructuras Ferroviarias; Arrow Ecs Internet Security, S.L.; Asiacell Communications; Barcelona Serveis Municipals; Comunidade Intermunicipal do Médio Tejo; CTT Correios de Portugal, S.A.; Digi Tecommunications; Emirates Telecom. Corp.; Empresa de Telecommunicaciones Nuevatel; Etihad Etisalat Company; ETISALAT UAE; Gobierno Vasco; Instituto Nacional de Ciberseguridad de España, SA; Oficina de Control Económico del Departamento de Hacienda y Finanzas; Omani Qatari Telecommunications Company S.A.O.G; Red Nacional de los Ferrocarriles Españoles; Renfe Operadora; REPSOL; Tech Mahindra India; Tunisie Telecom; U Mobile and Zain Jordan	Completion of work to be done	503,160	1,636,069
Inovretail, S21 Sec Gestion and S21 Sec Labs	Agencia para o Desenvolvimento e Coesao, I.P.; Centro para Desarrollo Tecnológico Industrial; ICT; Ingenieria de Sistemas para la Defensa de España and Ministerio de Indústria	Grants	774,839	791,869
Sonaecom and Público	Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities)	IRC, IS, IVA – Tax assessment	1,558,985	240,622
Several	Others		547,420	665,020
			3,384,405	3,333,580

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 27,546,999 and Sonaecom SGPS consisted of Público for the amount of Euro 564,900.

On 31 December 2017 and 2016, the contingencies for which guarantees and sureties are considered as remote.

On 31 December 2017, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the consolidated financial statements.

39. Information by business segment

During the years ended on 31 December 2017 and 2016 were identified the following business segments:

- Media;
- Technologies; and
- Holding activities.

These segments were identified taking into consideration the following criteria/conditions: the fact of being group units that develop activities where we can separately identify revenues and expenses, for which financial information is separately developed and their operating results are regularly reviewed by management and over which decisions are made. For example, decisions about allocation of resources, for having similar products/services and also taking into consideration the quantitative threshold (in accordance with IFRS 8).

The segment 'Holding activities' includes the operations of the Group companies that have as their main activity the management of shareholdings.

Excluding the ones mentioned above, the remaining activities of the Group have been classified as unallocated.

Inter-segment transactions during the years ended on 31 December 2017 and 2016 were eliminated in the consolidation process. All these transactions were made at market prices.

Inter-segment transfers or transactions were entered under the normal commercial terms and conditions that would also be available to unrelated third parties and were mainly related to interest on treasury applications and management fees.

Overall information by business segment on 31 December 2017 and 2016, prepared in accordance with the same accounting policies and measurement criteria adopted in the preparation of the consolidated financial statements, can be summarised as follows:

		Multimedia	Info	rmation Systems	Holding Activities		Holding Activities		Subtotal		Subtotal Eliminations and others		ninations and others	rs Total	
	dec-17	dec-16	dec-17	dec-16	dec-17	dec-16	dec-17	dec-16	dec-17	dec-16	dec-17	dec-16			
Revenues:															
Sales and services rendered	14,486,444	14,444,550	125,929,752	116,708,126	514,483	253,325	140,930,679	131,406,001	(1,371,117)	(659,935)	139,559,562	130,532,772			
Reversal of provisions	-	-	433,551	82,135	-	1,800	433,551	83,935	-	-	433,551	83,935			
Other operating revenues	740,735	369,920	1,372,933	914,665	92,873	118,777	2,206,540	1,403,362	21,297	(70,807)	2,227,838	1,428,059			
Total revenues	15,227,179	14,814,470	127,736,236	117,704,926	607,356	373,902	143,570,770	132,893,298	(1,349,819)	(730,742)	142,220,951	132,044,766			
Depreciation and amortisation	(307,710)	(677,171)	(9,189,558)	(25,224,049)	(10,456)	(13,726)	(9,507,724)	(25,914,946)	100,653	(2,645,721)	(9,407,071)	(15,463,247)			
Provisions and impairment losses	(789,950)	(370,221)	(1,108,196)	(459,985)	(54,888)	(36,505)	(1,953,034)	(866,711)	(24,500)	-	(1,977,534)	(886,873)			
Net operating income / (loss) for the segment	(3,383,303)	(4,733,105)	(4,523,120)	(20,560,324)	(1,331,331)	(1,286,592)	(9,237,754)	(26,580,021)	146,647	(2,331,059)	(9,091,107)	(14,660,007)			
Interest income	1,449	476	38,131	44,439	1,585,101	2,188,901	1,624,681	2,233,816	(1,063,325)	(740,306)	561,356	1,288,056			
Interest expenses	(138,618)	(265,798)	(1,099,897)	(975,632)	(4,098)	(6,998)	(1,242,613)	(1,248,428)	1,055,640	695,285	(186,973)	(356,448)			
Gains and losses on financial assets at fair value	(57,312)	_	_	_	_	(4,554,534)	(57,312)	(4,554,534)	57,312	_	_	(4,554,534)			
through profit or loss	,					,	, ,								
Investment Entities - Applying the Consolidation	71,372	49,054	8,473,692	36,725,611	27,234,001	17,075,644	35,779,065	53,850,309	-	-	35,779,065	53,850,309			
Other financial results	(14,973)	(1,918)	(1,263,451)	(1,671,253)	(158,397)	(7,287,579)	(1,436,821)	(8,960,750)	21,508	6,564,094	(1,415,313)	(1,684,354)			
Income taxation	(364,713)	1,656,092	(2,301,042)	2,332,886	(68,215)	18,161,790	(2,733,970)	22,150,768	(8,847)	(43,999)	(2,742,817)	13,894,133			
Consolidated net income/(loss) for the period excluding discontinued operations	(3,886,098)	(3,295,199)	(675,687)	15,895,727	27,257,061	24,290,632	22,695,276	36,891,160	208,935	4,144,015	22,904,211	47,777,155			
Attributable to:															
Shareholders of parent company	(3,886,098)	(3,295,199)	(813,892)	16,227,370	27,257,061	24,290,632	22,557,071	37,222,803	208,895	4,178,062	22,765,966	48,131,541			
Non-controlling interests	-	-	138,205	(331,643)	-		138,205	(331,643)	40	(34,047)	138,245	(354,386)			
Assets:															
Tangible and intangible assets and goodwill	1,276,407	276,937	62,225,108	65,397,974	12,078	15,620	63,513,593	65,690,531	(11,930,075)	(27,236,395)	51,583,518	53,766,837			
Inventories	189,648	192,177	43,058	93,134	-	-	232,706	285,311	-	-	232,706	285,311			
Investments in associated and jointly controlled	753,255	733,942	83,976,494	68,475,639	688,194,766	676,799,210	772,924,515	746,008,791	(1,189,148)	52,944	771,735,367	746,061,735			
Other investments	47,947	90,679	5,293,016	448,935	49,294,593	46,241,587	54,635,556	46,781,201	(49,154,593)	(46,241,587)	5,480,963	539,614			
Other non-current assets	14,736	346,271	10,782,727	11,980,583	130,982,520	103,611,830	141,779,983	115,938,684	(130,643,390)	(103,500,425)	11,136,593	12,438,259			
Other current assets of the segment	6,651,889	6,903,049	64,806,908	59,228,435	192,749,468	230,027,029	264,208,265	296,158,513	1,231,437	(3,708,834)	265,439,702	291,369,082			
Liabilities:			-		-						-				
Liabilities of the segment	8,084,032	10,977,387	98,331,502	92,341,767	2,289,567	1,373,266	108,705,101	104,692,420	(34,973,769)	(24,925,216)	73,731,332	71,330,664			
CAPEX	1,081,328	682,286	19,393,038	44,573,095	34,606,880	461	55,081,246	45,255,842	(34,438,567)	198,656	20,642,679	45,454,498			

During the years ended on 31 December 2017 and 2016, the inter-segments sales and services were as follows:

	Media	Technologies	Holding Activities
2017			
Media	-	504,163	-
Information Systems	767	-	425,000
Holding Activities	327	7,314	-
External trade debtors	14,485,350	125,418,275	89,483
	14,486,444	125,929,752	514,483
2016			
Media	-	361,661	-
Information Systems	-	-	253,325
Holding Activities	-	67,568	-
External trade debtors	14,444,550	116,278,897	<u>-</u> _
	14,444,550	116,708,126	253,325

During the years ended on 31 December 2017 and 2016, sales and services rendered of the segments of Multimedia and Activities Holding were obtained predominantly in the Portuguese market, this market represents more than 100% of revenue.

During the years ended on 31 December 2017, for the Technologies segment, also the Portuguese market is dominant, accounting for 49.7% of revenue (47.1% in 2016) followed by the Spanish and Brazilian markets, representing 12.3% of revenue (11.6% in 2016).

During the years ended on 31 December 2017 and 2016, inter-segment sales and services by geographic market can be detailed as follows:

	Media		Technologies		Holding activities	
Country	dec-17	dec-16	dec-17	dec-16	dec-17	dec-16
Portugal	14,312,280	14,308,389	62,558,084	54,098,957	464,483	253,325
Spain	20,111	5,546	15,440,474	13,786,336	50,000	-
Brazil	2,988	4,503	6,303,331	5,877,317	-	-
United States of America	618	9,331	4,847,290	4,850,191	-	-
South America	-	-	2,757,302	4,382,309	-	-
Angola	-	-	3,372,912	3,715,752	-	-
Germany	381	28	2,678,037	2,721,221	-	-
Malasya	-	-	901,162	2,032,920	-	-
United Kingdom	3,292	16,931	1,868,038	1,884,404	-	-
Sweden	-	(1)	819,240	1,690,745	-	-
Mexico	-	-	3,869,166	1,652,458	-	-
Luxembourg	92,386	83,679	2,414,475	1,084,490	-	-
Turkey	-	-	402,845	1,036,734	-	-
Malta	-	-	28,350	-	-	-
Egypt	-	-	722,049	1,018,757	-	-
Rest of the world	15,257	4,936	12,278,421	11,048,143	-	-
Remaining European countries	39,131	11,208	4,668,576	5,827,392	-	_
Total	14,486,444	14,444,550	125,929,752	116,708,126	514,483	253,325

During the years ended on 31 December 2017 and 2016, non-current inter-segment assets by geographic market may be broken down as follows:

				logies	Holding activities	
Country	Dec-17	Dec-16	Dec-17	Dec-16	Dec-17	Dec-16
Portugal	1,291,143	287,690	56,812,270	56,428,820	130,879,892	103,532,976
United States of America	-	-	5,404,682	7,577,547	=	-
Spain	-	-	3,178,642	4,094,415	-	-
Brazil	-	-	152,393	272,933	=	-
Mexico	-	-	91,513	126,848	=	-
United Kingdom	-	-	2,419	3,638	=	-
Egypt	-	-	7,437	3,443	=	-
Colombia	-	-	142,174	3,063	-	-
Netherlands	-	-	3,420	-	=	-
Ireland	-	-	2,645	323	-	-
Australia	-	-	889	271	-	<u>-</u>
Total	1,291,143	287,690	65,798,484	68,512,209	130,879,892	103,532,976

The consolidated financial statements of NOS on 31 December 2017 and 2016 incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method (note 8), can be summarized as follows:

Condensed consolidated balance sheets

Assets 1,137,209 1,158,179 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 44,609 44,850 Tade debtors 406,904 438,925 Cash and cash equivalents 2,977 2,313 Other current assets 135,030 178,400 Current assets 544,911 529,639 Total assets 544,911 529,639 Total assets 95,4658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,58 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,694 238,828 Other urrent liabilities 210,136 224,864 238,828 Other current liabilities 31,001 297,327 Trade creditors 21,003,802 297,327 Total liabilities 1,007,302 <th< th=""><th>(Amounts expressed in of Euro)</th><th>December 2017</th><th>December 2016</th></th<>	(Amounts expressed in of Euro)	December 2017	December 2016
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 debtors 406,904 348,925 Cash and cash equivalents 2,977 2,33 Other current assets 135,030 178,400 Current assets 544,911 529,638 Total assets 544,911 529,638 Total assets 596,068 392,608 Total assets 954,658 972,003 Provisions for other liabilities and charges 954,658 972,003 Provisions for other liabilities 39,758 50,406 Other our-current liabilities 39,758 50,406 Non-current liabilities 224,864 238,828 Trade creditors 224,864 238,828 Other current liabilities 755,021 760,847 Total Liabilities 1,880,699 1,92,543 Total Liabilities 1,90,67 9,067 <t< td=""><td>Assets</td><td></td><td></td></t<>	Assets		
Deferred tax assets 99,538 117,302 Other non-current assets 44,306 18,740 Non-current assets 2,422,157 2,455,002 Trade debtors 406,904 348,295 Cash and cash equivalents 2,977 2,335 Other current assets 135,030 178,400 Current assets 544,911 529,639 Total assets 2,967,068 2,982,641 Liabilities 39,58 972,003 Provisions for other liabilities and charges 954,658 972,003 Other non-current liabilities 39,788 50,406 Other non-current liabilities 39,788 50,406 Current liabilities 39,788 50,406 Trade creditors 210,136 224,864 238,288 Other current liabilities 318,021 297,321 70,847 Turnent liabilities 318,021 297,321 70,847 70,847 Current liabilities 1,073,021 1,044,057 70,947 70,947 70,947 70,947 70,947	Tangible assets	1,137,209	1,158,181
Other non-current assets 44,306 18,740 Non-current assets 2,422,157 2,453,002 Trade debtors 406,904 348,926 Cash and cash equivalents 2,977 2,313 Other current assets 135,030 178,400 Current assets 544,911 529,658 Total assets 2,967,068 2,982,658 Total assets 954,658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 39,758 50,406 Loans 210,356 224,864 238,828 Other current liabilities 21,127,678 1,168,695 29,732 Total liabilities 318,021 297,327 753,021 760,847 Current liabilities 1,880,699 1,925,434 753,021 760,847 Shareholders' funds excluding non-controlling interests 1,077,302 1,044,057 70,041 Non-controlling interests 9,067 9,041 70,	Intangible assets	1,141,104	1,158,779
Non-current assets 2,422,157 2,453,002 Trade debtors 406,904 348,926 Cash and cash equivalents 2,977 2,513 Other current assets 135,030 178,400 Current assets 544,911 529,639 Total assets 2,967,068 2,982,641 Liabilities 954,658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,186,696 Loans 210,136 224,692 Trade creditors 210,136 224,692 Other current liabilities 318,021 297,327 Total liabilities 753,021 760,847 Total liabilities 1,086,699 1,925,43 Shareholders' funds excluding non-controlling interests 9,067 9,041 Non-controlling interests 9,067 9,041 Total labilities 1,086,369 1,053,098	Deferred tax assets	99,538	117,302
Trade debtors 406,904 348,926 Cash and cash equivalents 2,977 2,313 Other current assets 135,030 178,400 Current assets 544,911 529,639 Total assets 2,967,068 2,982,641 Liabilities 8 972,003 Provisions for other liabilities and charges 954,658 972,003 Provisions for other liabilities 39,758 50,406 Non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,692 Trade creditors 210,136 224,692 Other current liabilities 318,021 297,327 Current liabilities 318,021 297,327 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 Shareholders' funds 1,086,369 1,053,098	Other non-current assets	44,306	18,740
Cash and cash equivalents 2,977 2,315 Other current assets 135,030 178,400 Current assets 544,911 529,639 Total assets 2,967,068 2,982,641 Loans 954,658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,135 224,694 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 Current liabilities 318,021 297,327 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 IShareholders' funds 1,086,369 1,053,098	Non-current assets	2,422,157	2,453,002
Other current assets 135,030 178,400 Current assets 544,911 529,639 Total assets 2,967,068 2,982,641 Liabilities Total solutions 954,658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 Current liabilities 753,021 760,847 Total liabilities 1,880,699 1,925,434 Shareholders' funds excluding non-controlling interests 1,077,302 1,044,057 Non-controlling interests 9,067 9,041 Total Shareholders' funds 1,086,369 1,053,098	Trade debtors	406,904	348,926
Current assets 544,911 529,638 Total assets 2,967,068 2,982,641 Liabilities Total assets Formula assets	Cash and cash equivalents	2,977	2,313
Total assets 2,967,068 2,982,641 Liabilities Total assets Total assets Loans 954,658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 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 Shareholders' funds 1,086,369 1,053,098	Other current assets	135,030	178,400
Liabilities Total Inabilities 954,658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 Current liabilities 753,021 760,847 Total liabilities 1,880,699 1,925,43 Shareholders' funds excluding non-controlling interests 1,077,302 1,044,057 Non-controlling interests 9,067 9,041 Total Shareholders' funds 1,086,369 1,053,098	Current assets	544,911	529,639
Loans 954,658 972,003 Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 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 Shareholders' funds 1,086,369 1,053,098	Total assets	2,967,068	2,982,641
Provisions for other liabilities and charges 133,262 146,287 Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 Current liabilities 753,021 760,847 Total liabilities 1,880,699 1,925,43 Shareholders' funds excluding non-controlling interests 1,077,302 1,044,057 Non-controlling interests 9,067 9,041 Total Shareholders' funds 1,086,369 1,053,098	Liabilities		
Other non-current liabilities 39,758 50,406 Non-current liabilities 1,127,678 1,168,696 Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 Current liabilities 753,021 760,847 Total liabilities 1,880,699 1,925,543 Shareholders' funds excluding non-controlling interests 1,077,302 1,044,057 Non-controlling interests 9,067 9,041 Total Shareholders' funds 1,086,369 1,053,098	Loans	954,658	972,003
Non-current liabilities 1,127,678 1,158,696 Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 Current liabilities 753,021 760,847 Total liabilities 1,880,699 1,925,43 Shareholders' funds excluding non-controlling interests 1,077,302 1,044,057 Non-controlling interests 9,067 9,041 Total Shareholders' funds 1,086,369 1,053,098	Provisions for other liabilities and charges	133,262	146,287
Loans 210,136 224,692 Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 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 Shareholders' funds 1,086,369 1,053,098	Other non-current liabilities	39,758	50,406
Trade creditors 224,864 238,828 Other current liabilities 318,021 297,327 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 Shareholders' funds 1,086,369 1,053,098	Non-current liabilities	1,127,678	1,168,696
Other current liabilities 318,021 297,327 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 Shareholders' funds 1,086,369 1,053,098	Loans	210,136	224,692
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 Shareholders' funds 1,086,369 1,053,098	Trade creditors	224,864	238,828
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 Shareholders' funds 1,086,369 1,053,098	Other current liabilities	318,021	297,327
Shareholders' funds excluding non-controlling interests1,077,3021,044,057Non-controlling interests9,0679,041Total Shareholders' funds1,086,3691,053,098	Current liabilities	753,021	760,847
Non-controlling interests 9,067 9,041 Total Shareholders' funds 1,086,369 1,053,098	Total liabilities	1,880,699	1,929,543
Non-controlling interests 9,067 9,041 Total Shareholders' funds 1,086,369 1,053,098	Shareholders' funds excluding non-controlling interests	1,077,302	1,044,057
		9,067	9,041
Total Shareholders' funds and liabilities 2,967,068 2,982,641	Total Shareholders' funds	1,086,369	1,053,098
	Total Shareholders' funds and liabilities	2,967,068	2,982,641

Condensed consolidated statements of income by nature

(Amounts expressed in of Euro)	December 2017	December 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
Consolidated net income/(loss) for the year attributed to non-controlling interests	128	(385)
Attributed to shareholders of parent company	124,093	90,382

40. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 27,765,966 in 2017 and Euro 48,131,541 in 2016) by the average number of shares outstanding during the year ended 31 December 2017 and 2016, net of own shares (305,769,023 in 2017 and 2016).

41. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan, for more senior employees, based on Sonaecom options and shares and Sonae-SGPS, S.A. shares, being on 10 March 2014, Sonaecom shares plans were fully converted into Sonae SGPS shares. The exercise of the rights occurs three years after their attribution, provided that the employee stays in the company during that period.

The 2012 plan was delivered in March 2016 to all companies.

The 2013 plan was delivered in April 2017 to all companies with the Sonaecom exemption that was delivered in March 2017.

Accordingly, the plans outstanding on 31 December 2017 are as follows:

			Vesting period		31 December 2017
	Share price 31 December 2017	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2014 Plan	1.126	10-Mar-15	10-Mar-18	166	1,415,160
2015 Plan	1.126	10-Mar-16	10-Mar-19	177	1,719,067
2016 Plan	1.126	10-Mar-17	10-Mar-20	5	370,017

During the year ended on 31 December 2017, the movements that occurred in the plans can be summarised as follows:

		Sonae SGPS shares
	Number of participants	Number of shares
Outstanding at 31 December 2016:		
Unvested	537	4,731,159
Total	537	4,731,159
Movements in the period:		
Award	5	355,290
Vested	(134)	(1,353,460)
Cancelled / corrected / transfers ⁽¹⁾	(60)	(228,745)
Outstanding at 31 December 2017:		
Unvested	348	3,504,244
Total	348	3,504,244

⁽¹⁾ Corrections are made for dividends paid and departures of employees during the plan period.

The responsibility of the plans was recognized under the caption 'Other current liabilities' and 'Other non-current liabilities'.

Share plans costs are recognised in the accounts over the year between the award and the vesting date of those shares. The costs recognised for the open plans and for the plans vested in previous years and in the year ended on 31 December 2017, were as follows:

	Value
Costs recognised in previous years	2,195,675
Costs recognised in the period	1,782,274
Costs of plans vested in the year	(1,257,003)
Total cost of the plans	2,720,946
Recorded in 'Other current liabilities' (note 29)	1,503,459
Recorded in 'Other non-current liabilities (note 24)	1,217,487

42. Staff expenses

For the years ended on 31 December 2017 and 2016, the caption 'Staff expenses' was as follows:

	2017	2016
Remunerações	50,012,833	46,175,519
Encargos sobre remunerações	9,314,263	8,663,195
Planos de Incentivo de Médio Prazo (Nota 41)	1,782,274	1,034,844
Trabalhos para a própria empresa	(5,503,141)	(5,484,595)
Outros	1,672,785	1,158,400
	57,279,014	51,547,363

During 2017 and 2016, the remunerations paid to Directors and other members of key management in functions (9 managers in 2017 and 10 managers in 2016) were as follows:

	2017	2016
Short-term employee benefits	1,577,806	1,497,764
Share-based payments	365,083	355,214
	1,942,889	1,852,978

The amounts included in the line of Benefits of short-term employees include Fixed Remuneration and the Performance Premium, the latter calculated on an accrual basis. The value of Share-based Payments for 2017 and 2016 corresponds to the value of the medium-term incentive plan to be awarded in 2018 and relative to the performance of 2017 (and attributed in 2017 relative to the performance of 2016, to the value of 2016), whose shares, or the corresponding cash value, will be delivered in March 2021 and March 2020, respectively, and for which the expense is recorded during the period from 2018 to 2021 (2017 to 2020 for the value of 2016). Corporate Governance Report includes more detailed information on Sonaecom's compensation policy.

43. Fees of Statutory Auditor

During the year ended on 31 December 2017, the Group paid as fees to ROC, PricewaterhouseCoopers SROC the amount of Euro 165,529 (Euro 131,273 in 2016).

The details of the services provided during the year in 2017 are as follows:

	Sonaecom		Other co		
	PwC SROC	Other companies in the network	PwC SROC	Other companies in the network	
Statutory audit	18,926	-	88,778	54,253	161,957
Other assurance services		<u>-</u>	-	3,572	3,572
Total	18,926	-	88,778	57,825	165,529

The other services provided in 2017 refer to participation of employees of the group in generic formations

44. Average number of employees

During the years ended on 31 December 2017 and 2016, the companies included in the consolidation employed an average number of 1,239 and 1,286 respectively. On 31 December 2017, the number of employees was 1,355.

45. Subsquent events

The foreign exchange restatement of foreign currency assets and liabilities in associates in Angola (owned by ZOPT) and the conversion of these companies' financial statements to Euro were made using the exchange rate published by the National Bank of Angola on 31 December 2017. During the first quarter of 2018, the kwanza depreciated by approximately 30% against the Euro. As a result of the aforementioned devaluation and based on the position of assets and liabilities denominated in foreign currency in the referred companies and the net assets value thereof, Sonaecom will record in the caption 'Gains and losses on associated companies and jointly controlled entities' a loss of approximately Euro 2 million and the caption 'Exchange translation reserves' included under 'Reserves' will be reduced by approximately Euro 15 million.

These financial consolidated presentations have been approved by the Executive Board and authorized to be issued on 12 March 2018.

1.3. Sonaecom separate financial statements

Statement of financial position

For the years ended at 31 December 2017 and 2016

(Amounts expressed in Euro)	Notes	December 2017	December 2016
Assets			
Non-current assets			
Tangible assets	1.a, 1.f, 1.t and 2	8,891	13,416
Intangible assets	1.b, 1.t and 3	3,187	2,204
Investments in Group companies	1.c and 5	58,271,587	52,291,587
Companies jointly controlled	1.d and 6	597,666,944	597,666,944
Other non-current assets	1.c, 1.n, 4, 8 and 27	236,890,820	212,467,355
Deferred tax assets	1.m, 9	114,706	94,475
Total non-current assets		892,956,135	862,535,981
Current assets			
Income tax receivable	$1\mathrm{m}$, $4\mathrm{and}10$	737,633	803,609
Other current debtors	1.e, 1.g, 4, 11 and 27	709,433	17,797,134
Other current assets	1.e, 1.n, 4, 12 and 27	441,565	478,861
Cash and cash equivalents	1.e, 1.h, 4, 13 and 27	190,901,170	210,933,723
Total current assets		192,789,801	230,013,327
Total assets		1,085,745,936	1,092,549,308
Shareholder' funds and liabilities			
Shareholders' funds			
Share capital	14	230,391,627	230,391,627
Own shares	1.r and 15	(8,441,804)	(8,441,804)
Reserves	1.q	845,695,705	834,236,219
Net income / (loss) for the year		15,770,507	35,003,700
Total Shareholders' funds		1,083,416,035	1,091,189,742
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	1.I and 17	269,665	214,777
Other non-current liabilities	1.e, 1.n, 1.u, 4 and 18	224,758	133,633
Total non-current liabilities		494,423	348,410
Current liabilities			
Other creditors	1.e, 4, 19 and 27	1,122,256	359,423
Other current liabilities	1.e, 1.n, 1.u, 4, 20 and 27	713,222	651,733
Total current liabilities	<u>. — </u>	1,835,478	1,011,156
Total liabilities		2,329,901	1,359,566
Total Shareholders' funds and liabilities		1,085,745,936	1,092,549,308

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Profit and Loss account by nature

For the years ended at 31 December 2017 and 2016 $\,$

(Amounts expressed in Euro)	Notes	December 2017	September to December 2017 (not audited)	December 2016	September to December 2016 (not audited)
Services rendered	1.o, 21 and 27	514,483	130,655	253,325	41,641
Other operating revenues	1.o, 22 and 27	92,873	21,110	139,001	19,052
		607,356	151,765	392,326	60,693
External supplies and services	1.f, 23 and 27	(541,225)	(55,275)	(777,902)	(200,052)
Staff expenses	1.u, 30, 31 and 32	(1,285,953)	(370,603)	(696,471)	(191,343)
Depreciation and amortisation	1.a, 1.b, 2 and 3	(10,456)	(1,376)	(13,726)	(3,440)
Provisions and impairment losses	1.l, 1.t e 17	(54,888)	-	(36,505)	12,004
Other operating costs		(46,164)	(27,241)	(129,417)	(8,807)
		(1,938,686)	(454,495)	(1,654,021)	(391,638)
Gains and losses on Group companies and companies jointly controlled	1.p, 5 and 24	15,667,446	923,357	11,119,809	(2,747,138)
Gains and losses on financial assets at fair value through profit or loss	1.p, 7 and 24	-	-	4,808,250	-
Other financial expenses	1.c, 1.i, 1.j, 1.s, 1.t, 16 and 25	(82,495)	(17,446)	(98,457)	(36,330)
Other financial income	1.s, 5 and 25	1,585,101	374,553	2,274,003	514,116
Earnings before taxes		15,838,722	977,734	16,841,910	(2,600,297)
Income taxation	1.m, 9 and 26	(68,215)	(17,968)	18,161,790	17,447,788
Net income / (loss) for the year		15,770,507	959,766	35,003,700	14,847,491
Earnings per share	29				
Basic		0.05	0.00	0.11	0.05
Diluted		0.05	0.00	0.11	0.05

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Statement of comprehensive income

For the years ended at 31 December 2017 and 2016

(Amounts expressed in Euro)	Notes	December 2017	September to December 2017 (not audited)		September to December 2016 (not audited)
Net income / (loss) for the year		15,770,507	959,766	35,003,700	14,847,491
Components of other comprehensive income, net of tax		-	-	-	-
Comprehensive income for the year		15,770,507	959,766	35,003,700	14,847,491

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Movements in Shareholders' funds

For the years ended at 31 December 2017 and 2016

(Amounts expressed in Euro)					Reserves				
	Share capital (Note 14)	Own shares (note 15)	Share premium	Legal reserves Ow	n shares reserves	Other reserves	Totalreserves	Net income / (loss)	Total
2017									
Balance at 31 December 2016	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	35,340,861	834,236,219	35,003,700	1,091,189,742
Appropriation of result of 2016									
Transfer to legal reserves and other reserves	-	-	-	1,750,185	-	33,253,515	35,003,700	(35,003,700)	-
Dividend Distribution	-	-	-	-	-	(23,544,214)	(23,544,214)	-	(23,544,214)
Comprehensive income for the year ended at 31 December 2017	_	-	-	-	-	-	-	15,770,507	15,770,507
Balance at 31 December 2017	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,050,162	845,695,705	15,770,507	1,083,416,035

(Amounts expressed in Euro)							Reserves		
	Share capital (Note 14)	Own shares (note 15)	Share premium	Legal reserves Owi	n shares reserves	Other reserves	Total reserves	Net income / (loss)	Total
2016									
Balance at 31 December 2015	230,391,627	(8,441,804)	775,290,377	13,443,724	8,441,804	20,405,855	817,581,760	34,389,062	1,073,920,645
Appropriation of result of 2015									
Transfer to legal reserves and other reserves	=	-	=	1,719,453	-	32,669,609	34,389,062	(34,389,062)	-
Dividend Distribution	-	-	-	-	-	(17,734,603)	(17,734,603)	-	(17,734,603)
Comprehensive income for the year at 31 December 2016	ē.	=	=	=	Ξ	E	=	35,003,700	35,003,700
Balance at 31 December 2016	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	35,340,861	834,236,219	35,003,700	1,091,189,742

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Cash Flow statements

For the years ended at 31 December 2017 and 2016

(Amounts expresses in Euro)	Notes		December 2017		December 2016
Operating activities					
Receipts from trade debtors		514,483		-	
Payments to trade creditors		(507,919)		=	
Payments to employees		(1,117,225)		(1,391,746)	
Cash flows from operating activities		(1,110,661)		(1,391,746)	
Payments / receipts relating to income taxes		17,319,208		1,651,059	
Other payments / receipts relating to operating activities		215,778		1,137,598	
Cash flows from operating activities (1)			16,424,324		1,396,911
Investing activities					
Receipts from:					
Financial Investments	8	300,000		12,929,540	
Interest and similar income		1,733,155		1,669,675	
Loans granted	8	2,725,000		=	
Dividends	24	16,512,005		20,073,952	
Disposals of investments at fair value	7	-		82,840,847	
Other Revenues		-		92,607	
Payments for:					
Tangible assets		(1,475)		(225)	
Intangible assets		(2,822)		(461)	
Financial Investments	5 and 8	(33,986,827)		(50,466,850)	
Loans granted	8	(70,000)		(19,310,000)	
Cash flows from investing activities (2)			(12,790,966)		47,829,085
Financing activities					
Payments for:					
Interest and similar expenses		(121,696)		(5,984)	
Dividends	27	(23,544,214)		(17,734,603)	
Cash flows from financing activities (3)			(23,665,910)		(17,740,587)
Net cash flows $(4)=(1)+(2)+(3)$			(20,032,553)		31,485,409
Cash and cash equivalents at the beginning of the year	4 and 13		210,933,723		179,448,314
Cash and cash equivalents at year end	4 and 13	_	190,901,170	_	210,933,723

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Notes to the cash flow statements

For the years ended at 31 December 2017 and 2016

	Notes	December 2017	December 2016
1. Acquisition or sale of subsidiaries or other businesses			
a) Receipts from other business activities			
Loan repayment from Público - Comunicação Social, S.A.	8	2,335,000	-
Loan repayment from Sonae Investment Management - Software and Technology, SGPS, S.A.	8	390,000	-
Reimbursement of supplementary capital from PCJ - Público, Comunicação e Jornalismo, S.A.	8	300,000	1,839,445
Reimbursement of supplementary capital from Público - Comunicação Social, S.A.	8	-	11,077,405
Liquidation of Sonaetelecom BV		-	12,690
		3,025,000	12,929,540
b) Payments from other business activities			
Supplementary capital to Sonae Investment Management - Software and Technology, SGPS, S.A.	8	24,486,827	34,530,000
Supplementary capital to Público - Comunicação Social, S.A.	8	3,500,000	2,900,000
Share capital increase of Público - Comunicação Social, S.A.	5	2,000,000	-
Share capital increase of PCJ - Público, Comunicação e Jornalismo, S.A.	5	2,000,000	-
Share capital increase of Sonaecom Serviços Partilhados, S.A.	5	2,000,000	-
Loan granted to PCJ - Público, Comunicação e Jornalismo, S.A.	8	70,000	-
Cash outflow to coverage losses of Público - Comunicação Social, S.A.	5	-	11,077,405
Cash outflow to coverage losses of PCJ - Público, Comunicação e Jornalismo, S.A.	5	-	1,839,445
Supplementary capital to PCJ - Público, Comunicação e Jornalismo, S.A.	8	-	100,000
Supplementary capital to Sonaetelecom BV		<u> </u>	20,000
		34,056,827	50,466,850
c) Dividends received ZOPT, SGPS, S.A.	27	16,512,004	18,311,947
NOS, SGPS, S.A.	27	10,512,004	1,762,005
1103,301.3,311.		16,512,004	20,073,952
	Notes	December 2017	December 2016
2. Description of non-monetary financing activities			
a) Bank credit obtained and not used		1,000,000	1,000,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

1.4. Notes to the separate financial statements of Sonaecom

SONAECOM, SGPS, S.A., (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal.

Sonaecom is owned directly by Sontel BV and Sonae SGPS, SA, being Efanor Investimentos SGPS, S.A. the ultimate controlling company.

Pargeste, SGPS, S.A.'s subsidiaries in the communications and information technology area were transferred to the Company through a demerger - merger process, executed by public deed dated 30 September 1997.

On 3 November 1999, the Company's share capital was increased, its Articles of Association were modified and its name was changed to Sonae.com, SGPS, S.A.. Since then the Company's corporate object has been the management of investments in other companies. Also on 3 November 1999, the Company's share capital was re-denominated to euro, being represented by one hundred and fifty million shares with a nominal value of 1 Euro each.

On 1 June 2000, the Company carried out a Combined Share Offer, involving the following:

- A Retail Share Offer of 5,430,000 shares, representing 3.62% of the share capital, made in the domestic market and aimed at: (i) employees of the Sonae Group; (ii) customers of the companies controlled by Sonaecom; and (iii) the general public;
- An Institutional Offering for sale of 26,048,261 shares, representing 17.37% of the share capital, aimed at domestic and foreign institutional investors.

In addition to the Combined Share Offer, the Company's share capital was increased under the terms explained below. The new shares were fully subscribed for and paid up by Sonae-, SGPS, S.A. (a Shareholder of Sonaecom, hereinafter referred to as 'Sonae'). The capital increase was subscribed for and paid up on the date the price of the Combined Share Offer was determined, and paid up in cash, 31,000,000 new ordinary shares of 1 Euro each being issued. The subscription price for the new shares was the same as that fixed for the sale of shares in the aforementioned Combined Share Offer, which was Euro 10.

In addition, in this year, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae Group managers and to the former owners of the companies acquired by Sonaecom.

By decision of the Shareholders' General Meeting held on 17 June 2002, Sonaecom's share capital was increased from Euro 181,000,000 to Euro 226,250,000 by public subscription reserved for the existing Shareholders, 45,250,000 new shares of 1 Euro each having been fully subscribed for and paid up at the price of Euro 2.25 per share.

On 30 April 2003, the company's name was changed by public deed to Sonaecom, SGPS, S.A..

By decision of the Shareholders' General Meeting held on 12 September 2005, Sonaecom's share capital was increased by Euro 70,276,868, from Euro 226,250,000 to Euro 296,526,868, by the issuance of 70,276,868 new shares of 1 Euro each and with a share premium of Euro 242,455,195, fully subscribed by France Telecom. The corresponding public deed was executed on 15 November 2005.

By decision of the Shareholders' General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 Euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. (EDP) and Parpública – Participações Públicas, SGPS, S.A. (Parpública). The corresponding public deed was executed on 18 October 2006.

By decision of the Shareholders General Meeting held on 16 April 2008, bearer shares were converted into registered shares.

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital.

The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

The period of the offer, during which sales orders were received, ran for two weeks, beginning on 6 February and ending on 19 February 2014. On 20 February 2014, the results of the offer were released. The level of acceptance reached 62%, corresponding to 54,906,831 Sonaecom shares.

In 2014 Sonaecom reduced its share capital to Euro 230.391.627.

Euronext Lisbon announced Sonaecom exclusion from the PSI-20 from 24 February 2014 forward.

The financial statements are presented in euro, rounded at unit.

1. Basis of presentation

The accompanying financial statements have been prepared on a going concern basis, based on the Company's accounting records in accordance with International Financial Reporting Standards (IFRS), as adopted and effective in the European Union on 1 January 2017. These financial statements were prepared based on historical cost, except for the revaluation of certain financial instruments.

Sonaecom adopted IFRS for the first time according to SIC 8 (First-time adoption of IAS) on 1 January 2003.

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union, and have mandatory application to financial years beginning on or after 1 January 2017 and were first adopted in the year ended at 31 December 2017:

Stand	1 - rdI	Into	ion
عادماند		11110	IUII

Effective date (annual periods beginning on or after)

Amendments to IAS 7 - Disclosure initiative

1-Jan-17

 $Amendments \ to \ AS\ 7-D is closure\ Initiative\ intended\ to\ clarify\ IAS\ 7\ to\ improve\ information\ provided\ to\ users\ of\ financial\ statements\ about\ an\ entity's\ financing\ activities.$

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses

l-Jan-1

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

The application of these standards and interpretations had no material effect on the financial statements of the group.

The following standards, interpretations, amendments and revisions, whose application is mandatory in future financial years, have been at the date of approval of these financial statements, approved (endorsed) by the European Union:

Standard / Interpretation

Effective date (annual periods beginning on or after)

IFRS 15 - Revenue from Contracts with Customers

1-Jan-18

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

Standard / Interpretation

Effective date (annual periods beginning on or after)

Amendments to IFRS 15 - Revenue from contracts with

1-Jan-18

Review of accounting treatment for license revenue, definition of agency and transitory regime.

IFRS 9 Financial instruments

1-Jan-18

This standard introduces new requirements for classifying and measuring financial assets.

Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts

1-Jan-18

The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments.

IFRS 16 - Leases

1-Jan-19

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases, replacing IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.

The Company did not apply any of these standards in the financial statements for the year ended at 31 December 2017.

Disclosure of IFRS 15 and IFRS 9 impacts

With respect to the new standards that became effective in the fiscal year beginning on January 1, 2018, the Company performed an analysis of the changes introduced and their potential impact on the financial statements.

I – IFRS 15 – Revenue from contracts with customers

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

In adopting IFRS 15, the Company decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of January 1, 2018, with the adoption of the following practical records:

- a) Application only for contracts not completed on 01/01/2018;
- b) Non-restatement of modified contracts before 01/01/2017.

The management reviewed the effects of this standard and concludes the adoption of IFRS 15 will not impact the

Company's financial statements when applied on January 1, 2018.

II - IFRS 9 - Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introducing changes at the level of: i) the classification of financial assets; ii) calculation of the impairment of financial assets; and iii) designation of hedging relationships.

In assessing the impacts of adopting IFRS 9, Sonaecom assessed the nature of the financial assets recorded in order to identify the measurement impacts. The company's financial assets refer mainly to accounts receivable and treasury applications.

With regard to the calculation of impairment, the new model requires the recognition of impairment losses based on expected credit losses rather than credit losses incurred as in the case of IAS 39. Based on the assessments made so far, the Company does not expect to have impacts on impairment losses.

In adopting IFRS 9, the Company decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings as of 1 January 2018.

The following standards, interpretations, amendments and revisions have not yet been approved (endorsed) by the European Union, at the date of approval of these financial statements:

Standard / Interpretation

Effective date (annual periods beginning on or after)

IFRIC 23 - Uncertainty over income tax treatments

The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Amendments to IFRS 2 - Share-based payment

1-Jan-18

1-Jan-19

The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions..

Annual Improvements to IFRS Standards 2014-2016

1-Jan-18

Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs.

IFRIC Interpretation 22 - Foreign currency transactions and advance consideration

1-Jan-18

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

Standard / Interpretation

Effective date (annual periods beginning on or after)

Amendments to IAS 40 - Transfers of investmenty property

1-Jan-18

Amendments to IAS 40 clarifles the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.

Amendments to IFRS 9 - Prepayment features with negative compensation

1-jan-19

The objective of the amendments to IFRS 9 is examine whether amortized cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.

Amendments to IAS 28 - Long-term interests in associates and joint ventures

1-jan-19

The objective of the amendments is clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Annual Improvements to IFRS Standards 2015-2017 Cycle

l-Jan-19

Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2017 cycle for annual improvements to IFRSs.

IFRS 17 - Insurance contracts

1-Jan-21

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the company for the period ended at 31 December 2017, since their application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group on 31 December 2017 are comparable with those used in the preparation of 31 December 2016 financial statements.

Main accounting policies

The main accounting policies used in the preparation of the accompanying financial statements are as follows:

a) Tangible assets

Tangible assets are recorded at their acquisition cost less accumulated depreciation and less estimated accumulated impairment losses.

Depreciations are calculated on a straight-line monthly basis as from the date the assets are available for use in the necessary conditions to operate as intended by the management, by a corresponding charge to the profit and loss statement caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of tangible assets are recorded in the period in which they arise, by a corresponding charge to the caption 'Depreciation and amortisation' of the profit and loss statement.

The annual depreciation rates used correspond to the estimated useful life of the assets, which are as follows:

	Years of useful life
Buildings and others constructions	10-20
Vehicles	4
Fixtures and fittings	4-8

Current maintenance and repair costs of tangible assets are recorded as costs in the period in which they occur. Improvements of significant amount, which increase the estimated useful life of the assets, are capitalised and depreciated in accordance with the estimated useful life of the corresponding assets.

b) Intangible assets

Intangible assets are recorded at their acquisition cost less accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised, if they were identifiable and if it is likely that they will bring future economic benefits to the Company, if the Company controls them and if their cost can be reliably measured.

Intangible assets correspond, essentially, to software and industrial property.

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (one to five years) as from the month in which the corresponding expenses are incurred.

Amortisation for the period is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

Impairment losses detected in the realisation value of intangible assets are recorded in the year in which they arise, by a corresponding charge under the caption 'Depreciation and amortisation' in the profit and loss statement.

c) Investments in Group companies and other non-current assets

Sonaecom has control of subsidiaries in situations that cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights to, variable results via its relationship with the subsidiary; and iii) is able to use its power over the investee to affect the amount of your results. Financial investments in equity investments in group

companies, are recorded under "Investments in group companies', at cost of acquisition.

The acquisition cost is the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of acquisition or establishment or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of IFRS 3.

The consideration transferred may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair value at the acquisition date (for example, nonmonetary assets or a business of the acquirer). If so, the acquirer must re-measure the assets and liabilities transferred at their fair value at the acquisition date and recognize the resulting gains or losses, if any, in the income statement.

However, sometimes the transferred assets or liabilities remain in the entity acquired after the completion of the business and therefore the buyer retains control over them. In this situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognize any gain or loss in the income statement for assets or liabilities it controls both before and after the completion of the deal.

Loans and supplementary capital granted to affiliated companies with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to Group companies are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to Group companies are recorded, in the period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred.

d) Investments in companies jointly controlled

Investments in companies jointly controlled (companies in which the Company has, direct or indirect, 50% of the voting rights in the Shareholders' General Meeting of or in which it has the control over the financial and operating policies), are recorded under the caption 'Investments in companies jointly controlled, at acquisition cost in accordance with IAS 27, as such, Sonaecom presents, separately, consolidated financial statements in accordance with IAS / IFRS.

Loans and supplementary capital granted to companies jointly controlled, with maturities, estimated or defined contractually,

greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to companies jointly controlled are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to companies jointly controlled are recorded, in the period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

The expenses incurred with the acquisition of investments in companies jointly controlled are recorded as cost when they are incurred.

e) Financial instruments

The Company classifies its financial instruments in the following categories: 'financial assets at fair value through profit or loss', 'loans and receivables', 'held-to-maturity investments', 'available-for-sale financial assets', 'Cash and cash equivalents' (Note 1.h)), 'Derivative financial instruments' (Note 1.k)).

Investments

(i) 'Financial assets at fair value through profit or loss'

Financial assets at fair value through profit or loss include financial assets held for trading that the Group acquires with the purpose of trading in the short term. This category also includes derivatives that do not qualify for hedging purposes.

Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the date of the statement of financial position.

Gains or losses, realized or not, arising from a change in fair value of 'Financial assets at fair value through profit or loss' are recorded under the caption 'Gains and losses on financial assets at fair value through profit and loss'.

At 31 December 2017, the company did not hold any investments recorded at fair value through profit or loss.

(ii) 'Held-to-maturity investments'

Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the statement of financial position date, being recorded under this caption investments with defined maturity and for which it is the intention of the Board of Directors to hold them until the maturity date.

On 31 December 2017, the company did not hold any 'Held-to-maturity investment'.

(iii) 'Available-for-sale financial assets'

Financial assets available for sale are non-derivative financial assets which:

- (i) are designated as available for sale at the time of their initial recognition; or
- (ii) do not fit into the other categories of financial assets above.

They are recognized as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position. Equity holdings other than participations in Group companies, associates or joint ventures are classified as financial investments available for sale and are recorded in the statement of financial position as non-current assets.

Investments are initially recorded at their acquisition cost. After initial recognition, the investments available for sale are revalued at their fair value by reference to their market value at the date of the statement of financial position, without any deduction regarding transaction costs that may occur until their sale. The available-for-sale financial assets not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

Gains or losses arising from a change in the fair value of available-for-sale investments are recorded in equity until the investment is sold, received or otherwise disposed of, or until it is determined to be impaired, at which time the accumulated gain or loss is recorded in the profit and loss statement.

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 equity investments 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 acquisition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or variable refunds that are not quoted in an active market and they are carried at amortised cost using the effective interest method, deducted from any impairment losses.

These financial investments arise when the Company 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 their maturity is greater than 12 months of the statement of financial position date, a situation in which they

are classified as non-current assets. Loans and receivables are included in the captions 'Other non-current assets', 'Other current debtors' and 'Cash and cash equivalents' in the statement of financial position.

Assets and liabilities due in more than one year from the statement of financial position date are classified, respectively, as non-current assets and liabilities.

Purchases and sales of investments are recognised on tradedate – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, being the only exception the financial assets at fair value through profit or loss. In this case, the investments are initially recognised at fair value and the transaction costs are recorded in the profit and loss statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of their ownership have been transferred.

f) Financial and operational leases

Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

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, interest included in lease payments and depreciation of the tangible assets are recognised as expenses in the profit and loss statement for the period to which they relate.

Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

g) Other current debtors

Other current debtors are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

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

The amount relating to this caption is presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption in other operating revenue.

h) Cash and cash equivalents

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications with a maturity of less than 3 months, where the risk of any change in value is insignificant.

The cash flow statement has been prepared in accordance with IAS 7 – 'Statement of Cash Flow', using the direct method. The Company classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the statement of financial position caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions in quality of shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

i) Loans

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the financing, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

j) Financial expenses relating to loans obtained

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

k) Derivatives

The Company only uses derivatives in the management of its financial risks to hedge against such risks. The Company does not use derivatives for trading purposes.

The cash flow hedges used by the Company are related to:

- (i) Interest rate swaps operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are similar in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against a corresponding entry under the caption 'Hedging reserves' in Shareholders' funds.
- (ii) Forward's exchange rate for hedging foreign exchange risk. The values and times periods involved are identical to the amounts invoiced and their maturities.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

At 31 of December 2017 and 2016, the Company did not have any derivative.

I) Provisions and contingencies

Provisions are recognised when, and only when, the Company has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated.

Provisions are reviewed at the statement of financial position date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Company has a detailed plan and if that plan has already been communicated to the parties involved.

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes, except if the

possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed in the notes when future economic benefits are likely to occur.

m) Income Tax

'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom has adopted, since January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules. However, for the year ended at 31 December 2015, the Sonaecom Group, stopped having an independent group of companies covered by the special regime for taxation due to of having passed to integrate the special regime for taxation of groups of Sonae companies.

Therefore, since 1 January 2015, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae is the dominant company. Each company records the income tax on their individual accounts and the tax calculated is record under the caption of group companies. The tax losses generated by the companies controlled in the tax group (RETGS) determine their allocation to the tax losses of the group, so that, since 2017, only the parent company has recognized the amounts corresponding to such tax losses, without giving rise to any financial, and until fiscal year 2016 these tax losses generated by the companies controlled within the group were offset by the group's dominant entity. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements. The subsidiaries Digitmarket, Inovretail and S21sec Portugal are not part of the special regime for the taxation of groups of companies, since Sonae SGPS's indirect shareholding in Digitmarket is less than 75% and once Sonae SGPS's indirect participation in more than 75 % in Inovretail and S21sec Portugal has not yet completed one year.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each period, the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are likely enabling the recovery of such assets (note 9).

Deferred taxes are calculated with the tax rate that is expected to be in effect at the time the asset or liability is realized, based on the rates that have been enacted or substantially enacted at the statement of financial position date.

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made under the Shareholders' funds caption. In all other situations, deferred taxes are always registered in the profit and loss statement.

n) Accrual basis

Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amount in the results of the periods to which they relate to.

The costs attributable to current period and whose expenses will only occur in future periods are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.1).

o) Revenue

Revenue should be measured at the fair value of the consideration received or receivable for the sale or rendering of services resulting from the normal activity of the company. The revenue is recognized net from taxes and taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Dividends

Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

p) Fair value

The measurement of fair value presumes that an asset or liability is changed in an orderly transaction between market participants to see the asset or transfer the liability at the measurement date, under current market conditions.

The measurement of fair value is based on the assumption that the transaction of sell the asset or transfer the liability may occur:

- (i) In the main asset and liability market, or
- (ii) The principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability.

The Company use valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which classifies into three levels the data to be used in the fair value measurement, detailed below:

Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date:

Level 2 - Valuation techniques that use inputs that are not quoted are directly or indirectly observable;

Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data:

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

q) Reserves

Legal reserve

Portuguese commercial legislation requires that at least 5% of the 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 case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and follows the same requirements of legal reserve.

Other reserves

This caption includes retained earnings from previous years and accumulated exchange differences.

Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, at 31 December 2017, Sonaecom, have free reserves distributable amounting approximately Euro 58.7 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the year ended 31 December 2017.

r) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses related to the sale of own shares are recorded under the caption 'Other reserves'.

s) Balances and transactions in foreign currency

Euro is the functional currency of presentation. All transactions in foreign currency are translated for the functional currency at the exchange rate of the transaction date. At each closing date, the exchange restatement of outstanding balances is carried out, applying the exchange rate in effect at that date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the statement financial position date are recorded as income and expenses in the profit and loss statement in financial results.

The following rates were used for the translation into Euro:

		2017		2016
	31 December	Average	31 December	Average
Pounds Sterling	1.1271	1.1414	1.1680	1.2239
Swiss franc	0.8546	0.9006	0.9312	0.9175
Swedish krona	0.1016	0.1038	0.1047	0.1057
American Dollar	0.8338	0.8872	0.9487	0.9041

t) Assets impairment

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets

and intangible assets for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment

Impairment tests are performed for assets with undefined useful life at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

Impairment tests are performed for assets with defined useful lives and investments in associated whenever there is evidence that their book value is higher than the recoverable value.

The amount recoverable is the greater of the net selling price and the value of use. Net selling price is the amount obtained upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value of use is the present amount of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For the value of Investments in group companies and for assets with defined useful lives, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Company's Board of Directors. For Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Company's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Financial assets impairment

The company evaluate at each reporting date the existence of impairment in financial assets at amortized cost.

A financial asset is impaired if events occurring after initial recognition have an impact on estimated cash flows of the assets that can be reasonably estimated.

Evidence of the existence of impairment in accounts receivables appears when:

- (i) the counterparty presents significant financial difficulties:
- (ii) there are significant delays in interest payments and in other leading payments from the counterparty;

(iii) it is possible that the debtor goes into liquidation or into a financial restructuring.

For certain categories of financial assets for which it is not possible to determine the impairment for each asset individually, the analysis is made for a group of assets. Evidence of an impairment loss in a portfolio of accounts receivable may include past experience in terms of collections, increasing number of delays in collections, as well as changes in national or local economic conditions that are related with the collections capacity.

For Accounts receivables, the Company uses historical and statistical information to estimate the amounts in impairment.

u) Medium-term incentive plans

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the Company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Reserves – Medium Term Incentive Plans', within the caption 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on its fair value at the attribution date and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point in time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plan, the above accounting treatment is subject to the following changes:

- (i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities':
- (ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the statement of financial position as either 'Other non-current assets' or 'Other current assets':
- (iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';

(iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

At 31 December 2017 there are no outstanding hedge agreements.

For plans settled in cash, the estimated liability is recorded under the statement of financial position captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the statement of financial position captions 'Other noncurrent liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

At 31 December 2017, the plans granted during the year 2015, 2016 and 2017 are not covered, and the liability is recorded at fair value. The liability of all plans is recorded under the captions 'Other non-current liabilities' and 'Other current liabilities' (Notes 17 and 19). The cost is recognized on the income statement under the caption 'Staff expenses'.

v) Subsequent events

Events occurring after the date of the statement of financial position which provide additional information about conditions prevailing at the time of the statement of financial position (adjusting events) are reflected in the financial statements. Events occurring after the statement of financial position date that provide information on post- statement of financial position conditions (non-adjusting events), when material, are disclosed in the notes to the financial statements.

w) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements of the years ended on 31 December 2017 and 2016 are as follows:

- (i) Useful lives of tangible and intangible assets (note 1a and 1b);
- (ii) Impairment analysis of investments in group companies and joint ventures;
- (iii) Recognition of impairment losses on assets (Loans and trade debtors), provisions and analysis of contingent liabilities;
- (iv) Recoverability of deferred tax assets (note 9).

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

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

x) Financial risk management

The Company's activities expose it to a variety of financial risks such as market risk, liquidity risk and credit risk.

These risks arise from the unpredictability of financial markets, which affect the capacity to project cash flows and profits. The Company's financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, every time it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.k).

The Company is also exposed to equity price risks arising from equity investments, although they are usually maintained for strategic purposes.

Market risk

a) Foreign exchange risk

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

Whenever possible, the Company uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, the Company adopts derivative financial hedging instruments (note 1. k).

Considering the reduced values of assets and liabilities in foreign currency, the impact of a change in exchange rate will not have significant impacts on the financial statements.

b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility in the Company results or in its Shareholders' funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) possibility to use derivative instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth the latter having a positive effect in other lines of the Company's results, and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Company only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- (ii) Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility / transaction which is being hedged;
- (iii) As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Company's business plan.

In 2017, Sonaecom has no indebtedness. However, as all Sonaecom's borrowings (note 15) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments, when it is considered necessary. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in predetermined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions.

In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

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

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Company, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

At 31 December 2017, are not contracted any derivatives instruments of hedging of the interest rate changes.

Liquidity risk

The existence of liquidity in the Company requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related with that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments in the respective dates of maturity as well as any eventual not forecasted requests for funds, in the deadlines set for this; (ii) Safety, i.e., to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial efficiency, i.e., to ensure that the Company maximises the value / minimise the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity should be applied to the alternatives and by the order described below:

- (i) Amortisation of short-term debt after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;
- (ii) Consolidated management of liquidity the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and
- (iii) Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board of Directors and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to assure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equalise the forecasted payments (or the applications should be easily convertible, in case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the treasury estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

The maturity of each class of financial liabilities is presented in note 10 and 18.

Taking into account the low value of the liabilities of the Company is understood that the liquidity risk is very low.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a manner that ensures the continuity and development of its operating activities, maximizes shareholder returns and optimizes the cost of financing.

Sonaecom periodically monitors its capital structure, identifying risks, opportunities and necessary adjustment measures in order to achieve the referred objectives.

In 2017, Sonaecom had an average gearing (accounting) of -18.5%. The average gearing in market values in 2017 was -25.2%.

Credit risk

The Companys's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities, cash investments and other non-current assets supplies.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amounts included in the financial statements related to cash and equivalents and other non-current assets (supplies) and other current debtors, represent the maximum exposure of the Company to credit risk.

Sonaecom holds financial assets resulting from its relationship with its subsidiaries (Note 5) and with financial institutions (Note 13). There is a credit risk associated with the potential pecuniary default of the Financial Institutions that are counterparts in these relationships, however, in general, the exposure related to this type of financial assets is widely diversified and of limited duration in time.

Credit risk associated with relations with financial institutions is limited by the management of risk concentration and a rigorous selection of counterparties that have a high prestige and national and international recognition and based on their respective ratings, taking into account the nature, maturity and size of operations.

Taking into account the above mentioned policies, the Administration does not anticipate the possibility of any occurrence of any immaterial non-compliance with contractual obligations.

2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2017 and 2016 was as follows:

							2017
	Buildings and other	Plant and				Other tangible	
	constructions	machinery	Vehicles	Tools	Fixtures and fittings	assets	Total
Gross assets		,					
Balance at 31 December 2016	347,208	43,858	22,060	171	243,696	104	657,097
Additions	-	-	-	-	4,092	-	4,092
Balance at 31 December 2017	347,208	43,858	22,060	171	247,788	104	661,189
Accumulated depreciation and impairment							
Balance at 31 December 2016	338,235	43,858	18,844	171	242,469	104	643,681
Depreciation for the year	3,718	<u>-</u>	3,216		1,683		8,617
Balance at 31 December 2017	341,953	43,858	22,060	171	244,152	104	652,298
Net value	5,255	-	-	-	3,636	-	8,891
							2016
							2010
	Buildings and other	Plant and				Other tangible	
	constructions	machinery	Vehicles	Tools	Fixtures and fittings	assets	Total
Gross assets	constructions	machinery	Venicles	10013	Tixtures and fittings	ussets	Total
Balance at 31 December 2015	347,208	43,858	22,060	171	243,696	104	657,097
Additions	347,200	+5,050	-	1/1	243,030	104	-
Disposals	_	_	_	_	_	_	_
Balance at 31 December 2016	347,208	43,858	22,060	171	243,696	104	657,097
Accumulated depreciation and impairment		.0,000			0,000		
Balance at 31 December 2015	334,022	43,787	13,328	171	240,708	104	632,120
Depreciation for the year	4,213	71	5,516		1.761		11,561
Balance at 31 December 2016	338,235	43,858	18,844	171	242,469	104	643,681
Net value	8,973	-	3,216		1,227		13,416
Net value							

3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2017 and 2016 was as follows:

				2017
	Brands patents and other			
	rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2016	9,789	193,127	-	202,916
Adictions	70	-	2,752	2,822
Transfers	<u> </u>	2,752	(2,752)	-
Balance at 31 December 2017	9,859	195,879	-	205,738
Accumulated amortisation and impairment losses				
Balance at 31 December 2016	9,783	190,929	-	200,712
Amortisation for the year	29	1,810		1,839
Balance at 31 December 2017	9,812	192,739		202,551
Net value	47	3,140		3,187
				2016
	Brands patents and other			
	rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2015	9,719	192,552	183	202,454
Adictions	70	168	224	462
Transfers		407	(407)	<u> </u>
Balance at 31 December 2016	9,789	193,127		202,916
Accumulated amortisation and impairment losses				
Balance at 31 December 2015	9,719	188,828	-	198,547
Amortisation for the year	64	2,101		2,165
Balance at 31 December 2016	9,783	190,929		200,712
Net value	6_	2,198		2,204

4. Breakdown of financial instruments

At 31 December 2017 and 2016, the breakdown of financial instruments was as follows:

						2017
	Loans and	Other finance	ial		Others not covered	
	receivables	ass		Subtotal	by IAS 39	
Non-current assets						
Other non-current assets (note 8)	23,264,201			264,201	213,626,619	236,890,820
Current assets	23,264,201			,264,201	213,626,619	236,890,820
Income tax receivable	-		_	_	737,633	737,633
Other trade debtors (note 11)	599,242		-	599,242	110,191	709,433
Other current assets (note 12)	-	406,1		406,158	35,407	441,565
Cash and cash equivalents (note 13)	190,901,170	/ ₀ 00 1		0,901,170	- 007 271	190,901,170
	191,500,412	406,1	58 191,	906,570	883,231	192,789,801
						2015
						2016
	Loans and	Other finance			Others not covered	
	receivables	ass	ets	Subtotal	by IAS 39	Total
Non-current assets Other non-current assets (note 8)	26,527,564		_ >c	527,564	185,939,791	212,467,355
other non-current assets (note o)	26,527,564			527,564	185,939,791	212,467,355
Current assets	20,327,304			527,504	167,858,781	212,407,333
Income tax receivable	=		=	_	803,609	803,609
Other trade debtors (note 11)	17,681,309		- 17	,681,309	115,825	17,797,134
Other current assets (note 12)	-	440,3		440,356	38,505	478,861
Cash and cash equivalents (note 13)	210,933,723			,933,723	-	210,933,723
	228,615,032	440,3	<u>ob</u> 229,	055,388	957,939	230,013,327
						2017
	Other fir	ancial		Othor	s not covered by	
		bilities	Subtotal		IAS 39	Total
Non-current liabilities	1101	Sincies	Sastotal			1000
Other non-current liabilities (note 18)		-,	-		224,758	224,758
		-	-		224,758	224,758
Current liabilities	1.00	0.053	1,000,053		72.204	1122.256
Other creditors (note 19) Other current liabilities (note 20)		90,052 13,222	1,090,052 713,222		32,204	1,122,256 713,222
Other Current liabilities (note 20))3,274	1,803,274		32,204	3,638,752
			1,005,127		32,201	3,030,732
						2016
						2010
	Other fir	nancial		Other	s not covered by	
	lial	bilities	Subtotal		IAS 39	Total
Non-current liabilities					177 677	177 (77
Other non-current liabilities (note 18)		-	-		133,633	133,633
		-	-		133,633	133,633
Current liabilities	_	72.100	772.65		27.25	750 / 55
Other creditors (note 19)		32,169	332,169		27,254	359,423
Other current liabilities (note 20)		05,501 73,630	405,501		246,232	651,733
	7.	37,670	737,670		273,486	1,011,156

The receivable and payable balances from the State and other public entities, as well as the specialized costs with the action plan, given its nature, were considered as financial instruments not covered by IAS 39. In turn, deferred costs and income, recorded under other current and non-current assets and liabilities, were considered as non-financial instruments.

The Sonaecom's Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

5. Investments in Group companies

At 31 December 2017 and 2016, this caption included the following investments in Group companies was as follows:

Company	2017	2016
Sonae Investment Management Software and Technology, SGPS, S.A. ('Sonae IM')	52,241,587	52,241,587
Público - Comunicação Social S.A. ('Público')	23,305,000	21,305,000
PCJ - Público Comunicação e Jornalismo S.A. ('PCJ')	15,690,000	13,690,000
Sonaecom - Serviços Partilhados S.A. ('Sonaecom SP')	2,050,000	50,000
	93,286,587	87,286,587
Impairment losses (note 17)	(35,015,000)	(34,995,000)
Total investments in Group companies	58,271,587	52,291,587

The movements that occurred in investments in this caption during the years ended at 31 December 2017 and 2016 were as follows:

Company	Balance at 31 December 2016	Additions	Disposals	Transfers and write- offs	Balance at 31 December 2017
Sonae IM	52,241,587	-	-	-	52,241,587
Público	21,305,000	2,000,000	-	=	23,305,000
PCJ	13,690,000	2,000,000	-	=	15,690,000
Sonaecom SP	50,000	2,000,000	-	-	2,050,000
	87,286,587	6,000,000	-	=	93,286,587
Impairment losses (note 17)	(34,995,000)	-		(20,000)	(35,015,000)
Total investments in Group companies	52,291,587	6,000,000		(20,000)	58,271,587

Company	Balance at 31 December 2015	Additions	Disposals	Transfers and write- offs	Balance at 31 December 2016
Sonaetelecom BV*	73,460,618	-	(73,460,618)	-	-
Sonae IM	52,241,587	-	-	-	52,241,587
PCJ	11,850,555	1,839,445	-	-	13,690,000
Sonaecom BV*	10,100,000	-	(10,100,000)	-	-
Público	10,227,595	11,077,405	-	-	21,305,000
Sonaecom SP	50,000				50,000
	157,930,355	12,916,850	(83,560,618)	-	87,286,587
Impairment losses (note 17)	(108,583,213)	(3,530,000)	83,560,618	(6,442,405)	(34,995,000)
Total investments in Group companies	49,347,142	9,386,850	-	(6,442,405)	52,291,587

In the year ended at 31 December 2017, the amounts of Euro 2,000,000 in PCJ, Público and Sonaecom SP correspond to increases in capital paid up in cash.

In the year ended at 31 December 2017, the amount of Euro 20,000 refers to the reallocation of the impairment of of loans that were used to increase the capital (note 17).

In the year ended at 31 December 2016, the amount of Euro 6,442,405 refers to the reallocation of the impairment of loans that were used to increase the capital (note 17).

In the year ended at 31 December 2016, the additions on the amounts of Euro 11,077,405 and Euro 1,839,445 in Público and PCJ, respectively, correspond to increases in capital to cover losses.

In the year ended at 31 December 2016, the increases in the amount of Euro 3,530,000 corresponds to the impairment of financial investments in PCJ (note 17).

In the year ended at 31 December 2016, the amounts of Euro 73,460,618 and Euro 10,100,000 decreases correspond to the liquidation of Sonaetelecom BV and Sonaecom BV, respectively.

At 31 December 2017 and 2016, the main financial information regarding the subsidiaries and jointly controlled directly owned by the company is as follows (values in accordance with IFRS):

(Amounts expressed in thounsand Euro)				2017			2016
Company	Head office	% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
ZOPT (a) (note 6)*	Matosinhos	50%	2,380,736	106,052	50%	2,350,555	68,261
Sonae IM (a)	Maia	100%	127,918	1,045	100%	105,109	7,964
PCJ	Maia	100%	1,955	229	100%	26	(3,151)
Sonaecom SP	Maia	100%	2,462	252	100%	210	84
Público	Maia	100%	1,368	(4,202)	100%	70	(3,704)

⁽a) Consolidated Financial Statements

The evaluation of the existence 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 unless there is evidence of impairment and prepared according to cash flow projections for periods of five years.

At 31 December 2017 and 2016, the assumptions used are based on the group's various businesses and the growth in the various geographic areas where the group operates:

Assumptions	Telecomunications	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Discount rate	6.75% - 16.75%	10.5%	7.5% - 10.75%	9% - 13.5%	8.50%
Growth rate in perpetuity	1.0%	3.0%	3.0%	1% - 2%	0.0%

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended at 31 December 2017.

6. Investments in companies jointly controlled

At 31 December 2017 and 2016, this caption included the following investments in companies jointly controlled:

Company	2017	2016
ZOPT SGPS S.A. ('ZOPT')	597,666,944	597,666,944

There were no movements in this caption during the years ended December 31, 2017 and 2016.

ZOPT is a joint venture of Sonaecom, Kento Holding Limited and Unitel International Holdings BV, created for detention of the participation in NOS SGPS, SA ("NOS"). At the period ended at 31 December 2017 and 2016 ZOPT held 52.15% of participation in NOS. At 14 June 2016, Sonaecom sold all its direct participation in NOS (2.14%) to ZOPT, as established in the shareholders agreement between Sonaecom, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV), for the amount of Euro 82,840,847. This operation resulted in the change of the title of attribution of the participation voting rights and ZOPT became a direct holder of 52.15% of the share capital of NOS (note 7).

The recoverable amount of this asset and its associates and the average valuation made by external analysts (researches) was about 1% above its book value, and the measurement of the existence or not of impairment was determined in consideration of various information such as the business plan approved by the Board of the NOS, which implied an average growth rate of operating margin amounts to 3.4%.

^{*} At 31 December 2017, the market capitalization of NOS amounted to 2,824 million euros.

^{**} Companies liquidated in December 2017

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	7.4%
Growth rate in perpetuity	1.4%

In addition, ZOPT's consolidated financial statements present significant exposure to the African market, in particular through financial holdings held by the group in affiliates operating in the Angolan and Mozambican markets, which are mainly engaged in the provision of satellite television services and by fiber. The net book value of the Angolan associates in the financial statements as of December 31, 2017 amounts to approximately Euro 195 million. These participations were subjected to impairment tests in the sensitivity analyses for which ranges above the usual were used, in which variations of 2 pp in WACC and 0.5 pp in the perpetuity growth rate allow us to conclude that in extreme situations, with a high inflation rate and a lower capacity of the company to reflect a higher price increase, the valuation carried out would not support the value of the assets, ranging from 61% to 156% of the book value.

The analysis of impairment and review of the projections and impairment tests did not lead to the calculation of losses in the year ended at 31 December 2017.

7. Financial assets at fair value through profit or loss

The movements occurred in this caption during the year ended at 31 December 2016 were as follows:

					2016
Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 23)		
NDS Sonae SGPS	79,796,807 144,477	(64,114,961) (146,683)	(15,681,846) 2,206	-	-
	79,941,284	(64,261,643)	(15,679,640)	-	_

The fair value adjustments are recorded under the caption "Gains and losses of investments recorded at fair value through profit or loss" in Profit and Loss Statement (note 24). With the exception of the increases and decreases in the fair value of shares allocated to cover the medium-term incentive plans whose value is recorded under "Other operating expenses" and "Other financial expenses" in the income statement.

The decreases at 31 December 2016, in the investment in Sonae SGPS shares, correspond essentially to the payment of the medium-term incentive plan, which expired in the year ended at 31 December 2016.

At 31 December 2016, the decreases in investment in NOS shares corresponds to the sold of all the direct participation of Sonaecom in NOS (2.14%) to ZOPT, as mentioned in note 6 "Investments in companies jointly controlled". For the determination of the fair value of the NOS shares at the date of sale, it was used the share price of the day on 14 June 2016 (5.822) for the 11,012,532 treasury shares in the portfolio at the moment of sale. Consequently, operation resulted in a capital again of Euro 18,725,886 recorded under the caption 'Gains and losses on investments at fair value through profit or loss' (note 24).

8. Other non-current assets

At 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Financial assets		
Medium and long-term loans granted to group companies and joint-ventures:		
Sonae IM	32,025,000	32,415,000
PCJ	70,000	-
Público	<u>-</u>	2,335,000
	32,095,000	34,750,000
Supplementary capital:	•	
Zopt	115,000,000	115,000,000
Sonae IM	88,536,618	64,049,791
Público	7,240,000	3,740,000
PCJ	2,850,000	3,150,000
	213,626,618	185,939,791
	245,721,618	220,689,791
Accumulated impairment losses (note 17)	(9,046,994)	(8,222,436)
Others	216,196	-
	236,890,820	212,467,355

During the years ended at 31 December 2017 and 2016, the movements that occurred in 'Medium and long-term loans granted' to Group companies and companies jointly controlled were as follows:

				2017
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	32,415,000	-	(390,000)	32,025,000
PCJ	-	70,000		70,000
Público	2,335,000		(2,335,000)	-
	34,750,000	70,000	(2,725,000)	32,095,000
				2016
				2010
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	15,315,000	18,665,000	(1,565,000)	32,415,000
PCJ	3,690,000	-	(3,690,000)	-
Público	165,000	3,010,000	(840,000)	2,335,000
Sonaecom SP	160,000	-	(160,000)	-
	19,330,000	21,675,000	(6,255,000)	34,750,000
				3-1,7-30,000

In 2016 there were Euro 3,890,000 (Euro 840,000 in Publico and Euro 3,050,000 in PCJ) of reduction of loans by conversion in increase of supplementary capital.

During the years ended at 31 December 2017 and 2016, the movements in 'Supplementary capital' were as follows:

				2017
Company	Opening balance	Increases	Decreases	Closing balance
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	64,049,791	24,486,827	-	88,536,618
Público	3,740,000	3,500,000	-	7,240,000
PCJ	3,150,000	-	(300,000)	2,850,000
	185,939,791	27,986,827	(300,000)	213,626,618

				2016
	0			51
Company	Opening balance	Increases	Decreases	Closing balance
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	29,519,791	34,530,000	-	64,049,791
Público	11,077,405	3,740,000	(11,077,405)	3,740,000
PCJ	1,839,445	3,150,000	(1,839,445)	3,150,000
	157,436,641	41,420,000	(12,916,850)	185,939,791

Loans granted to Group companies and Supplementary capital, do not have a defined maturity, therefore no information about the aging of these loans is presented.

During the year ended at 31 December 2017 and 2016, the loans granted to Group companies and companies jointly controlled earned interest at market rates with an average interest rate of 2.31% and 2.48%, respectively. Supplementary capital is non-interest bearing and have no reimbursement turn.

In the year ended at 31 December 2017, the amount of Euro 300,000 of decreases in PCJ, correspond to the reimbursement of supplementary capital.

In the year ended at 31 December 2016 the amounts of Euro 11,077,405 and Euro 1,839,445 of decreases in Publico and PCJ, respectively, correspond to the reimbursement of supplementary capital.

The evaluation of the existence of impairment losses for the loans made to Group companies was based on the most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used and the perpetuity growth considered are presented in the note 5 and 6.

9. Deferred taxes

The changes in deferred tax assets for the years ended at 31 December 2017 and 2016 were as follows:

	2017	2016
Opening balance	94,475	-
Movement in provisions not accepted for tax purposes and other temporary differences	20,231	94,475
Closing balance	114,706	94,475

At 31 December 2017 and 2016, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated.

At 31 December 2017 and 2016, the value of deferred taxes assets not recorded were Euro 1,989,007 - generated in 2014 and available for use until 2026. In addition there are impairment losses in amount of Euro 44,061,994 (Euro 43,577,323 in 2016) that did not give rise to the registration of deferred tax assets, but which could be used in the case of liquidation of the companies.

At 31 December 2017 and 2016, the tax rate used to calculate deferred tax assets related to tax losses was 21%. In the case of temporary differences, in particular of provisions not accepted and impairment losses, the rate used in 2017 and 2016 was 22.5%.

Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits.

It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable.

The reconciliation between the earnings before tax and the tax recorded for the years ended at 31 December 2017 and 2016 is as follows:

	2017	2016
Earnings before tax	15,838,722	16,841,912
Tax (21%)	(3,326,132)	(3,536,802)
Adjustments of results not tax deductible	3,278,692	4,847,302
Autonomous taxation surcharge and correction of the tax of the previous year	(21,910)	709,178
Temporary differences from the exercise without record deferred tax assets	(19,096)	(1,563,632)
Recorded of deferred tax assets	20,231	94,475
Tax provision (notes 17 and 26)	-	63,539
Impact of the liquidation of companies	-	17,547,730
Use of losses carried forward which deferred taxes were not recorded		
Income taxation recorded in the year (note 26)	(68,215)	18,161,790

The tax rate used to reconcile the tax expense and the accounting profit was 21% in the year of 2017 and 2016 because it are the standards rates of the corporate income tax in Portugal in 2017 and 2016.

In the year ended at 31 December 2017, the caption "Adjustments of results not tax deductible" refers essentially to dividends received in the amount of Euro 16,512,004 (note 24), which do not contribute to the formation of taxable income of the Company period.

In the year ended at 31 December 2016, the "Adjustments of results not tax deductible" item includes the amount of Euro 3,932,436 related to the capital gain generated by the sale of the direct participation of Sonaecom in NOS (2.14%) to Zopt (note 7). In addition, in 2016 this caption includes the negative amount of Euro 3,293,188, related to the impact of the fair value of the NOS shares (note 7) and also Euro 4,215,530, to dividends received from ZOPT and NOS (note 24), among other adjustments that do not contribute to the formation of taxable income for the year.

Tax administration can review the income tax returns of the Company for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in progress, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not produce a significant impact in the accompanying financial statements.

Supported by the Company's lawyers and tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the financial statements, associated to probable tax contingencies that should have been recorded or disclosed in the accompanying financial statements, at 31 December 2017.

10. Income tax receivable

At 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Special account payment	701,200	701,200
Corporate income tax	26,241	87,425
Withholdings	10,192	14,984
	737,633	803,609

Special prepayments are included in the item Special on account payment, amounts prior to RETGS Sonae SGPS (essentially PECs for which reimbursement is requested).

11. Other current debtors

At 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
State and other public entities	110,191	115,825
Trade debtors (note 27)	599,242	17,681,309
	709,433	17,797,134

At 31 December 2016, the caption "Other debtors" includes the amount of Euro 17,285,277 to be received from Sonae, in relation to tax rate from companies that include in the special regime for the taxation of groups of companies, whose this company is leader. The amount receivable for 2016 is associated to the tax effect of Sonaecom BV and Sonaetelecom BV liquidation's (Euro 17,547,730).

At 31 December 2017 and 2016, the caption 'Tarde debtors' included amounts to be received from Group companies related to interests receivable from subsidiaries on Shareholders' loans, interest on treasury applications and services rendered (notes 25 and 27).

At 31 December 2017 and 2016, the caption 'State and other public entities' was made up as follows:

	2017	2016
Value added tax	110,191	115,825
	110,191	115,825

At 31 December 2017 and 2016 the caption 'Other debtors' by age at 31 December 2017 and 2016 are as follows:

					out impairment				vith impairment
					More than 90		From 90 to	From 180 to	More than 360
	Total	Not due	Until 30 days	From 30 to 90 days	days	Until 90 days	180 days	360 days	days
2017									
Other debtors	599,242	235,962	259,422	69,761	34,097	-	-	-	
2016									
Other debtors	17,681,309	16,726,119	913,635	6,485	35,070	-	-	-	_

At the year ended at 31 December 2017 and 2016, the amounts due without impairment to more than 90 days correspond, mostly, to amounts receiving from Group companies.

The debts of the state and other public entities were not subject detail above, for not being financial assets.

12. Other current assets

At 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Accrued income		
Interest receivable	116,060	223,818
Invoices to be issued	287,807	213,377
Other accrued income	2,291	3,159
	406,158	440,354
Pluriannual costs		
Insurance	28,157	31,274
Other pluriannual costs	7,250	7,233
	35,407	38,507
	441,565	478,861

13. Cash and cash equivalents

At 31 December 2017 and 2016, the breakdown of cash and cash equivalents was as follows:

	2017	2016
Cash	639	679
Bank deposits repayable on demand	120,900,531	83,913,044
Treasury applications	70,000,000	127,020,000
	190,901,170	210,933,723
	190,901,170	210,933,723

At 31 December 2017 and 2016, the caption 'Treasury applications' had the following breakdown:

	2017	2016
Bank applications	70,000,000	123,000,000
Sonae IM	-	3,165,000
Público	<u> </u>	855,000
	70,000,000	127,020,000

In the year ended at 31 December 2017 and 2016, Sonaecom entered into financial transaction contracts with Sonae, Sonae IM, Público, PCJ and Sonaecom SP. The treasury applications immediately available, mentioned above, are remunerated during the years ended at 31 December 2017 and 2016, with an interest average rate of 0.386% (0.76% in 2016).

14. Share capital

At 31 December 2017 and 2016, the share capital of Sonaecom was comprised by 311,340,037 ordinary shares registered of Euro 0.74 each. At those dates, the Shareholder structure was as follows:

		2017		2016
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 15)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorised, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

15. Own shares

During the years ended at 31 December 2017 and 2016, Sonaecom did not acquire, sold or delivered own shares, whereby the amount held in the end of each of exercises, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.515.

16. Loans

Short-term loans and other loans

At 31 December 2017 and 2016, The Sonaecom is not using a short-term credit lines, although it has a bank credit line in the form of current or overdraft account commitments, in the amount of Euro 1 million. This credit line has maturities up to one year, automatically renewable, except in case of termination by either party, with some periods of notice.

The credit line bear interest at market rates, indexed to the EURIBOR of the respective term.

At 31 December 2017 and 2016, the available credit lines are as follows:

					Maturity
		Amount			More than 12
Credit	Limit	outstanding	Amount available	Until 12 months	months
2017					
Authorised overdrafts	1,000,000	<u>-</u>	1,000,000	X	
	1,000,000	-	1,000,000		
2016					
Authorised overdrafts	1,000,000	-	1,000,000	X	
	1,000,000	-	1,000,000		

At 31 December 2017 and 2016, there are no financial instruments of interest rate hedging.

17. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2017 and 2016 were as follows:

	Opening balance	Increases	Reductions	Transfers and utilizations	Closing balance
2017					
Accumulated impairment losses on investments in Group companies (notes 5 and 24)	34,995,000	-	-	20,000	35,015,000
Accumulated impairment losses on other non-current assets (notes 8 and 24)	8,222,436	844,558	-	(20,000)	9,046,994
Provisions for other liabilities and charges	214,777	54,888	-		269,665
	43,432,213	899,446	-		44,331,659
2016					
Accumulated impairment losses on investments in Group companies (notes 5 and 24)	108,583,213	3,530,000	(83,560,618)	6,442,405	34,995,000
Accumulated impairment losses on other non-current assets (notes 8 and 24)	10,917,405	3,747,436	-	(6,442,405)	8,222,436
Provisions for other liabilities and charges	241,811	36,505	(63,539)	-	214,777
	119,742,429	7,313,941	(83,624,157)	-	43,432,213

The increases in provisions and impairment losses are recorded under the caption "Provisions and impairment losses" in the profit and loss statement with the exception of the impairment losses in investments in Group companies and other non-current assets, which, due to their nature, are recorded under the caption "Gains and losses on Group companies" (note 24).

At 31 December 2016, the decreases in the caption "Accumulated impairment losses on investments in group companies" correspond to the liquidation of Sonaetelecom BV and Sonaecom BV in the amounts of Euro 73,460,618 and Euro 10,100,000, respectively.

At 31 December 2017, the change in caption 'Provision for other liabilities and charges' includes the amount of Euro 54,888 recorded in the profit loss statement in 'Provisions and impairment losses'.

At 31 December 2016, the change in the caption "Provisions for other liabilities and charges" includes the amount of Euro 63,539 recorded, in the profit and loss statement, in "Income taxation", due to its nature (note 26), and the negative amount of Euro 36,505, recorded in the profit and loss statement in "Provisions and impairment losses".

At 31 December 2017 and 2016, the increase in the caption 'Accumulated impairment losses on other non-current assets' includes amounts related to impairment and adjustments of financial investments in Publico and PCJ.

At 31 December 2017, the amount of Euro 20,000 refers to the reallocation of the impairment of loans that were used to increase capital.

At 31 December 2016, the amount of Euro 6,442,405 refers to the reallocation of the impairment of loans that were used increase capital.

18. Other non-current liabilities

This caption, in the amounts of Euro 224,758 and Euro 133,633 at 31 December 2017 and 2016, respectively, corresponds to the medium and long-term amounts associated with the Medium Term Incentive Plans (note 30).

19. Other creditors

At 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Other creditors	1,090,052	332,169
State and other public entities	32,204	27,254
	1,122,256	359,423

At 31 December 2017, the caption 'Other creditors' includes the amount of Euro 401,328.77 to be paid to Sonae, in relation to the IRC payable and special account payment by the companies that include the RETGS of which this company is the leader.

At 31 December 2017 and 2016, the caption 'State and other public entities' was made up as follows:

	2017	2016
Social security contributions	16,65	l 13,195
Personal income tax		14,059
	32,204	27,254

The liability to other creditors matures as follows:

	Total	Until 90 days	From 90 to 180 days	More than 180 days
2017				
Other creditors	1,090,052	1,090,052	-	-
	1,090,052	1,090,052	-	-
2016				
Other creditors	332,169	332,169	-	-
	332,169	332,169		

20. Other current liabilities

At 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Accrued costs		
Staff expenses	298,521	176,888
Medium Term Incentive Plans (note 30)	191,152	246,232
Consultancy	91,437	75,582
Other accrued costs	132,112	153,031
	713,222	651,733

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21. Services rendered

At 31 December 2017, the caption 'Services rendered' was comprised by the charge of management fees to subsidiaries and fees for legal services. As of December 31, 2016, the Services rendered corresponded only to the debit, to the investees, of management fees (note 27).

22. Other operating revenues

At 31 December 2017 and 2016, the caption 'Other operating revenues' was made up as follows:

	2017	2016
Supplementary income	24,743	20,229
Others	68,130	118,772
	92,873	139,001

At 31 December 2017 and 2016, the heading 'Supplementary income' is, mostly, composed of income associated with guarantees that Sonaecom secured on behalf of its subsidiaries.

23. External supplies and services

At 31 December 2017 and 2016, this caption was made up as follows:

	2017	2016
Specialised work	321,510	492,383
Travel and accommodation	65,005	86,279
Other external supplies and services	40,181	84,863
Insurance	49,823	48,980
Rents	35,153	34,056
Communications	29,553	31,341
	541,225	777,902

The commitments assumed by the company at 31 December 2017 and 2016 related to operational leases are as follows:

	2017	2016
Minimum payments of operational leases:		
2017	-	22,429
2018	28,958	24,880
2019	31,223	24,880
2020	26,057	24,880
2021	22,577	24,880
2022	22,577	-
Renewable by periods of one year		
	131,392	121,949

24. Gains and losses on investments

At 31 December 2017 and 2016, these captions "Gains and losses on investments in group companies and joint ventures" and "Gains and losses on investments recorded at fair value through profit or loss" were made up as follows:

	2017	2016
Gains and losses on investments in Group companies and joint ventures		
Losses related to Group companies (notes 5, 8 and 17)	(844,558)	(7,284,746)
Gains related to Group companies (note 17)	-	92,608
Dividends obtained (note 27)	16,512,004	18,311,947
	15,667,446	11,119,809
Gains and losses on financial assets at fair value through profit or loss		
Gains and losses on financial assets at fair value through profit or loss (note 7)	-	(15,679,641)
Dividends obtained (note 27)	-	1,762,005
Gains on disposals of financial assets at fair value through profit or loss (note 7)	-	18,725,886
	-	4,808,250

At 31 December 2017, losses on the Group companies include the reinforcement of impairment losses in other non-current assets (notes 8 and 17).

At 31 December 2016, losses on the Group companies include the reinforcement of impairment losses on other non-current assets (notes 8 and 17), in the amount of Euro 3,747,436 and the reinforcement of impairment losses on investments in companies Group in the amount of Euro 3,530,000 (notes 5 and 17) and also the loss resulting from the liquidation of Sonae Telecom BV in the amount of Euro 7,310.

At 31 December 2016, gains related to Group companies include the gain resulting from the liquidation of Sonaecom BV in the amount of Euro 92,608.

In the year ended at 31 December 2016, the caption 'Gains from disposal of investments recorded at fair value through profit or loss' includes the capital gain generated by the sale of NOS shares (18,725,886 euros) as described in note 7 'Investments recorded at fair value through profit or loss'.

At 31 December 2017 and 2016, gains related to dividends received from investments in Group companies and in join companies jointly controlled are associated with dividends received from Zopt. The gains related to dividends received from investments at fair value through profit or loss are associated with dividends received from NOS (note 27).

25. Financial results

Net financial results for the years ended at 31 December 2017 and 2016 are made up as follows ((costs)/gains):

	2017	2016
Other financial expenses		
Interest expenses	(4,098)	-
	(4,098)	-
Foreign currency exchange losses	(200)	(669)
Other financial expenses	(78,197)	(97,788)
	(78,397)	(98,457)
	(82,495)	(98,457)
Other financial income		
Interest income (note 27)	1,585,101	2,188,901
Other financial income		85,102
	1,585,101	2,274,003

26. Income Taxation

Income taxes recognized during the years ended at 31 December 2017 and 2016 were made up as follows ((costs) / gains):

	2017	2016
Current tax (note 9)	(88,446)	18,003,776
Tax provision (notes 9 and 17)	=	63,539
Deferred tax assets	20,231	94,475
Closing balance	(68,215)	18,161,790

27. Related parties

The most significant balances and transactions with related parties at 31 December 2017 and 2016 were as follows:

The most significant balanc	es and transactions with	related parties	at 31 December 2	2017 and 2016 w	ere as follows:	
						Balances at 3 December 201
	Accounts receivable (note 11)	Accounts payable (note 19)	Treasury applications (note 13)			
Parent Company	-	86,507	-	215,557	157,433	
Companies jointly controlled	13,869	-	-	-	-	
Others related parties	3,147	23,334	-	326,970		
Subsidiaries	548,645	887,554	-	83,577		32,095,00
	565,661	997,395	<u> </u>	626,104	159,300	32,095,00
						Balances at 31 December 2016
	Accounts receivable	Accounts payable				0
	(note 11)	(note 19)	(note 13)	(note 12)		
Parent Company	17,500,764	-	-	-	153	
Companies jointly controlled	657,869	-	-		- (,)	
Others related parties	(14,210)	15,161	-	239,389		
Subsidiaries	(471,224)	40,209	4,020,000	182,744		
	17,673,199	55,370	4,020,000	422,133	179,239	34,750,000
						Transactions at 3 December 201
		Sales and services	Supplies and services			
		rendered	received	Interest and similar	Interest and similar	Supplementary income
		(note 21)	(note 23)	income (note 25)	expense (note 25)	(note 22
Parent Company		-	100,000	490,299	-	
Others related parties		-	113,429	-	-	22,090
Subsidiaries		514,483	89,726	1,063,469	116	2,29
		514,483	303,155	1,553,768	116	24,38
						Transactions at 31
						December 2010
		Sales and services	Supplies and services			
		rendered	received	Interest and similar	Interest and similar	Supplementary income
		(note 21)	(note 23)	income (note 25)	expense (note 25)	(note 22)
Daront Company				1102 276		(26

					December 2016
	Sales and services	Supplies and services			
	rendered	received	Interest and similar	Interest and similar	Supplementary income
	(note 21)	(note 23)	income (note 25)	expense (note 25)	(note 22)
Parent Company	-	-	1,192,276	-	(26)
Companies jointly controlled	-	-	6,842	-	-
Others related parties	-	131,773	-	-	14,891
Subsidiaries	253,325	103,932	945,761	-	3,133
	253,325	235,705	2,144,879	-	17,998

During the year ended at 31 December 2016, Sonaecom sold its direct participation in NOS (2.14%) to ZOPT. This operation generated an added value of Euro 18,725,886 recorded under 'Gains and losses on investments recorded at fair value through results' (note 24).

During the year ended at 31 December 2017, the company distributed dividends, in the amount of Euro 6,238,768 to Sonae (Euro 4,699,332 at 31 December 2016) and Euro 14,942,860 to Sontel BV (Euro 11,255,661 at 31 December 2016).

During the years ended at 31 December 2017 and 2016, Sonaecom recognized in the amount of Euro 16,512,004 and Euro 18,311,947, respectively, related to dividends of Zopt (note 24).

During the year ended at 31 December 2016, Sonaecom recognized in the amount of Euro 1,762,005, related to dividends of NOS (note 24).

All the above transactions were made at market prices.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees.

Remuneration attributed to "key personnel" is disclosed in note 31.

28. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2017 and 2016 were as follows:

Beneficiary		2017	2016
Direção de Contribuições e Impostos (Portuguese tax authorities)	Additional tax assessments (VAT Stamp and Income tax)	1,558,985	222,622
		1,558,985	222,622

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae consisted of Sonaecom surety to the amount of Euro 27,546,999 and Sonaecom of Público surety for the amount of Euro 564,900.

At 31 December 2017, the Board of Directors of the Company believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the financial statements.

At 31 December 2017 and 2016, the contingencies for which guarantees and sureties exist were considered as remote.

29. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (Euro 15,770,507 in 2017 and Euro 35,003,700 in 2016) by the average number of shares outstanding during the years ended at 31 December 2017 and 2016, net of own shares (305,769,023 in 2017 and 2016).

30. Medium Term Incentive Plans

In June 2000, the Company created a discretionary Medium Term Incentive Plan for more senior employees, based on Sonaecom options and shares and Sonae shares which on 10 March 2014 Sonaecom plans been converted to Sonae shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Company.

The 2012 plan was delivered in March 2016 and the 2013 plan was delivered in March 2017.

Therefore, the outstanding plans at 31 December 2017 are as follows:

			Vesting period		31 December 2017
	Share price 31.12.2017	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2014 Plan	1.126	10-Mar-15	10-Mar-18	4	186,501
2015 Plan	1.126	10-Mar-16	10-Mar-19	4	248,608
2016 Plan	1.126	10-Mar-17	10-Mar-20	2	236,029

During the year ended at 31 December 2017, the movements that occurred in the plans can be summarized as follows:

		Sonae SGPS shares
	Aggregate number of participations	Number of shares
Outstanding at 31 December 2016:		
Unvested	6	698,821
Total	6	698,821
Movements in year:		
Awarded	2	226,635
Vested	(3)	(310,298)
Transferred / Converted / Corrected *	5	55,980
Outstanding at 31 December 2017:		
Unvested	10	671,138
Total	10	671,138

^{*} The corrections are made based on the dividend paid and on the employee transfers and exits during the plan period.

The responsibility for all plans was recognized under 'Other current liabilities' and 'Other non-current liabilities'.

Share plan costs are recognised in the accounts over the period between the award and the vesting date of those plans. The costs recognised in previous years and in the period ended at 31 December 2017, were as follows:

	Value
Costs recognised in previous years	374,730
Costs recognised in the year	332,162
Costs of plans vested in the year	(290,982)
Total cost of the plans	415,910
Recorded in 'Other current liabilities' (note 20)	191,152
Recorded in 'Other non-current liabilities' (note 18)	224,758

31. Staff expenses

During the years ended at 31 December 2017 and 2016, the caption "Staff expenses" was made up as follows:

	2017	2016
Remuneration	774,236	431,172
Charges on remuneration	152,385	113,261
Medium Term Incentive Plan (note 30)	322,162	135,419
Others	37,170	16,619
	1,285,953	696,471

During 2017 and 2016, the remunerations paid to Directors and other members of key management in functions were as follows:

	2017	2016
Short-term employee benefits	625,629	569,100
Share-based payments	212,986	205,400
	838,615	774,500

The short-term employee benefits, which include the salary and performance bonus, were calculated on an accruals basis. The share-based payments for 2017 and 2016 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2018, in respect of performance during 2017 (and the Medium Term Incentive Plan awarded in 2017 in respect of performance during 2016, for the 2016 amounts), whose shares, or the cash equivalent, will be delivered in March 2021 and March 2020, respectively and for which expenses is recorded over the period 2018 to 2021 (2017 to 2020 for 2016).

32. Average number of employees

During the years ended at 31 December 2017 and 2016, the company employed an average number of 6 and 3, respectively. At 31 December 2017, the number of employees was 6.

33. Fees of Statutory Auditor

During the year ended at 31 December 2017 the company paid, as a fee to the ROC, PricewaterhouseCoopers SROC the amount of Euro 18,926 (Euro 17,138 in 2016), the total amount related to statutory audit.

34. Subsequent events

There were no relevant subsequent events.

These financial statements were approved by the Board of Directors on 12 March 2018, being its conviction that these will be approved at Shareholders General Meeting.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.





Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)
Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Sonaecom, S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at 31st December 2017 (which shows total assets of Euro 1,105,608,849 and total shareholders' equity of Euro 1,031,877,517 including a net profit of Euro 22,765,966), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonaecom, S.G.P.S., S.A. as at 31st December 2017, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Measurement of investments in jointly controlled and associated companies

As mentioned in Note 8 to the consolidated financial statements, the group holds investments in the joint venture ZOPT in the amount of Euro 688.2 million, which holds investments in Angolan and Mozambican associates Finstar, Mstar and Zap Media, in the amount of Euro 195 million, and the Angola economy was considered hyperinflationary in 2017. The group also holds investments in the associated companies Armilar II, Armilar III and AVP I + I in the amount of Euro 78.7 million, which are investment entities, and measure their financial investments at fair value. These associated companies were acquired in the end of 2016, and the fair value was provisionally determined in the financial statements for that vear.

As mentioned in Note 1.b), investments in associates and joint ventures are recorded under the equity method. As recommended in IAS 36, impairment tests are performed whenever there is evidence of impairment, and business plans are prepared for this purpose.

Considering the inherent subjectivity of the assumptions used in determining the recoverability of the referred values, which in the case of Angola and Mozambique are still subject to country-specific issues, as well as to the assumptions used in determining the associated companies' financial investments fair value, we consider these investments to be a key audit matter.

The disclosures are presented in Notes 1.b), 3.c), 8 and 35 to the consolidated financial statements.

We have obtained the financial statements of associated companies and jointly controlled companies, as well as their respective audit reports, issued by another auditor.

As the financial statements of the joint venture and associated companies are audited by other auditors, we have sent audit instructions, interacted with the respective auditors, evaluated the strategy and the audit plan, as well as the tests performed for the significant areas and the conclusions reached.

In relation to the joint venture, we have also performed some auditing procedures, from which we highlight:

- analysis of the validation procedures of the adjustments resulting from Angola being considered a hyperinflationary economy, in accordance with IAS 29;
- reasonableness analysis of the assumptions used in the impairment tests of the joint venture. As mentioned in Note 8 to the consolidated financial statements, the current economic uncertainty conditions in those markets may significantly impact these estimates;
- comparing the book value with the market value of NOS:
- validation of the application of the equity method.

In relation to the associated companies we performed the following procedures:

- we have analyzed the final fair value determination as of December 31, 2016, and the respective negative Goodwill calculation, without material differences;
- validation of the application of the equity method.

We have also verified the adequacy of disclosures relating to joint ventures and associates.

Key Audit Matter

Summary of the Audit Approach

Goodwill recoverability

As disclosed in Note 7 to the consolidated financial statements, the statement of financial position has a Goodwill of Euro 23.4 million. As mentioned in Note 1.f), Goodwill is not amortized and it is tested annually, or whenever there are signs of impairment, to verify if there are any losses to be recognized. The recoverable amount is determined based on the business plans used by Sonaecom's management. Considering the significance of this amount and the complexity and level of inherent judgment in the model adopted for the calculation of impairment and the identification and aggregation of cash-generating units (CGUs), this issue was a key matter for the purposes of our audit.

In order to assess Management's conclusions in relation to the recovery of Goodwill, we have obtained and analyzed the impairment tests prepared by the Group.

Considering the identification and aggregation of the CGUs, we performed the following auditing procedures:

- reasonableness analysis of the assumptions used in the forecasts made, the market conditions, the sensitivity analysis and the historical accuracy of the Group in preparing forecasts and budgets;
- analysis of the reasonableness of the discount rates used, as well as the growth rates;
- recalculation of the model.

We have also validate the disclosures related to this matter.

Revenue recognition

The consolidated financial statements include revenue from projects in the segment of information systems in the amount of Euro 83.6 million. The consolidated financial statements also present revenue to be invoiced to customers of Euro 7.1 million and projects invoiced in advance of Euro 9.4 million.

As mentioned in Accounting Policies, the income and expenses of consulting projects are recognized each year, based on the percentage of completion, which is obtained through the percentage of expenses incurred on the estimated costs of the transaction, based on budgets prepared for this purpose, according to management's best knowledge for each project.

To validate the reasonableness of the adjustments related to the application of the percentage of completion, we have obtained the project schedules and performed the following audit procedures:

- reconciliation of the schedules with the values of the statement of financial position and the income statement;
- review of contracts to support project schedules;
- reasonableness analysis of the stage of completion considered, taking into account the underlying assumptions;
- comparison of the results obtained with the recognized revenue;
- to validate management's assumptions, regarding the recognized margin, analysis of available information, essentially as it relates to the terms of the contracts, the latest projections, the completion status of the projects, the billings made and the reasonableness of the budgets in the past, compared to actual values.

Key Audit Matter

Project schedules supporting the revenue recognition based on the stage of completion of consulting projects have several assumptions, essentially relating to the overall budget of project expenditures and expenses to be incurred. Given the inherent uncertainty in the estimates of the expenses to be incurred, they have to be continually reviewed and, as such, we consider this a key matter for the purposes of our audit.

The disclosures are presented in Notes 1.s), 16, 29 and 30.

Summary of the Audit Approach

We have also validate the disclosures related to this matter.

Development expenses capitalization

The group has internally developed intangible assets, on which, capitalized expenses in 2017 amounted to Euro 5.5 million.

As mentioned in Accounting Policies, expenditures on internally generated intangible assets are capitalized to the extent that the ability to complete the asset is demonstrated, so that it will be available for use or commercialization.

The decision to capitalize or expend the associated expenses involves a significant judgment by management, in assessing the moment in which the development of the project begins, its economic viability and the determination of the amount of expenses to be capitalized.

The disclosures are included in Notes 1.d), 6 and 42.

In order to validate the reasonableness of the capitalized amounts, we performed the following auditing procedures:

- evaluation of the relevant controls in the process for capitalization of assets;
- measurement of the adequacy of the capitalization policies for expenses, in accordance with the applicable accounting regulations;
- evaluation of the nature of capitalized expenditures and their classification as development of intangible assets;
- performing detailed tests on the amounts of expenses capitalized in the period.

We have also validated the disclosures associated with development expenses capitalization, included in the Notes to the consolidated financial statements.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;
- g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial information set forth in article No. 508. ^o-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group stated in its Director's report that that parent company Sonae, S.G.P.S., S.A. will include the non-financial information set forth in article No. 508. °-G of the Portuguese Company Law in the Sonae group sustainability report, which should be published on its website until the legal deadline.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 27th March 2018.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

27th March 2018

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. representada por:

Hermínio António Paulos Afonso, R.O.C.



Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese) Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sonaecom, S.G.P.S., S.A. (the Entity), which comprise the statement of financial position as at 31st December 2017 (which shows total assets of Euro 1,085,745,936 and total shareholders' equity of Euro 1,083,416,035 including a net profit of Euro 15,770,507), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonaecom, S.G.P.S., S.A. as at 31st December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Summary of the Audit Approach

Recoverability of investments in group companies and jointly controlled companies

Sonaecom, SGPS, SA, on 31st December 2017, holds financial interests in group companies and joint ventures in the amount of Euro 58,3 million and Euro 597,7 million, respectively, which are measured at acquisition cost.

As mentioned in the accounting policies, a valuation of the investments is made when there are indicators that the asset may be impaired or when the impairments recognized in previous years cease to exist.

The valuation of financial investments is considered to be a key audit matter, given that changes caused by events or circumstances that adversely influence the performance of the investees may result in the non-recoverability of the book value of these assets. The valuation model used is the discounted cash flow model. To prepare this model, management incorporates judgments based on assumptions in the cash flows forecasts, growth rates and discount rates to be applied.

The disclosures are presented in Notes 1.c), 1.d), 5 e 6.

In order to validate the assumptions and judgments made by management in the valuation of financial investments, we performed the following procedures:

- assessment of whether or not there is evidence of impairment in financial investments; and
- obtaining and analyzing the impairment tests for financial investments, when applicable.

The analysis of impairment tests, based on discounted cash flow models, involved auditing procedures that included (a) the evaluation of the method used to quantify the fair value of the investment, as well as; (b) evaluation of the assumptions used in the calculation, in order to assess the reasonableness of these assumptions, in particular the sales growth, gross margin and discount rate implicit in the valuation model. We compared the recoverable amount obtained in the valuations with the book value of the investment and assessed the reasonableness of the impairment losses recorded by the Entity.

Emphasis was also placed on the adequacy of disclosures, presented in the financial statements notes.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 27th March 2018.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

27th March 2018

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. representada por:

Hermínio António Paulos Afonso, R.O.C.



REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

Report and opinion of the Statutory Audit Board of Sonaecom, SGPS,S.A.

To the Shareholders

1 - Report

1.1 - Introduction

In compliance with the applicable legislation and the mandate given to the Statutory Audit Board, we hereby issues our Report and Opinion of the audit performed, as well the documentation concerning the individual and consolidated accounts, for the year ended at 31 December 2017, which are of the responsibility of the Company's Board of Directors.

1.2 – Supervisory activities

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, the Statutory Audit Board had regular quarterly meetings, as well as other extraordinary meetings, in which matters subject to its attributions and competencies were analyzed. In accordance with the nature of the matters to be discussed, the meetings were attended by the Board and head of Planning and Control department, Financial and Administrative department, Internal Audit department and the Society of Statutory and External Auditor. In addition, the Statutory Audit Board participated in the Board of Directors' meeting that approved the report and accounts for the year.

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. 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 nonaudit 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.

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 Sonaecom SGPS, S.A..

Within the scope of its attributions, the Statutory Audit Board examined the individual and consolidated balance sheets, the individual and consolidated profit and loss accounts by nature, cash flows, comprehensive income, changes in equity and related annexes for the year end 2017, having received from the Statutory and External Auditor all the information and clarifications requested, as well as the Additional Audit Report provided for in article 24 of Law 148/2015, of 9 September.

The Statutory Audit Board has complied with CMVM Recommendation V.2, in order to characterize the relevant level of transactions concluded with shareholders holding qualifying holdings or with entities in any of the relations established in paragraph 1 of article 20 of the Securities Market Code (Código dos Valores Mobiliários), not having identified any relevant transactions in the light of those criteria or any conflicts of interest.

The Statutory Audit Board has complied with CMVM Recommendations II.2.1, II.2.2, II.2.3, II.2.4 and II.2.5, relating to Corporate Governance. As a fully integrated body of independent members in the light of legal criteria and professionally qualified to perform their duties, the Statutory Audit Board developed its skills and interrelationships with the other board members and services of the company in accordance with the principles and conduct recommended in those devices.

Furthermore, the Statutory Audit Board appreciated the Corporate Governance Report which is attached to the company's Management Report, regarding the consolidated financial accounts, under the terms and for the purpose of No. 5 of Art. 420 of the Portuguese Commercial Code (Código das Sociedades Comerciais), having concluded that the report includes the elements referred to in Art. 245 – A of the Securities Market Code (Código dos Valores Mobiliários).

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 Sonaecom, 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 Sonaecom, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a

Governance Report complies with article 245º A of the Portuguese Securities Market Code.
Maia, 27 March 2018
The Statutory Audit Board
João Manuel Gonçalves Bastos
Óscar José Alçada da Quinta
Sour Jose I nyada da Qui la
Maria José Martins Lourenço da Fonseca

description of the major risks and uncertainties that they face. It is also declared that the Corporate

Sonaecom SGPS is listed on the Euronext Stock Exchange. Information is available on Reuters under the symbol SNC.LS and on Bloomberg under the symbol SNC:PL.

SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the telecommunications industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, analysts and, generally, the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

Report available on Sonaecom's corporate websiti

www.sonae.com

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