MANAGEMENT REPORT AND ACCOUNTS

2016

ESTORIL SOL SGPS SA

ESTORIL-SOL, SGPS, S.A.
Fully paid up share capital: 59.968.420 Euros
Headquartered at: Av. Dr. Stanley Ho, Edifício do Casino Estoril, 2765-190 Estoril - Cascais
Tax id number: 500 101 221

This page is deliberately left blank

Governing Bodies	3
Management Report	5
Corporate Governance Report	23
Proposal for the application of the annual results	74
Notes to the Board of Directors Report	77
Holders of qualified shareholdings	79
Financial statements and Notes – Individual accounts	81
Financial statements and Notes – Consolidated accounts	111
Legal Certification of Accounts – Individual accounts	165
Report and Opinion of the Audit Board – Individual accounts	171
Legal Certification of Accounts – Consolidated accounts	173
Report and Opinion of the Audit Board – Consolidated accounts	181

This page is deliberately left blank

BOARD OF THE ANNUAL GENERAL MEETING

Chairman	- Pedro Canastra de Azevedo Maia
Deputy Chairman	- Tiago Antunes da Cunha Ferreira de Lemos
Secretary	- Marta Horta e Costa Leitão Pinto Barbosa

ADVISORY BOARD

Chairman	- Rui José da Cunha

REMUNERATION COMMITTEE

	- Pansy Catilina Chiu King Ho
	- Jorge Armindo de Carvalho Teixeira
	- Calvin Ka Wing Chann

BOARD OF DIRECTORS

Chairman	- Stanley Hung Sun Ho
Deputy-Chairmen	- Mário Alberto Neves Assis Ferreira
	- Patrick Wing Ming Huen
Members	- Pansy Catilina Chiu King Ho
	- Ambrose Shu Fai So
	- Man Hin Choi
	- António José de Melo Vieira Coelho
	- Vasco Esteves Fraga
	- Jorge Armindo de Carvalho Teixeira
	- Calvin Ka Wing Chann
	- Miguel António Dias Urbano de Magalhães Queiroz

EXECUTIVE COMMITTEE

Chairman	Pansy Catilina Chiu King Ho
Deputy-Chairmen	Jorge Armindo de Carvalho Teixeira
	Vasco Esteves Fraga
	Calvin Ka Wing Chann

AUDIT BOARD

Chairman	- Mário Pereira Pinto
Deputy-Chairmen	- António José Alves da Silva
	- Manuel Martins Lourenço
Alternates	- Armando do Carmo Gonçalves

COMPANY SECRETARY

Secretary:	- Carlos Alberto Francisco Farinha
Alternate:	- Artur Alexandre Conde de Magalhães Mateus

STATUTORY AUDITOR

- Lampreia, Viçoso & Associado, SROC, Ltd **-** Represented by José Martins Lampreia

This page is deliberately left blank

Dear Shareholders,

Pursuant to the legal and statutory provisions, we hereby present and submit the Annual Report and the Individual and Consolidated Accounts, referring to the year ended 31st December 2016, for your appreciation.

1. THE COMPANY

Estoril Sol, S.A. was incorporated on 25 June 1958 and its company object is "the operation of the gambling concession, on an exclusive basis, in the Estoril permanent area, including other related trade and industries".

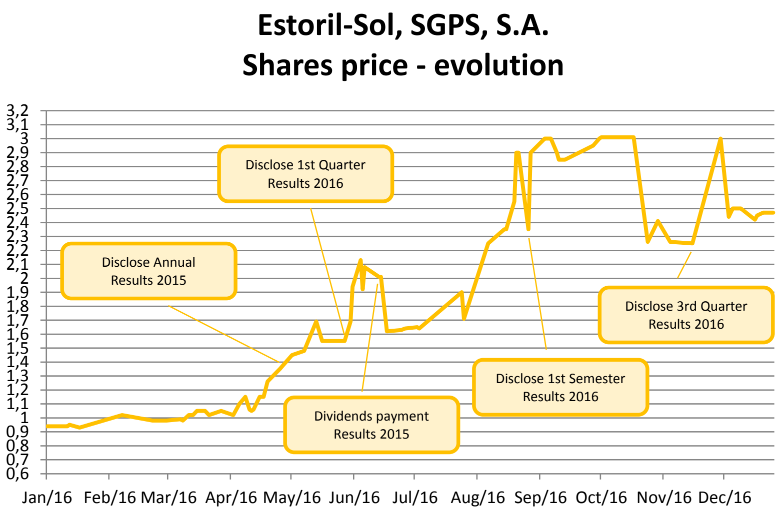
On 18 March 2002, ESTORIL-SOL, SA modified its legal status to "Holding Company, SGPS", Public Corporation, thereby no longer directly conducting any business activities, and such business is now to be conducted by various associated undertakings which have been incorporated for this purpose.

The Company held indirectly through subsidiaries interests in the tourism sector, in particular, in gaming activities at casinos. The Company owns the Game Concessions of Estoril (Casino do Estoril and Casino Lisboa) and Póvoa de Varzim. Since July 2016 the Company also began exploring the online gambling activity through one of its subsidiaries.

During the year we monitor regularly and in detail the current management of the subsidiaries, giving particular attention and support to streamline processes and control costs.

2. SHARE CAPITAL, SHARES AND DIVIDENDS

At 31st December 2016, the share capital of ESTORIL-SOL, S.G.P.S., S.A. was 59.628.420 Euros, represented by 11.993.684 shares with a nominal unit value of 5 (five) Euros, of which 6.116.779 were registered shares and 5.876.905 bearer shares.



At the time this report was prepared, ESTORIL SOL, SGPS, S.A. held 62.565 treasury shares, with no trading taking place during the financial year.

During the year 2016, the Company, did not sold or acquired own shares.

The Company's shares are listed on the Lisbon Stock Exchange since February 14, 1986.

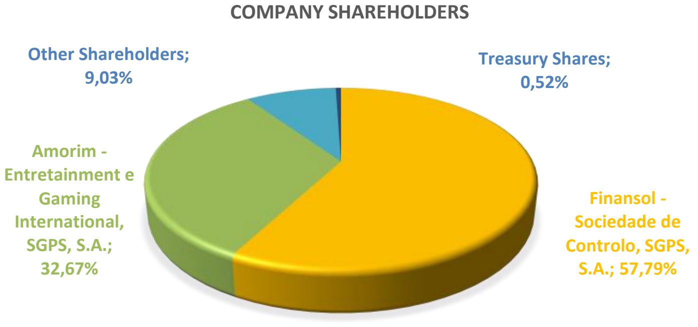
The price and trading volume of Estoril-Sol, SGPS, SA securities, on the dates of reporting to the market during the year 2016 were according table below:

Date for disclosing Estoril-Sol, SGPS, S.A. , information

			Price (Euros)			
Disclosure	Date	Qtd	Open	High	Low	Close
Annual results for 2015	29/04/2016	95	1,35	1,35	1,35	1,35
2016, 1st Quarter results	31/05/2016	28	1,55	1,55	1,55	1,55
Dividend payment (2015)	22/06/2016	125	1,62	1,62	1,62	1,62
2016, Semester results	29/08/2016	15	2,35	2,35	2,35	2,35
2016, 3rd Quarter results	30/11/2016	340	3,00	3,00	3,00	3,00

During June 2016, the Company has made a dividend payment of 0,211€ per share related to the year 2015.

As at December 31st, 2016 the Company had two reference shareholders, which control 90,46% of the share capital, as infographics to the right:

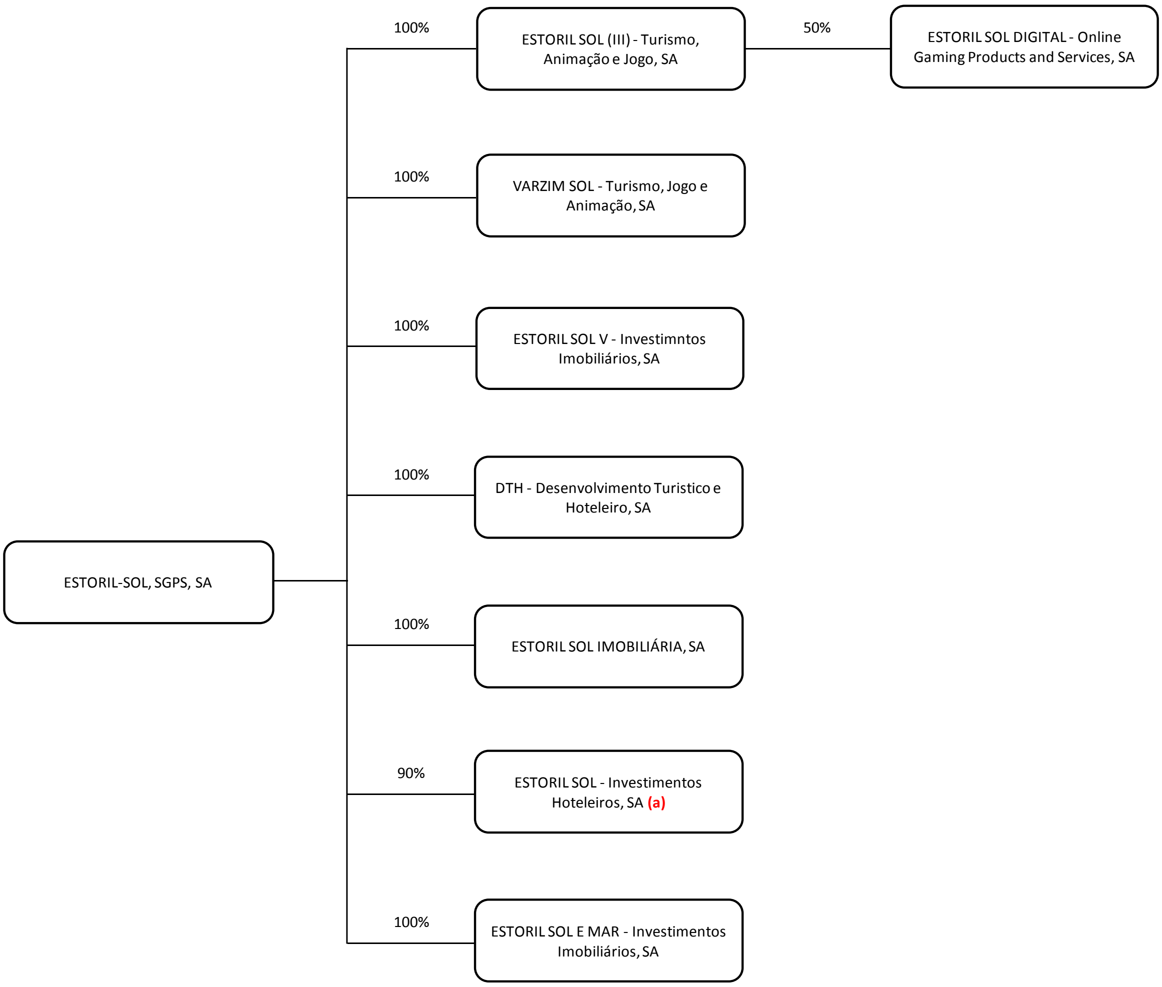


3. ESTORIL-SOL GROUP

The Group Estoril-Sol focus its activity in the gambling sector. Currently holds two Game Concessions and three physical Casinos, which together represent approximately 63%of the sector in Portugal.
As a consequence of the new online gaming legislation approved during 2015, the Group founded in September 2015 a new company, Estoril-Sol Digital – Online Gaming Products and Services, S.A., in order to apply for an online gaming license, which was issued on the 25th July 2016.

Within the online gaming activities, which is carried out through Estoril Sol Digital, Online Gaming Products and Services, S.A, a subsidiary company of Estoril Sol (III) – Turismo, Animação e Jogo, S.A., a company owned by the issuer (Estoril-Sol, SGPS, S,A,), signed with Vision Gaming Holding Limited, a company based in Malta, an association agreement, through which it holds a minority interest, corresponding to 49.9998% of the share capital of Estoril Sol Digital, keeping the Estoril Sol (III) SA most of the capital and votes in that company (Estoril Sol Digital, Online Gaming Products and Services, S.A.). From this operation resulted no gains/losses for the Estoril-Group, as the partial sale of the capital have been carried out by the same value of its constitution.

As at December 31st, 2016 the Group Estoril-Sol had the following structure:



(a) - Holds 10% of its Share Capital

On December 31st, 2016, ESTORIL-SOL, S.G.P.S., S.A. had the following stakes in the following subsidiaries:

ESTORIL-SOL (III) - TURISMO ANIMAÇÃO E JOGO, S.A., incorporated on 26 July 2001, headquartered in Estoril, the social object of which is the operation of games of chance in areas where this is permitted by law and, in addition, may also operate in the tourism, hotel, restaurant and entertainment industries, as well as providing consultancy services in those areas of activity. This company operates the Estoril and Lisbon Casinos.
Its share capital of EUR 34,000,000 is 100% held by ESTORIL-SOL, S.G.P.S., S.A.

VARZIM SOL - ANIMAÇÃO, TURISMO E JOGO, S.A., headquartered in Póvoa de Varzim, has the social object, in particular, of operating the gambling concession of Póvoa de Varzim. This company operates the Póvoa de Varzim Casino.
It has a share capital of EUR 33.650.000, 100% held by ESTORIL SOL, S.G.P.S., S.A..

ESTORIL SOL (V) - Investimentos Imobiliários, S.A. - Its share capital of EUR 50,000 is fully paid up by ESTORIL-SOL, S.G.P.S., S.A.. The Company is now idle, but owns a site located on maritime land in the parish of Ericeira.

DTH - DESENVOLVIMENTO TURÍSTICO E HOTELEIRO, SA – With a share capital of EUR 2,429,146, is 100% held by ESTORIL-SOL, S.G.P.S., S.A.. It owns a plot of land in Monte Estoril, where the former Miramar Hotel stood.

ESTORIL - SOL IMOBILIÁRIA, S.A. - With a share capital of EUR 7,232,570, it is 100% owned by ESTORIL SOL, S.G.P.S., S.A.. Its social object is the construction, promotion, management and sale of tourist complexes and real estate.

ESTORIL SOL - INVESTIMENTOS HOTELEIROS, S.A. - With a share capital of EUR 10,835,000 is 90% held by ESTORIL SOL, S.G.P.S., S.A., with the remaining 10% being held by the company itself.

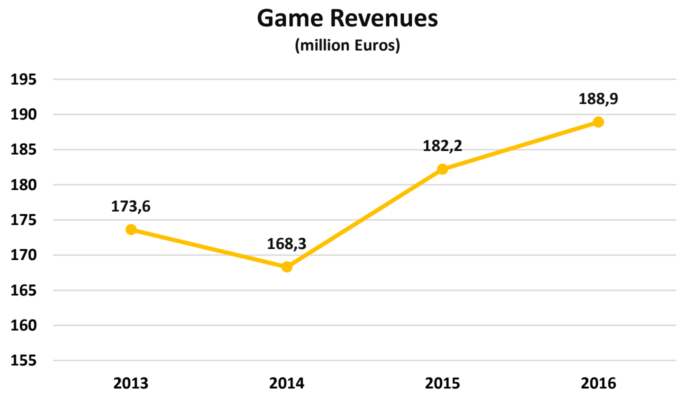
ESTORIL SOL E MAR - Investimentos Imobiliários, S.A. - With a share capital of EUR 1.286.000, is fully paid up by ESTORIL-SOL, S.G.P.S., S.A..

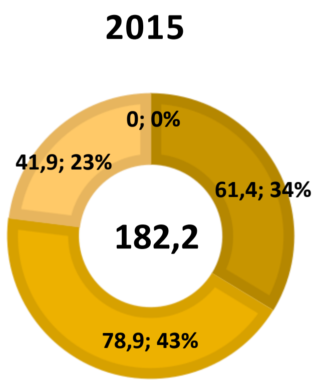
ESTORIL-SOL DIGITAL – ONLINE GAMING PRODUCTS AND SERVICES, S.A. – with a Share Capital of EUR 500.000 is 50% held by ESTORIL-SOL (III) –TURISMO, ANIMAÇÃO E JOGO, S.A.
The Company was founded in September 2015 in order to apply for an online gaming license. The license was issue during July 2016 and the Company immediately started exploring the online gambling activity.

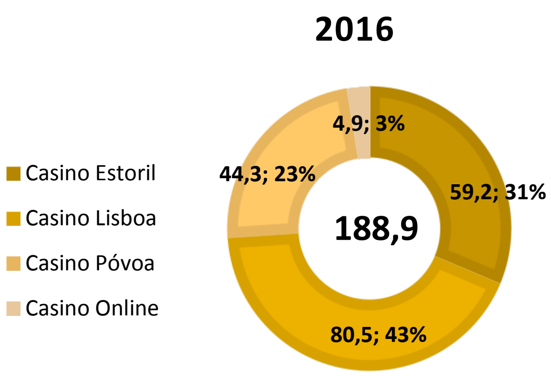
4. FINANCIAL ANALYSIS – SUMMARY

♣ Game Revenues

The year 2015 had been marked as the year that reversed the negative cycle of game revenues that occurred since 2009. The year 2016 continued the growth cycle of gaming revenues started in 2015. The gross game revenues of the Estoril Sol Group (territorial and online) amounted to 188,5 million Euros, with an overall growth of 3,7%, to which also contributed the online revenues (nonexistent in 2015).

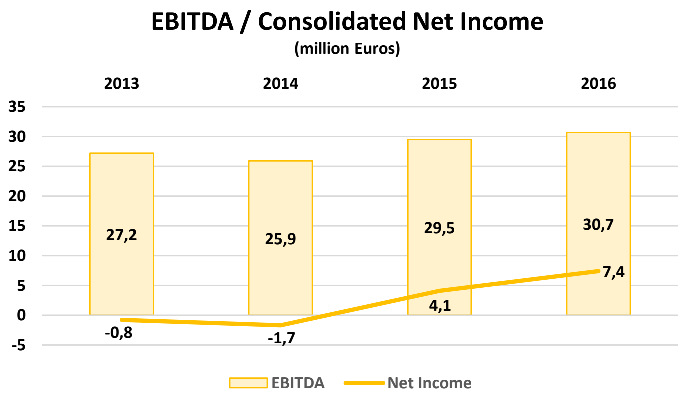






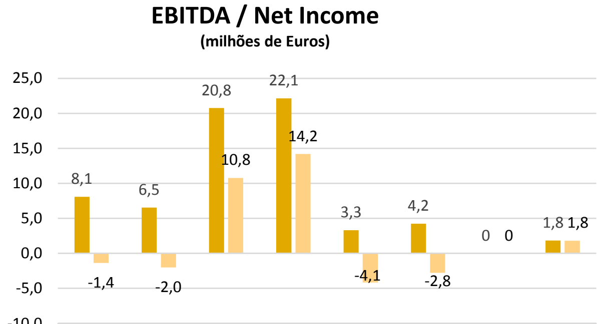
♦ Group Consolidated Results

In 2016 the Group's Consolidated EBITDA increased by 4% and amounted to 30,7 million Euros.
The Consolidated Net Income of Estoril-Sol Group in 2016 was 7,4 million Euros.



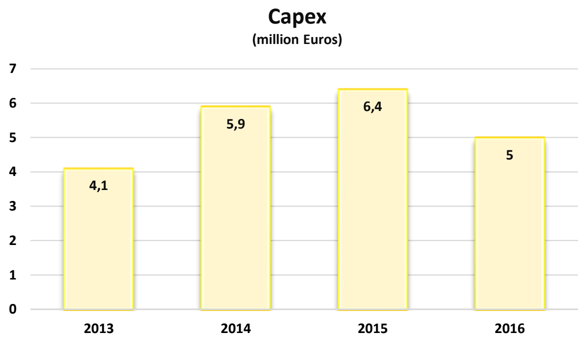
♥ Performance by Segment/Casino

With the exception of Casino do Estoril, all other casinos in the Group improve their performance in 2016 compared to 2015. In 2016, Casino do Estoril and Casino da Póvoa still have net negative results. To be remarked the fact that all casinos, without exception, achieved a positive EBITDA (operating result), during the year 2016. Casino Online started its activity in July 2016, and for this same reason there were no comparable data compared to the previous year.



	2015 Estoril	2016 Estoril	2015 Lisboa	2016 Lisboa	2015 Póvoa	2016 Póvoa	2015 Online	2016 Online
EBITDA	8,1	6,5	20,8	22,1	3,3	4,2	0	1,8
Net Income	-1,4	-2,0	10,8	14,2	-4,1	-2,8	0	1,8

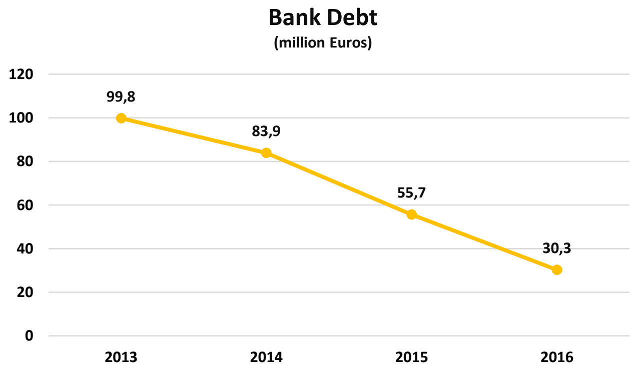
♠ Capex



Pursuing a very careful selection of the investments, the Group made investments (CAPEX) during the year 2016 in the total amount of approximately 5 million Euros, mainly in the renewal of game equipment.

♣ Financial Debt

In a concerted effort to financial stability and less dependence on third parties, the Group has consistently reduced its bank debt, this reduction resulted in a significant decrease in financial costs incurred by the Group. By the end of 2016 the Group bank debt was 30,3 million Euros, a decrease of 25,4 million Euros compared to last year.



5. FINANCIAL ANALYSIS – MACROCROECONOMIC ENVIROMENT

It is estimated that during the year 2016 the world economy presented similar or slightly lower growth rates than in 2015, in accordance with the most recent projections by the International Monetary Fund (IMF) showing growth rates in the order of 3% to 3.1%. In the Eurozone the economy growth rates achieved the 1,7% according to data from the European Commission ("EC"). As a consequence of this poor performance in growth rates, the monetary policies of the world's leading economies have maintained and / or strengthened their expansionist orientations. The main central banks maintained historically low levels of their key interest rates and the European Central Bank maintained and announced the continuity in 2017 of the plan for injecting liquidity into European economies through the purchase of public debt from member countries.

The year 2016 was also marked by some global political events that reinforced the climate of political instability and within the financial markets, which have been experienced in the recent past, and that in the face of what happened will continue to mark the near future. Examples of this are the US Presidential elections that culminated in the election of the 45th President of the United States of America, candidate Donald John Trump. The British referendum which led to the option of leaving the European Union and the rise in voting intentions of parties hostile to the European project in the main European Union economies are other representative examples of the events that characterized the climate of uncertainty experienced in 2016, and that will certainly continue to negatively mark the near future of the European economic and political panorama.

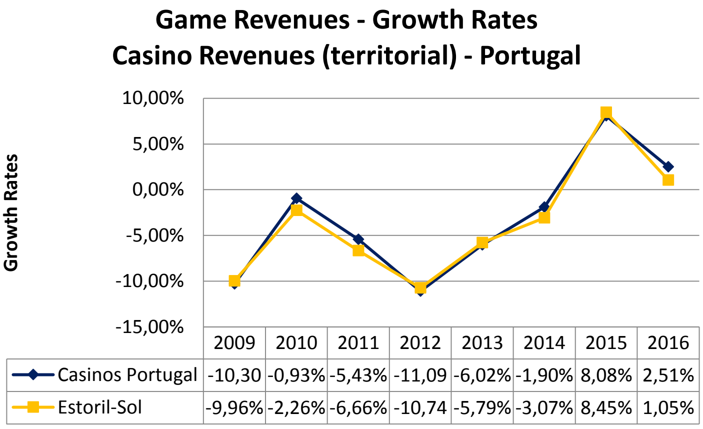
In Portugal and according to data from the National Statistics Institute (INE), Gross Domestic Product (GDP) grew 1.4%, remaining 0.2% below the growth reached in 2015.
This growth in 2016 was mainly due to the acceleration of private consumption and the performance of the exports of goods and services, as opposed to a strong reduction in investment. The deficit of the government stood at 2.1% of GDP, a figure below the limits set by the European Commission. The inflation rate remained at low levels and stood at 0.6%.
To be notice the good performance of the labor market situation and its improvement in 2016 with the unemployment rate dropping by 1.3% and now standing around 11%.

Worldwide, it is forecasted to 2017 some economic vulnerability as a result of the uncertainty and instability of the economies of emerging countries, as well as some growing international geopolitical tensions. In Portugal it is expected to continue the process of recovery, supported mainly by domestic demand, the drop in energy prices and the slight recovery in household disposable income. The main focus of uncertainty relates to the fact that this forecasted improvement in domestic demand is insufficient to maintain the rate of growth of the Portuguese economy in face of the high levels of public and private debt that the country still has.

6. FINANCIAL ANALYSIS – CONTEXT OF THE INDUSTRY AND THE GROUP ESTORIL-SOL

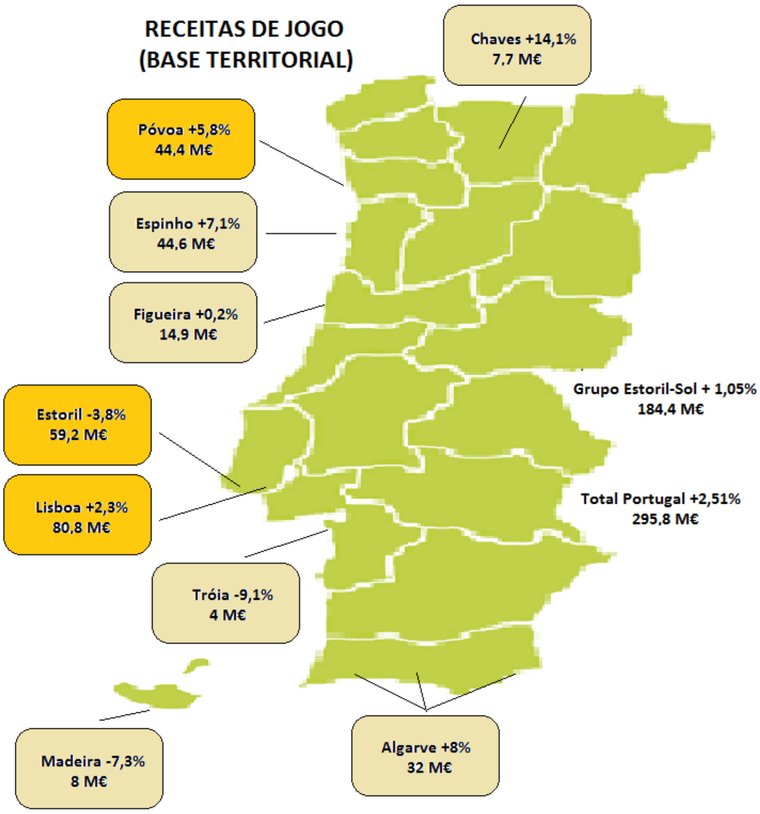
- **Territorial**

The recovery trend of gaming revenues growth rate that began in the second half of 2014 remained during the year 2016, however this positive trend lost it empowerment compared to last year (2015), with special emphasis in the last couple of months, which resulted in a lower performance for the period in analysis as an all. As consequence, the gaming revenues increased in the year 2016 when compared with the same period last year, 2,5% in the industry and 1% in the Estoril-Sol Group



	2009	2010	2011	2012	2013	2014	2015	2016
Casinos Portugal	-10,30	-0,93%	-5,43%	-11,09	-6,02%	-1,90%	8,08%	2,51%
Estoril-Sol	-9,96%	-2,26%	-6,66%	-10,74	-5,79%	-3,07%	8,45%	1,05%

This positive trend of revenue growth which occurred during the year 2016 continues the positive game revenue evolution cycle that began in 2015 and broke with a negative cycle observed since 2008 which caused accumulated game revenues losses of nearly 30% in Portugal.



In Portugal, the gambling activity in land based casinos is developed by four business groups that exploit, under a public concession, the eleven casinos existing in the national territory.The Estoril-Sol Group, through its subsidiaries, operates three of the four biggest casinos in Portugal, accounting for 63% of net income and taxes paid and generated by the activity in Portugal.

Revenues from gambling in Portugal during the year 2016 amounted to approximately 295,8 million Euros, an increase of 2,5% compared to last year which represents almost 7,2 million Euros.

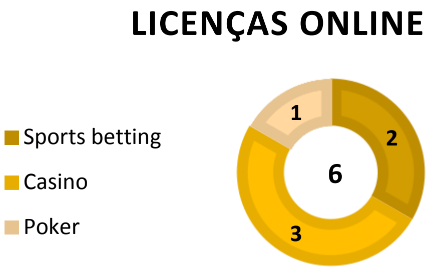
In the same period the Group land base game revenues achieved 184,4 million Euros, an increase of 1% equivalent to 1,9 million Euros

- **Online**

On the 28th June 2015 the online gambling regulation approved by decree-law 66/2015 entered into force.

The issue of the first license occurred one year later, in May 2016, it was a sports betting license.
The second license issued by the Turismo de Portugal took place in July 2016 and also for sports betting.

In July 2016 the first license online casino was issued. for the operation of games of chance online. This license was granted to the Estoril-Sol Group on July 25th, 2016, and the Group started operations on the same day. Since then two more licenses have been issued, totaling to this date three online casino licenses allotted.



Estoril-Sol Group recorded online gaming revenues up to December 2016 in the amount of 4,8 million Euros.

During the year 2016, the Group registered combined revenues from both territorial and online games, totaling 188,9 million Euros, with a global growth of 3,7%, which also contributed the online gambling revenues (nonexistent In 2015).

7. FINANCIAL ANALYSIS - INDIVIDUAL ACCOUNTS

The Company does not directly exercise any economic activity and so the net income recorded in the year, basically arises from of the increased valuation of the financial investments in the subsidiary companies by the equity pick-up method.

The net result for the year was positive by 6,6 million Euros, and shows an improvement compared to the positive net result of 1,9 million Euros from the previous year. This improvement results primarily from gains and losses allocated by the Game subsidiary Companies, Estoril-Sol (III) and Varzim-Sol, whose combination of results in 2016 returned, as during 2015, to be positive in contrast to the negative results recorded in 2014.
The result of the territorial base operation and the contribution of the online operation, which did not exist in 2015, contributed to the overall improvement of the results of Estoril-Sol, SGPS, S.A.

8. FINANCIAL ANALYSIS - CONSOLIDATED ACCOUNTS

As it is easily understood the financial performance of the Estoril-Sol Group is heavily dependent on the evolution of gaming revenue. In 2016 the Group saw its gross revenues grow 3,7% and reach 188,9 million Euros, 92,5 million Euros net from game taxes.

For this increase contributed the online gaming revenue, which did not exist in 2015. Revenues from online gambling amounted to 4,9 million Euros in 2016 and represented 3% of the Group's total gaming revenues. The Group's territorial-based gambling revenues grew 1% in 2016 and amounted to 184,4 million Euros (182,5 in 2015).

The effective tax rate borne by the Group in 2016 was 51% compared to 52% in 2015, and this was offset by the fact that online gaming revenues are taxed at a rate ranging from 15% to 30% depending on the volume of the revenues achieved.

In 2016, the Casino do Estoril and Casino de Lisboa have borne effective tax rates of 50%, Casino da Póvoa effective tax rate was 57%, having once again been penalized by applying the table of annual minimum counterparts, and the online casino supported an effective tax rate ff 20,2%.

	Dec - 2016	Dec - 2015	Var %
Gaming Revenue	188.990.943	182.242.909	3,7%
Special Gaming Tax	-96.448.660	-95.092.204	a)
Effective Tax Rate	51%	52%	
Game Revenue - Net	**92.542.283**	**87.150.705**	**6,2%**
Other revenue (F&B / Entertainment)	9.871.601	10.626.797	-7,1%
Operating costs	-71.665.716	-68.229.114	5,0%
EBITDA	**30.748.168**	**29.548.388**	**4,1%**
Amortization and Depreciation	-20.423.898	-21.009.553	-2,8%
Financial Costs	-2.744.773	-4.272.038	-36%
Income tax (IRC)	-117.699	-70.734	
Consolidated net result	**7.461.798**	**4.196.062**	**-78%**
Equity holders of the Parent Company	6.554.939	4.196.062	
Non-controlling interests	906.859	-	
	7.461.798	**4.196.062**	

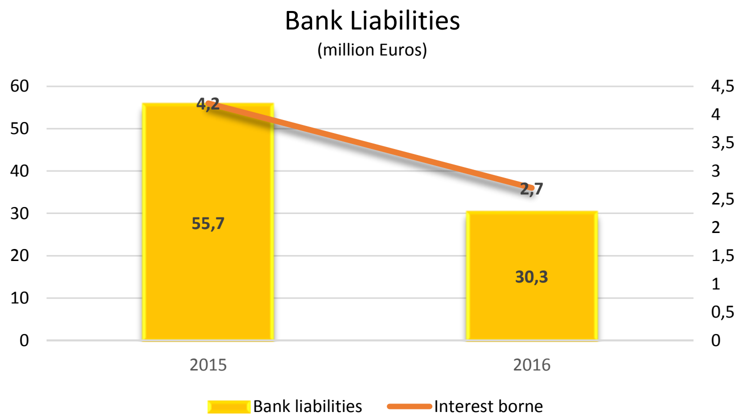
a) Includes the amounts recorded in "Gaming taxes" as "Special Gaming tax (current)" and "Annual gaming tax (difference to minimum grant)"

The other operating revenues of Estoril-Sol, restaurant and entertainment, decreased by 7% to 9,8 million Euros. The Group's 5% increase in operating costs reflects the Group's investment in streamlining and increasing the entertainment, leisure and restaurant offer in the casinos, but mainly reflects the strong investment in marketing and advertising carried out by the Group in 2016 related to the opening and launch of the online casino. This campaign required a strong commitment and investment in 2016 from the Group, but it has proved to be essential to obtain the good results of this new operation, the online casino.

The favorable combination of the increase in gaming revenues and the increased of operating costs in a smaller proportion, allowed the Estoril-Sol Group to improve its operating results in almost 4%, and reached for the year 2016 a positive EBITDA of 30,7 million Euros which compares to 29,5 million Euros achieved in 2015.

In a concerted effort to financial stability and less dependence on third parties, the Group reduced its bank debt by 25,4 M€, this reduction results in a significant decrease in financial costs incurred by the Group. As at December 31st,2016 the bank debt of the Group was 30,3 million Euros. Estoril-Sol supported almost 2,7 million Euros with loan interests, a decrease of 36% over the previous year.

The Consolidated Net Profit in 2016 was positive by 7,4 million Euros compared with earnings of 4,1 Million Euros in the previous year. Of these 7,4 million Euros, 6,5 million Euros belong to the shareholders of Estoril-Sol, SGPS, S.A, and the remainder held by minority and non-controlling interests.



This significant improvement in results reflects mainly: the growth of gaming revenue, the optimization of the cost structure carried out in recent years and the reduction of the Group's bank exposure with the consequent reduction of the financial charges incurred.

The future:

The national economy's specificities and constraints make particularly risky the anticipation of the evolution of the factors that determine the Portuguese casinos' operating results. If, on the one hand, the focus on increasing domestic consumption that has been marking the government's economic policy, is a precondition for an increase in disposable income, an important reference for determining the favorable gaming revenue development, on the other hand there are still doubts whether the European community's concerns will not determine, in the future, the need to adopt contractionary measures that will necessarily have negative consequences on the progress of those gaming revenues.

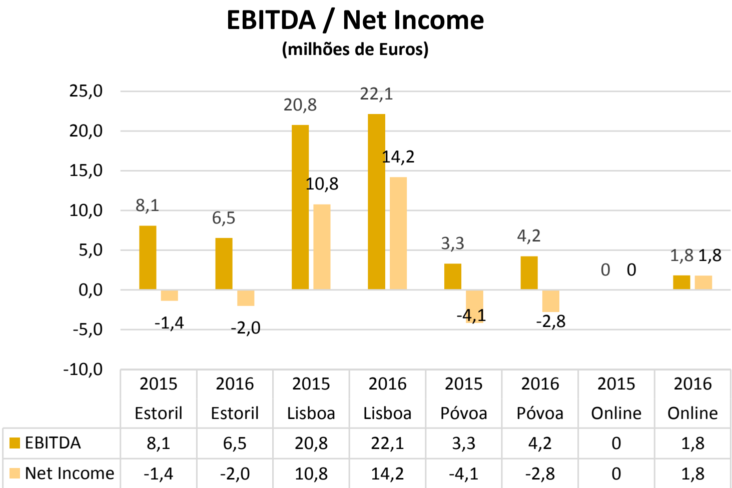
Therefore, it will be prudent to wait for the results of the current year's budget implementation in order to become more aware, from a macroeconomic perspective, on the direction the country will take.

However, according to the results obtained to this date, we can foresee a moderate revenue growth for the current financial year.

9. FINANCIAL ANALYSIS – REPORTING BY SEGMENTS

The Group's activities are mainly focused on the exploration of the Casinos: Estoril and Lisboa, conceded until 2020 to Estoril-Sol (III), and Casino da Póvoa conceded to Varzim-Sol until 2023. Since July 2016 the group has also held an online game license valid until July 2019, thus adding another business segment.

Similar to what happened in 2016 with the sector in Portugal, also the gambling revenue from casinos operated by the Group showed positive growth rates, a part from Casino do Estoril where game revenues decreased by 3,8% to end the year with accumulated gross game revenues of 59,2 million Euros. Casino Lisboa gaming revenues grew by 2,3% and amounted to 80,5 million Euros. Casino da Póvoa was the casino with the greater increase in gaming revenues, 5,8%. Gaming revenues from Casino da Póvoa achieved 44,3 million Euros for the year 2016. This growth however was not enough to replace the revenue levels of 2009, and as such the Casino da Póvoa was once more in 2016 charged with gaming taxes over the 50% settled as minimum granted. The gaming taxes charged over de 50% regular tax rate amounted to 3,2 million Euros, and in practical terms configures an effective tax rate on gaming revenues of approximately 57%. Having started activity on the 25th July 2016, Casino Online generated revenues of approximately 4,8 million Euros, contributing significantly to the overall improvement in the Group's gambling revenues, which totaled in 2016, 188,9 million Euros, an overall growth of 3.7% compared to 2015.



	Estoril	Lisboa	Póvoa	Online	Others
Gaming Revenue	59.209.867	80.565.891	44.346.395	4.868.790	
Game taxes	-29.612.596	-40.406.600	-25.445.434	-984.029	
Effective Tax Rate	50%	50%	57%	20%	
Net Revenue	29.597.272	40.159.291	18.900.961	3.884.761	
EBITDA	6.531.622	22.125.600	4.296.877	1.827.924	
EBITDA Margin	11%	27%	10%	38%	
Amortization and Depreciation	-7.782.909	-6.956.133	-5.808.066	-11.859	
Financial Costs	-756.826	-984.252	-1.195.348	-2.347	
Net Result of the Segment	-2.008.113	14.185.215	-2.766.037	-2.347	
Other Segments Operating Results					-3.762.985
Consolidated net result of the year					7.461.798

All these accumulated revenue breaks, resulted in part of successive years driven by a contraction in the Portuguese and European economies. This less positive macroeconomic environment led the Group to adopt policies of rationalization and resources optimization in order to achieve the economic and financial balance of the Concessions in which it operates. The favorable combination during the year 2016 of these policies with the recovery of the gaming revenue has allowed the consolidation of the operating results (EBITDA) of casinos operated by the Group. All of the Group casinos recorded positive opera-ting results (EBITDA), with higher expression in the case of the Casino Lisboa (22,1 M€).

Casino Estoril Casino had a positive EBITDA of (6,5 M€), Casino da Póvoa (4,2 M €) and the recent Casino Online (1,8 M€).

Both, Casino da Póvoa as well as Casino Estoril, featured net losses during 2016, -2.8 million and -2 million euros, respectively, unlike its counterpart of Lisbon, which recorded a positive net result of approximately 14,2 million Euros for the year ended December 31st, 2015. Casino Online positive net results for the year 2016 achieved the 1,8 million Euros.

It must be emphasize that these performances, with special focus over Casino da Póvoa, have been repeatedly penalized by tax rates applied to game revenues, which in the case of Casino da Póvoa achieve a 57% effective tax rate over game revenues for the year ended December 2016, proving once more the high and inadequate levels of taxation over game revenues given the current situation of the Portuguese casinos.

Pursuing a very careful selection of the investments, the Group made investments (CAPEX) during the year 2016 in the total amount of approximately 5 M€, from these, 2,2 M€ were invested at Casino da Póvoa, 1,5 M€ at Casino Lisboa and 1,1M€ at Casino do Estoril. The majority of this investment was applied in the renewal and replacement of game equipment. The purchase of this type of equipment is partially reimbursed (50%) by Turismo de Portugal.

10. HUMAN RESOURCES

The salaries and social benefits policy adopted by the Group over the past recent years has been focus on retaining the level of fixed remuneration, promoting the increase in variable remuneration indexed to results, nevertheless, in addition the Group ensures a relevant set of social benefits such as, health insurance, medical support and reimbursement of health expenses excluded from health insurance contracts. The Group has been encouraging the signing of protocols with several institutions in the context of social responsibility projects, particularly with the Portuguese Association of Casinos and EPIS "Entrepreneurs for Social Inclusion" in terms of support solidarity campaigns in the context of volunteer projects to support students with learning difficulties.

	Avg number employees	
	2016	**2015**
Casino do Estoril	340	333
Casino de Lisboa	300	299
Casino da Póvoa	239	240
Casino Online	9	-

In 2016, the Group's Estoril-Sol (III) subsidiary, which operates the Estoril and Lisboa casinos, with the indispensable and relevant collaboration of the Workers' Committee, signed with two major workers unions, “SITESE - Sindicato dos Trabalhadores e Técnicos dos Serviços” and “SPBC - Sindicato dos Profissionais de Banca”, a new Business Agreement that ensures the maintenance of social benefits that positively differentiate Estoril-Sol (III) and Estoril-Sol Group in the country's labor panorama.

11. FINANCIAL POLICY OF THE GROUP

The Companies of the Estoril Sol Group pursue a financial policy based on the preservation of its financial independence, fundamentally based on the resources released each year.
With the support of various banks, the subsidiary use a number of variable rate financial instruments, the maturities of which are negotiated according to the foreseeable ability to release funds.

12. RISK MANAGEMENT

In the normal course of their activities the Group Companies, as concessionaires of gaming operations, are exposed to a number of risks and uncertainties, as identified below:

Physical and Contractual Risk:

The companies of the Group, aiming to prevent and minimize the risk inherent to their economic activities, have specialized technical services of supervision and control, responsible for the strict fulfillment of the standards of physical safety of customers, employees and installations and also compliance with the legislation that regulates the Gaming activity in Portugal, and it should be pointed out that Portuguese Casinos are subject to the permanent supervision by the State through the Gambling Inspection Service of the Instituto do Turismo de Portugal I.P.
Periodically, with the collaboration of an external entity, risk analyses are carried out on the procedures used and on the physical safety of the assets.

Business Risk:

The subsidiaries Estoril Sol (III) and Varzim Sol operate gaming concessions in Casinos. In the last few years, this operating sector has been experiencing increased technological growth, particularly focused on slot machines, which requires the ongoing renewal of the product range. The Company systematically keeps up with this evolution, visiting manufacturers, taking part in international specialty trade shows and regularly investing in new equipment.
Pursuant to the concession contracts, the Portuguese State grants concessionaries exclusive rights to gambling and operations of games of chance, in exchange for high initial payments and high annual tax rates. Nevertheless, the Portuguese State has proven to be unable to regulate its citizens' access to countless online casinos that abound today and which constitute a growing factor of unfair competition, both because they account for a significant increase in illicit supply and because they constitute a flagrant source of tax evasion.
The Group Companies continued, also during 2014, whether through the Portuguese Association of Casinos or directly, to call the Portuguese Government's attention to the need to take legislative measures to prevent this situation, following the example of significantly effective measures taken in the USA and in Norway, thereby ensuring compliance with commitments pertaining to the exclusive right to gaming operations, as contractually assumed by the State.

Financial Risk:

The significant investments that the Group Companies have made in recent years, among which we would draw attention to the amount paid for the extension of the concession contracts of the zone of Estoril and Póvoa de Varzim, the initial payment made relating to Lisbon Casino and the investments made pertaining to the renewal, modernization and expansion of the Casinos, have, in the recent past, involved increased indebtedness which, combined with the changes in market interest rates, resulted in increased financial costs and a potential liquidity risk.

Depending on the operating funds that are freed up, we feel the financial risk to which the associated undertakings are exposed is minimal, and the same understanding has prevailed in the examination carried out by financial institutions, as shown by the fact that assets guarantees are dispensed with for operations under contract.

Credit Risk:

Portuguese legislation forbids casino concessionaries from granting credit to gaming activities, and so, in this regard, Group Companies are not exposed to credit risk. Other revenue from restaurant and entertainment activities, which account for only 3,0% of revenue, therefore represents insignificant exposure.

Exchange rate Risk:

All operations are carried out in Euros, and so the Company has no exchange rate exposure.

13. RELEVANT FACTS

- During the first quarter of 2013, after a unanimous vote taken at the headquarters of the Portuguese Association of Casinos as well as within the Board of Estoril-Sol, the operating companies from the Group Estoril-Sol, have filed lawsuits against the State in which they seek to be restored the financial balance of Gaming Concessions. Such a claim is founded, among other reasons, because the State, through its actions and omissions has given rise to changes in circumstances that were the basis for the negotiation of the gaming concessions. Of them highlights the fact that it was assumed for tax basis a continuing and significant increase of gaming revenue throughout the concession period. Despite not having checked this proposition due to the economic climate and as a result of the State attitude in relation to online gambling and illegal gambling, among others, it continued to require them to pay very high taxes, calculated on revenue that the Concessionaires did not obtain. Thus, remained no alternative to the Concessionaires that was not to challenge with the competent Administrative and Fiscal Courts the settlements of tax to which they were presented, and for that purpose submit the necessary judicial guarantees. However by the time of approval of this report, and despite the fact that all tax settlements were contested by the Group, all taxes are without exception, or paid or its payment was legally postponed under Decree-Law 1/2015, and for this reason the Group Estoril-Sol does not have any overdue debt related with game taxes.

- On the 28th June 2015 the online gambling regulation approved by decree-law 66/2015 entered into force. This regulation now applicable, approved by the Government, represents, once again, a penalty to the gambling concessionaires unilaterally terminating the exclusive right of exploitation of games of fortune and chance in Portugal, - a right by which the concessionaires paid considerable sums and assumed significant additional obligations - the law published, puts them in equal circumstances as the offenders of the past who, in the meantime, managed to illegally build their customer database, key factor to ensure the success of this business.

- The Board of Directors of Turismo de Portugal, IP, at a meeting held on 25 July 2016, decided under the Legal Framework for Games and Online Betting (RJO), approved by Decree-Law No. 66/2015 of 29 April, assign to Estoril Sol Digital, Online Gaming Products and Services, SA, a license for online gambling exploration, which will operate under the internet domain www.estorilsolcasinos.pt/ . This license shall be valid for an initial period of three years from the date of issue, expiring on July 24th, 2019, if not renewed, under the terms and conditions set out in RJO. Estoril Sol Digital, began exploring the online gambling activity in the web site mentioned above on the same day the license was issued, ie 25th July 2016.

-Within the online gaming activities, which is carried out through Estoril Sol Digital, Online Gaming Products and Services, S.A, a subsidiary company of Estoril Sol (III) – Turismo, Animação e Jogo, S.A., a company owned by the issuer (Estoril-Sol, SGPS, S,A,), signed with Vision Gaming Holding Limited, a company based in Malta, an association agreement, through which it holds a minority interest, corresponding to 49.9998% of the share capital of Estoril Sol Digital, keeping the Estoril Sol (III) SA most of the capital and votes in that company (Estoril Sol Digital, Online Gaming Products and Services, S.A.). From this operation resulted no gains/losses for the Estoril-Group, as the partial sale of the capital have been carried out by the same value of its constitution.

14. SUBSEQUENT FACTS

Between the 31st of December 2016 and the date of this report, no relevant facts occurred that could materially affect the financial position and the future results of Estoril-Sol, SGPS,S.A. and the other Companies of the Group, in addition to the reported below:

During the first quarter of 2017 the Group paid 11.606.887 Euros referring to the annual payment of the Special Gaming Tax, 3.241.292 Euros referring to the annual payment (difference to minimum grant) and 6.541.148 Euros referring to the Special Gaming Tax relating to the period of December of 2016 (Note 29). It has been cancelled bank guarantees issued by the Group in the total amount of 17.244.052 Euros related with these payments.

15. DECLARATIONS

- Declaration of true, complete and appropriate information

The members of the Board of Directors of Estoril-Sol, S.G.P.S., S.A. assume responsibility for the veracity of the information contained in this Annual Report, certifying that that there are no omissions that they are aware of, which faithfully portrays the evolution of the business, performance and position of the company and of the companies included in the consolidation perimeter, and that it contains an appropriate description of the main risks and uncertainties that face the companies of the Group. The individual and consolidated financial statements, prepared in conformity with the applicable accounting standards, reflect a true and appropriate image of the assets and liabilities and of the financial situation and results of the issuer, as well as of the companies included in the consolidation perimeter.

16. ACKNOWLEDGMENTS

The Board of Directors wishes to publicly express its gratitude to all the clients for their preference and trust deposit on Estoril-Sol Group companies. A word of appreciation and recognition to all of those who cooperated with us during the year, namely to the Members of all the Corporate Offices and to the Workers of the Group Companies.

Estoril, 18th of April, 2017

The Board of Directors

- Chairman	- Stanley Hun Sun Ho
- Vice-Chairmen	- Mário Alberto Neves Assis Ferreira
	- Patrick Wing Ming Huen
- Directors	- Pansy Catilina Chiu King Ho
	- Ambrose Shu Fai So
	- Man Hin Choi
	- António José de Melo Vieira Coelho
	- Vasco Esteves Fraga
	- Jorge Armindo de Carvalho Teixeira
	- Calvin Ka Wing Chann
	- Miguel António Dias Urbano de Magalhães Queiroz

PART I – SHAREHOLDINGS STRUCTURES, ORGANISATION AND CORPORATE GOVERNANCE

A. SHAREHOLDING STRUCTURE
I. Share capital structure

1. Share capital structure

The share capital of the Company is €59,968,420.00, which is fully paid-up, and is represented by 11,993,684 shares with a nominal value of €5.00 each.

The Company holds 62,565 treasury shares.

All the shares representing the share capital of the Company - ordinary, registered and bearer shares - are admitted for trading, and there are no categories of shares with special rights or duties.

Shareholder	No of Shares 31-Dec-2016	% Share Capital	% Voting rights
Finansol - Sociedade de Controlo, SGPS, S.A.	6.930.604	57,79%	60,23%
Amorim - Entretainment e Gaming International, SGPS, S.A.	3.917.793	32,67%	33,13%
Restantes Accionistas	1.082.722	9,03%	6,64%
Acções Próprias	62.565	0,52%	---
Total	11.993.684	100,00%	100,00%

2. Restrictions on the transfer and ownership of shares

There are restrictions as to the transferability of shares resulting from the provisions under Council of Ministers Resolution no. 115/99 (2nd series), as published in the D.R. II series no. 184, dated 9 August 1999, which obliges the company to observe the requirements provided for under art. 17 of Decree Law no. 422/89, of 2 December, within the following terms:

" 1 - The equity of concessionary companies must not be less than 30% of the total net assets, and the percentage should be raised to 40% of such assets as of the sixth year after concluding the concession contract, without prejudice to the corresponding minimum share capital to be set, for each one, under the regulatory decree, to which article 11 pertains.
2 – At least 60% of the share capital shall always be represented by either registered shares or bearer shares, under a registration system, and it is mandatory for concessionary companies to notify the Inspectorate-General for Gaming with regard to all transfers of property or the usufruct of these, within 30 days after registration in the company's appropriate book or via an equivalent formality.
3 – The purchase, in any capacity, of the holding or ownership of shares representing more than 10% of the capital or as a direct or indirect result of which there is a change in the control of the concessionaries by others, whether natural or legal persons, shall require permission from the member of the Government in charge of tourism, lest the purchasing parties be prevented from exercising their respective social rights.
4 - If the said party purchasing the shares is a legal person, authorization may condition the transfer in subjecting the purchasing party to the system set forth under this article.

*5 – The regulatory decree to which article 11 pertains may prevent or limit direct or indirect participation in the share capital on the part of a concessionary by (an)other concessionary(ies), and any purchases that violate the provisions of the said regulatory decree shall become null and void.***"**

3. Own shares

The Company holds 62,565 treasury shares representing 0,52% of its share capital.

Year of Acquisition	No.of shares	Nominal value	Total nominal	Total premiums	Total
2001	34.900	5	174.500	280.945	455.445
2002	43	5	215	184	399
2007	22	5	110	88	198
2008	27.600	5	138.000	114.264	252.264
Total	62.565		312.825	395.481	708.306

Euros

4. Significant agreements with ownership clauses

To the best of the knowledge of the Board of Directors, Estoril-Sol is not party to any significant agreement which takes effect, either being affected or terminated upon a change of control in the Company, following a takeover bid, without prejudice to the standard clauses in banking practice relating to the issuance of debt securities and financing contracts.

5. Defensive measures in case of change of shareholding control

No defensive measures were adopted.

6. Shareholders' agreements

The Company is not aware of shareholder agreements that may restrict the transfer of securities or voting rights.

II. Shareholdings and holding of bonds

7. Qualified shareholdings

The Company has two shareholders of reference which, together, control, directly and indirectly, around 90,4% of the share capital and 93,36% of the voting rights:

Shareholder	No of Shares 31-Dec-2016	% Share Capital	% Voting rights
Finansol - Sociedade de Controlo, SGPS, S.A.	6.930.604	57,79%	60,23%
Amorim - Entretainment e Gaming International, SGPS, S.A.	3.917.793	32,67%	33,13%
Restantes Accionistas	1.082.722	9,03%	6,64%
Acções Próprias	62.565	0,52%	---
Total	11.993.684	100,00%	100,00%

FINANSOL, SOCIEDADE DE CONTROLO, S.G.P.S., S.A.

On 31 December 2016 ESTORIL SOL, S.G.P.S., S.A. held 62.565 treasury shares, and as FINANSOL - SOCIEDADE DE CONTROLO, S.G.P.S., S.A., on 31 December 2016, held 6.930.604 shares of ESTORIL-SOL, S.G.P.S., S.A., it was a direct holder of 57,79% of the share capital and 58,09% of the voting rights.
The members of the Board of Directors and of the Advisory Board of the Companies which are controlled by or grouped under ESTORIL-SOL, held 255,698 shares of ESTORIL-SOL, S.G.P.S., S.A., corresponding to 2,1% of the share capital and voting rights.
Therefore, in overall terms, the direct and indirect stake of FINANSOL in the capital of ESTORIL-SOL is 57,79%, and 60,23% to the voting rights.

AMORIM - ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S, S.A.

On 31 December 2016, ESTORIL-SOL, S.G.P.S., S.A. held 62.565 treasury shares, and, as AMORIM – ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S., S.A. held 3.917.793 shares, this company was a direct holder of 32,67% of the share capital and 33,13% of the voting rights of ESTORIL SOL, S.G.P.S., S.A..

Mr. José Américo Amorim Coelho, held 34,915 shares of ESTORIL-SOL, S.G.P.S., S.A., corresponding to 0,29% of the share capital and voting rights.
Therefore, in overall terms, the direct and indirect stake of AMORIM - ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S., SA in the share capital of ESTORIL-SOL, S.G.P.S., S.A. was, on 31 December 2016, 32,67% and 33,13% of the voting rights.

8. Number of shares and bonds held by the members of governing bodies, submitted under paragraph 5 of article 447 of the Portuguese Companies Act

Information regarding the securities issued by ESTORIL-SOL, S.G.P.S., and by companies with which the Company is in controlling or group relationship, which are owned by the members of the Corporate Offices of the Company on 31 December 2016.

	Nr shares 31.12.15	Date	Value (€/share)	Nr shares purchased	Nr shares sold	Nr shares 31.12.16
Board of Directors						
Stanley Hung Sun Ho	135.662	-	-	-	-	135.662
Mário Alberto Neves Assis Ferreira	601	-	-	-	-	601
Patrick Wing Ming Huen	55.000	-	-	-	-	55.000
Pansy Catilina Chiu King Ho	0	-	-	-	-	0
Ambrose Shu Fai So	50.000	-	-	-	-	50.000
Man Hin Choi	527	-	-	-	-	527
António José de Melo Vieira Coelho	0	-	-	-	-	0
Vasco Esteves Fraga	608	-	-	-	-	608
Jorge Armindo de Carvalho Teixeira	0	-	-	-	-	0
Calvin Ka Wing Chann	1.000	-	-	-	-	1.000
Miguel António Dias Urbano de Magalhães Queiroz	0	-	-	-	-	0
Advisory Board						
Rui José da Cunha	12.300	-	-	-	-	12.300
Audit Board						
Mário Pereira Pinto	0	-	-	-	-	0
António José Alves da Silva	0	-	-	-	-	0
Manuel Martins Lourenço	0	-	-	-	-	0
Armando do Carmo Gonçalves	0	-	-	-	-	0
Statutory Auditor						
José Martins Lampreia	0	-	-	-	-	0

9. Powers of the Board of Directors for share capital increases

Within the terms of Article 23 of the Articles of Association of the Company, the Board of Directors enjoys the broadest management powers, as it can decide on any matter pertaining to company management, namely regarding:

a. The election of its Chairman and Deputy Chairman, if the General Meeting itself has not made such an appointment;
b. The co-opting of replacement directors;
c. The creation, make-up, competence and working of the Executive Committee;
d. The request for convening General Meetings;
e. The annual report and accounts to be submitted to the General Meeting;
f. Proposals to the General Meeting for the provision of warranties and personal or real guarantees by the Company;
g. The proposal to the General Meeting of major extensions or reductions to the activity of the Company;
h. Important modifications in the organization of the company;
i. The establishment or cessation of lasting and important cooperation with other companies;
j. Proposal to the General Meeting for an increase or reduction in the share capital;
k. Proposal to the General Meeting of projects for the merger, division or transformation of the Company;
l. Deliberation on increases in share capital, on one or more occasions, up to an absolute maximum increase of one million six hundred thousand and twenty-one thousand and ninety-three Euros and seventeen cents, for contributions in cash, provided that, in compliance with imperative legal standards, the increase is intended to be

subscribed by directors, company employees and other people or entities providing services pertaining to the same, to be identified under the terms and conditions decided in the General Meeting [article 5.2 of the Articles of Association, *ex vi* of line l) of Article 23.1 of the same document];

m. The appointment and dismissal of employees, and setting their salary or compensation, if applicable;
n. The constitution of representatives or attorneys and the revocation of mandates granted;
o. Representing the company, either directly or via representatives, either in or out of court, actively and passively, namely proposing, contesting and pursuing lawsuits, giving evidence, acquiescing or desisting, as well as assuming commitments in voluntary arbitration;
p. The exercise of company rights corresponding to its holdings in the capital of other companies;
q. The execution and bringing about of compliance with legal and statutory precepts and the decisions of the General Meeting;
r. Any other matter on which any director requests the deliberation of the Board.

10. Business relationship between holders of qualified shareholdings and the Company

There are no significant commercial relationships between holders of qualified shareholdings and the Company.

B. GOVERNING BODIES AND COMITTEES

I. Shareholders' general meeting

a) Composition of the Board of the Shareholders' General Meeting

11. Board of the Shareholders' General Meeting identification of members and mandate

The Board of the General Meeting, pursuant to Article 11 of the Articles of Association, comprises a Chairman, a Deputy Chairman and a Secretary, or only a Chairman and a Secretary, as decided by the General Meeting, who may or may not be shareholders. If there is a Deputy Chairman, he will replace the Chairman in his absence and impediment.

By reference to 31st December 2016, the composition of the Board of the General Meeting is currently as follows:

Chairman: …… Dr. Pedro Canastra de Azevedo Maia
Deputy Chairman: Dr. Tiago Antunes da Cunha Ferreira de Lemos
Secretary:……… Drª. Marta Horta e Costa Leitão Pinto Barbosa

The Chairman of the Board of the General Meeting, in performing its duties, receives the collaboration of the other members of the Board and of the services of the Company that are at his entire disposal to attend to his requests and to help him in the preparation and the practice of all the acts within his power.
We would draw attention to the collaboration provided in the preparation and realization of the General Meetings, and especially, the very close collaboration of the Administrative and Financial Board and of the Legal Services Board.

The Chairman, the Deputy Chairman and the Secretary of the Board were elected in the General Meeting of 04th February 2013, for the years 2013 to 2016.

b) Exercising voting rights

12. Possible restrictions on voting rights

According to the provisions in article 10.1 of the Articles of Association of Estoril-Sol, SGPS, SA, it was established, in accordance with and with respect for the legal provisions applicable, that: “The General Meeting is constituted by the shareholders that hold, at least, one hundred shares, provided that these shares have been registered or deposited in the Company’s safes up to five days before the date booked for the General Meeting, or the shares have been deposited with a financial intermediary, if they are nominal shares, or registered in registered securities accounts, if they are nominal or registered shares, and the declaration that this is so is received in the Company by that date.”
Within the terms of Article 10.3 of the Articles of Association, every hundred shares correspond to one vote.

13. Maximum percentage of voting rights that may be exercised by a single or group of shareholders, under paragraph 1 of Article 20 of the Portuguese Securities Code

Estoril-Sol articles of association or other instruments do not impose any maximum percentage of voting rights that may be exercised by a single shareholder or by shareholders that are in any of the relations referred to in Article 20(1) of the CVM.

14. Deliberative Quorum

Whether upon the first or second call, decisions on statutory changes, merger, division, transformation or winding-up of the company, election of the Remuneration Committee and of the Advisory Board, suppression or limitation of the pre-emptive right in share capital increases and the appointment of company liquidators have to be approved by the majority of the votes corresponding to the share capital (article 13.3 of the Articles of Association).

II. Management and Supervision

a) Composition (during 2014)

15. Identification of the adopted governance model

The Estoril-Sol’s model of governance is based on the traditional Portuguese model (also known as the “Latin model”), which comprises a Board of Directors, an Audit Board and a Statutory Auditor.

16. Rules for nominating and replacing Board Members

The rules applicable to the appointment and replacement of the members of the Board of Directors follow the imperative standards applicable, as well as the provisions in the Articles of Association.
Within the terms of the Articles of Association of the Estoril-Sol, the administration of the Company is the responsibility of a Board of Directors comprising three to eleven directors, with an odd number thereof, shareholders or not, elected by the General Meeting.

The Articles of Association of the Estoril-Sol allow, within the terms of Article 392 of the CCC, for a minority that represents, at least, 10% of the share capital of the Company and that has voted against a winning proposal in the election of the Board of Directors, has the right to appoint a Director.

The General Meeting that elects the Board of Directors may appoint one of its members to perform the duties of the Chairman of the Board and one or two for Deputy Chairmen. If these are not appointed by the General Meeting, it is up to the directors to choose the Chairman of the Board of Directors and the Deputy Chairman/Chairmen from among themselves, and may replace them at any time.

Within the terms of the law, when the number of directors is increased during a mandate, or when a director is appointed by cooptation, the mandate of the new directors ends at the same time as those who are in office.

The mandate of the members of administration is for four years, where an election year is deemed to be a complete calendar year, and there is no restriction to directors' re-election.

Within the terms of Article 23 of the Articles of Association of the Company, the Board of Directors enjoys the broadest management powers, as it can decide on any matter pertaining to company management, namely regarding:

a. The election of its Chairman and Deputy Chairman, if the General Meeting itself has not made such an appointment;
b. The co-opting of replacement directors;
c. The creation, make-up, competence and working of the Executive Committee;
d. The request for convening General Meetings;
e. The annual report and accounts to be submitted to the General Meeting;
f. Proposals to the General Meeting for the provision of warranties and personal or real guarantees by the Company;
g. The proposal to the General Meeting of major extensions or reductions to the activity of the Company;
h. Important modifications in the organization of the company;
i. The establishment or cessation of lasting and important cooperation with other companies;
j. Proposal to the General Meeting for an increase or reduction in the share capital;
k. Proposal to the General Meeting of projects for the merger, division or transformation of the Company;
l. Deliberation on increases in share capital, on one or more occasions, up to an absolute maximum increase of one million six hundred thousand and twenty-one thousand and ninety-three Euros and seventeen cents, for contributions in cash, provided that, in compliance with imperative legal standards, the increase is intended to be subscribed by directors, company employees and other people or entities providing services pertaining to the same, to be identified under the terms and conditions decided in the General Meeting [article 5.2 of the Articles of Association, *ex vi* of line l) of Article 23.1 of the same document];
m. The appointment and dismissal of employees, and setting their salary or compensation, if applicable;
n. The constitution of representatives or attorneys and the revocation of mandates granted;
o. Representing the company, either directly or via representatives, either in or out of court, actively and passively, namely proposing, contesting and pursuing lawsuits, giving evidence, acquiescing or desisting, as well as assuming commitments in voluntary arbitration;
p. The exercise of company rights corresponding to its holdings in the capital of other companies;
q. The execution and bringing about of compliance with legal and statutory precepts and the decisions of the General Meeting;
r. Any other matter on which any director requests the deliberation of the Board.

17. Composition of the Board of Directors

In addition to the information provided in the previous point of this report (section 16), under this Paragraph 17 should be noted that the composition of the Board of Directors on December 31, 2016 was as follows:

Composition of the Board of Directors:

Chairman:	Dr. Stanley Hung Sun Ho
Deputy Chairmen:	Dr. Mário Alberto Neves Assis Ferreira Dr. Patrick Wing Ming Huen
Members:	Dr. Ambrose Shu Fai So Mrs. Pansy CatIlina Chiu King Ho Sr. Choi Man Hin Eng. António José de Melo Vieira Coelho Dr. Vasco Esteves Fraga Dr. Jorge Armindo de Carvalho Teixeira Dr. Calvin Ka Wing Chann Dr. Miguel António Dias Urbano de Magalhães Queiroz

The members of the Board of Directors were elected in the General Meeting of 04th February 2013, for the years 2013 to 2016.

The members of the Board of Directors first election occurred in the year:

- Dr. Stanley Hung Sun Ho – 2002
- Dr. Mário Alberto Neves Assis Ferreira – 1996
- Sr. Huen Wing Ming Patrick – 1995
- Drª Pansy Catilina Chiu King Ho – 2010
- Dr. Ambrose So – 1978
- Sr. Choi Man Hin – 1995
- Eng.º António José de Melo Vieira Coelho – 2000
- Dr. Vasco Esteves Fraga – 2002
- Dr. Jorge Armindo de Carvalho Teixeira – 2006
- Dr. Calvin Ka Wing Chann – 2013
- Dr. Miguel António Dias Urbano de Magalhães Queiroz – 2013

18. Distinction between executive and nonexecutive members

Under proposal of two members of the Board of Directors – as duly disclosed to the public – at the Board of Directors meeting of February 04th, 2013 an Executive Committee was created within the Board of Directors of the Society.

The current composition of the Executive Committee is as follows:

Chairman: Pansy Catilina Chiu King Ho,

Deputy-Chairman: Jorge Armindo Teixeira de Carvalho

Members: Vasco Esteves Fraga
Calvin Ka Wing Chann

The members of the Executive Committee were elected for the years 2013 to 2016. By deliberation of the Board of Directors of February 04th, 2013 on the Executive Committee was delegated the management of the Company, with the broadest legally permitted and delegated powers, particularly the representation of the Company within the delegation.

From the non-executive members of the Board of Directors the following should be considered independent:

Dr. Mário Alberto Neves Assis Ferreira
Sr. Man Hin Choi
Engº António José de Melo Vieira Coelho

19. Professional qualifications and curricular references of the members of the Board of Directors

<u>STANLEY HUNG SUN HO (Chairman)</u>

Has a long professional career as an entrepreneur linked to the Tourism, Gaming, Shipping and Real Estate sectors.
His main professional activities over the last five years in Portugal, Hong Kong and Macao, include the post of Chairman of the Board of Directors in the following companies: STDM, SA, Seng Heng Bank, Nam Van Development Company, Shun Tak-China ShippingInvestments Ltd., Melco International Development, Ltd., Aberdeen Restaurant Enterprises, Ltd., SJM - Sociedade de Jogos de Macau, SA, STDM - Investimentos Imobiliários, SA, FINANSOL, SGPS, SA, SGAL - Sociedade Gestora da Alta de Lisboa. SA and Estoril Sol, SGPS, SA.
He currently holds the post of Chairman of the Board of Directors of Estoril-Sol, SGPS, to which he was elected for the first time on 2 May 2006.
On 31 December 2016 he held 135,662 shares in the share capital of Estoril-Sol, SGPS, SA.

<u>PATRICK WING MING HUEN (Deputy Chairman)</u>

Has a graduate degree in accounting from the British Banking Institute.
His main professional activities over the last five years in China, Hong Kong, Macau and Portugal, include the post of Voting Member of the Board of Directors in the companies Industrial and Commercial Bank of China Ltd., CAM – Sociedade do Aeroporto Internacional de Macau, SARL, King Power Lojas Francas (Macau) SARL, MACAUPORT - Sociedade de Administração de Portos, SARL, FINANSOL, SGPS, SA,

Estoril -Sol, SGPS, SA, Estoril Sol, (III) Turismo, Animação e Jogo, SA and Varzim Sol – Turismo, Jogo e Animação, SA.
He currently holds the post of Deputy Chairman of the Board of Directors of Estoril-Sol, SGPS, to which he was first elected on 31 March 1995.
On 31 December 2016 he held 55,000 shares in the share capital of Estoril-Sol, SGPS, SA.

MÁRIO ALBERTO DAS NEVES ASSIS FERREIRA (Deputy Chairman)

Has a graduate degree in law from Universidade Clássica of Lisbon as well as a degree in business administration from the Gestúlio Vargas Foundation in Rio de Janeiro. He is a Member of the Advisory Board of ISEG - Instituto Superior de Economia e Gestão (Institute of Higher Education in Economics and Management), Member of the Advisory Board of the Faculty of Economics and Business Sciences of Universidade Lusíada in Lisbon, as well as Member of the Advisory Board of the Graduate Degree in Tourism of the Universidade Lusófona de Humanidades e Tecnologias and Member of the Board of the School of the Faculty of Human Mobility.
In the last five years he has developed his professional activity as Chairman of Board of Directors in companies of the Estoril-Sol Group.
He currently holds the post of Deputy Chairman of the Board of Directors of Estoril-Sol, SGPS.
On 31 December 2016 he held 601 shares in the share capital of Estoril-Sol, SGPS, SA.

PANSY CATILINA CHIU KING HO

Has specific training in International Management, Marketing and International Studies from the University of Santa Clara and has a PhD in Business Management from the University of Johnson & Wales.
Her main professional activity in recent years, specifically in Portugal, Hong Kong and Macau, includes the position as Director of MGM Grand Paradise, SA, of Shun Tak Holdings Limited, of STDM – Sociedade de Turismo e Diversões de Macau, SA., of Macau Tower Convention & Entertainment Centre, of Air Macau Company Limites, of Estoril Sol, SGPS, SA, of SGAL – Sociedade gestora da Alta de Lisboa, SA and Posse – SGPS, SA.
She currently holds the position of Member of the Board of Directors of Estoril-Sol, SGPS to which she was appointed on 31 May 2010, by cooptation, in replacement and upon the decease of Sr. António José Pereira.
On 31 December 2016 she held no shares in the share capital of Estoril-Sol, SGPS, SA.

AMBROSE SHU FAI SO

Has a P.H.D. in Management from the University of Hong Kong.
His professional activities over the last five years in China, Hong Kong, Macau and Portugal, most notably include the post of Chairman of the Board of Directors in Tianjin Hexin Development Co., Ltd., MACAUPORT - Sociedade de Administração de Portos, SARL and Voting Member of the Board of Directors in Tonic Industries Holdings Ltd, SJM Holdings Ltd, Shanghai Hongyi Real Estate Development Co. Ltd, Sociedade de Empreendimentos NAM VAN, SARL, Sociedade de Jogos de Macau, SA, STDM - Investimentos Imobiliários, S.A., Finansol, SGPS, SAand Estoril-Sol, SGPS, SA.
He currently serves as a Voting Member of the Board of Directors of Estoril-Sol, SGPS, to which he was first elected on 10 March 1998.
On 31 December 2016 he held 50,000 shares in the share capital of Estoril -Sol, SGPS, SA.

MAN HIN CHOI

Has specific training in Casino management, Las Vegas.
In the last five years he has developed his professional activity as Voting Member of the Board of Directors in companies of the Estoril Sol Group.
He currently serves as a Voting Member of the Board of Directors of Estoril-Sol, SGPS, to which he was first elected on 31 March 1995.
On 31 December 2016 he held 527 shares in the share capital of Estoril-Sol, SGPS, SA.

VASCO ESTEVES FRAGA

Has a graduate degree in Finance from the Instituto Superior de Economia (Higher Institute of Economics).
In the last five years he has developed his professional activity as Voting Member of the Board of Directors in companies of the Estoril Sol Group, and as a member of the General Audit Board of the Banco Comercial Português (Millennium BCP). He is currently director of SGAL – Sociedade Gestora da Alta de Lisboa, SA.
He currently serves as a Voting Member of the Board of Directors of Estoril-Sol, SGPS, to which he was first elected on 2 May 2006.
On 31 December 2016 he held 608 shares in the share capital of Estoril- Sol, SGPS, SA.

ANTÓNIO JOSÉ DE MELO VIEIRA COELHO

Has a graduate degree in Radiotechnology from Escola Náutica Infante D. Henrique (Shipping School).
In the last five years he has developed his professional activity as Voting Member of the Board of Directors in companies of the Estoril Sol Group.
He currently serves as a Voting Member of the Board of Directors of Estoril-Sol, SGPS, to which he was first elected on 24 April 2000.
On 31 December 2016 he did not hold any shares in the share capital of Estoril-Sol, SGPS, SA.

JORGE ARMINDO DE CARVALHO TEIXEIRA

Has a graduate degree in economics from the Faculty of Economics of the University of Porto, where he lectured from 1976 to 1992.
His professional activities over the last five years include the post of Chairman of the Board of Directors in several companies, among them Amorim – Entertainment e Gaming International, SGPS,SA, Amorim Turismo, Serviços Gestão, SA, Edifer Angola, SA, Iberpartners – Gestão e Reestruturação de Empresas, SA, Troia Peninsula Investimentos, SGPS, SA and Estoril Sol, SGPS, SA.
He has been a Voting Member of the Board of Directors of Estoril-Sol, SGPS, SA since 31 January 2006.
At the end of 2016 he did not hold any shares in the share capital of Estoril-Sol, SGPS, SA

CALVIN KA WING CHANN

Born in 1962.
Graduate in Civil Engineering from the University of Westminster in London.
Certified member of Chartered Association of Certified Accountants (ACCA).
Worked in London at Halcrow Fox & Associates and Leigh Philip & Partners, Chartered Accountants.
He has been a Voting Member of the Board of Directors of Estoril-Sol,SGPS,S.A since 04th February 2013.
At the end of 2016 he holds 1,000 shares in the share capital of Estoril-Sol, SGPS, SA

MIGUEL ANTÓNIO DIAS URBANO DE MAGALHÃES QUEIROZ

Born in 1962
Law Degre from the Universidade Católica Portuguesa, Lisbon, in 1986.
Lawyer admitted to the Bar Association in Portugal since 1987.
Admitted to the Lawyers Association of Macau (Founder – 1987).
Admitted as Private Notary in Macau (1991).
Legal Advisor at Lisbon City Hall from 1985 until 1987.
Partner and Attorney at Soc. de Advogados RC, Lawyers – Macau 1987 until 1996.
Since 1996 he has been member of the Board of Directors of STDM – Departamento de Investimentos, - Portugal, as well as other companies from STDM Group in Portugal.
He has been a Voting Member of the Board of Directors of Estoril-Sol,SGPS,S.A since 04th February 2013.
At the end of 2016 he did not hold any shares in the share capital of Estoril-Sol, SGPS, SA

20. Significant family, business and commercial relationships between members of the Board of Directors and shareholders with attributed qualified shareholdings

The Company is not aware of any family, professional or commercial, customary and meaningful relationships between members of the Board of Directors of the Company and any qualified shareholder of the Company.

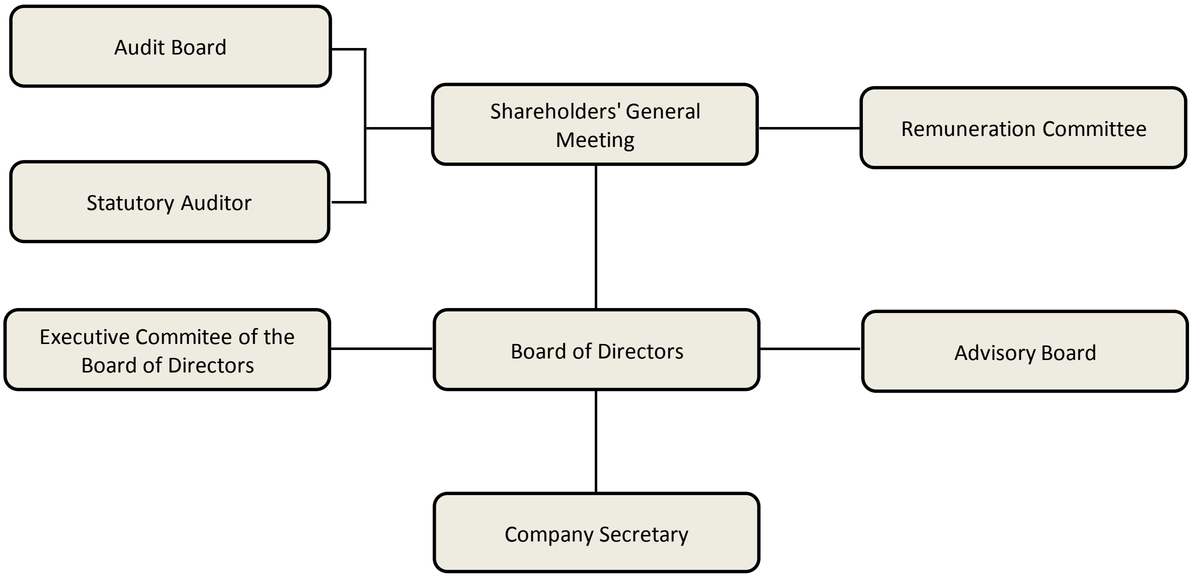
21. Division of powers between the different boards, committees and / or departments within the Company, including the delegation of powers, particularly with regards to the delegation of the Company's daily management

Taking into consideration the reduced size of the Company, there is no division of duties between the members of the corporate offices and departments of the Company, specifically the distribution of areas of responsibility among the members of the Company's Board of Directors.

The competences of the management and Audit Boards, as well as of the committees and/or departments of the Company are those that are defined in the Articles of Association, there being no complex model of internal organization with regard to the day-to-day management of Estoril-Sol, neither is there any distribution of areas of responsibility by the members of the Board of Directors.

Within the scope of its activity of managing of shareholdings, the Board of Directors has a small Administrative Support Service.

Below, we will introduce the organization chart of the governing bodies of Estoril Sol:



b) Operating rules

22. Internal Regulation of the Board of Directors

The Internal Regulation of the Board of Directors and Executive Committee of the Board of Directors are available for consultation at the Company's website www.estoril-solsgps.com

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

The Board of Directors meets on a regular basis, and that regularity is, in principle, once monthly, and always whenever there are issues that justify convening it.
Boards occur in conformity with a previously set schedule and their work agendas are previously given out to all members of the Board, as well as their minutes and supporting documents.
Given the specific composition of the Board of Directors of the Company, meetings of the Board of Directors have been held by telematic means.

The Board of Directors met twelve (9) times in 2016.

Member	Attendance	Representation	Attendance percentage (a)
Stanley Hung Sun Ho	0	0	0%
Mário Alberto Neves Assis Ferreira	9	0	100%
Patrick Wing Ming Huen	0	0	0%
Pansy Catilina Chiu King Ho	6	0	67%
Ambrose Shu Fai So	0	0	0%
Man Hin Choi	8	0	89%
António José de Melo Vieira Coelho	9	0	100%
Vasco Esteves Fraga	9	0	100%
Jorge Armindo de Carvalho Teixeira	8	0	89%
Calvin Ka Wing Chann	9	0	100%
Miguel António Dias Urbano de Magalhães Queiroz	9	0	100%

(a) Percentage with reference to attendance

The Executive Committee did not met autonomously during the year 2016.

Estoril-Sol, SGPS, S.A. is a holding company with operations managed by its subsidiaries, mainly related with gaming concessions operated by "Estoril-Sol (III). Turismo, Animação e Jogo S.A." and "Varzim-Sol – Turismo, Jogo e Animação, S.A.". These subsidiaries have their own management structure, Executive Committees which meet on average every two weeks, and on which the current management of operations has been delegated by the respective Board of Directors. Two members of Estoril-Sol, SGPS, S.A. Executive Committee are also members of the Executive Committee of these subsidiaries.

24. Competent Bodies of the Company to appraise the performance of executive directors

The Remuneration Committee is within the Estoril Sol SGPS, SA, the appropriate body to appraise the performance of the Board of Directors Executive Committee members.

25. Predetermined criteria for evaluating the performance of executive directors

The performance of executive directors is taken in accordance with the following guiding principles:

- The duties and responsibilities assumed by the executive directors, taking also in consideration the responsibilities assumed in Estoril-Sol, SGPS, S.A. subsidiaries, and in any rewards earned within these ones.

- The economic situation of the Company, as well as the Company's interests in the long term and real company growth and value added for the shareholders.

- General market conditions for comparable situations among other companies in the same sector, listed on Euronext Lisbon and equivalent size, taking into account the competitiveness of the remuneration framework proposed.

26. Availability of the members of the Board of Directors

From the point of view of the needs of the Company, ordinary and / or extraordinary, the members of the Board have always shown full dedication and availability.

Notwithstanding, it should be noted that each of them occupies the following positions in other entities:

STANLEY HUNG SUN HO

❖ Within the Group Estoril-Sol

-
  - Chairman of the Board of Directors - ESTORIL SOL, SGPS, S.A.

❖ Outside the Group Estoril-Sol

In Portugal
Chairman of the Board of Directors:
- FINANSOL, SGPS, S.A.
- Oriente, SGPS, S.A.
- STDP - Soc. Transnacional Desenvolvimento de Participações, SGPS, S.A.

in Macau
Chairman:

- Founder and Director - STDM, SARL.
- SJM - Sociedade de Jogos de Macau, S.A.
- Nam Van Development Company, S.A.
- Teledifusão de Macau, S.A.
- Macau Horse Racing Company Limited.
- Macau (Yat Yuen) Canidrome Company Lda.
- Sociedade de Turismo e Desenvolvimento Insular, S.A.
- Geocapital - Investimentos Estratégicos, S.A.
-

In Hong-Kong

Chairman:

- Shun Tak Holdings, Limited.
- Shun Tak-China Shipping Investments Limited.
- Shun Tak Shipping Company, Limited.
- SJM Holdings Limited
- Aberdeen Restaurant Enterprises, Limited.

Member of the Board of Directors:

- Sky Shuttle Helicopters Limited.
- Hong Kong Express Airways, Ltd.

PATRICK WING MING HUEN

❖ Within the Group Estoril-Sol

In Portugal

Chairman of the Board of Directors:

- Varzim-Sol, Turismo, Jogo e Animação, S.A.

Deputy Chairman:

- ESTORIL SOL, SGPS, SA
- Estoril Sol III - Turismo, Animação e Jogo, S.A.

❖ Outside the Group Estoril-Sol

In Portugal

Member of the Board of Directors

- FINANSOL, SGPS, SA
-

In Macau

Member of the Board of Directors

- Industrial and Commercial Bank of China (Macau), Ltd
- CAM - Sociedade do Aeroporto Internacional de Macau, SARL
- King Power Lojas Francas (Macau), SARL
- MACAUPORT - Sociedade de Administração de Portos, SARL
- Millennium - Instituto de Educação, S.A.
- Dr. Stanley Ho Foundation
- Tianjin Hexin Development Co. Ltd.

MÁRIO ALBERTO NEVES ASSIS FERREIRA

❖ Within the Group Estoril-Sol

Chairman of the Board of Directors:

- Estoril Sol III - Turismo, Animação e Jogo, S.A.
- Chão do Parque - Sociedade de Investimentos Imobiliários, S.A.

- DTH - Desenvolvimento Turístico e Hoteleiro, S.A
- Estoril Sol - Investimentos Hoteleiros, S.A.
- Estoril Sol Imobiliária, S.A.
- Estoril Sol V - Investimentos Imobiliários, S.A.
- Estoril Sol e Mar - Investimentos Imobiliários, S.A.
- Deputy Chairman of the Board of Directors
- Varzim Sol - Turismo, Jogo e Animação, S.A.

Member of the Board of Directors

- Parques do Tamariz - Soc. Exploração de Parques de Estacionamento, S.A.

AMBROSE SHU FAI SO

❖ Within the Group Estoril-Sol

Member of the Board of Directors:

- Estoril Sol, SGPS, SA

❖ Outside the Group Estoril-Sol

In Portugal

Chairman of the Board of Directors

- Brightask - Gestão e Investimentos, S.A.

Member of the Board of Directors:

- Central de Aplicações, SGPS, SA
- Credicapital - SGPS, S.A.
- Finansol, S.A.
- Guinor - Companhia de Desenvolvimento Imobiliário, SGPS, S.A.
- Imapex - Soc. De Construções e investimento Imobiliário, S.A.
- POSSE, SGPS, S.A.
- STDM - Investimentos, SGPS, SA
- STDM - Investimentos Imobiliários, S.A.
- IMO 12 - Gestão Mobiliária e Imobiliária Unipessoal, SA
- IMO-OITO - Soc. De Investimentos imobiliários, SA
- Guinchotel - Actividades Hoteleiras, Lda.
- Gerente da STDM - Gestão de Investimentos, Unipessoal, Lda.

In Macau

Chairman of the Board of Directors:

- MACAUPORT - Sociedade de Administração de Portos, SARL
  Macau Horse Racing Co., Ltd.
- Millennium - Instituto de Educação, S.A.
- Sociedade de Empreendimentos NAM VAN, SARL
- Sociedade de Jogos de Macau, S.A.
- Ponte 16 - Desenvolvimento Predial, S.A.
- Geocapital - Investimentos Estratégicos, S.A.

In Hong Kong

Member of the Board of Directors:

- SJM Holdings Ltd
- Tonic Industries Holdings Ltd
-

In China

Chairman of the Board of Directors:

- Tianjin Hexin Development Co., Ltd.

Member of the Board of Directors:

- Shanghai Hongyi Real Estate Development Co., Ltd

PANSY CATILINA CHIU KING HO

- Within the Group Estoril-Sol

In Portugal:
Member of the Board of Directors:

- ESTORIL SOL, SGPS, SA
  - DTH – Desenvolvimento Turístico e Hoteleiro, S.A.

- Outside the Group Estoril-Sol

In Portugal:
Chairman of the Board of Directors:

- STDM - Investimentos, SGPS, SA
  STDM - Investimentos Imobiliários, S.A

Member of the Board of Directors:

- Central de Aplicações, SGPS, SA
- STDM – Investimentos, SGPS, SA
- Guinor, Companhia de Desenvolvimento Imobiliário, SGPS, SA
- POSSE – Sociedade Gestora de participações Sociais, SGPS, SA
- SGAL - Sociedade Gestora da Alta de Lisboa, SA
- Brightask - Gestão e Investimentos, S.A

In Macau:
Member of the Board of Directors:

- STDM - Sociedade de Turismo e Diversões de Macau, SA
- STDM – Hotels and Investments Limited
- AIR MACAU Company Limited
- King Power Duty Free (Macau) Company Limited
- JET ASIA Ltd
- MGM Grand Paradise Limited

Chairman of the Board of Directors:

- Macau Tower Convention & Entertainment Centre
- Sociedade de Turismo Insular SA

Deputy-Chairman and Director

- Macau International Airport Co Lttd

In Hong Kong:
Chairman of the Board of Directors

- SHUN TAK – China Travel Shipping Investments Limited

Member of the Board of Directors:

- SHUN TAK Holdings Limited
- HONG KONG International Airport Terminal Services Limited

MAN HIN CHOI

- Within the Group Estoril-Sol

Member of the Board of Directors:

- Estoril Sol, SGPS, S.A.
- Estoril Sol III - Turismo, Animação e Jogo, S.A.
- Varzim-Sol - Turismo, Jogo e Animação, S.A.
- Estoril Sol Investimentos Hoteleiros, S.A.
- Estoril Sol Digital, Online Gaming Products and Services, S.A.

- Outside the Group Estoril-Sol

Member of the Board of Directors:
- BRIGHTASK - Gestão de Investimentos, S.A.
- Credicapital, SGPS, S.A.
- Guinchotel - Actividades Hoteleiras, Lda.
- Oriente, SGPS, S.A.
- STDM, Investimentos SGPS, SA
- STDM - Investimentos Imobiliários, S.A.
- STDP, SGPS, S.A.

Manager:
- IMAPEX - Soc. Construções and Investimentos Imobiliários, Lda.
- IMO-DOZE - Gestão Mobiliária e Imobiliária Unipessoal, Lda.
- IMO-OITO - Sociedade de Investimentos Imobiliários, Lda.
- STDM - Gestão de Investimentos, Lda.

VASCO ESTEVES FRAGA

❖ Within the Group Estoril-Sol

Member of the Board of Directors:
- Estoril Sol, SGPS, S.A.
- Estoril Sol III - Turismo, Animação e Jogo, S.A.
- Varzim Sol - Turismo, Animação e Jogo, S.A.
  - Estoril Sol Digital – Online Gaming Products and Services, S.A.
-

❖ Outside the Group Estoril-Sol

Member of the Board of Directors:
- SGAL - Sociedade Gestora da Alta de Lisboa, SA
- Posse – SGPS, S.A.
- Guinor – Companhia de Desenvolvimento Imobiliário, SGPS, S.A.
- Central de Aplicações – SGPS, S.A.

ANTÓNIO JOSÉ DE MELO VIEIRA COELHO

❖ Within the Group Estoril-Sol

Member of the Board of Directors:
- Estoril Sol, SGPS, S.A.
- Estoril Sol III - Turismo, Animação e Jogo, S.A.
- Varzim Sol – Turismo, Animação e Jogo, S.A.
- Chão do Parque - Sociedade de Investimentos Imobiliários, S.A.
- Estoril Sol - Investimentos Hoteleiros, S.A.
- Estoril Sol e Mar - Investimentos Imobiliários, S.A.
- DTH – Desenvolvimento Turistico e Hoteleiro, S:A.
- Estoril Sol Imobiliária, S.A.
- Estoril Sol V - Investimentos Imobiliários, S.A.
  - Estoril Sol Digital – Online Gaming Products and Services, S.A.
-

❖ Outside the Group Estoril-Sol

Member of the Board of Directors:
- STDM - Investimentos Imobiliários, S.A.

JORGE ARMINDO DE CARVALHO TEIXEIRA

- ❖ Within the Group Estoril-Sol

Member of the Board of Directors:

- Estoril Sol, SGPS, S.A
- o DTH – Desenvolvimento Turístico e Hoteleiro, S:A.

- ❖ Outside the Group Estoril-Sol

Member of the Board of Directors:

- Amorim - Entertainment and Gaming Internacional, SGPS, SA
- Amorim Turismo, SGPS, SA
- BL&GR, S.A.
- Blue & Green, II, S.A.
- Blue & Green – Serviços e Gestão, S.A.
- CHT - Casino Hotel de Tróia, SA
- Eleven – Restauração e Catering S.A.
- Fundição do Alto da Lixa, S.A.
- Fozpatrimónio, S.A.
- Goldtur - Hotéis e Turismo, SA
- Grano Salis - Investimentos Turísticos, e Lazer, S.A.
- Grano Salis II - Investimentos Turísticos, e Lazer, S.A.
- Iberpartners - Gestão e Reestruturação de Empresas S.A.
- Iberpartners Cafés, SGPS, S.A.
- Hotel Turismo, SARL
- Imofoz, SA
- Mobis - Hotéis de Moçambique, SARL
- Notel - Empreendimentos Turísticos, SARL
- Prifalésia - Construção e Gestão de Hotéis, SA
- SGGHM - Sociedade Geral de Hotéis de Moçambique, S.A.
- Sociedade Figueira Praia, SA
- SPIGH - Sociedade Portuguesa de Investimentos e Gestão Hoteleira, S.A.
- Troia Península Investimentos, SGPS, SA
- Turyleader, SGPS, SA

CALVIN KA WING CHANN

- ❖ Within the Group Estoril-Sol

Chairman of the Board of Directors

- o Estoril Sol Digital – Online Gaming Products and Services, S.A.

Member of the Board of Directors

- o Estoril-Sol (III) – Turismo, Animação e Jogo, S.A.
- Varzim-Sol – Turismo, jogo e Animação, S.A
- o Estoril-Sol, SGPS, S.A.

- ❖ Outside the Group Estoril-Sol

Member of the Board of Directors:

- BRIGHTASK-Gestão de Investimentos, S.A.
- CENTRAL DE APLICAÇÕES – SGPS, S.A.
- CREDICAPITAL-Sociedade Gestora de Participações, S.A.

- GUINCHOTEL – Actividades Hoteleiras, Lda.
- GUINOR Companhia de Desenvolvimento Imobiliário, SGPS, S.A.
- IMAPEX, Sociedade de Construções e Investimentos Imobiliários, S.A.
- IMO 12 – Gestão Mobiliária e Imobiliária, S.A.
- IMO 8 – Sociedade de Investimentos Imobiliários, S.A.
- MALHA 5 – Investimentos Imobiliários, S.A.
- POSSE, SGPS, S.A.
- STDM – Investimentos, SGPS, S.A.
- STDM – Investimentos Imobiliários, S.A.
- STDM – Gestão de Investimentos, Unipessoal, Lda.
- Orientenjoy, S.A.

MIGUEL ANTÓNIO DIAS URBANO DE MAGALHÃES QUEIROZ

❖ Within the Group Estoril-Sol

Member of the Board of Directors

Estoril-Sol, SGPS, S.A.
- o Estoril-Sol III - Turismo, Animação e Jogo, S.A.
- DTH - Desenvolvimento Turístico e Hoteleiro, S.A
- Estoril-Sol - Investimentos Hoteleiros, S.A.
- Estoril-Sol Imobiliária, S.A.
- Estoril-Sol V - Investimentos Imobiliários, S.A.
- Estoril Sol e Mar - Investimentos Imobiliários, S.A.

❖ Outside the Group Estoril-Sol

Chairman of the Board of Directors:

Portline -Transportes Marítimos Internacionais, S.A.
- Portline Bulk International, S.A.
- Portline Ocean, S.A.

Member of the Board of Directors:
- BRIGHTASK-Gestão de Investimentos, S.A.
- FINANSOL - Soc. De Controlo, SGPS, S.A.
- GUINCHOTEL – Actividades Hoteleiras, Lda.
- IMAPEX, Sociedade de Construções e Investimentos Imobiliários, S.A.
- IMO 12 – Gestão Mobiliária e Imobiliária, S.A.
- STDM – Investimentos, SGPS, S.A.
- STDM – Gestão de Investimentos, Unipessoal, Lda.
-

Chairman of the Annual General meeting:
- Portline -Transportes Marítimos Internacionais, S.A.
- Portline Bulk International, S.A.
- Portline Ocean, S.A.

In Macau
Member of the Audit Board:
- SJM – Sociedade de Jogos de Macau, S.A.

c) Committees within the Board of Directors

27. Identification of Committees created within the Board of Directors

In addition to the Executive Committee the Company has not created any specialized committee within the Board of Directors or Supervisory. As noted above, the Board of Directors appointed an Executive Committee composed by four of its members.

28. Composition of the Executive Committee

The current composition of the Executive Committee is as follows:

Chairman: Pansy Catilina Chiu King Ho

Deputy-Chairman: Jorge Armindo Teixeira de Carvalho

Members: Vasco Esteves Fraga
Calvin Ka Wing Chann

The members of the Executive Committee were elected for the years 2013 to 2016.

29. Internal Committees and Advisory Groups of the Board of Directors

Not applicable to the Company since it has no specialized committee within the board of directors.

III. Audit

a) Composition

30. Identification of the Auditing Bodies

The supervision of Estoril-Sol is the responsibility of a Audit Board comprising three to five effective members and one or two alternates, respectively, shareholders or not, and to a Statutory Auditor or Firm of Statutory Auditors which is not a member of the Audit Board.

31. Composition

The members of the Audit Board, in functions at December 31st, 2015, were elected in the General Meeting of 04th February 2013. The mandate of the members of the Audit Board is for four years, where an election year is deemed to be a complete calendar year, and there is no restriction to their re-election.

The Audit Board decides with a simple majority of its members, who all have equal voting rights, and decisions are taken by a majority of the votes.

Composition of the Audit Board:

Chairman:	Dr. Mário Pereira Pinto
Members:	Dr. António José Alves da Silva
	Dr. Manuel Martins Lourenço
Alternate:	Dr. Armando do Carmo Gonçalves

Statutory Auditor:

Lampreia, Viçoso & Associado, SROC. No. 157 - Represented by José Martins lampreia, Statutory Auditor no. 149. The external auditor was elected for four years in the General Meeting of 04th February 2013, upon the proposal of the Audit Board.

32. Independence

The members of the Audit Board of the Estoril-Sol comply with the rules of incompatibility set out in paragraph 1 of Article 414.-A and meet the criteria of independence set out in Article 414.5, both of the CCC.

33. Professional Qualifications

MÁRIO PEREIRA PINTO
Has a graduate degree in Economics from the Faculty of Economics of the University of Porto 1970/75; completed the “Advanced Management Program” from the INSEAD-Fontainebleau, France – 1989.
Was elected as a member of the Audit Board of the Company in the Annual General Meeting of 2004 and was re-elected in the General Meeting of 04th february 2013.
On 31 December 2016 he held no shares of the share capital of Estoril-Sol, SGPS, SA.

MANUEL MARTINS LOURENÇO
Has a graduate degree in Finance from the Instituto Superior de Economia de Lisboa (Lisbon Higher Institute of Economics); has a master’s degree in Economics and Management in Sc. & Technology from the ISEG in Lisbon; a Chartered Accountant since 1988.
Elected as member of the company’s Audit Board in the Special Meeting in 2007, and re-elected in the General Meeting in 04th February 2013.
On 31 December 2016 he held no shares of the share capital of Estoril-Sol, SGPS, SA.

ANTÓNIO JOSÉ ALVES DA SILVA
Has a Baccalaureate in Accounting. A Chartered Accountant since 1974.
Elected as member of the company’s Audit Board in the Special Meeting in 2007, and re-elected in the General Meeting in 04th February 2013.
In the last 5 years, he served as the Chartered Accountant for the following companies: BJH, S.A; Bonafarma, S.A.; Bruno Janz, S.A.; Equiconsulte, S.A.; Jaba Farma, S.A.; Jaba Farmacêutica, S.A.; Jaba SGPS, S.A.; Monte da Pouca Farinha, S.A.; Novamed, S.A.; Proemba, S.A.; Sociedade Imobiliária – Qtª da Barreta, S.A.
On 31 December 2016 he held no shares of the share capital of Estoril-Sol, SGPS, SA.

ARMANDO DO CARMO GONÇALVES

Has a graduate degree from the Lisbon Faculty of Law, 1983/84. Holds a graduate degree in Finance from the ISCEF-Lisbon, in 1967/68. Has a master's degree in Company Management in the field of Accounting and Financial Control from the Universidade Autónoma de Lisboa. Took part in several international congresses and meetings on auditing, accounting and management. A Chartered Accountant since 1997. Since 1990, an accounting professor at the ISCAL, with the category of Associate Professor. University Professor.

Elected as member of the company's Supervisory Board in the Special Meeting in 2007, and re-elected in the General Meeting in 04th February 2013.

On 31 December 2016 he held no shares of the share capital of Estoril-Sol, SGPS, SA.

b) Operating rules

34. Internal Regulation and Annual Activity Report

The operating rules of the Audit Board are defined in the Articles of Association of the Company (Chapter V - Article 25 to 28) and can be found on the Website (www.estoril-solsgps.com).

35. Statutory Audit Board Meetings

The Audit Board meets whenever it is considered that there is an issue that warrants a meeting, with meetings being held at least once per quarter.

Meetings occur in conformity with the decision of the Chairman with minutes being drawn up of all the meetings.

The Audit Board met 8 times during 2016.

Member	Attendance	Representation	Attendance percentage (a)
Mário Pereira Pinto	8	0	100%
António José Alves da Silva	8	0	100%
Manuel Martins Lourenço	8	0	100%

(a) Percentage with reference to attendance

36. Availability of the members of the Statutory Board members

All members of the Audit Board of the Company demonstrated, consistently, its willingness to exercise their functions, having appeared regularly at board meetings and participated in its work.

MÁRIO PEREIRA PINTO

- Outside the Group Estoril-Sol

Chairman of the Board of Change Partners, SCR, SA
Chairman of the Board of Change Partners, SGPS, SA
Chairman of the Board of Hottrade, S.A.
Chairman of the Board of Fluidinova, S.A.

Non-executive director of BA - Glass, SA
Director of CEV - Consumo em Verde, S.A.

MANUEL MARTINS LOURENÇO

- Outside the Group Estoril-Sol

Statutory Auditor of the Company Sogapal - Sociedade Gráfica da Paiâ, S.A.
Statutory Auditor of the Company Octapharma - Distribuição de produtos farmacêuticos. S.A.
Statutory Auditor of the Company Salsicharia Estromocense, Ld.ª
Statutory Auditor of the company PREBUILD, S.A.

ANTÓNIO JOSÉ ALVES DA SILVA

- Outside the Group Estoril-Sol

Statutory Auditor in Equiconsulte, S.A
Statutory Auditor in Interlago, S.A
Statutory Auditor in L.D.R., S.A.
Statutory Auditor in LMGL, S.A
Statutory Auditor in LMGT, S.A
Statutory Auditor in Monte da Espinheira, S.A.
Statutory Auditor in Neves Tavares & Irmãos, S.A.
Statutory Auditor in Predial da Avessada, S.A.
Statutory Auditor in Simares, S.A.
Statutory Auditor in Soc. Agrícola - Qt.ª da Barreta, S.A.
Statutory Auditor in Tavares & Cº - Cortiças, S.A.

ARMANDO DO CARMO GONÇALVES

- Outside the Group Estoril-Sol

Statutory Auditor in Egor Portugal, S.A.
Statutory Auditor in Matur - Empreendimentos TS.A.
Statutory Auditor in Limpac Corporation
Statutory Auditor in Tecnovia, S.A.
Statutory Auditor in Iconomatro - Madeiras e Derivados, S.A.

c) Duties and Competencies

37. Intervention by the Statutory Audit Board for the purpose of hiring additional services to the Statutory External Auditor

The Statutory Audit Board is responsible for the approval of additional audit services to the Statutory External Auditor.

38. Other duties carried out by the Statutory Audit Board

The Audit Board has the powers and is subject to the duties established at law and in the Articles of Association of Estoril-Sol, and may perform all the acts of verification and inspection that it considers convenient for the fulfilment of its obligations of supervision, and is particularly responsible for:

- supervising the administration of the Company and checking on the observance of the law and the Articles of Association of the Company;
- verifying the precision of the accounting documents prepared by the Board of Directors and supervising the respective review;
- proposing the appointment of the Statutory Auditor to the General Meeting;
- calling the General Meeting whenever the Chairman of the respective Board does not do so when he should;
- preparing the annual report on its activity and presenting an opinion on the Board of Directors' Report.

IV. Statutory external auditor

39. Identification

Lampreia, Viçoso & Associado, SROC. No. 157 - Represented by José Martins lampreia, Statutory Auditor no. 149. The external auditor was elected for four years in the General Meeting of 04th February 2013, upon the proposal of the Audit Board, for the years 2013 to 2016.

40. Permanence in Functions

The Company has not established periods of rotation of the external auditor in the Articles of Association or in other legal instruments.

41. Other services provided to the Company

The Statutory Auditors additionally provides to the Company, the services of external auditors.

V External auditor

42. Identification

The Company's External Auditor is, in compliance with the article 8 of the Portuguese Securities Code, Lampreia, Viçoso & Associado SROC. No. 157 - Represented by José Martins Lampreia, Statutory Auditor no. 149.

43. Permanence in Functions

The external auditor was elected for four years in the General Meeting of 04th February 2013, upon the proposal of the Audit Board, for the years 2013 to 2016.

Even assuming that it remains the same Auditor (SROC) to provide external audit services for more than three terms, it should be noted the following:

- There is no permanence in the representative partner of the SROC that effectively and specifically, has ensured the audit services to the Estoril-Sol, which was nominated in 2013 for a term of only four years;

- Is guaranteed the independence of the Auditor by modifying the representative partner of the SROC;

- The specific activity of Estoril-Sol require from their service providers, including the Auditor, justifying specific and technical knowledge which make it advantageous to not spin:

- Auditor rotation will cause an increase in costs that is considered disproportionate to the ad vantages that this rotation could mean.

- however, the Company. is aware about the auditors turnover in accordance with the new statute of the Order of Chartered Accountants (SROC).

44. Policy and frequency of rotation of the external auditor

Please see point 43 above from this same report.

45. External Auditor assessment

According to the model of the corporate governance, the election or removal of the Statutory Auditor / External Auditor is decided at the General Assembly upon the proposal of the Audit Board.

The Audit Board undertakes an annual overall assessment of the External Auditor in which includes an assessment of their independence.

46. Additional work, other than audit services, performed by the External Auditor and hiring process

During the year ended December 31st, 2015 were not performed by the external auditor other works than audit work.

47. Remuneration of the External Auditor

In 2016 the said Statutory Auditor earned 21,000 Euros for the services provided exclusively to Estoril-Sol, SGPS, S.A.

For the services provided to Estoril-Sol group of companies, the remuneration amounted to a total of 80.100 Euros, detailed below:

- 21.000 Euros services provided to Estoril-Sol, SGPS, S.A.;
- 59.100 Euros services provided to Estoril-Sol, SGPS, S.A. subsidiaries;

C. INTERNAL REGULATION

I. Articles of Association

48. Rules applicable in the case of amendments to the Company's Articles of Association

The alteration of the Articles of Association of the Company is subject to the imperative rules of the law such as those set out in the Articles of Association.
Besides the specific rules in the Articles of Association of the Company with regard to special reserves for the incorporation and increase of capital – article 31 – there are no other specific rules that relate to the alteration of the Articles of Association, where the general regime of the CCC applies.

II – Reporting Irregularities

49. Policy on reporting Irregularities

Subsidiary companies that are gaming concessionaries are subject to supervision by the Serviço de Inspecção de Jogo do Turismo de Portugal, I.P., to which it is mandatory to notify any irregularities found, as part of their operations. However the Company intends to formalize a policy for the reporting of irregularities that it will disclose in good time.

III – Internal Control and Risk Management

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

Estoril-Sol considers to be of great importance and relevance the implementation of internal control systems. This results, essentially, from the relevance of the sector in which operate the major subsidiaries of the Company. The companies of the Group, aiming to prevent and minimize the risk inherent to their economic activities, have specialised technical services of supervision and control, responsible for the strict fulfillment of the standards of physical safety of customers, employees and installations and also compliance with the legislation that regulates the Gaming activity in Portugal, and it should be pointed out that Portuguese Casinos are subject to the permanent supervision by the State through the Gambling Inspection Service of the Instituto de Turismo de Portugal I.P.

The management of economic and financial risk of the Company and its business associates is continuously monitored by the Board of Directors collaboration with the Operational Management, Security and CCTV Directors, and with the Planning and Control Department.

The board of Directors has been promoting the necessary and appropriate conditions to enable effective monitoring of the management of risks inherent in the Company and Subsidiaries Companies of Estoril-Sol Group, as well as the internal control system, and maintains regular monitoring on the work done.

The Audit Board evaluates the effectiveness of internal control and risk management systems.

51. Hierarchy/or functional relationships with other Company's Bodies

Please see answer to the previous point (Point 50) of this Report.

52. Other Functional Areas with Risk Control Competencies

Please see answer to the previous point (Point 50) of this Report.

53. Identification and Classification of Risks

Within the scope of its activity of managing of shareholdings, Estoril-Sol, as the holding company of the Estoril-Sol Group, assumes various kinds of risk that arise namely from the gaming concessions, these being the following: Business risks, Contractual risks, Physical risks, Financial and currency exchange risks.

Business Risk:
The associated companies Estoril Sol (III) – Turismo, Animação e Jogo, S.A. and Varzim Sol – Turismo, Jogo e Animação, S.A. operate gaming concessions in Casinos. In the last few years, this Sector of activity has been experiencing increased technological growth, particularly focused on slot machines, which requires the ongoing renewal of the product range. The Group's concessionaries systematically keep up with this growth, by visiting manufacturers, taking part in international specialty trade shows and regularly investing in new equipment under the close watch of the Board of Directors of Estoril-Sol.

Pursuant to the concession contracts, the Portuguese State grants concessionaries exclusive rights to gambling and operations of games of chance, in exchange for high initial payments and high annual tax rates. Nevertheless, the Portuguese State has proven to be unable to regulate its citizens' access to countless online casinos that abound today and which constitute a growing factor of unfair competition, both because they account for a significant increase in illicit supply and because they constitute a flagrant source of tax evasion.

The Estoril Sol Group will continue to call the Portuguese Government's attention, both directly and through the Portuguese Association of Casinos, to the need to take legislative measures to prevent this situation, following the example of significantly effective measures taken in the USA and in Norway, thereby ensuring compliance with commitments pertaining to the exclusive right to gaming operations, as contractually assumed between the State and the concessionaires.
These commitments, with regards to the subsidiaries Estoril-Sol (III) and Varzim-Sol, are imposed on us and are interpreted far beyond strict compliance with the regulatory framework of gaming concessions, as they are reflected in a broader framework of preventive initiatives of a social nature.

Contractual Risks:
Concessions for operations in gambling and games of chance in the gaming areas of Estoril and Póvoa de Varzim are operated within the normative context of the contractual and legal framework of the corresponding concession contracts and of the specific legislation governing the sector of gaming activities at casinos, as they are subject to permanent inspection by the State, via the Serviço de Inspecção de Jogo do Turismo de Portugal, I.P..

For its part, the Estoril Sol Group constantly monitors all of its operations in order to guarantee strict compliance with the law.

Physical Risks:
The Group's Companies, which aim to prevent and minimize the risk inherent to its economic activities, have specialized technical surveillance services that are responsible for strict compliance with standards that govern the physical safety of clients, employees and facilities.

With cooperation from an external body, we periodically conduct risk analyses of instituted procedures and of the physical safety of assets, with the implementation of corrective actions for the risks identified.

Financial and Currency Exchange Risks:
The significant investments that the Group companies have made in the last few years as a result of the extension of concession contracts, with an initial payment pertaining to Lisbon Casino as well as investments which are regularly made for reasons pertaining to renewal, modernization and expansion of the Casinos, have involved increased indebtedness which, combined with the changes in market interest rates, resulted in increased financial costs and a potential liquidity risk.

Depending on the operating funds that are freed up, it is felt that the financial risk to which the associated undertakings are exposed is minimal, and the same understanding has prevailed in the examination carried out by financial institutions, as shown by the fact that assets guarantees are dispensed with for operations under contract.

Portuguese legislation forbids casino concessionaries from granting credit to gaming activities, and so, in this regard, Group Companies are not exposed to credit risk. Other revenue from restaurant and entertainment activities, which account for only 1.0% of revenue, therefore represents insignificant exposure.

Every medium-term operation is carried out in Euros, and a few imports with 30-day credit are exceptionally conducted in US Dollars, and so the Company has only minimal exchange rate exposure.

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

Please see answer to the previous point (Point 50) of this Report.

55. Description of the main features of risk management and internal control systems in relation to the preparation and disclosure of financial information

One of the main duties of the Board of Directors of Estoril-Sol together with the respective governing bodies from the major subsidiaries of the Company, is to ensure the right conditions for the preparation and disclosure of the Group Financial Information, while ensuring: reliability, transparency, consistency and accuracy of the financial information prepared and disclosed. Among the key elements of the internal control systems implemented by the Company related with the preparation and disclosure of financial information, we highlight the following:

- The individual financial statements and budget control are prepared on a monthly basis and approved in the Council of Directors ;
- - The heads of operating departments of subsidiaries are required to justify significant deviations from budgeted amounts on a monthly basis ;
- - The consolidated financial statements are prepared quarterly and approved by the Board of Directors;-

- The Statutory Auditor and External Auditor perform an annual audit and half year limited individual and consolidated financial statements ;
- - The Audit Board meets at least once every quarter, analyzes the individual and consolidated financial statements for the three and six months;
- - The Audit Board meets at least once every quarter, to examine and approve the annual and consolidated financial statements for the year
- ;- The annual report is prepared by the Finance Department , approved by the Board of Directors and the Audit Board , and its content is reviewed by the Statutory Auditors .

IV – Investor relations

56. Investor Relations Department

The representative for market relations, whose contact details are in the following section should be contacted

57. Legal representative for Capital Market Relations

As at December 31st, 2014 the company representative for market relations was Mr. Luís Pedro Matos Lopes, whose contact details are:

Av. Clotilde, n.º 331
2765-237 Estoril
Tel. 214667873
Fax. 214667963
Email: relacao.investidor@estoril-sol.com

58. Information Requests

Being the information request so rare, the representative for market relations ensures a prompt answer to all requests for information that are formulated.

V – Website

59. Address

The Company has available to investors a place on the Internet (www.estoril-solsgps.com) through which discloses financial information relating to its individual and consolidated operations and commercial "links" to the "sites" of its associated companies, Estoril Sol (III) and Varzim Sol

60. Location of the information mentioned in Article 171 of the Commercial Companies Code

This information is available on the Internet site (www.estoril-solsgps.com), the following menu:
- Company identification.

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

This information is available on the Internet site (www.estoril-solsgps.com), the following menu:
- Company / Articles of Association.

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

This information is available on the Internet site (www.estoril-solsgps.com), the following menu:
- Company / Governing Bodies.

63. Location where is provided the documents of accounting and calendar of corporate events

This information is available on the Internet site (www.estoril-solsgps.com), the following menu:
– Financial Reports and Accounts.

64. Location where is provided the notice to General Meeting and all related information

This information is available on the Internet site (www.estoril-solsgps.com), the following menu:
- Disclosures / General Meetings.

65. Location where the historical archives are available with resolutions adopted at the Company's General, the represented share capital and the voting results, with reference to the previous 3 years

This information is available on the Internet site (www.estoril-solsgps.com), the following menu:
- Disclosures / General Meetings.

D - Remuneration

I – Competence

66. Competence for determining the remuneration of Governing Bodies, Executive Directors and Company's persons discharging managerial responsibilities ("dirigentes")

Within the terms of Article 34 of the Articles of Association, the Remuneration Committee of the Estoril-Sol comprises three members (shareholders or not), elected by the General Meeting. The remuneration of the members of the corporate offices will be established by the Remuneration Committee, which shall consist of fixed amounts and/or percentages on profits from the fiscal year not occurring on distributions of reserves or on any non-distributable part of such profits, and, overall, such percentages may not exceed eleven percent for the Board of Directors and two percent for the Audit Board.

Similarly, it is for the Remuneration Committee establishing remuneration in cases where there is due and, members of the General Meeting.

67. Composition of the Remuneration Committee, identification of other individuals and entities hired to provide support and advisors statement of independence

Within the terms of Article 34 of the Articles of Association, the Remuneration Committee of the Estoril-Sol comprises three members (shareholders or not), elected by the General Meeting of 04th February 2013 for the years 2013 to 2016.

At December 31st, 2016, the Remuneration Committee comprises the following shareholders:

- Drª. Pansy Catilina Chiu King Ho;
- Dr. Jorge Armindo de Carvalho Teixeira;
- Dr. Calvin Ka Wing Chann.

68. Knowledge and Experience of the members of the Shareholders' Remuneration Committee

The experience and qualifications of the members of the Remuneration Committee are mirrored in the curricula, as points 19 and 26 above, this same report.

69. Description of the remuneration policy of the board of directors and the supervisory board, as provided for in article 2 of Law 28/2009, of 19 June

The remuneration policy of the management and supervisory bodies was subject to approval in the General Meeting of 21 May 2013. The proposal on the policy of remuneration was unanimously approved by those present (shareholders who owned 90,47% of the share capital were present or duly represented).

The text that was subject to shareholder approval in the said General Meeting, which was point 6 on the agenda, is transcribed below.

"The policy of remuneration, general criteria and guiding principles

The policy of remuneration of the members of the management and supervisory bodies of Estoril Sol, SGPS, S.A. seek to promote the long term alignment of the interests of the members of these bodies with the interests of the Company. The principles to be observed in setting the remunerations are the following:

a) Functions performed

The functions actually performed by each of the members and the responsibilities that are associated to them in a substantive and not merely formal sense should be taken into consideration.

The appraisal of the functions effectively performed should be based on a variety of criteria including responsibility, experience required, technical requirements of the functions, availability, institutional representation, time dedicated, value added of certain kinds of intervention.

Within the framework of the assessment and classification of functions to establish remuneration, the functions performed in companies controlled by Estoril Sol SGPS, S.A. and any remuneration received from them are also analysed.

b) Economic situation of the Company

The economic situation of the Company should be taken into consideration, as well as the long-term interests and real growth of the Company and the creation of value for shareholders.

c) General market conditions for comparable situations

The setting of the remuneration of the members of the management and supervisory bodies of the Company should take into consideration the competitiveness of the framework of remuneration proposed. In fact, only within this framework is it possible to attract and retain competent professionals, with a level of performance appropriate to the complexity and responsibility of the duties assumed.

The setting of the remuneration of the members of the management and supervisory bodies should use the remuneration on offer in companies of the gaming sector and companies listed on the EuronextLisboa, of an equivalent size to that of Estoril Sol, SGPS, S.A. as a reference.

1. The concrete options for the remuneration policy that we submitted to the appreciation of the shareholders of the Company are the following:
1.1. Board of Directors
The remuneration of the remunerated members of the Board of Directors of Estoril Sol, SGPS, SA comprises a fixed amount paid 14 times per year.
1.2. Audit Board
The remuneration of the members of the Audit Board of Estoril Sol, SGPS, SA also comprises a fixed amount established in accordance with the normal market practice and prices for this type of service, paid 14 times per year.
1.3. Statutory Auditor
The Statutory Auditor of the Company has an annual remuneration that is also fixed, established in accordance with the normal market level of fees for this type of service.

Estoril, 27 April 2013

The Remuneration Committee"

70. Remuneration of the Board of Directors

The structure of the Board of Directors remuneration and basis for determining it are those contained in the remuneration policy approved at the General Meeting of May 21st, 2013 and transcribed in the previous point (Point 69) of this report.

71. Variable Remuneration of the Board members

The remuneration of the executive directors may include, but this has not been the case, a variable component, within the terms of Article 34 of the Articles of Association of the Company. The variable component depends on the desire manifested in the General Meeting by the shareholders.

72. Deferred payment of the remuneration's variable component

Not applicable in the case of the Company, please see answer provided in the previous point (Point 71) of this Report.

73. Criteria that underlie the allocation of variable remuneration in shares and their maintenance

The remuneration of the members of the corporate offices will be established by the Remuneration Committee, which shall consist of fixed amounts and/or percentages on profits from the fiscal year not occurring on distributions of reserves or on any non-distributable part of such profits, and, overall, such percentages may not exceed eleven percent for the Board of Directors and two percent for the Audit Board.

74. Criteria that underlie the allocation of variable remuneration in options

Not applicable in the case of the Company, please see answer provided in the previous point (Point 73) of this Report

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

The parameters and reasoning concerning annual bonuses are foreseen in the remuneration policy, detailed in point 69 of this same report.

76. Main characteristics of complementary pension or early retirement schemes for the Administrators

By the Articles of Association approved in the General Meeting of 29 May 1998, Estoril Sol, SGPS, SA again confirmed, in article 36, the right to a retirement pension paid by the company to the former directors who had already retired, based on the previous article 25 of the Articles of Association that were then altered, and the same rights and benefits as those of directors, in office at that time, who had or would have then completed ten years of service – after entering retirement - rights and benefits to be regulated in a contract to be agreed between the Company and these directors.

Besides the pensions that arise from commitments assumed with retired directors, with regard to the others, accounting principles require provisions to be set up, notwithstanding the fact that this is not a constituted right, whether this be definitive or provisional. On this basis, Estoril Sol, based on an actuarial study updated each year, has reflected a provision in its accounts which on 31 December 2016 was 849,616 Euros, equal to the liabilities assumed in the case of the directors who had already retired, who receive an annual retirement pension broken down individually as follows: José Teodoro Telles 52,374.00 Euros. An identical provision is set up for 2,050,000.00 Euros to cover the future retirement pensions already contracted with Mário Assis Ferreira, Patrick Huen, Ambrose So and Man Hin Choi, who, when they retire, will receive an annual pension amount equivalent to that of the retired directors mentioned above.

Among do companies of the Group, the following pension rights of some Directors were reinforced, resulting from the execution of the retirement insurance policies taken out for the purpose: - Calvin ka Wing Chann 162,745 Euros

IV – Disclosure of remuneration

77. Indication of the annual remuneration earned, in aggregate and individualamount, by the Company's members of the Board of Directors

The members of the Board of Directors only received fixed remuneration in 2016, for the global amount of 105,000 Euros, broken down as follows:

Member	Office	Fixed Remuneration	Variable Remuneration	Total
Pansy Catilina Chiu King Ho	Member of Board of Directors	52.500,00	0,00	52.500,00
Jorge Armindo de Carvalho Teixeira	Member of Board of Directors	52.500,00	0,00	52.500,00
			TOTAL (€)	105.000,00

78. Any amounts paid by other companies in a control or group or that they are subject to the same domain as that of the Company

The members who comprise the boards of various operational companies of the Estoril Sol Group received overall remunerations paid by other companies in a control or group relationship amounting to a total of 2,353,000 Euros, broken down individually as follows:

Member	Office	Fixed Remuneration	Variable Remuneration	Total
Mário Alberto Neves Assis Ferreira	Chaiman of the Board of Directors	400.000,00	0,00	400.000,00
Man Hin Choi	Board of Directors	248.000,00	0,00	248.000,00
Pansy Catilina Chiu King Ho	Board of Directors	52.500,00	0,00	52.500,00
António Jodé de Melo Vieira Coelho	Board of Directors	400.000,00	0,00	400.000,00
Vasco Esteves Fraga	Board of Directors	400.000,00	0,00	400.000,00
Calvin Ka Wing Chann	Board of Directors	400.000,00	0,00	400.000,00
Miguel António Dias Urbano de Magalhães Queiroz	Board of Directors	400.000,00	0,00	400.000,00
Jorge Armindo de Carvalho Teixeira	Board of Directors	52.500,00	0,00	52.500,00
			TOTAL (€)	2.353.000,00

Among do companies of the Group, the following pension rights of some Directors were reinforced, resulting from the execution of the retirement insurance policies taken out for the purpose: - Calvin Ka Wing Chann 162,745 Euros

79. Compensation paid in the form of profit sharing and/or bonus payments

It has not been paid by the Company to members of the Governing Bodies any remuneration on profit sharing or bonuses.

80. Compensation paid or owed to former executive directors following loss of office

It has not been paid by the Company to former executive directors any compensation following loss of office.

81. Remuneration of the Statutory Audit Board

The members of the Audit Board only received fixed remuneration in 2016, for the global 56,000 Euros, broken down as follows:

- Mário Pereira Pinto 21,000 Euros; António José Alves da Silva 14,000 Euros; Manuel Martins Lourenço 14,000 Euros; Armando do Carmo Gonçalves 7,000 Euros.

In 2014, the said Statutory Auditor earned 70,100 Euros from the Companies of the Group, by way of fees relating to the legal auditing of accounts, and did not provide services of any other kind. (Point 47 of this same report)

In 2016, the said Statutory Auditor earned 21,000 Euros for the services provided exclusively to Estoril-Sol, SGPS, S.A.

For the services provided to Estoril-Sol group of companies, the remuneration amounted to a total of 80.100 Euros, detailed below:

- 21.000 Euros services provided to Estoril-Sol, SGPS, S.A.;

- 59.100 Euros services provided to Estoril-Sol, SGPS, S.A. subsidiaries;

82. Remuneration of the Chairman of the Board of the Shareholders' General Meeting

The annual remuneration of the Chairman of the Board of the Shareholders' General Meeting is € 5000 Euros, was set by the Remuneration Committee as Act No. 24 of June 6, 2007.

V – Agreements with remuneration implications

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

There are no agreements in place 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 of control of the Company

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 control.

VI – Share attribution plans or stock options

85. Identification of the plan and recipients

There are no share attribution plans or stocks options within the Company.

86. Plan Features

Not applicable. See previous point (85)

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

Not applicable. See previous point (85)

88. Control mechanisms in any system of employee participation in the capital

Until 31st December, 2016 it has not been foreseen any system of employee participation in the Company's Capital

E – Relevant transactions with related parties

I – Mechanisms and control procedures

89. Mechanisms for monitoring transactions with related parties

During 2016, no business was conducted between the company and the members of its administrative and supervisory bodies, holders of qualifying holdings or companies that are controlled by or grouped under the Company.

90. Transactions subjected to control during 2016

Please see answer to previous point (89)

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

During 2016, no business was conducted between the company and holders of qualifying holdings or entities that are in any group or control relationship with them, within the terms of Article 20 of the SC.

There have been no material business with holders of qualifying holdings or entities that are in a relationship with them. For that reason there was not the need to obtain a prior opinion of the Audit Board for this purpose. With regard to the procedures and criteria required to define the relevant level of significance of these deals and other conditions for intervention, taking into account the specificities of Estoril-Sol, namely its shareholder structure, there was not until now the formalization of these procedures and conditions, nevertheless all business of the company, regardless of its relevance, take the necessary safeguard of all Estoril-Sol shareholders' interests.

II – Elements related to transactions

92. Information on transactions with related parties

The relevant information about the business with related parties can be found in note 21 of the Notes to the individual accounts of the Company, available on the Company website (www.estoril-solsgps.com) and also on the official website of the Committee on Securities Market (www.cmvm.pt).

PART II – STATEMENT OF COMPLIANCE

1 . Identification of the adopted Corporate Governance Code

Pursuant to Regulation no. 4/2013 of the Securities and Exchange Commission (CMVM) on the governance of listed companies, it is mandatory for these companies to prepare a governance report in order to provide information to the market on corporate governance practices.

Estoril-Sol, SGPS, SA, ("Estoril-Sol" or "Sociedade"), being a commercial company admitted for public trading, is subject, not only to the general rules of the Commercial Companies Code (CCC), but also and specifically, to the Securities Code (SC) and also the regulations issued by the supervisory authorities of regulated markets, besides all the legislation and other applicable regulations.

The Company prepares this governance report, by reference to the year ended on 31st December 2015, in fulfillment of the legal requirements of article 245-A of the SC and regulations of Regulation no. 4/2013 of the CMVM. This report on the governance of the Company represents a description of the corporate structure of Estoril-Sol and of its corporate practices, with the aim of providing information to the market on the scope of the policy of transparency that Estoril-Sol has been practicing over the years.

Besides the obligatory disclosure on the site of the CMVM (www.cmvm.pt), Estoril-Sol keeps its institutional website (www.estoril-solsgps.com) fully operational, disclosing relevant information on corporate matters to investors and to the public in general.

2 Analysis of compliance with the adopted Corporate Governance Code

------

I – Voting and control

CMVM Recommendation	Corporate Governance practice	Justification	Reference
I.1. Companies shall encourage shareholders to attend and vote at general meetings, namely by not setting an excessively large number of shares required for having the right to one vote, and by implementing the means necessary to exercise the voting right by post and electronically..	Recommendation partially adopted.	Postal voting is allowed within the terms of Article 10.5 of the Articles of Association. Within the terms of Article 10.3 of the Articles of Association of Estoril-Sol, each hundred shares corresponds to one vote. Voting by electronic devices is not foreseen.	Please see point 12 of this report.
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 not adopted	In fact, article 13, no. 3 of the Articles of Association require a bigger deliberating quorum than that contemplated at law for the election of the Remuneration Committee and of the Advisory Board, given that we are dealing with deliberations concerning the election of strategic offices, which in fact are very close to the Board of Directors	
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 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 adopted.	Within the terms of Article 10.3 of the Articles of Association of Estoril-Sol, each hundred shares correspond to one vote. The actual shareholder structure of the Company does not press the amendment of this statutory provision. However, this is a recommendation that can be implemented in an upcoming statutory review.	Please see point 5 of this report.

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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 adopted.		Please see details in previous answer to points 4 and 84 of this report.

II – Supervision, management and audit

II.1 – Supervision and management

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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 adopted.	In compliance with the various recommendations that, over the years, have been issued in this regard, in February 2013 the Company established and appointed an Executive Committee consisting of four members of its Board of Directors.	Please see points 28 and 29 of this report.
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 adopted.		Please see points 28 and 29 of this report.
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 decides 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	As it was mentioned, the governance model adopted by the Company does not include General and Supervisory Board.	

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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 not applicable	As noted, in compliance with the various recommendations that, over the years, have been issued in this regard, in February 2013 the Company established and appointed an Executive Committee. Nevertheless, no defined responsibilities or delegated executive powers, were specifically identified. In fact, the Company's management continues to be collegial as it is recalled that, even if it is a company with a substantial business, taking into consideration the structure and characteristics of the Company, its social object, organizational structure of the group of companies whose shares are managed by the Company, and the composition of its board of directors, must be understood not justify the delegation of powers and / or the creation of specialized functions within the same and it should be considered for these purposes a company with limited size. The small size and the structure of society does not justify the creation of commissions and / or distribution of specialized duties among the members of the Board of Directors of the Society or within the Executive Committee.	Please see points 27 until 29 from this report.
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 adopted.		Please see points 50 and 53 from this report.
II.1.6. The Board of Directors shall include a	Recommendation	From the eleven (11) members of	Please see

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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.	adopted.	the Board of Directors, seven (7) are non-executive members, a percentage of 63,64%, which ensures the effective capacity to monitor, supervise and evaluate the activity of the other remaining members of the board.	points 17 and 18 from this report
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 mem-	Recommendation not adopted.	Taking into consideration primarily, the shareholder structure of the Company and secondly the specific economic activity indirectly developed by the Company, which has promoted the progression of the board members from its subsidiaries into its own board members, it is not identified any independent member within the members of the Board of Directors.	

CMVM Recommendation	Corporate Governance practice	Justification	Reference
bers or natural persons that are direct and indirectly holders of qualifying holdings; e. Being a qualifying shareholder or representative of a qualifying shareholder.			
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 adopted.		Please see points 25 from this report
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 Supervisory 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 adopted.		Please see points 29 from this report
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 applicable.	The Chairman of the Board of Directors of the Company is not a member of the Executive Committee.	Please see points 28 from this report

II.2 – Audit

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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 for the exercise of his or her duties.	Recommendation adopted.	The members of the Audit Board of the Estoril-Sol comply with the rules of incompatibility set out in paragraph 1 of Article 414.-A and meet the criteria of independence set out in Article 414.5, both of the CCC.	Please see point 32 from this report.
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 company.	Recommendation adopted.	It is the responsibility of the Audit Board to oversee the activities and independence of the Statutory Auditor and External Auditor.	Please see point 38 from this report.
II.2.3. The supervisory board shall assess annually the 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 adopted.	The Audit Board has, in fact, that jurisdiction. The Statutory Audit Board's annual report and opinion include an assessment of the work performed by the Statutory External Auditor. The Audit Board has than the power to propose to the Shareholders General Meeting the dismissal of the Statutory Auditor, if reasons to do so were found	
II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management, proposing adjustments if deemed necessary**.**	Recommendation adopted.	The Audit Board oversees and monitors compliance with the law and the articles of association, regularly evaluating the effectiveness of internal control systems implemented in the Company, proposing the improvements that it considers necessary and in answer to their effectiveness in their annual report and opinion.	Please see point 38 from this report.
II.2.5. The Audit Committee, the General and Supervisory Board and the Supervisory Board should decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules	Recommendation not adopted.		Please see point 38 and 50 from this report.

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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.			

II.3 – Remuneration approval

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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 not adopted.	The members of the Remuneration Committee are not unrelated to the board. Notwithstanding, Estoril-Sol believes that it is not compromised the independence and rigor of the members of its Remuneration Committee, since they are elected by the Shareholders' General Meeting, have recognized expertise and experience in remuneration policy and, along the years, the successive members of the Remuneration Committee have performed their duties with complete impartiality, transparency and objectivity.	
II.3.2. Any natural or legal person that provides or has provided services in the last three years to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of its duties. This recommendation also applies to any natural or legal person that is related to them through an employment or provisions of services contract.	Recommendation adopted.	Notwithstanding the information already provided that some of the members of the Remuneration Committee are shareholders and members of the Board of Directors, it is understood that this recommendation was adopted in as much as the Remuneration Committee did not hire, to assist it in the performance of its functions, any natural or legal person that provides or has provided, in the last three years, services to any structure reporting to the Board of Directors, to the Board of Directors of the company itself or which has an actual relationship	Please see point 67 from this report.

CMVM Recommendation	Corporate Governance practice	Justification	Reference
		with the company's consultant.	
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) (sic) Information regarding the enforceability or unenforceability of payments relating to the dismissal or termination of the functions of Directors.	Recommendation not adopted.		Please see point 69 and 80 from this report..
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 not applicable.	There is no plan for assigning shares, and/or options for purchasing shares or based on changes in share prices, to members of the administrative and supervisory bodies and other officials, pursuant to sec. 3 of article 248-B of the SC.	
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 adopted.	By the Articles of Association approved in the General Meeting of 29 May 1998, Estoril Sol, SGPS, SA again confirmed, in article 36, the right to a retirement pension paid by the company to the former directors who had already retired, based on the previous article 25 of the Articles of Association that were then altered, and the same rights and benefits as those of directors, in office at that time, who had or would have then completed ten years of service – after entering retirement - rights and benefits to	Please see point 76 from this report.

CMVM Recommendation	Corporate Governance practice	Justification	Reference
------		be regulated in a contract to be agreed between the Company and these directors. During 2014 no new system of retirement benefits for members of the governing bodies were made within the meaning of no. 3 of article 248. B of the CVM.	

III – Remuneration

CMVM Recommendation	Corporate Governance practice	Justification	Reference
III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk taking.	Recommendation adopted.	The remuneration of all members of the Board of Directors, whether belonging or not to the Executive Committee, is based on actual performance and discourages excessive risk taking. It should be noted that the remuneration policy of the members of the Board of Directors seeks to discourage excessive risk-taking because, in the long term, aims to achieve the alignment between the interests of the board members and the interests of the Company.	Please see point 69 from this report.
III.2. The remuneration of the non-executive board members and the members of the supervisory board, shall not include any component whose valuedepends on the performance of the company or of its value.	Recommendation adopted.	Please see justification upon recommendation III.1 and and point 69 from this report.	Please see previous point as well as point 69 from this report.
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 adopted.	The remuneration of the executive directors may include, but this has not been the case, a variable component, within the terms of Article 34 of the Articles of Association of the Company. The variable component depends on the desire manifested in the	Please see point 71 from this report.

CMVM Recommendation	Corporate Governance practice	Justification	Reference
------		General Meeting by the shareholders.	
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 not adopted.		Please see points 71 and 73 from this report.
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 adopted.	It is considered that the remuneration policy of the Board of Directors (cf. point 69 of this report), and the provisions of Article 34 of the Articles of Association (cf. point 71 of this Report), together contribute to mitigate the risk inherent to remuneration variability.	Please see points 69 and 71 from this report.
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 not applicable.	There isn't any plan to allot shares as was clarified with regard to the remuneration policy of the Board of Directors under exposed in points 69 and 73 of this Report.	Please see points 69 and 73 from this report.
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	There isn't any plan to allot shares as was clarified with regard to the remuneration policy of the Board of Directors under exposed in points 69, 73 and 74 of this Report.	Please see points 69, 73 and 74 from this report.
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 adopted.	The statement on the remuneration policy referred to in Article 2 of Law No. 28/2009 was published and, indeed, does not include any reference to payments related with the dismissal of any member of the board of directors, because there are no specifics about it that are applicable to the situations described. In the absence of, Estoril Sol took no reason to make any reference to this fact, namely through the inclusion of any negative statement.	

IV – Auditing

------ CMVM Recommendation	Corporate Governance practice	Justification	Reference
IV.1. The 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 adopted.	The External Auditor within their competencies, verifies the implementation of remuneration policies of the statutory bodies as well as the effectiveness and operation of the internal control mechanisms.	
IV.2. The company or any other entities with the latter in a control relationship, shall not engage the 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 adopted.		Please see points 46 and 47 from this report.
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 not adopted..	The external auditor was elected for four years in the General Meeting of 04th February 2013, upon the proposal of the Audit Board, for the years 2013 to 2016. Even assuming that it remains the same Auditor (SROC) to provide external audit services for more than three terms, it should be noted the following: There is no permanence in the representative partner of the SROC that effectively and specifically, has ensured the audit services to the Estoril-Sol, which was nominated in 2013 for a term of only four years; Is guaranteed the independence of the Auditor by modifying the representative partner of the SROC; The specificity of the activity run by Estoril-Sol require from their	

CMVM Recommendation	Corporate Governance practice	Justification	Reference
		service providers, including the Auditor, specific and technical knowledge which make it advantageous to not spin. Auditor rotation will cause an increase in costs that is considered disproportionate to the advantages that this rotation could mean to the company.	

V – Conflicts of interests and transactions with related parties

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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 Securities Code, such business should be carried out under normal market conditions.	Recommendation adopted.	There are no significant commercial relationships between holders of qualified shareholdings and the Company.	Please see point 10 from this report.
V.2. Significant business conducted between the company and shareholders with qualified shareholdings, or entities with which these are related, in accordance with article 20 of the Securities Code, should be subject to prior comment and opinion by the audit board. This entity must establish the necessary criteria to define the relevant level of significance of the business involved and the scope of its involvement.	Recommendation not adopted.	There being no materially relevant deals with holders of qualifying holdings, or entities with which they have any relationship, there was clearly no need to obtain any prior opinion from the supervisory body for this purpose. With regard to the procedures and criteria necessary for the definition of the relevant level of significance of these deals and the other terms of their intervention, taking into consideration the specific aspects of Estoril-Sol, namely its shareholder structure, to date there has been no formalization of these procedures and conditions, even though all and any deals of the company, regardless of the respective relevance, assume the necessary safeguard of the interests of all the shareholders of Estoril-Sol.	

VI – Information

CMVM Recommendation	Corporate Governance practice	Justification	Reference
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 partially adopted.	Estoril-Sol discloses all of its information in the Portuguese language, but only part is available in English. In every case, the Company is planning, in the near future, to also make all information available in the English language.	
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 adopted.		Please see points 56 and 57 from this report.

3 Other information

The Company complies with most of the recommendations of governance of the Code of Governance adopted. Despite the reformulation operated by the CMVM, in particular the entry into force of Regulation No. 4/2013 and all related documentation - the CMVM Code adopted by Estoril-Sol, still contains many aspects that are directed to issuers of shares admitted to trading on a regulated market whose size, social purpose, and especially the degree of dispersion of the capital market does not correspond to concrete and stable characteristics of Estoril-Sol.

In fact, and in particular the circumstance of the free-float (capital dispersed on the market) being around 3.5 % of the share capital, necessarily has consequences in terms of the concrete appropriateness of the Company's model of governance, justifying the inappropriateness of the adoption or application of some recommendations of the Code of Governance divulged by the CMVM and adopted by Estoril-Sol which consider and use as a reference public companies with very different characteristics for those of Estoril-Sol.

Under the terms of article 30 of the Articles of Association of Estoril-Sol, SGPS,S.A. and article 295 (1) of the Commercial Companies Code, a minimum of 5% of the net profit is intended for the constitution of the "Legal reserve" and, if necessary, its reintegration until this reserve reaches 20% of the share capital.
As the share capital is 59.968.420 Euros, 20% corresponds to 11.993.684 Euros, so that the legal reserve as of December 31st, 2016, in the amount of 6.821.678 Euros, needs to be reinforced, in accordance with the above, by 5% of the positive net profit of the year 2016.

Given the accounting rules in force and under the terms of the article 295 (2) paragraph d), of the Commercial Companies Code, part of the net profit of the year 2016 is not available for distribution. This unavailability is related with the application of the equity method in respect to gains and losses imputed from subsidiaries. At this date, December 31st, 2016, subsidiary companies did not provide Estoril-Sol, SGPS, S.A. results recorded in accordance with the equity method in the amount of 2.092.648 Euros, meaning that they that are not available for distribution to the shareholders of Estoril-Sol, SGPS, S.A.

Under the terms of the article 294 (1), of the Commercial Companies Code, half of the distributable profit must be distributed to the shareholders, unless otherwise established in the Articles of Association, or by a deliberation of a General Meeting called for this purpose, in which case ¾ of shareholder votes are required. The Articles of Association diverge of the requirements foreseen in the Commercial Companies Code, requiring that decisions taken on the above terms obtain approval by a simple majority of the votes corresponding to the share capital at the General Meeting.

Accordingly and in compliance with the provisions applicable under the law and the Articles of Association, the Board of Directors proposes:

a) The net positive profit of the year 2016 in the total amount of 6.654.939 Euros, as per the corporate individual financial statements, be appropriated as follows:

- To "Legal Reserve"	332.750 Euros;
- To "Adjustments to Financial Investments – Unassigned Profits"	2.092.648 Euros;
- To "Retained earnings"	236.578 Euros;
- To Dividends*	3.992.963 Euros;

* corresponds to a dividend of €0,335 per share

Estoril, 18th of April 2017

The Board of Directors

- Chairman	- Stanley Hung Sun Ho
- Vice-Chairmen	- Mário Alberto Neves Assis Ferreira
	- Patrick Wing Ming Huen
- Directors	- Pansy Catilina Chiu King Ho
	- Ambrose Shu Fai So
	- Man Hin Choi
	- António José de Melo Vieira Coelho
	- Vasco Esteves Fraga
	- Jorge Armindo de Carvalho Teixeira
	- Calvin Ka Wing Chann
	- Miguel António Dias Urbano de Magalhães Queiroz

This page is deliberately left blank

Information regarding the securities issued by ESTORIL-SOL, SGPS, S.A., and by companies with which the Company is in controlling or group relationship, which are owned by the members of the Corporate Offices of the Company on 31st December 2016.

	Nr shares 31.12.15	Date	Value (€/share)	Nr shares purchased	Nr shares sold	Nr shares 31.12.16
Board of Directors						
Stanley Hung Sun Ho	135.662	-	-	-	-	135.662
Mário Alberto Neves Assis Ferreira	601	-	-	-	-	601
Patrick Wing Ming Huen	55.000	-	-	-	-	55.000
Pansy Catilina Chiu King Ho	0	-	-	-	-	0
Ambrose Shu Fai So	50.000	-	-	-	-	50.000
Man Hin Choi	527	-	-	-	-	527
António José de Melo Vieira Coelho	0	-	-	-	-	0
Vasco Esteves Fraga	608	-	-	-	-	608
Jorge Armindo de Carvalho Teixeira	0	-	-	-	-	0
Calvin Ka Wing Chann	1.000	-	-	-	-	1.000
Miguel António Dias Urbano de Magalhães Queiroz	0	-	-	-	-	0
Advisory Board						
Rui José da Cunha	12.300	-	-	-	-	12.300
Audit Board						
Mário Pereira Pinto	0	-	-	-	-	0
António José Alves da Silva	0	-	-	-	-	0
Manuel Martins Lourenço	0	-	-	-	-	0
Armando do Carmo Gonçalves	0	-	-	-	-	0
Statutory Auditor						
José Martins Lampreia	0	-	-	-	-	0

.

This page is deliberately left blank

FINANSOL, SOCIEDADE DE CONTROLO, S.G.P.S., S.A.

On 31st December 2016, ESTORIL SOL, S.G.P.S., S.A. held 62.565 treasury shares, and as FINANSOL - SOCIEDADE DE CONTROLO, S.G.P.S., S.A., on 31 December 2015, held 6.930.604 shares of ESTORIL-SOL, S.G.P.S., S.A., it was a direct holder of 57,79% of the share capital and 58,09% of the voting rights.
The members of the Board of Directors and of the Advisory Board of the Companies which are controlled by or grouped under ESTORIL-SOL, held 255,698 shares of ESTORIL-SOL, S.G.P.S., S.A., corresponding to 2,1% of the share capital and voting rights.
Therefore, in overall terms, the direct and indirect stake of FINANSOL in the capital of ESTORIL-SOL is 57,79%, and 60,23% to the voting rights.

AMORIM - ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S, S.A.

On 31st December 2016, ESTORIL-SOL, S.G.P.S., S.A. held 62.565 treasury shares, and, as AMORIM – ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S., S.A. held 3.917.793 shares, this company was a direct holder of 32,67% of the share capital and 32,84% of the voting rights of ESTORIL SOL, S.G.P.S., S.A..

Mr. José Américo Amorim Coelho, held 34,915 shares of ESTORIL-SOL, S.G.P.S., S.A., corresponding to 0,29% of the share capital and voting rights.
Therefore, in overall terms, the direct and indirect stake of AMORIM - ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S., SA in the share capital of ESTORIL-SOL, S.G.P.S., S.A. was, on 31st December 2016, 32,67% and 33,13% of the voting rights.

This page is deliberately left blank

INDIVIDUAL FINANCIAL STATEMENTS

AND

NOTES TO THE ACCOUNTS

Estoril Sol, SGPS , S.A.

BALANCE SHEET ON 31st DECEMBER 2016 AND 2015

(Amounts in Euros)

ASSETS	Notes	2016	2015
NON - CURRENT ASSETS:			
Financial investments	7	123.348.382	125.188.875
Other non-current assets	8	22.241	22.241
Total non-current assets		123.370.622	125.211.115
CURRENT ASSETS:			
State and Public Sector	18	39.500	33.500
Debts of group companies	20	2.028.868	1.757.372
Other accounts receivable		29.354	29.354
Deferrals	10	3.264	489
Cash and bank deposits	4	49.821	55.650
Total current assets		2.150.807	1.876.365
Total assets		125.521.429	127.087.480
EQUITY AND LIABILITIES			
EQUITY:			
Share Capital	11	59.968.420	59.968.420
Treasury shares	11	(708.306)	(708.306)
Share issue premiums	11	960.009	7.820.769
Legal reserve	12	6.821.678	6.614.782
Outras reserves and Retained earnings	12	755.000	(6.860.760)
Other variations in equity	12	16.808.742	18.341.549
Net profit of the year	13	6.654.939	4.137.918
Total equity		91.260.481	89.314.371
LIABILITIES:			
NON - CURRENT LIABILITIES :			
Provisions	14	4.194.295	3.565.125
Total do passivo não corrente		4.194.295	3.565.125
CURRENT LIABILITIES:			
Suppliers	17	49.639	18.753
State and Public Sector	18	57.244	28.744
Debts to group companies	20	29.817.707	34.023.641
Other accounts payable	16	142.063	136.846
Total current liabilities		30.066.653	34.207.985
Total liabilities		34.260.948	37.773.109
Total equity and liabilities		125.521.429	127.087.480

The notes form part of the balance sheet on 31st December 2016

Estoril Sol, SGPS, S.A.

INCOME STATEMENT

OF THE YEARS ENDED ON 31st DECEMBER 2016 AND 2015

(Amounts in Euros)

INCOME AND COSTS	Notes	2016	2015
Gains / Losses imputed from subsidiaries	7	9.102.056	4.954.859
External supplies and services	21	(645.593)	(629.021)
Staff costs	22	(411.345)	(408.705)
Provisions (increases / (reductions))	14	(1.251.544)	278.158
Impairment of non depreciable investments ((losses) / reversals)	4	(10.574)	(10.846)
Other income	24	-	23.397
Other costs	25	(73.643)	(44.003)
Result before depreciation, financing costs and taxation		6.709.357	4.163.839
Depreciation costs	26	-	-
Operational result (before financing costs and income tax)		6.709.357	4.163.839
interest and similar costs borne	27	(5.833)	(5.887)
Net result before income tax		6.703.523	4.157.952
Income tax of the year	9	(48.585)	(20.034)
net profit of the year		6.654.939	4.137.918
Result per basic share	29	0,56	0,35

The notes form part of the income statement
of the year ended on 31st December 2016

Estoril Sol, S.G.P.S., S.A.

CASH FLOW STATEMENTS

OF THE YEARS ENDED ON 31st DECEMBER 2016 AND 2015

(Amounts in Euros)

	Notes	2016	2015
OPERATIONS ACTIVITIES:			
Payments to suppliers		(635.385)	(620.768)
Payments to staff		(253.440)	(255.358)
Cash flow generated by operations		(888.824)	(876.126)
Payment of income tax		(54.233)	(45.626)
Other receipts (payments) relating to the operating activity		(45.495)	(32.169)
Cash flow generated by operating activities (1)		(988.552)	(953.921)
INVESTMENT ACTIVITIES:			
Receipts from:			
Repayment of additional capital payments from subsidiary companies		1.500.000	3.000.000
Dividends		8.000.000	8.050.000
		9.500.000	11.050.000
Payments in respect of:			
Additional capital payments made to subsidiary companies		(1.500.000)	(5.050.000)
		(1.500.000)	(5.050.000)
Cash flow from investment activities (2)		8.000.000	6.000.000
FINANCING ACTIVITIES:			
Payments in respect of:			
Financing obtained from related parties		(4.477.431)	(5.028.316)
Interests and similar cots		(27.489)	(42.742)
Dividends		(2.512.356)	
		(7.017.276)	(5.071.058)
cash flow from financing activities (3)		(7.017.276)	(5.071.058)
Variation in cash and cash equivalents (4)=(1)+(2)+(3)		(5.828)	(24.979)
Cash and cash equivalents at the start of the period		55.650	80.629
Cash and cash equivalents at the end of the period	4	49.821	55.650

The notes form an integral part of these financial statements

Estoril Sol, SGPS, S.A.

DRAFT - STATEMENTS OF CHANGES IN EQUITY

OF THE YEARS ENDED ON 31st DECEMBER 2016 AND 2015

(Amounts in Euros)

	Share capital	Treasury shares	Issue premiums	Legal reserve	Outras reserves and retained earnings	Other variations in equity	Net result of the year	Total equity
Balance on 1st January 2015	59.968.420	(708.306)	7.820.769	6.614.782	-4.883.407	19.632.477	(1.971.353)	86.473.382
Application of the net profit of the year ended on 31st December 2014 (Note 13)	-	-	-	-	(1.971.353)	-	1.971.353	-
Comprehensive income of the year ended on 31st December 2015	-	-	-	-	(6.000)	-	4.137.918	4.131.918
Adjustments related with financial assets with the equity pick-up method	-	-	-	-	-	(1.290.928)	-	(1.290.928)
Balance on 1st January 2016	59.968.420	(708.306)	7.820.769	6.614.782	(6.860.760)	18.341.549	4.137.918	89.314.371
Coverage of previous years losses	-	-	(6.860.760)	-	6.860.760	-	-	-
Application of the net profit of the year ended on 31st December 2015 (Note 13)	-	-	-	206.896	-	1.409.742	(4.137.918)	(2.521.280)
Comprehensive income of the year ended on 31st December 2016	-	-	-	-	755.000	-	6.654.939	7.409.939
Adjustments related with financial assets with the equity pick-up method	-	-	-	-	-	(2.942.549)	-	(2.942.549)
Balance on 31st December 2016	59.968.420	(708.306)	960.009	6.821.678	755.000	16.808.742	6.654.939	91.260.481

The notes form part of these financial statements

This page is deliberately left blank

1. INTRODUCTION

Estoril Sol, SGPS, S.A., (“Company”) is a public limited-liability company, which resulted from a change, on 18 March 2002, to the legal status of Estoril Sol, S.A. which was constituted on 25 June 1958 and has its registered office in Estoril. As a result, all operations that had been carried out were transferred to companies incorporated for this purpose, assuming the status of its subsidiaries. In turn, the parent company’s main operations involved holdings management with its shares listed on the Euronext Lisbon.

The Company’s social object is the management of shareholdings.

The attached financial statements are presented in Euros, given that this is the currency preferentially used in the economic environment in which the Company operates, and refer to the Company in individual terms. The Company prepared and presented separate consolidated financial statements which include the financial statements of the companies in which it has management control or which it jointly controls.

The financial statements were approved by the Board of Directors on 18th April 2017.

2. ACCOUNTING REFERENCES FOR PREPARING THE FINANCIAL STATEMENTS

The attached financial statements were prepared in accordance with the legal provisions in force in Portugal, in conformity with Decree Law no. 158/2009, of 13 July, updated by Decree.Law nº 98/2015, of 13th July 2015, and, in accordance with the conceptual structure, the national Accounting Standards and Financial Reporting (“NCRF”) and Interpretative Standards (“IS”) issued, respectively, in notifications 15652/2009, 15655/2009 and 15653/2009, of 27 August 2009, which, as a whole, form the Accounting Standards System (“SNC”). Hence force, this set of standards and interpretations will be generically called “NCRF”.

Since 1 January 2005, the consolidated financial statements of Estoril Sol, S.G.P.S. S.A. have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union. For this reason, the equity on 31 December 2016 and 2015, as well as the net profits of the years ended on these dates that appear in the consolidated financial statements of the Estoril Sol Group differ from the figures presented in the individual financial statements.

The Board of Directors evaluated the Company's ability to operate on a continuous basis, based on all relevant information, facts and circumstances, of a financial, commercial and other nature, including events subsequent to the reference date of the financial statements, available on the future. As a result of the evaluation carried out, the Board of Directors concluded that the Company has adequate resources to maintain its activities, with no intention to terminate them in the short term, and considered it appropriate to use the assumption of continuity of operations in preparation of the financial statements.

3. MAIN ACCOUNTING POLICIES

3.1 Bases of presentation

The attached financial statements were prepared on the basis of the continuity of operations, based on the books and accounting records of the Company kept in accordance with the NCRF.

3.2 Financial investments

Investments in subsidiaries are stated using the equity pick-up method. In accordance with the equity pick-up method, the shareholdings are initially stated at their acquisition cost and subsequently adjusted according to the changes verified, after the acquisition, by the quota-part of the Company in the net assets of the corresponding entities. The results of the Company include the part that corresponds to it in the results of these entities.

The excess of the acquisition cost over the fair value of identifiable assets and liabilities of each entity acquired on the acquisition date is recognised as goodwill and is kept at the financial investment value. If the difference between the acquisition cost and the fair value of the net assets and liabilities acquired is negative, this is recognised as income of the year.

An assessment is made of the financial investments when there is an indication that an asset could be impaired, with any impairment losses being stated as costs in the income statement.

When the Company's proportion in the accumulated losses of the subsidiary company, jointly controlled entity or associate company exceeds the value at which the investment is recorded, the investment is reported at zero, except when the Company has assumed a commitment to cover the losses of the associate company, in which cases the additional losses determine the recognition of a liability. If the associate company subsequently reports profits, the Company resumes the recognition of its quota-part in these profits only after its part in the profits equals the unrecognised part of the losses.

Unrealised gains in transactions with subsidiaries, jointly controlled companies and associate companies are eliminated proportionally to the Company's interest in them, against the corresponding investment caption. Unrealised losses are similarly eliminated, but only up to the point in which the loss does not arise from a situation in which the asset transferred is impaired.

3.3 Tangible fixed assets

Tangible fixed assets are initially stated at acquisition cost, which includes the purchase cost and any costs directly attributable to putting the assets in the place and in the condition necessary for them to operate as intended, less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated, after the asset is ready to be used, in accordance with the straight line method, with duodecimal imputation, according to the estimated useful life for each class of assets.

The useful lives and method of depreciation of the various assets are reviewed annually. The effect of any alteration to these estimates is recognised prospectively in the income statement.

Tangible fixed assets are depreciated in accordance with the straight line method with duodecimal imputation over\ the following estimated useful lives:

Homogenous Class	Years
Vehicles	3 - 4
Office equipment	3 - 10

Maintenance and repair expenses (subsequent expenditure) that are not likely to generate additional future economic benefits are stated as costs in the year in which they are incurred.

The gain (or loss) resulting from the sale or write-off of a tangible fixed asset is determined as the difference between the amount received in the transaction and the net book value of the asset and is recognised in results in the year in which the write-off or sale occurs.

3.4 Leasing

Leasing contracts are classified as finance leasing whenever their terms substantially transfer all the risks and rewards associated to the ownership of the asset to the lessee. Other leasing contracts are classified as operating leases. Leasing is classified according to the substance and not the form of the contract.

Leasing where the Company acts as lessee

Assets acquired under finance lease contracts, as well as the corresponding responsibilities, are recorded at the start of the leasing for the lower value of either the fair value of the assets or the present value of the minimum leasing payments. Finance lease instalment payments are split between financial charges and reducing the liability, so that a constant interest rate is obtained on the outstanding balance of the liability.

In the case of operating leases, the lease instalments due are recognised as costs on a straight-line basis over the period of the lease contract. The incentives received are stated as a liability, with the aggregate amount thereof being recognised as a reduction in the expense with the lease, also on a straight-line basis.

Contingent income is recognised as an expense of the year in which it is incurred.

3.5 Impairment of tangible fixed assets and shareholdings

Whenever there is any indication that the tangible and intangible fixed assets of the Company could be impaired, an estimate is made of their recoverable value in order to determine the extent of the impairment loss (if that is the case). When it is not possible to determine the recoverable value of an individual asset, the recoverable amount is estimated for the cash generating unit to which the asset belongs.

The recoverable value of the asset or of the cash generating unit is the higher of (i) the fair value less sale costs and (ii) the current use value. In determining the current use value, the estimated future cash flows are discounted using a discount rate that reflects the market expectations regarding the temporal value of the money and with regard to the specific risks of the asset or of the cash generating unit in relation to which the estimates of future cash flows have not been adjusted.

Whenever the net book value of the asset or of the cash generating unit is higher than its recoverable value, an impairment loss is recognised. The impairment loss is immediately entered in the income statement, except if this loss compensates a revaluation surplus recorded in equity. In the latter case, this loss will be treated as a decrease in that revaluation.

The reversal of impairment losses recognised in previous years is recorded when there is evidence that the previously recognised impairment losses no longer exist or have reduced. The reversal of impairment losses is recognised in the income statement in the respective caption of “Reversals of impairment losses”. Impairment losses are reversed up to the limit of the amount that would be recognised (net of amortization) if the loss had not been recorded.

3.6 Accrual accounting

Expenses and income are recognised in the year they relate to, in accordance with the principle of accrual accounting, irrespective of when the transactions are invoiced. Expenses and income for which the real value is not known are estimated.

Expenses and income imputable to the current year where the expense and revenue will only occur in future periods, together with the expenses and revenue that have already occurred, but which are in respect of future periods and which will be imputed to the results of each of these periods, are stated in the deferrals captions at the value corresponding to them.

3.7 Income tax

Income tax corresponds to the sum of current tax and deferred tax. Current tax and deferred tax are entered in results, except when the deferred tax is related with items recorded directly in equity. In these cases the deferred tax is also stated in equity.

The current tax on income is calculated based on the taxable profit of the year of the various entities included in the consolidation perimeter. The taxable profit differs from the book result as it excludes diverse expenses and income that will only be deductible or taxable in subsequent years, as well as expenses and income that will never be deductible or taxable in accordance with the tax rules in force.

Deferred tax relates to temporary differences between the amounts of the assets and liabilities for the purpose of the reporting of accounts and the respective amounts for the purpose of taxation, as well as the results of tax benefits obtained and of temporary differences between the fiscal result and the book result.

Deferred tax liabilities are generally recognised for all temporary taxable differences.

Deferred tax assets are recognised for deductible temporary differences, although this recognition only occurs when there is a reasonable expectation of sufficient future taxable profits to use these deferred tax assets. On each reporting date these deferred tax assets are re-assessed and are adjusted according to the expectations regarding their future use.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be in force on the date of the reversal of the corresponding temporary differences, based on the tax rates (and fiscal legislation) that are formally issued on the reporting date.

Compensation between deferred tax assets and liabilities is only permitted when: (i) the Company has a legal right to perform compensation between such assets and liabilities for the purpose of settlement; (ii) these assets and liabilities are related with taxation on income raised by the same fiscal authority (i) and (iii) the Company has the intention to perform the compensation for the purpose of settlement.

The Estoril Sol is covered by the Special System for Taxation of Groups of Companies ("SSTGC"), as established in articles 69 of the Portuguese Corporate Income Tax Code (CIRC) and covers all the companies in which it has a direct or indirect holding of at least 75% of the respective capital and which are, at the same time, resident in Portugal and taxed under Corporation Tax (IRC). Under this regime the taxable profit of the group relating to each tax period is calculated by the controlling company (Estoril Sol, SGPS, SA), through the algebraic sum of taxable profits and tax losses obtained in the individual periodic statements for each of the companies belonging to the group. The amount obtained is adjusted for part of the profits distributed among group companies that is included in the individual taxable bases.

The following companies are part of this system:

- Estoril Sol, SGPS, S.A;
- DTH – Desenvolvimento Turístico e Hoteleiro, S.A.;
- Estoril Sol Imobiliária, S.A.;
- Estoril Sol V – Investimentos Imobiliários, S.A.;
- Estoril Sol e Mar – Investimentos Imobiliários, S.A.;
- Estoril Sol Investimentos Hoteleiros, S.A.

3.8 Financial assets and liabilities

Financial assets and liabilities are recognised in the balance sheet when the Company becomes party to the corresponding contractual provisions.

Financial assets and liabilities are measured at cost or at amortised cost less any accumulated impairment losses (in the case of financial assets), when:

- They are receivable/payable at sight or have a defined maturity; and
- They are associated to a fixed or determinable return; and
- They are not or do not incorporate a financial derivative instrument.

The amortised cost corresponds to the value at which a financial asset or a financial liability is measured when initially recognised, less the repayments of capital, plus or minus the cumulative depreciation, using the effective interest rate method, of any difference between this amount at maturity. The effective interest rate is the rate that exactly discounts the estimated future payments or receipts in the net book value of the financial asset or liability.

Financial assets and liabilities at cost or at amortised cost include:
Other accounts receivable
Cash and bank deposits
Financial debt
Suppliers
Other accounts payable

Contracts to grant or take out loans that cannot be settled on a net basis and which, when executed, have the conditions described above, are also classified in the category “at cost or amortised cost”, being measured at cost less accumulated impairment losses.

The amortised cost is determined using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future payments or receipts during the expected life of the financial instrument in the net book value of the financial asset or liability.

Cash and bank deposits

The caption of cash and bank deposits includes cash and bank deposits which can be moved immediately (in a period of less than or equal to three months) net of bank overdrafts.

Impairment of financial assets

Financial assets classified in the category “at cost or amortised cost” are subject to impairment tests on each reporting date. These financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after their initial recognition, their estimated future cash flows are affected.

For financial assets measured at amortised cost, the impairment loss to be recognised corresponds to the difference between the net book value of the asset and the present value of the new estimated future cash flows discounted at the respective original effective interest rate.

For financial assets measured at cost, the impairment loss to be recognised corresponds to the difference between the net book value of the asset and the best estimate of the fair value of the asset.

Impairment losses are stated in results in the caption “Impairment losses” in the year in which they are determined.

Subsequently, if the amount of the impairment loss reduces and this reduction can be objectively related with an event that took place after the recognition of the loss, this should be reversed in results. The reversal should be carried out up to the limit of the amount that would be recognised (amortised cost) if the loss had not been initially recorded. The reversal of impairment losses is entered in results in the caption “Reversals of impairment losses”. The reversal of impairment losses stated in investments in equity instruments (measured at cost) is not permitted.

Derecognition of financial assets and liabilities

The Company only derecognizes financial assets when its contractual rights to the cash flow arising from of these assets expire, or when the financial assets and all the significant risks and benefits associated to their ownership are transferred to another entity. Financial assets transferred in relation to which the Company retained some significant risks and benefits are derecognised, provided that control over them has been ceded.

The Company only derecognizes financial liabilities when the corresponding obligation is settled, cancelled or expires.

3.9 Provisions, post-employment benefits, contingent liabilities and contingent assets

Provisions

Provisions are acknowledged by the Company when and only when there is a present obligation (legal or implied) resulting from a past event, for the resolution of which it will likely become necessary to spend internal resources, the amount of which may be reasonably estimated.

The recognised amount of the provisions consists in the present value of the best estimate on the reporting date of the resources necessary to settle the obligation. This estimate is determined taking into consideration the risks and uncertainties associated to the obligation.

Provisions are revised on the reporting date and are adjusted so as to reflect the best estimate on this date.

Post-employment benefits

I - Defined benefit plans

With regard to the defined benefit plans, the corresponding cost is determined using the projected unit credit method, where the respective liabilities are determined based on actuarial studies carried out on each reporting date by independent actuaries.

The costs of past services is recognised in results on a linear basis during the period until the corresponding benefits are acquired. They are recognised immediately as the benefits have been totally acquired.

The liability associated to the benefits guaranteed recognised in the balance sheet represents the present value of the corresponding obligation, adjusted by actuarial gains and losses and by the cost of unrecognised past services.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being disclosed whenever the possibility of there being an outflow of resources including economic benefits is not remote nor probable.

Contingent assets

Contingent assets are not recognised in the financial statements, being disclosed when the existence of a future economic influx of resources is probable.

3.10 Financial charges with financing obtained

Financial charges related with loans obtained are generally recognised as expenses as they are incurred.

3.11 Judgments of value, critical assumptions and main sources of uncertainty associated to estimates

In the preparation of the attached financial statements judgments of value and estimates were made and diverse assumptions used that affect the book value of the assets and liabilities, as well as the income and expenses of the year.

The underlying estimates and assumptions were determined based on the best knowledge of the events and transactions in hand existing on the date of approval of the financial statements, as well as on the experience of past and/or current events. Nevertheless, situations can occur in subsequent periods that, not being foreseeable on the date of approval of the financial statements, were not considered in these estimates. Changes to the estimates that occur after the date of the financial statements will be corrected prospectively. For this reason and given the degree of associated uncertainty, the real results of the transactions in question may differ from the corresponding estimates.

The main judgments of value and estimates made in the preparation of the attached financial statements were the following:

- Impairment of shareholdings;
- Impairment of accounts receivable;
- Provisions.

3.12 Events after the balance sheet date

Events which occur after the of balance sheet date and which provide additional information regarding conditions that existed on the of balance sheet date (events after the balance sheet date that give rise to adjustments) are reflected in the financial statements. Events which occur after the balance sheet date which provide information on conditions that may occur after the balance sheet date (that do not give rise to adjustments) are disclosed in the financial statements, if they are considered material.

3.13 Restatement of the Individual Income Statement

During the year 2016 the Company has changed the presentation of the “Income Statement”. From this change resulted, without impact on the results, the following reclassifications:

- For the year 2015, 36.855 Euros previously recorded as "Interest and similar costs borne" have been reclassified to the heading "External supplies and services", as they are associated with the contracting of financial services not related/associated with bank financing/loans.

INCOME AND COSTS	Notes	2015	Restatement	2015 Restated
Gains / Losses imputed from subsidiaries	7	4.954.859		4.954.859
External supplies and services	21	(592.166)	(36.855)	(629.021)
Staff costs	22	(408.705)		(408.705)
Provisions (increases / (reductions))	14	278.158		278.158
Impairment of non depreciable investments ((losses) / reversals)	4	(10.846)		(10.846)
Other income	24	23.397		23.397
Other costs	25	(44.003)		(44.003)
Result before depreciation, financing costs and taxation		4.200.694		4.163.839
Depreciation costs	26	-		-
Operational result (before financing costs and income tax)		4.200.694		4.163.839
interest and similar cots borne	27	(42.742)	36.855	(5.887)
Net result before income tax		4.157.952		4.157.952
Income tax of the year	9	(20.034)		(20.034)
net profit of the year		4.137.918	-	4.137.918

4 CASH FLOW

For the purposes of the cash flow statement, cash and cash equivalents includes cash, immediately available bank deposits (of less than or equal to three months) net of bank overdrafts. On 31st December 2016 and 31st of December 2015 the caption Cash and bank deposits is broken down as follows:

	2016	2015
Cash	2.200	2.200
Immediately avaiable bank deposits	28.596	23.850
Other teasury applications	19.025	29.600
Cash and bank deposits	49.821	55.650

The decrease in "Other treasury applications" is directly related to the booking of impairments over treasury applications in the amount of 10,574 Euros.

5. ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

During the year ended on 31st December of 2016, there were no changes in accounting policies in relation to those used in the preparation and presentation of the financial statements of the year ended on 31st December 2015 nor were any material errors recognised relating to previous periods.

6. TANGIBLE FIXED ASSETS

During the years ended on 31st December of 2016 and 31st December of 2015 the movement in tangible fixed assets, as well as in the respective depreciation and accumulated impairment losses, was the following:

2016

	Vehicles	Office equipment	Total
Gross asets:			
Opening balance	-	1.745	1.745
Closing balance	-	1.745	1.745
Depreciation and accumulated impairment losses:			
Opening balance	-	1.745	1.745
Depreciation of the year (Note 26)	-	-	-
Closing balance	-	1.745	1.745
Net asstes	-	-	-

2015			
	Vehicles	Office equipment	Total
Gross asets:			
Opening balance	86.621	1.745	88.366
Closing balance	86.621	1.745	88.366
Depreciation and accumulated impairment losses:			
Opening balance	-	1.745	1.745
Depreciation of the year (Note 26)	-	-	-
Write-off	-	-	-
Closing balance	-	1.745	1.745
Net asstes	86.621	-	86.621

7. SHAREHOLDINGS AND LOANS TO SUBSIDIARY COMPANIES

On 31st December of 2016 and 31st December of 2015 the Company had the following shareholdings stated using the equity pick-up method:

				2016			2015		
Subsidiaries	Head Office	Assets	Liabilities	% held	Equity	Net Profit	% held	Equity	Net Profit
Estoril Sol (III) - Turismo, Animação e Jogo, S.A.	Estoril	138.126.062	49.788.451	100%	88.337.611	13.092.648	100%	87.132.562	9.409.742
Varzim Sol - Turismo, Jogo e Animação, S.A.	Póvoa de Varzim	47.534.480	27.830.604	100%	19.703.876	(2.766.037)	100%	21.524.862	(4.139.562)
Estoril Sol V - Investimentos Imobiliários, S.A.	Estoril	50	23.082	100%	(23.032)	(1.187)	100%	(21.845)	(1.267)
DTH - Desenvolvimento Turistico e Hoteleiro, S.A.	Estoril	3.177.948	1.752.623	100%	1.425.325	(151.467)	100%	1.576.791	(137.542)
Estoril Sol Imobiliária, S.A.	Estoril	5.079.793	457.826	100%	4.621.967	(75.785)	100%	4.697.752	(4.292)
Estoril Sol - Investimentos Hoteleiros, S.A.	Estoril	9.024.786	2.460	90%	9.022.326	(2.540)	90%	9.024.866	(26.038)
Estoril Sol e Mar - Investimentos Imobiliários, S.A.	Estoril	1.387.071	209.512	100%	1.177.559	(54.483)	100%	1.232.042	(147.449)

The movement in the caption “Shareholdings”, as well as of the respective accumulated impairment losses, was the following:

	2016	2015
Holdings in subsidiary companies		
Opening balance	125.188.875	125.474.944
Gains / Losses imputed from subsidiaries	9.102.056	4.954.859
Acquisitions / Capital increases / Reimbursements (1)	-	2.050.000
Dividends Distribution	(8.000.000)	(6.000.000)
Other variations in equity	(2.942.549)	(1.290.928)
Closing balance	123.348.382	125.188.875

During the year 2016 the subsidiary company Estoril Sol (III) – Turismo, Animação e Jogo, S.A handed out dividends amounting to 8,000,000 Euros related to the year ended 31st December 2015.

During the year 2015 the subsidiary company Estoril Sol (III) – Turismo, Animação e Jogo, S.A handed out dividends amounting to 8,050,000 Euros: 6.000.000 related to the year ended 31st December 2014 and 2.050.000 Euros related to the year ended 31st December 2013.

During 2016 and 2015 the Company made capital increases in its subsidiaries and received from its subsidiaries additional capital payments that had been made in the past, as follows:

		2016	2015
Capital increase made in Varzim-Sol		1.500.000	5.050.000
Additional capital payments reimbursed by Estoril-Sol (III)		(1.500.000)	(3.000.000)
	Total (1)	-	2.050.000

8. OTHER NON-CURRENT ASSETS

On 31st December of 2016 and 31st December of 2015 this caption was made up as follows:

	2016	2015
State and Public Sector	22.241	22.241
	22.241	22.241

These amounts relate to IRC (Corporate Income Tax) and VAT (Value Added Tax) which is recoverable, or the subject of complaint or litigation.

9. INCOME TAX

The Company is subject to corporation income tax at the rate of 21% plus a Municipal Surcharge of 1.5% of taxable income, resulting in a maximum aggregate tax rate of 22.5%. In addition, taxable income for the year ended 31 December 2016 in excess of 1.500.000 Euros is subject to a State Surcharge under the terms of article 87-A of the Corporation Income Tax Code at the following rates:

- 3% for taxable profit between 1.500.000 Euros and 7.500.000 Euros;
- 5% for taxable profit between 7.500.000 Euros and 35.000.000 Euros (a*);
- 7% for taxable profit exceeding 35.000.000 Euros (b*);

(a*) When more than (euro) 7 500 000 until (euro) 35 000 000, is divided into two parts: one, equal to (euro) 6 000 000, which is subject to the rate of 3%; another, equal to the taxable income in excess of (euro) 7 500 000, which is subject to the rate of 5%;

(b*) When more than (euro) 35 500 000, is divided into three parts: one, equal to (euro) 6 000 000, which is subject to the rate of 3%; another, equal to (euro) 27 500 000, which is subject to the rate of 5%; and another, equal to the taxable income in excess of (euro) 35 000 000, which is subject to the rate of 7%;

In addition, net finance costs for 2016 and following years are deductible for determining annual taxable income according with the greater of the following limits:

- 1.000.000 Euros;
- 40% of the profit before amortization and depreciation, net finance costs and taxes.

In accordance with legislation in force, the tax declarations are subject to revision and correction by the tax authorities during a period of four years (five years for the Social Security), except when there have been tax losses, tax benefits have been granted, or inspections, complaints or objections are under way, in which cases, depending on the circumstances, deadlines for filing such statements are extended or suspended. In this way, the Company's tax declarations of the years from 2012 to 2015 could still be subject to revision.

The Company is covered by the Special System for Taxation of Groups of Companies ("SSTGC"), which is defined in article 69 of the Corporate Income Tax Code and covers all the companies in which it has a direct or indirect holding of at least 75% of the respective capital and which are, at the same time, resident in Portugal and taxed under Corporation Tax (IRC). Under this regime the taxable profit of the group relating to each tax period is calculated by the controlling company (Estoril Sol, SGPS, SA), through the algebraic sum of taxable profits and tax losses obtained in the individual periodic statements for each of the companies belonging to the group. The amount obtained is adjusted for part of the profits distributed among group companies that is included in the individual taxable bases.

The following companies are part of this system (“SSTGC”):

- Estoril-Sol, SGPS, S.A;
- DTH – Desenvolvimento Turístico e Hoteleiro, S.A.;
- Estoril Sol Imobiliária, S.A.;
- Estoril Sol V – Investimentos Imobiliários, S.A.;
- Estoril Sol e Mar – Investimentos Imobiliários, S.A.;
- Estoril Sol Investimentos Hoteleiros, S.A.

The cost with income tax on 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
Pre-tax profit	6.703.523	4.157.952
Other companies included in the SSTGC	(285.462)	(316.588)
	6.418.061	3.841.364
Non-deductible expenses		
Losses in subsidiaries, equity pick-up	3.051.499	4.456.150
Other non-deductible expenses	236.395	227.540
	3.287.894	4.683.690
Non-taxable income		
Gains in subsidiaries, equity pick-up	(12.152.368)	(9.409.741)
Other non-taxable income	-	(286.817)
	(12.152.368)	(9.696.558)
Result for tax purposes	(2.446.413)	(1.171.504)
Cost of income tax calculated at the rate of 22,5%	-	-
Autonomous taxation	48.584	20.034
Income tax - current	48.584	20.034
Income tax - deferred	-	-
Income tax of the year	48.584	20.034

Deferred tax assets generated by the Company in its activity are not required to be included in the accounts from the point of view of prudence.

In accordance with current legislation tax losses can be carried forward during a period twelve years (six years for losses incurred up to 2009 and four years for losses incurred in 2010 and 2011) after their occurrence for deduction from taxable income generated in that period, limited to 70% of the Group’s taxable income in each year, applicable also to tax losses incurred in prior years.

On 31st December of 2016 and 31st December of 2015 the reportable tax losses amounted, respectively, to 7.031.265 Euros and 4.564.852 Euros, which were generated as follows:

		2016		2015
Generated in :				
	- year 2012	549.388	- year 2012	549.388
	- year 2013	1.099.598	- year 2013	1.099.598
	- year 2014	1.744.362	- year 2014	1.744.362
	- year 2015	1.191.504	- year 2015	1.191.504
	- year 2016	2.446.413	- year 2016	-
		7.031.265		4.584.852

10. DEFERRED ASSETS

On 31st December of 2016 and 31st December of 2015 the caption “Deferrals” is broken down as follows:

Deferred assets	2016	2015
Insurance	3.264	489
	3.264	489

11. CAPITAL

On 31st December of 2016 and 31st December of 2015, the share capital of the Company was represented by 11,993,684 shares, of which 6,116,779 is in registered shares and 5,876,905 in bearer shares, with a nominal unit value of 5 Euros, which grant the right to a dividend.

The share capital issued by the Company on On 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
Share capital	59.968.420	59.968.420
Treasury shares	(708.306)	(708.306)
Issue premiums	960.009	7.820.769
	60.220.123	67.080.883

The share capital is represented by the following categories of shares:

Date	Nominal value	No. of shares
31st December de 2016		
Registered	5	6.116.779
Bearer	5	5.876.905
		11.993.684
31st December de 2015		
Registered	5	6.116.779
Bearer	5	5.876.905
		11.993.684

The treasury shares were acquired by the Company as follows:

Year of Acquisition	No.of shares	Nominal value	Total nominal	Total premiums	Total
2001	34.900	5	174.500	280.945	455.445
2002	43	5	215	184	399
2007	22	5	110	88	198
2008	27.600	5	138.000	114.264	252.264
Total	62.565		312.825	395.481	708.306

Legal persons with a stake of over 20% in the share capital on 31 December of 2015 and 2014:

- Finansol, Sociedade de Controlo, S.G.P.S, S.A., with 57.79%
- Amorim – Entertainment e Gaming International, S.G.P.S., S.A., with 32.67%.

The share issue premium was reduced by 6,860,760 Euros to 960,009 Euros with reference to 30th September 2016 and was used to cover losses from previous years in accordance with the proposal for applying the results of the year 2015 approved at the General Shareholders' Meeting held on May 31st, 2016.

12. RESERVES

During the years ended on 31st December of 2016 and 31st December of 2015, the movement in reserves was as follows:

	Legal reserve	Other reserves and Retained earnings	Other variations on Equity
Amount on 1-1-2015	6.614.782	(4.883.407)	19.632.477
Application of the net profit of the year ended on 31 de Dezembro de 2014	-	(1.971.353)	-
Other comprehensive income (OCI) year ended 31st-Dec-2015	-	(6.000)	-
Adjustments related with financial assets with the equity pick-up method	-	-	(1.290.928)
Amount on 31-12-2015	6.614.782	(6.860.760)	18.341.549
Coverage of prior year losses	-	6.860.760	-
Application of the net profit of the year ended on 31 de Dezembro de 2015	206.896	-	1.409.742
Other comprehensive income (OCI) year ended 31st-Dec-2016	-	755.000	-
Adjustments related with financial assets with the equity pick-up method	-	-	(2.942.549)
Amount on 31-12-2016	6.821.678	755.000	16.808.742

Legal reserve: Pursuant to commercial legislation in force, at least 5% of the annual net profit if positive, has to be used to reinforce the Legal Reserve until it accounts for at least 20% of the share capital. This reserve may not be distributed except in the event of the liquidation of the company, but may be used for absorbing losses after other reserves run out or are included in the capital.
In accordance with Article 324 of the Commercial Companies Code in the "Other reserves and retained earnings" is an amount unavailable for distribution equal to the value of the treasury shares.

13. APPLICATION OF RESULTS AND DIVIDENDS

The application of the previous year's results during the years ended on 31st December of 2016 and 31st December of 2015 was as follows:

	2016	2015
Legal reserve	206.896	-
Other reserves and retained earnings	-	(1.971.353)
Other variations in equity	1.409.742	-
Dividends	2.521.280	-
	4.137.918	(1.971.353)

The results for the year ended December 31st, 2015, positive by 4.137.918 Euros, has been appropriated as decided by the General Meeting of Shareholders dated May 31th, 2016:

- To "Legal Reserve" 206.896 Euros;
- To "Adjustments to Financial Investments – Unassigned Profits" 1.409.742 Euros;
- To Dividends* 2.521.280 Euros;

* corresponds to a dividend of €0,211 per share

The results for the year ended December 31st, 2014, negative by -1.971.353 Euros, has been fully transferred to "Other reserves and retained earnings" as decided by the General Meeting of Shareholders dated May 29th, 2015.

14. PROVISIONS

The movement in provisions in the years ended on 31st December of 2016 and 31st December of 2015 was as follows:

2016	Opening balance	Increases	Reversals	Write-off	Closing balance
Provisions for pensions (Note 22)	3.522.023	355.000	(925.000)	(52.373)	2.899.650
Provisions for other risks and charges	21.257	1.250.357	-	-	1.271.614
Losses in subsidiaries	21.845	1.187	-	-	23.032
	43.102	1.251.544	-	-	1.294.646
	3.565.125	1.606.544	(925.000)	(52.373)	4.194.296

2015	Opening balance	Increases	Reversals	Write-off	Closing balance
Provisions for pensions (Note 22)	3.388.396	186.000	-	(52.373)	3.522.023
Provisions for other risks and charges	300.682	-	(279.425)	-	21.257
Losses in subsidiaries	20.578	1.267	-	-	21.845
	321.260	1.267	(279.425)	-	43.102
	3.709.656	187.267	(279.425)	(52.373)	3.565.125

Provisions for other risks and charges

The provision for other risks and charges is intended to cover estimated liabilities based on information from juridical and legal consultants, arising from lawsuits filed against the Company.

During 2016, the Company made provisions in the amount of 1,250,357 Euros to face possible contingencies and legal costs in the scope of the challenging of the “Game Tax” with the competent Administrative and Tax Courts.

During the year 2015 the following situations resulted in the reversal of the provisions for other risks and charges:

- A provision of 279,425 Euros to cover any contingencies arising from um a civil lawsuit which is being heard in the 4th Civil Court of Lisbon. Final decision in favour of the Company during 2015.

Provisions for pensions / Post-employment benefits

By the Articles of Association approved in the General Meeting of 29 May 1998, Estoril Sol, SGPS, SA confirmed, in article 36, the right to a retirement pension paid by the company to the former directors who had already retired, based on the previous article 25 of the Articles of Association that were then altered, and the same rights and benefits as those of directors, in office at that time, who had or would have then completed ten years of service – after entering retirement - rights and benefits to be regulated in a contract to be agreed between the Company and these directors.

In order to estimate its liabilities for these payments, the Group follows the procedure of annually obtaining actuarial calculations of the liabilities, calculated using the technical standards of the Insurance Institute of Portugal.

The most recent actuarial study of the assets of the plan and of the present value of the defined benefit obligations was carried out in December of 2016 by a specialised entity accredited for the purpose. The present value of the obligation concerning defined benefits and the cost of current services and of related past services were measured using the projected unit credit method.

The main assumptions made in the actuarial evaluation mentioned above were the following:

	2016	2015
Discount rate	1,5%	2%
rate of growth of pensions	0,00% p.a.	0,00% p.a.
Mortality table		
- Before retirement	n.a.	n.a.
- After retirement	GKF95	GKF95
Invalidity table	n.a.	n.a.
Table of departures	n.a.	n.a.
Retirement age	01-Jan-21	01-Jan-17

The actuarial study resulted the following:

- an increase of 185,000 Euros (Note 22) which reflects the cost charged to the current year associated with post-employment benefits to be paid after December 31st, 2015;

- an reversal (net effect) of 755,000 Euros (reversal of 925,000 Euros and reinforcement of 170,000 Euros) resulting from experience gains in terms of population (provision reversal) and assumption changes (provision reinforcement), discount rate, as shown above. This reversal was offset a gain in terms of equity accounts, in accordance with the accounting standards applied by the company, IFRS 28.

- The value entered in the "Write-off" column in the amount of 52.373 Euros is the amount of disbursements made on behalf of current pension beneficiaries.

15. LEASING

The Company is the lessee in financial and operational leasing contracts related with motor vehicles, which are denominated in Euros.

At 31st December 2016 and 2015 these contracts produce the following future liabilities for the Company:

	2016		
	Finance Leasing	Operational Leasing	Total
Up to 1 year	-	13.776	13.776
Between 1 year and 5 years	-	22.398	22.398
	-	36.174	36.174

	2015		
	Finance Leasing	Operational Leasing	Total
Up to 1 year	-	23.795	23.795
Between 1 year and 5 years	-	13.880	13.880
	-	37.675	37.675

16. OTHER ACCOUNTS PAYABLE

On 31st December of 2016 and 31st December of 2015 the caption “Other accounts payable” is broken down as follows:

	2016	2015
Charges with holidays to be paid	25.767	25.988
Specialised work - Fees	45.207	48.294
Other	71.089	62.564
	142.063	136.846

17. SUPPLIERS

On 31st December of 2016 and 31st December of 2015 the caption of “Suppliers” is broken down as follows:

	2016	2015
Suppliers, current account	49.639	18.753
	49.639	18.753

18. STATE AND PUBLIC SECTOR

On 31st December of 2016 and 31st December of 2015 the caption of “State and Public Sector” is broken down as follows:

	2016	2015
Current assets:		
Special Payment on Account (IRC)	39.500	33.500
	39.500	33.500
Current Liabilities:		
Corporate Income Tax	48.584	20.034
Social Security Contributions	4.787	4.787
Other taxation	3.873	3.923
	57.244	28.744

19. CONTINGENT LIABILITIES AND ASSETS, GUARANTEES AND COMMITMENTS

On 31st December of 2016 and 31st December of 2015 the Company had presented the following guarantees:

	2016	2015
For tax demands in hand / litigation	39.970	39.970
	39.970	39.970

20. RELATED PARTIES

On 31st December of 2016 and 31st December of 2015 the Company had the following balances with related parties:

	2016		2015	
Related party	Current accounts receivable	Current accounts payable	Current accounts receivable	Current accounts payable
Holding company				
- Finansol - Sociedade de Controlo, SGPS, S.A.	74.627	-	10.567	-
Subsidiaries				
- Estoril Sol (III) - Turismo, Animação e Jogo, S.A.	-	17.596.376	-	21.724.376
- DTH - Desenvolvimento Turistico e Hoteleiro, S.A.	1.743.575	-	1.591.770	-
- Estoril Sol Imobiliária, S.A.	-	3.196.545	-	3.271.940
- Estoril Sol - Investimentos Hoteleiros, S.A.	-	9.024.785	-	9.027.325
- Estoril Sol V - Investimentos Imobiliários, S.A.	21.975	-	20.788	-
- Estoril Sol e Mar - Investimentos Imobiliários, S.A.	208.212	-	153.768	-
Impairment:				
- Estoril Sol V - Investimentos Imobiliários, S.A.	(19.521)	-	(19.521)	-
	2.028.868	29.817.707	1.757.372	34.023.641

In the years ended on 31 December 2016 and 2015 there were no transactions between related parties

21. EXTERNAL SUPPLIES AND SERVICES

The caption "External supplies and services" in the years ended on 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
Specialised work	306.310	273.522
Insurance	165.452	165.929
Legal advisory	80.230	80.095
Rents	32.854	35.921
Representation expenses	22.274	18.297
Bank / Financial services	21.656	36.855
Energy and other fluids	7.816	7.644
Fees	7.342	7.342
Conservation and repairs	1.122	2.858
Communication	479	450
Travel and hotels	59	109
	645.593	629.021

22. STAFF COSTS

The caption "Staff Costs" in the years ended on 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
Remuneration of the Corporate Offices (Note 23)	172.500	172.500
Charges on remuneration	45.588	46.028
Estimate for pensions (Note 14)	185.000	180.000
Insurance	1.675	1.572
Cost of social whelfare	583	2.604
Other - Company secretary	6.000	6.000
	411.345	408.705

23. REMUNERATION OF THE CORPORATE OFFICES

The remuneration of the Corporate Offices of the Company in the years ended on 31st December of 2016 and 31st December of 2015 is broken down as follows (Note 22):

Remuneration	2016	2015
Board of Directors	105.000	105.000
Audit Board	56.000	56.000
General Meeting	11.500	11.500
	172.500	172.500

24. OTHER INCOME

The caption “Other income” in the years ended on 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
- Other supplementary income	-	1.221
- Recovery of receivable debts	-	7.450
- Other Taxes reimbursement	-	7.392
- Sundries	-	7.335
	-	23.397

25. OTHER COSTS

The caption “Other costs” in the years ended on 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
Other taxation and rates	468	1.050
Membership fees	2.000	2.000
Sundries	71.175	40.953
	73.643	44.003

26. DEPRECIATION

The caption “Expenses / reversals of depreciation and of amortization” in the years ended on 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
Tangible fixed assets (Note 6)	-	-
	-	-

27. INTEREST AND SIMILAR COSTS BORNE

The costs and losses of financing recognised in the years ended on 31st December of 2016 and 31st December of 2015 is broken down as follows:

	2016	2015
Interest borne:		
Finance and operational leasing	5.833	5.887
	5.833	5.887

28. MANAGEMENT OF FINANCIAL RISKS

In the normal course of its activity the Company is exposed to a variety of financial risks that can change its asset value. Financial risk is understood to be the probability of obtaining results other than those expected, whether these be positive or negative, materially and unexpectedly changing the asset value of the Company.

In order to minimise the potential impact of these risks, the Company adopts a strict and consistent financial policy based on two vitally important instruments:

- approval of the annual budget and the respective revision and analysis of deviations on a monthly basis, and;
- the elaboration of financial and cash-flow planning, which is also reviewed on a monthly basis.

The financial risks which can possibly impact on the activities undertaken by the Company are those presented below:

<u>Liquidity risk:</u>

The management of the liquidity risk is based on maintaining an adequate level of available cash and on the contracting of credit limits that help not only to ensure the normal development of the Company's activities but also to cater for any operations of an extraordinary nature.

According to the monetary resources freed up by the subsidiary companies over which the Company has control, we feel the financial risk to which the Company is exposed is minimal, and the same understanding has prevailed in the examination carried out by financial institutions, as shown by the fact that asset guarantees are dispensed with for operations under contract.

<u>Interest rate risk</u>

The Company's exposure to the interest rate risk stems from the existence, in its balance sheet, of financial assets and liabilities, taken out at variable rates. A change in the market rates has a direct impact on the value of the interest received and/or paid, causing consequent variations in cash.

A significant part of the financing obtained by the Company is classified as current, and so the interest rate is frequently revised, which means a greater exposure to fluctuations in market interest rates, whether in the Company's favour or not.

29. RESULT PER SHARE

The result per basic share of the years ended on 31st December of 2016 and 31st December of 2015 was determined as follows:

	2016	2015
Net profit of the year	6.654.939	4.137.918
Average weighted number of shares in circulation	11.931.119	11.931.119
Result per basic share	0,56	0,35

Due to the fact that there are no situations that cause dilution, the net result per diluted share is the same as the net result per basic share.

30. OTHER DISCLOSURES REQUIRED BY LEGAL DIPLOMAS

The Official Auditor's fees in 2016 and 2015 were 21,000 Euros, for both years, and relate exclusively to the work of the legal review and audit of accounts.

31. EVENTS AFTER THE BALANCE SHEET DATE

Between the 31st of December 2016 and the date of this report, no relevant facts occurred that could materially affect the financial position and the future results of Estoril-Sol, SGPS, S.A. and the other Companies of the Group.

This page is deliberately left blank

This page is deliberately left blank

CONSOLIDATED FINANCIAL STATEMENTS

AND

NOTES TO THE ACCOUNTS

ESTORIL SOL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF THE FINANCIAL POSITION ON DECEMBER 31st, 2016 And DECEMBER 31st, 2015

(Amounts in Euros)

ASSETS	Notes	Dec - 16	Dec-15
NON-CURRENT ASSETS:			
Tangible fixed assets			
Reversible to the State	15	42.654.547	49.062.404
Not reversible to the State	15	55.839.165	57.724.052
Tax deductions on investments	16	(15.399.000)	(18.341.549)
Total non-current assets		83.094.712	88.444.907
Intangible assets	17	55.639.395	66.962.403
Investment properties	18	198.795	204.346
Other non current assets	19	41.907	31.623
		138.974.809	155.643.279
CURRENT ASSETS:			
Inventories	20	6.775.646	6.753.442
Accounts receivable - trade	21	327.017	249.575
Other accounts receivable	22	1.500.547	1.020.032
Cash and cash equivalents	23	13.573.389	10.883.646
Total current assets		22.176.599	18.906.695
Total assets		161.151.408	174.549.973
EQUITY and LIABILITIES			
EQUITY:			
Capital	24	59.968.420	59.968.420
Treasury shares	24	(708.306)	(708.306)
Share issue premiuns	24	960.009	7.820.769
Legal Reserves	24	6.821.678	6.614.782
Other Reserves and Retained earnings	24	2.987.819	(7.271.176)
Consolidated net profit	5	6.554.939	4.196.063
Equity attributable to the holders of the Parent Company		76.584.559	70.620.553
Equity attributable to non-controlling interests	25	1.148.165	-
Total equity		77.732.724	70.620.552
LIABILITIES:			
NON-CURRENT LIABITIES:			
Financial debt	26	1.250.000	5.003.232
Other accounts payable	29	4.310.638	4.886.853
Provisions	28	8.851.972	8.284.263
Total non-current liabilities		14.412.610	18.174.348
CURRENT LIABILITIES:			
Financial debt	26	29.100.739	50.715.146
Other accounts payable	29	39.905.336	35.039.927
Total current liabilities		69.006.074	85.755.073
Total liabilities		83.418.684	103.929.421
Total equity and liabilities		161.151.408	174.549.973

The notes form an integral part of these financial statements

ESTORIL-SOL, SGPS, S.A.

CONSOLIDATED INCOME STATEMENT

OF THE PERIODS ENDED ON 31st DECEMBER, 2016 AND 2015

(Amounts in Euros)

	Notes	31st December 2016	31st December 2015
REVENUE:			
Gaming revenues	6	188.990.943	182.242.909
Gaming taxes	6	(96.448.660)	(95.092.204)
		92.542.283	87.150.705
Other operating revenue	6	9.871.601	10.626.797
		102.413.884	97.777.502
OPERATING EXPENSES:			
Cost of sales	7	(2.874.557)	(2.745.773)
Supplies and external services	8	(30.518.030)	(27.823.739)
Wages and salaries	9	(32.677.895)	(32.898.289)
Depreciation and amortization	10	(20.423.898)	(21.009.553)
Impairments - accounts receivable ((increases) / reversals)	21	(8.048)	98.570
Provisons ((increases) / reversals)	28	(1.450.357)	(1.965.323)
Impairment of non-depreciable / amortizable investments	11	(10.574)	(2.846)
Other indirect taxes	12	(283.658)	(365.356)
Other operating expenses	12	(3.842.597)	(2.526.358)
Total operating expenses		(92.089.614)	(89.238.667)
Income before financial results and taxes		10.324.270	8.538.835
FINANCIAL (LOSSES) AND GAINS:			
Financial losses	13	(2.785.699)	(4.299.173)
Financial gains	13	40.926	27.135
		(2.744.773)	(4.272.038)
Income before taxes		7.579.497	4.266.797
Income taxes	14	(117.699)	(70.734)
CONSOLIDATED NET INCOME	5	7.461.798	4.196.063
Attributable to:			
Equity holders of the Parent Company		6.554.939	4.196.063
Non-controlling interests	25	906.859	-
		7.461.798	4.196.063
Net result per share	33	0,55	0,35

The notes form an integral part of these financial statements

Estoril Sol, SGPS, S.A.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

OF THE YEARS ENDED ON 31st DECEMBER 2016 AND 2015

(Amounts in Euros)

	Notes	2016	2015
Consolidated net result of the year	5	7.461.798	4.196.063
Components of other comprehensive income (OCI):			
Items that will never be reclassified subsequently to profit or loss			
- Actuarial Gains / (Losses) related with post-employment benefit plans	28	755.000	(6.000)
Consolidated comprehensive income of the year		8.216.798	4.190.063
Attributable to:			
Equity holders of the parent		7.309.939	4.190.063
Non-controlling interests		906.859	-
		8.216.798	4.190.063

The notes form an integral part of these financial statements

ESTORIL-SOL, SGPS, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31st DECEMBER 2016 AND 2015

(Amounts in Euros)

	Share Capital	Treasury Shares	Issue Premiums	Legal Reserve	Other Reserves and Retained Earnings	Consolidated net result of the year	Total	Non-controlling interests (Note 25)	Total Equity
Balance at 01st January 2015	59.968.420	(708.306)	7.820.769	6.614.782	(5.528.891)	(1.736.283)	66.430.491		66.430.491
Application of the consolidated net profit of the year ended 31st December 2014	-	-	-	-	(1.736.283)	1.736.283	-		-
Consolidated Other Comprehensive Income (OCI) of the period ended 31st December 2015	-	-	-	-	(6.000)	4.196.063	4.190.063		4.190.063
Balance at 31st December 2015	59.968.420	(708.306)	7.820.769	6.614.782	(7.271.176)	4.196.063	70.620.554	-	70.620.554
Balance at 01st January 2016	59.968.420	(708.306)	7.820.769	6.614.782	(7.271.176)	4.196.063	70.620.552		70.620.552
Coverage of previous years losses	-	-	(6.860.760)	-	6.860.760	-	-	-	-
Application of the consolidated net profit of the year ended 31st December 2015	-	-	-	206.896	1.467.887	(4.196.063)	(2.521.280)		(2.521.280)
Acquisition of subsidiaries	-	-	-	-	-	-	-	241.306	241.306
Adjustments related with financial assets	-	-	-	-	1.175.348	-	1.175.348	-	1.175.348
Consolidated Other Comprehensive Income (OCI) of the period ended 31st December 2016	-	-	-	-	755.000	6.554.939	7.309.939	906.859	8.216.798
Balance at 31st December 2016	59.968.420	(708.306)	960.009	6.821.678	2.987.819	6.554.939	76.584.559	1.148.165	77.732.724

The notes form an integral part of these financial statements

ESTORIL-SOL, SGPS,S.A.

CONSOLIDATED CASH FLOW STATEMENTS

FOR PERIODS ENDED 31st DECEMBER 2016 AND 2015

(Amounts in Euros)

	Notes	31st December 2016	31st December 2015
OPERATING ACTIVITIES:			
Receipts from clients		195.021.803	187.689.288
Payments to suppliers		(33.604.779)	(30.175.268)
Payments to staff		(28.033.830)	(28.119.168)
Cash flow generated by operations		133.383.195	129.394.852
Payment of income tax		(108.134)	(195.625)
Payment of Special Gaming tax		(90.295.115)	(82.982.430)
Other payments relating to the operating activity		(5.737.904)	(5.883.416)
Cash flow from operating activities (1)		37.242.041	40.333.381
INVESTING ACTIVITIES:			
Receipts from:			
Interest and similar income		40.926	27.135
		40.926	27.135
Payments in respect of:			
Tangible fixed assets		(3.793.441)	(6.431.238)
Intangible assets		(36.000)	-
		(3.829.441)	(6.431.238)
Cash flow from investment activities (2)		(3.788.515)	(6.404.103)
FINANCING ACTIVITIES:			
Receipts from:			
Bank loans obtained		329.293.728	490.229.312
		329.293.728	490.229.312
Payments in respect of:			
Bank loans repaid		(354.810.399)	(518.676.112)
Interest and similar costs		(2.690.459)	(4.683.367)
Dividens		(2.512.356)	-
		(360.013.215)	(523.359.479)
Cash flow from financing activities (3)		(30.719.487)	(33.130.166)
Variation in cash and cash equivalents (4)=(1)+(2)+(3)		2.734.039	799.112
Cash and cash equivalents at the start of the period	23	10.839.350	10.040.238
Cash and cash equivalents at the end of the period	23	13.573.389	10.839.350

The notes form an integral part of these financial statements

This page is deliberately left blank

This page is deliberately left blank

1. INTRODUCTION

The Estoril Sol Group, through its subsidiary and associated companies (Note 4), conducts business in gaming, the restaurant sector, entertainment and also real estate.

Estoril Sol, S.G.P.S, S.A. is the Holding Company of the Estoril Sol Group ("Group") and the shares representing its share capital are admitted for trading on a regulated market - the Euronext – as such, on 1 January 2005 it was obliged to prepare Consolidated Accounts pursuant to article 3 of Regulation (EC) no. 1606/2002, of the European Parliament and of the Council, of 19 July, following the Portuguese government's publication of Decree Law no. 35/2005, article 11.

The individual accounts of each company of the group reported at 31st December 2016 were prepared within the framework of the provisions in force in Portugal, effective for years starting on 1 January 2010, in conformity with Decree-Law no. 158/2009, of 13 July, and in accordance with the conceptual structure, Accounting Standards and Financial Reporting ("NCRF") and Interpretative Standards (IS) issued, respectively, in notifications 15652/2009, 15655/2009 and 15653/2009, of 27 August 2009, which, as a whole, form the Accounting Standards System ("SNC"), although the consolidated accounts relating to the same period were prepared in accordance with the "International Accounting Standards (IAS)" / "International Financial Reporting Standards" (IFRS).

2. MAIN ACCOUNTING POLICIES

2.1. Bases of presentation

The attached financial statements were prepared on the assumption of the continuity of operations, based on the books and accounting records of the companies included in the consolidation (Note 4), adjusted to comply with the provisions of the IAS/IFRS as adopted in the European Union, which include the International Accounting Standards ("IAS") issued by the International Accounting Standards Committee ("IASC"), the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and respective interpretations "IFRIC" issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standing Interpretation Committee ("SIC"). Hereinafter, this set of standards and interpretations will be generally termed "IFRS".

The Group adopted the IFRS in the elaboration of its consolidated financial statements for the first time in 2005, and so, pursuant to the provisions in IFRS 1 – First Time Adoption of the International Financial Reporting Standards ("IFRS 1"), it is deemed that the transition of the Portuguese accounting principles to the international standards relates to 1 January 2004.

Consequently, in compliance with the provisions of IAS 1, the Group declares that these consolidated financial statements and respective notes comply with the provisions of the IAS/IFRS as adopted by the European Union, in force for economic years starting on 1 January 2015.

2.2. Adoption of new or revised IAS/IFRS

The accounting policies adopted in the year ended on 31 December 2016 are consistent with those followed in the preparation of the Group's consolidated financial statements of the year ended on 31 December 2015 and referred to in the respective Notes.

The following standards, interpretations, amendments and revisions endorsed by the European Union are of mandatory application in the year ended 31 December 2016:

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
Amendment to IAS 19 - Employee Benefits - Employee contributions	1-Feb-15	Clarifies under what circumstances employee contributions to post-employment benefit plans constitute a reduction in cost with short-term benefits.
Improvements to international financial reporting standards (2010-2012 cycle)	1-Feb-15	These improvements involve the clarification of some aspects related to: IFRS 2 - Share-based Payment: definition of vesting condition; IFRS - 3 Business Combinations: accounting for contingent payments; IFRS 8 - Operating segments: disclosures related to the judgment applied in relation to segment aggregation and clarification on the need to reconcile total assets by segment with the value of assets in the financial statements; IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible assets: need for proportional revaluation of accumulated amortization in the case of revaluation of fixed assets; and IAS 24 - Related Party Disclosures: defines that an entity providing management services to the Company or its parent is considered a related party; And IFRS 13 - Fair Value Measurement: clarifications regarding the measurement of short-term accounts receivable or payable.
Improvements to international financial reporting standards (2012-2014 cycle)	1-Jan-16	These improvements involve the clarification of certain aspects related to: IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations: introduces guidelines on how to proceed in case of changes in the expected realization method (sale or distribution to shareholders); IFRS 7 - Financial Instruments: Disclosures: clarifies the impacts of asset tracking contracts in the scope of disclosures associated with the continued involvement of derecognized assets, and exempts the interim financial statements from the required disclosures regarding the offsetting of financial assets and liabilities; IAS 19 - Employee benefits: defines that the rate to be used for defined benefit discount purposes shall be determined by reference to the high quality corporate bonds that have been issued in the currency in which the benefits will be liquidated; and IAS 34 - Interim Financial Reporting: clarification on the procedures to be adopted when the information is available in other documents issued together with the interim financial statements
Amendment to IFRS 11 - Joint Arrangements – Recording of acquisitions of interests in joint arrangements	1-Jan-16	This amendment relates to the acquisition of interests in joint operations. It establishes the mandatory application of IFRS 3 when the joint operation acquired constitutes a business activity in accordance with IFRS 3. When the joint transaction in question is not a business activity, the transaction should be recorded as an asset acquisition. This amendment has prospective application for new acquisitions of interests.

Amendment to IAS 1 – Presentation of Financial Statements - “Disclosure initiative”	1-Jan-16	This amendment clarifies some aspects relating to disclosure initiatives, namely: (i) the entity must not make it difficult to understand the financial statements by the aggregation of significant items with insignificant items or the aggregation of significant items of different nature; (ii) the disclosures specifically required by the IFRS need only to be provided if the information in question is significant; (iii) the lines in the financial statements specified by IAS 1 can be aggregated or segregated in accordance with what is significant in relation to the objectives of the financial statement; (iv) the part of other recognized income resulting from the application of the equity method in associates and joint agreements must be presented separately from the remaining elements of other recognized income, also segregating the items that can be reclassified to the statement of profit and loss from those that will not be reclassified; (v) the structure of the notes must be flexible, and should follow the following order: • a declaration of compliance with the IFRS's in the first section of the notes; • a description of the significant accounting policies in the second section; • supporting information for the items on the financial statements in the third section; and • other information in the fourth section.
Amendment to IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets – Acceptable depreciation and amortization methods	1-Jan-16	This amendment establishes the presumption (that can be refuted) that income is not an appropriate basis for amortizing an intangible asset and forbids the use of income as a basis for depreciating tangible fixed assets. The presumption established for amortizing intangible assets can only be refuted when the intangible asset is expressed based on the income generated or when utilization of the financial benefits is significantly related to the income generated.
Amendment to IAS 16 – Tangible fixed assets and IAS 41 – Agriculture – Production plants	1-Jan-16	This amendment excludes plants that produce fruits or other components used for harvesting and/or removal under the application of IAS 41, becoming covered by IAS 16.
Amendment to IAS 27 – Application of the equity method on separate financial statements	1-Jan-16	This amendment introduces the possibility of measuring interests in subsidiaries, joint agreements and associates in separate financial statements in accordance with the equity method, in addition to the measurement methods presently existing. This change applies retrospectively.
Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosures of interests on Other Entities and IAS 28 – Investments in Associates and Jointly Controlled Entities	1-Jan-16	Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosures of interests on Other Entities and IAS 28 – Investments in Associates and Jointly Controlled Entities.

The adoption of these standards interpretations, amendments and revisions did not have a significant effect on the Company's financial statements for the year ended 31 December 2016.

The following standards, interpretations, amendments and revisions applicable to future years have, to the date of approval of the accompanying financial statements, been endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union in the years starting on or after	
IFRS 9 – Financial Instruments (2009) and subsequent amendments	1-Jan-18	This standard is part of the revision of IAS 39 and establishes the new requirements for the classification and measurement of financial assets and liabilities to the methodology for the calculation of impairment and for the application of hedge accounting rules.
IFRS 15 – Revenue from Contracts with customers	1-Jan-18	This standard introduces a structure for recognizing revenue based on principles and a model to be applied to all contracts entered into with clients, substituting IAS 18 – Revenue, IAS 11 – Construction contracts; IFRIC 13 – Fidelity programs; IFRIC 15 – Agreements to construct real estate; IFRIC 18 – Transfer of assets from customers and SIC 31 – Revenue – Direct exchange contracts involving services and publicity.

The Group did not early adopt any of these standards early in its consolidated financial statements for the year ended 31 December 2016. However, significant impact on the consolidated financial statements is not expected as a result of this adoption.

The following standards, interpretations, amendments and revisions applicable to future years have, to the date of approval of the accompanying financial statements, not been endorsed by the European Union:

Standard / Interpretation	
IFRS 14 – Regulated assets	This standard establishes the financial statement requirements of entities that adopt for the first time IFRS standards applicable to regulated assets.
IFRS 16 - Leases	This standard introduces the principles of recognition and measurement of leases, replacing IAS 17 - Leases. The standard defines a single accounting model for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except for leases with a period of less than 12 months or for leases that relate to assets of value reduced. Lessors will continue to classify operating or financial leases, and IFRS 16 will not entail substantial changes to such entities as defined in IAS 17.
Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Jointly Controlled Entities	These amendments eliminate the conflict existing between these standards, relating to the sale or the contribution of assets between the investor and the associate or between the investor and the jointly arrangement.
Amendments to IAS 12 - Income Tax	These amendments clarify the conditions for recognition and measurement of tax assets resulting from unrealized losses..

Amendments to IAS 7 - Statement of cash flows	These amendments introduce additional disclosures related to the cash flows from financing activities.
Amendments to IFRS 15 - Revenue from Contracts with Customers	These amendments introduce a number of clarifications in the standard in order to eliminate the possibility of divergent interpretations of various topics.
Amendments to IFRS 2 - Share-based Payment	These amendments introduce various clarifications in the standard related to: (i) recording cash-settled share-based payment transactions; (ii) recording changes in share-based payment transactions (from cash settled to settled with equity instruments); (iii) the classification of transactions with cleared securities.
Amendments to IFRS 4 - Insurance Contracts	These amendments provide guidance on the application of IFRS 4 together with IFRS 9.
Amendments to IAS - 40 Investment Property	These amendments clarify that the change in classification of or for investment property should only be made when there is evidence of a change in the use of the asset
Improvements to international financial reporting standards (2014-2016 cycle)	These improvements involve the clarification of some aspects related to: IFRS 1 - First-time adoption of international financial reporting standards: eliminates some short-term exemptions; IFRS 12 - Disclosure of interests in other entities: clarifies the scope of the standard for its application to interests classified as held for sale or held for distribution under IFRS 5; IAS 28 - Investments in associates and joint ventures: introduces clarifications on the fair value measurement by results of investments in associates or joint ventures held by venture capital companies or by investment funds.
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	This interpretation establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for the purpose of determining the exchange rate of the recognition of the revenue.

These standards have not yet been endorsed by the European Union and so have not been applied by the Group in the year ended 31 December 2016.

2.3. Principles of consolidation

The consolidation methods adopted by the Group are the following:

a) Controlled companies

Shareholdings in controlled companies, or rather, in which the Group holds, directly or indirectly more than 50% of the voting rights in a General Meeting of Shareholders or has the power to control their financial and operational policies (definition of control used by the Group), were included in these consolidated financial statements by the purchase method of consolidation. The equity and net result of these companies corresponding to the participation of third parties therein, is presented separately in the consolidated statement of the financial position and in the consolidated income statement, respectively, in the "Minority interests" caption, which on the date of these financial statements had no value.

Companies included in the consolidation are indicated in Note 4.

When losses attributable to shareholders without control exceed the respective interest in the equity of the controlled company, the Group absorbs this excess and any additional losses, except when those shareholders have an obligation or have manifested an intention to do so and are able to cover these losses. If the controlled company subsequently reports profits, the Group appropriates all the profits until the part of the losses absorbed by the Group relating to those shareholders has been recovered.

The assets, liabilities and contingent liabilities of controlled companies are measured by their respective fair value on the acquisition date. Any excess of the acquisition cost over the fair value of the net assets acquired is recognised as goodwill (Note 2.4). If the difference between the acquisition cost and the fair value of the net assets acquired is negative, this is recognised as a result of the period. The interests of shareholders without control are presented by the respective proportion of the fair value of the assets and liabilities identified.

Whenever necessary, adjustments are made to the financial statements of sub-companies to adapt their accounting policies to those used by the Group. The transactions, balances and dividends distributed between Group companies are eliminated in the consolidation process.

2.4. Goodwill

Goodwill represents an excess of the purchase price over the fair value of identifiable assets and liabilities for a controlled company, on the respective acquisition date, in conformity with IFRS 3 – Concentrations of business activities. Arising from the exception allowed for in IFRS 1, the Group only applied the provisions of IFRS 3 to acquisitions made after 1 January 2004. The amount of goodwill corresponding to acquisitions prior to this date were maintained at their net values presented on that date, instead of being recalculated in accordance with IFRS 3, being subject to annual impairment tests since that date.

In accordance with IFRS 3, goodwill is not subject to amortization, being presented autonomously in the statement of the financial position. Annually, or whenever there are indications of a possible loss of value, goodwill is subject to impairment tests. The impairment losses identified are stated in the income statement of the year in the “Impairment of non-depreciable / amortizable investments” caption. These impairment losses cannot be reversed.

For the purposes of the analysis of impairment, goodwill is allocated to cash generating units, in which benefits can be expected from the synergies created with the acquisition of the investments. The analysis of impairment is carried out annually, or whenever it is felt necessary, for each cash generating unit. If the recoverable value of the cash generating unit is lower than its book value, the difference is attributed first to goodwill and then to the book value of the assets of the unit, in proportion to their respective value.

2.5. Associate companies

An associate company is an entity in which the Group exercises significant influence, but does not have control or joint control, through participation in the decisions relating to its financial and operational policies.

Financial investments in associate companies (Note 4) are recorded using the equity pick-up method, except when they are classified as held for sale, with the participations being initially stated at acquisition cost, to which the difference between this cost and the value proportional to the participation in the equity of these companies, reported on the acquisition date or on the first application of this method, is added or subtracted.

In accordance with the equity pick-up method, shareholdings are adjusted periodically by the value corresponding to the participation in the net results of the associate companies, by other variations in their equity, as well as by the recognition of impairment losses, against financial gains or losses.

Furthermore, dividends received from these companies are stated as a reduction in the value of the financial investments.

The Group suspends the application of the equity pick-up method when the investment in the associate company is reduced to zero and a liability is only recognised if there are legal or constructive obligations before associate companies or their creditors. If the associate company subsequently produces profits, the equity pick-up method is resumed after its part in the profits is equal to the part of the unrecognised losses.

Each year an assessment is made of the investments in associate companies and, when there are indications that the asset could be impaired, the impairment losses that are demonstrated to exist are stated as a cost. When impairment losses recognised in previous periods cease to exist they are reversed up to the limit of the impairment recorded.

Whenever necessary, adjustments are made to the financial statements of associate companies to adapt their accounting policies to those used by the Group.

2.6. Tangible fixed assets

Tangible fixed assets are initially recorded at acquisition cost, which includes the cost of purchase, any costs directly attributable to the activities necessary to place the assets in the location and condition necessary for them to operate as intended. Arising from the exception allowed for in IFRS 1, revaluations made to tangible assets, in years prior to 01 January 2004, were maintained, with this reassessed value being designated at cost value for the purposes of the IFRS.

Other tangible fixed assets are stated at acquisition cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated, after the time when the asset is ready to be used, in accordance with the straight line method with duodecimal imputation, in conformity with the estimated useful life for each group of assets.

The useful lives and method of depreciation of the various assets are revised annually. The effect of any change in these estimates is recognised prospectively in the income statement.

Tangible fixed assets allocated to the gaming concessions are revertible to the State at the end of the respective concessions (“reversible tangible fixed assets”), being depreciated in accordance with the straight line method according to their useful lives, always paying attention to the number of years remaining until the end of the respective concessions, as follows:

Concession	End of the concession
Estoril and Lisbon Casino	2020
Póvoa Casino	2023

Other tangible fixed assets ("Tangible fixed assets non-revertible to the State") are depreciated using the straight line method with duodecimal imputation during the following estimated useful lives:

Homogenous class	Years
Buildings and other constructions	20 - 50
Basic equipment	3 - 10
Vehicles	3 - 4
Office equipment	3 - 10
Other tangible fixed assets	3 - 10

Current maintenance and repair costs are recorded as a cost when incurred. Improvements are recorded as assets only in those cases concerning increased future economic benefits and which correspond to the replacement of goods, which are written down.

The gain (or loss) resulting from the sale or write-off of a tangible fixed asset is determined as the difference between the amount received in the transaction and the net book value of the asset and is recognised in results in the year in which the write-off or sale takes place.

2.7. Finance and operational leasing

Leasing contracts are classified as finance leasing if, through these, all the risks and benefits inherent to ownership of the corresponding assets are substantially transferred to the lessee. Other leasing contracts are classified as operating leases. Leasing is classified according to the substance and not the form of the contract.

Leasing in which the Company acts as lessee

Assets acquired under finance lease contracts, as well as the corresponding responsibilities, are recorded at the start of the leasing for the lower value of either the fair value of the assets or the present value of the minimum leasing payments. The instalments include the financial cost and amortization of the capital, with financial costs being imputed in accordance with a constant periodic interest rate on the outstanding balance of the liability.

In the case of operating leases, the lease instalments due are recognised as costs on a straight-line basis over the period of the lease contract. The incentives received are stated as a liability, with the aggregate amount thereof being recognised as a reduction in the costs with the lease, also on a straight-line basis.

Contingent payments are recognised as expenses of the year in which they are incurred.

2.8. Intangible assets

Intangible assets essentially correspond to the premiums paid for the operating rights in the gaming areas of Estoril and Póvoa during the period that was negotiated with the Portuguese Government. The Estoril gaming area includes Estoril Casino and Lisbon Casino, with operations at the latter having begun on 19 April 2006. These premiums are stated at acquisition cost less amortization and any accumulated impairment losses. Intangible assets are acknowledged only when it is likely that the Group will derive future economic benefits from them, and that they are both controllable and reliably measured.

Amortization is calculated using the straight line method, from the moment that the assets are available for use, according to the estimated useful life, with the end of the respective concessions being considered as follows:

Concession	End date of the concession
Estoril and Lisbon Casinos	2020
Póvoa Casino	2023
Casino Online	2019 (renewal for períods of three years)

2.9. Impairment of non-current assets, excluding goodwill

Whenever there is any indicator that the Company's tangible fixed assets, intangible assets and investment properties could be impaired, an estimate is made of its recoverable value in order to determine the extent of the impairment loss (according to the case). When the recoverable value of an individual asset cannot be determine, the recoverable value of the cash generating unit to which this asset belongs is estimated.

The recoverable value of the asset or of the cash generating unit is the higher between (i) the fair value less sale costs and (ii) the usage value. In the determination of the usage value, the estimated future cash flows are discounted using a discount rate that reflects the expectations of the market concerning the temporal value of the money and regarding the specific risks of the asset or of the cash generating unit in relation to which the estimates of future cash flows have not been adjusted.

Whenever the net book value of the asset or of the cash generating unit is higher than its recoverable value, an impairment loss is recognised. An impairment loss is immediately entered in the income statement, except if this loss compensates a surplus revaluation recorded in equity. In this latter case, this loss will be treated as a decrease in that revaluation.

The reversal of impairment losses recognised in previous years is recorded when there is evidence that the impairment losses recognised previously no longer exist are have reduced. The reversal of impairment losses is recognised in the income statement in the respective caption of "Reversals of impairment losses". Impairment losses are reversed up to the limit of the amount that would be recognised (net of amortization) if the loss had not been recorded.

2.10. Tax deductions by investment

Under the Gaming Concession Contracts, the Group has the right to annually deduct the following expenses from the gaming tax:

1. Losses from the operation of the Tamariz Bathing Complex, on the basis set forth by line c) of article 6 of Regulatory Decree 56/84;
2. Expenses pertaining to compliance with the obligations set forth under section 1 of article 5 of Decree Law no. 275/01, of 17 October;
3. Expenses with the purchase, renewal and replacement of gaming equipment, up to 50% of its value, pursuant to paragraph d) of article 6 of Regulatory Decree 56/84;
4. Expenses with projects for the execution of works for the modernizing and expanding of gaming equipment, for up to 50% of its value, pursuant to paragraph d) of article 6 of Regulatory Decree 56/84;
5. Expenses with the automation of the system used for issuing access cards leading to Game Rooms and for controlling revenues and internal television and surveillance circuits, the value of which amounts to 100% of such expenses, pursuant to paragraph e) of article 6 of Regulatory Decree 56/84.

Tax deductions representing the loses referred to under 1) and to the expenses mentioned under 2) are fully recorded in the Income Statement for the period to which they relate (Note 2.6);

2.11. Investment properties

Investment properties essentially consist of buildings held to obtain rents or for appreciation of the capital (or both), and are not intended for use in the production or supply of goods or services or for administrative purposes or for sale in the ordinary course of the business.

Investment properties are initially measured at cost (which includes transaction costs). Subsequently, investment properties are measured in accordance with the cost model.

Costs incurred related with investment properties in use, namely, maintenance, repairs, insurance and taxation on properties are recognised as a cost in the period that they relate to. Improvements in investment properties in relation to which there are expectations that they will generate additional future economic benefits are capitalised in the "Investment properties" caption.

Investment properties are depreciated in accordance with the straight line method with duodecimal imputation during the following estimated useful lives:

Homogenous class	Years
Buildings and other constructions (apartment)	50
Basic equipment (contents)	8

2.12. Inventories

Inventories are recorded at cost or net realizable value, whichever is lower. The net realizable value represents the estimated sale price less all the costs estimated and necessary to conclude the inventories and to make the sale.

The costing method of inventories adopted by the Company is the average cost.

2.13. Accrual accounting

Expenses and income are recognised in the year they relate to, in accordance with the principle of accrual accounting, irrespective of when the transactions are invoiced. Expenses and income for which the real value is not known are estimated.

Expenses and income imputable to the current year where the expense and income on which will only take place in future periods, together with the expenses and income that have already occurred, but which relate to future periods and which will be imputed to the results of each of these periods, for the value corresponding to them, are stated in the deferrals captions.

Financial interest and income are recognised in accordance with the principle of accrual accounting and in accordance with the effective interest rate applicable.

2.14. Income tax

Income tax corresponds to the sum of current taxation and deferred taxation. Current tax and deferred tax are recorded in the Income Statement except when the deferred tax is related with items entered directly in equity. In these cases the deferred tax is also stated in equity.

Current tax on income is calculated based on the taxable profit of the year of the various entities included in the consolidation perimeter. The taxable profit differs from the accounting result as it excludes diverse expenses and income that will only be deductible or taxable in subsequent years, as well as expenses and income that will never be deductible or taxable in accordance with the tax rules in force.

Deferred tax relates to the temporary differences between the amounts of the assets and liabilities for accounts reporting purposes and the respective amounts for the purposes of taxation, as well as the results of tax benefits obtained and of temporary differences between the fiscal and accounting results.

Deferred tax liabilities are generally recognised for all temporary taxable differences.

Deferred tax assets are recognised for temporary deductible differences, although this recognition only occurs when there are reasonable expectations of future tax profits that are sufficient for these deferred tax assets to be used. These deferred tax assets are revised on each reporting date, these being adjusted according to expectations regarding their future use.

Deferred tax assets and liabilities are measured using the tax rates that are expected to be in force on the date of the reversal of the corresponding temporary differences, based on the tax rates (and fiscal legislation) that are formally issued on the reporting date.

Compensation between assets and deferred tax liabilities is only permitted when: (i) the Company has a legal right to compensate between these assets and liabilities for the purposes of liquidation; (ii) these assets and liabilities are related with income taxation raised by the same tax authority (i) and (iii) the Company intends to perform this compensation for the purposes of liquidation.

The Company is covered by the Special System for Taxation of Groups of Companies (“SSTGC”), as established in article 69 of the Portuguese Corporate Income Tax Code (CIRC) and covers all the companies in which it has a direct or indirect holding of at least 75% of the respective capital and which are, at the same time, resident in Portugal and taxed under Corporation Tax (IRC). Under this regime the taxable profit of the Group relating to each tax period is calculated by the controlling company (Estoril Sol, SGPS, SA), through the algebraic sum of taxable profits and tax losses obtained in the individual periodic statements for each of the companies belonging to the group. The amount obtained is adjusted for part of the profits distributed among group companies that is included in the individual taxable bases.

The following companies are part of this system:

- Estoril Sol, SGPS, S.A;
- DTH – Desenvolvimento Turístico e Hoteleiro, S.A.;
- Estoril Sol Imobiliária, S.A.;
- Estoril Sol V – Investimentos Imobiliários, S.A.;
- Estoril Sol e Mar – Investimentos Imobiliários, S.A.;
- Estoril Sol Investimentos Hoteleiros, S.A.

For other companies also included in the consolidation perimeter (Note 4), and whose main activity is the operation of games of fortune, namely: Estoril Sol (III) – Turismo, Animação e Jogo, S.A and Varzim Sol – Turismo, Jogo e Animação, S.A, Estoril-Sol Digital – Online Gaming Products and Services, S.A., there is no Corporate Tax (IRC). The activity of these two companies, in accordance with clause 7 of the Notice of the Ministry of the Economy, represented by the Inspectorate-General for Gaming, of 14 December 2001, published in the III Series of the *Diário da República* no. 27 of 01 February 2002, the concessionaire is obliged to pay a special tax for operating gaming activities, with no other general or local tax being payable relating to the exercise of this activity or any other which it is required to under this contract, with the respective collection and payment being performed pursuant to articles 84 and following of Decree Law no. 422/89.

2.15. Financial instruments

Customers and other accounts receivable

The debts of customers and of other third parties are entered at their nominal value less any impairment losses. Impairment losses correspond to the difference between the amount initially stated and the recoverable value, and are recognised in the statement of comprehensive income of the period in which they are estimated.

Cash and cash equivalents

The amounts included in the caption of cash and cash equivalents correspond to the amounts in cash, bank deposits and that which can be immediately moved with an insignificant risk of a change in value.

For the purposes of the cash flow statement, the caption of cash and cash equivalents also includes bank overdrafts included in the caption “Financing obtained”.

Other accounts payable

Accounts payable are entered at their nominal value, discounted by any interest calculated and recognised in accordance with the effective interest rate method.

Financing obtained

Loans are recognised initially for the value received, net of issuing expenses. In subsequent periods, loans are carried at amortised cost; any difference between the amounts received (net of issuing costs) and the value payable is recognised in the statement of comprehensive income during the period of the loans using the effective interest rate method.

Loans which fall due in less than twelve months are classified as current liabilities, unless the Group has the unconditional right to defer the settlement of the liabilities for more than twelve months after the date of the statement of the financial position.

2.16. Provisions, post-employment benefits, contingent liabilities and contingent assets

Provisions

Provisions are only recognised when the Company has a present obligation (legal or implied) resulting from a past event, for the resolution of which it will likely become necessary to spend internal resources, the amount of which may be reasonably estimated.

The amount of provisions recognised consists of the present value of the best estimate on the reporting date of the resources necessary to settle the obligation. This estimate is determined taking the risks and uncertainties associated to the obligation into consideration.

Provisions are revised on the reporting date and are adjusted in order to reflect the best estimate on that date.

Post-employment benefits

I - Defined benefit plans

With regard to the defined benefit plans, the corresponding cost is determined using the projected unit credit method, with the respective liabilities being determined based on actuarial studies carried out on each reporting date by independent actuaries.

The cost of the past services is recognised in results on a linear basis during the period until the corresponding benefits are acquired. They are recognised immediately in as the benefits are fully acquired.

The liability associated to the guaranteed benefits recognised in the balance sheet represents the present value of the corresponding obligation, adjusted for actuarial gains and losses and for the cost of unrecognised past services.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements, being disclosed whenever the possibility of there being an outflow of resources including economic benefits is not remote.

Contingent assets

Contingent assets are not recognised in the financial statements, being disclosed when the existence of a future economic influx of resources is probable.

2.17. Income

Income is measured by the fair value of the counter-payment received or receivable.
Income from the provision of services is recognised with reference to the stage of completion of the transaction/service on the reporting date, provided that all the following conditions are met:

- The amount of the income can be reliably measured;
- It is probable that future economic benefits associated to the transaction will accrue for the Company;
- The costs incurred or to be incurred with the transaction can be reliably measured.

Income arising from the sale of assets is recognised when all the following conditions are met:

- All the risks and benefits associated to the ownership of the assets were transferred to the purchaser;
- The Company does not retain any control over the assets sold;

- The amount of the income can be reliably measured;
- It is probable that future economic benefits associated to the transaction will accrue for the Company;
- The costs incurred or to be incurred with the transaction can be reliably measured.

2.18. Financial charges with financing obtained

Financial charges related with loans obtained are generally recognised as expenses as they are incurred.

2.19. Assets and liabilities held for sale

Assets and liabilities held for sale (or discontinued operations and related groups of assets and liabilities) are measured at the lesser of the book value or respective sale value, less sale costs and are classified as being held for sale if the respective value is realizable through a sale transaction instead of through their continued use.

This situation is only considered to happen when: (i) the sale is highly probable and the asset is available for immediate sale in its current conditions; (ii) management is committed to a sale plan; and (iii) the sale is expected to take place within a period of 12 months.

2.20. Classification of the statement of the financial position

Assets realizable and liabilities required for payment within one year from the date of the statement of the financial position are classified, respectively, in assets and liabilities as current.

2.21. Subsequent events

Events which occur after the close date of the year and which provide additional information regarding conditions that existed on the close date of the year are reflected in the consolidated financial statements.

Events which occur after the close date of the year and which provide additional information regarding conditions that occur after the close date of the year are disclosed in the Notes to the consolidated financial statements, if material.

2.22. Restatement of the "Consolidated Income Statement"

During the year 2016 the Company has changed the presentation of the "Consolidated Income Statement". From this change resulted, without impact on the results, the following reclassifications:

- For the year 2015, 422.865 Euros previously recorded as "Financial losses" have been reclassified to the heading "Supplies and external services", as they are associated with the contracting of financial services not related/associated with bank financing/loans.

- For the year 2015, 99.032 Euros previously recorded as "Other operating expenses" have been reclassified to the heading "Supplies and external services", as they are associated with the contracting of financial services not related/associated with bank financing/loans.

	Notes	2015	Restatement	2015 Restated
REVENUE:				
Gaming revenues		182.242.909		182.242.909
Gaming taxes		(95.092.204)		(95.092.204)
		87.150.705		87.150.705
Other operating revenue		10.626.797		10.626.797
		97.777.502		97.777.502
OPERATING EXPENSES:				
Cost of sales		(2.745.773)		(2.745.773)
Supplies and external services	8	(27.302.022)	(521.717)	(27.823.739)
Wages and salaries		(32.898.289)		(32.898.289)
Depreciation and amortization		(21.009.553)		(21.009.553)
Impairments - accounts receivable ((increases) / reversals)		98.570		98.570
Impairment of non-depreciable / amortizable investments		(2.846)		(2.846)
Other indirect taxes		(365.356)		(365.356)
Other operating expenses		(2.625.390)	99.032	(2.526.358)
Total operating expenses		(88.815.982)	(422.685)	(89.238.667)
Income before financial results and taxes		8.961.520		8.538.835
FINANCIAL (LOSSES) AND GAINS:				
Financial losses	13	(4.721.858)	422.685	(4.299.173)
Financial gains		27.135		27.135
		(4.694.723)	422.685	(4.272.038)
Income before taxes		4.266.797		4.266.797
Income taxes		(70.734)		(70.734)
CONSOLIDATED NET INCOME		4.196.063		4.196.063
Attributable to:				
Equity holders of the Parent Company		4.196.033		4.196.063
Net result per share		0,35		0,35

3. JUDGMENTS OF VALUE, CRITICAL ASSUMPTIONS AND MAIN SOURCES OF UNCERTAINTY ASSOCIATED TO ESTIMATES

In the preparation of the attached financial statements judgments of value and estimates were made and diverse assumptions used that affect the book value of the assets and liabilities, as well as the income and expenses of the year.

The underlying estimates and assumptions were determined based on the best knowledge of the events and transactions in hand existing on the date of approval of the financial statements, as well as on the experience of past and/or current events. Nevertheless, situations can occur in subsequent periods that, not being foreseeable on the date of approval of the financial statements, were not considered in these estimates. Changes to the estimates that occur after the date of the financial statements will be corrected prospectively. For this reason and given the degree of associated uncertainty, the real results of the transactions in question may differ from the corresponding estimates.

During the year ended on 31 December of 2016, there were no changes in accounting policies in relation to those used in the preparation and presentation of the financial statements of the year ended on 31 December 2015, nor were any material errors recognised relating to previous periods.

The main judgments of value and estimates made in the preparation of the attached financial statements were the following:

- Analysis of the impairment of intangible assets;
- Impairment of accounts receivable;
- Impairment of inventories;
- Useful lives of tangible fixed assets;
- Record of provisions;
- Technical actuarial assumptions and bases.

4. COMPANIES INCLUDED IN THE CONSOLIDATION AND ASSOCIATE COMPANIES

4.1 Companies included in the consolidation

The companies included in the consolidation, their registered offices, the method of consolidation adopted and the proportion of the capital effectively held on 31st December 2016 and 2015 are the following:

Name	Head office	Method of Consolidation	Effective percentage of the capital held	
			Dec-16	Dec-15
Estoril-Sol, S.G.P.S., S.A.	Estoril	Integral	Holding. Co.	Holding. Co.
Estoril-Sol (III) - Turismo, Animação e Jogo, S.A.	Estoril	Integral	100	100
Varzim Sol - Turismo, Jogo e Animação, S.A.	Póvoa de Varzim	Integral	100	100
Estoril-Sol V - Investimentos Imobiliários, S.A.	Estoril	Integral	100	100
DTH - Desenvolvimento Turistico e Hoteleiro, S.A.	Estoril	Integral	100	100
Estoril-Sol Imobiliária, S.A.	Estoril	Integral	100	100
Estoril-Sol - Investimentos Hoteleiros, S.A.	Estoril	Integral	100	100
Estoril Sol e Mar - Investimentos Imobiliários, S.A.	Estoril	Integral	100	100
Estoril-Sol Digital, Online Gaming Products and Services, S.A.	Estoril	Integral	50	100

Within the online gaming activities, which is carried out through Estoril Sol Digital, Online Gaming Products and Services, S.A, a subsidiary company of Estoril Sol (III) – Turismo, Animação e Jogo, S.A., a company owned by the issuer (Estoril-Sol, SGPS, S,A,), signed (July 2016) with Vision Gaming Holding Limited, a company based in Malta, an association agreement, through which it holds a minority interest, corresponding to 49.9998% of the share capital of Estoril Sol Digital, keeping the Estoril Sol (III) SA most of the capital and votes in that company (Estoril Sol Digital, Online Gaming Products and Services, S.A.). From this operation resulted no gains/losses for the Estoril-Group, as the partial sale of the capital have been carried out by the same value of its constitution.

4.2 Associate companies

Estoril-Sol, SGPS, S.A. indirectly held on 31st December 2015, 33.33% of the company Parques do Tamariz, S.A., through Estoril Sol Imobiliária, S.A.

These holdings are presented at the value resulting from the equity pick-up method. Using this method, the financial statements include the part attributable to the Estoril Sol Group of the results recognised from the date on which the significant influence starts up to the date on which it effectively ends. Associate companies are entities in which the Estoril Sol Group has between 20% and 50% of the voting rights, or in which the Group has significant influence.

During the first quarter of 2016 the subsidiary company Parques do Tamariz, was dissolved, as it had no longer any assets and did not engage any economic activity. No additional losses resulted from this operation to the Group Estoril-Sol.

5. REPORTING BY SEGMENTS

The segments reportable by the Group are based on the identification of segments in line with the financial information that is reported internally to the Board of Directors and which supports the Board in its evaluation of the performance of the businesses and in taking decisions with regard to the allocation of the resources to be used. The segments identified by the Group for reporting by segments, are therefore consistent with the way in which the Board of Directors analyses its business, corresponding to:
- the Estoril Gaming Concession the Estoril Casino and Lisbon Casino;
- the Póvoa de Varzim Faming Concession the Póvoa Casino;
- the Online gambling license to Casino Online;
- and "Others", essentially including the effect of the holding companies and of the other operating activities of the Group.

On 31st December 2016 and 2015, the information by business segment, is as follows:

	December - 2016						
	Estoril Game Concession				License for Online Gambling		
	Estoril Casino	Lisboa Casino	Sub-Total	Póvoa Casino	Casino Online	Other	Total
Net assets	33.538.566	78.489.548	112.028.114	40.156.256	3.340.607	5.626.431	161.151.408
Net liabilities	19.701.686	29.600.545	49.302.231	27.841.156	1.044.267	5.231.030	83.418.684
Result of the segment	(2.008.113)	14.185.215	12.177.102	(2.766.037)	1.813.718	(3.762.985)	7.461.798
Investment assets:					-		
- tangible fixed	1.126.845	1.564.804	2.691.649	2.259.663	32.885	-	4.984.197
- intangible	-	-	-	-	36.000	-	36.000
Average no. of staff	340	300	640	239	9	15	903

	December - 2015						
	Estoril Game Concession				License for Online Gambling		
	Estoril Casino	Lisboa Casino	Sub-Total	Póvoa Casino	Casino Online	Other	Total
Net assets	42.315.650	81.111.140	123.426.790	44.563.462	-	6.559.721	174.549.973
Net liabilities	31.001.431	37.423.900	68.425.331	30.982.325	-	4.521.765	103.929.421
Result of the segment	(1.367.742)	10.777.484	9.409.742	(4.139.562)	-	(1.074.117)	4.196.063
Investment assets:					-		
- tangible fixed	1.958.484	2.761.896	4.720.380	1.775.515	-	-	6.495.895
- intangible	-	-	-	-	-	-	-
Average no. of staff	333	299	632	240	-	16	888

6. OPERATING INCOME BY NATURE

The consolidated operating income, in the years ended on 31st December 2016 and 2015, is split in the following manner:

	December - 2016					
	Estoril Game Concession			Póvoa Game Concession	License for Online Gambling	
Nature	Estoril Casino	Lisboa Casino	Sub-Total	Póvoa Casino	Casino Online	Total
Gaming revenues:						
- Slot Machines	45.790.811	65.502.078	111.292.889	36.502.854	4.117.480	151.913.223
- Table based gaming	13.434.380	15.311.122	28.745.502	7.905.428	2.146.121	38.797.051
- Bonuses and other fair value adjustments	(15.324)	(247.309)	(262.633)	(61.887)	(1.394.811)	(1.719.331)
	59.209.867	80.565.891	139.775.758	44.346.395	4.868.790	188.990.943
Gaming taxes:						
- Special Gaming Tax (current)	(29.612.596)	(40.406.600)	(70.019.196)	(22.204.141)	(984.029)	(93.207.367)
- Annual Gaming Tax (difference to minimum grant)	-	-	-	(3.241.293)	-	(3.241.293)
	(29.612.596)	(40.406.600)	(70.019.196)	(25.445.434)	(984.029)	(96.448.660)
Other operating revenues:						
- F&B and Entertainment	4.395.115	608.869	5.003.984	1.017.903	-	6.021.887
- Tax deductions - Entertainment	1.102.111	1.263.036	2.365.146	1.055.644	-	3.420.790
- Supplementary income	297.922	38.396	336.319	26.409	-	362.728
- Other	63.923	27	63.949	2.247	-	66.196
	5.859.071	1.910.327	7.769.398	2.102.203	-	9.871.601
	35.456.342	42.069.618	77.525.959	21.003.164	3.884.761	102.413.884

	December - 2015					
	Estoril Game Concession			Póvoa Game Concession	License for Online	
Nature	Estoril Casino	Lisboa Casino	Sub-Total	Póvoa Casino	Casino Online	Total
Gaming revenues:						
- Slot Machines	46.034.104	64.231.756	110.265.860	33.918.109	-	144.183.969
- Table based gaming	15.541.188	14.761.829	30.303.017	8.043.928	-	38.346.945
- Bonuses and other fair value adjustments	(128.600)	(90.375)	(218.975)	(69.030)	-	(288.005)
	61.446.692	78.903.210	140.349.902	41.893.007	-	182.242.909
Gaming taxes:						
- Special Gaming Tax (current)	(30.787.646)	(39.496.793)	(70.284.439)	(20.981.019)	-	(91.265.458)
- Annual Gaming Tax (difference to minimum grant)	-	-	-	(3.826.747)	-	(3.826.747)
	(30.787.646)	(39.496.793)	(70.284.439)	(24.807.766)	-	(95.092.204)
Other operating revenues:						
- F&B and Entertainment	4.132.187	440.610	4.572.797	866.509	-	5.439.306
- Tax deductions - Entertainment	1.673.737	1.374.384	3.048.121	1.604.277	-	4.652.398
- Supplementary income	210.687	45.152	255.839	20.562	-	276.401
- Other	249.737	-	249.737	8.955	-	258.692
	6.266.348	1.860.146	8.126.494	2.500.303	-	10.626.797
	36.925.394	41.266.563	78.191.958	19.585.544	-	97.777.502

Income from the segments comes from transactions with external customers. There are no transactions between segments. The accounting policies of each segment are the same as those of the Group.

Special Gaming Tax:

The Special Gaming Tax is applied to the net income from the gaming activity carried out by Estoril Sol (III) – Turismo, Animação e Jogo, S.A which currently runs the Estoril Casino and Lisbon Casino, and by Varzim Sol – Turismo, Jogo e Animação, S.A. which runs the Póvoa de Varzim Casino.

In accordance with clause 7 of the Notice of the Ministry of the Economy, represented by the Inspectorate-General for Gaming, of 14 December 2001, published in the III Series of the *Diário da República* no. 27 of 01 February 2002, the concessionaire is obliged to pay a special tax for operating gaming activities, with no other general or local tax being payable relating to the exercise of this activity or any other which it is required to under this contract, with the respective collection and payment being performed pursuant to articles 84 and following of Decree Law no. 422/89

In this regard, the activities undertaken by these companies are not subject to Corporate Tax (IRC).

Annual Gaming Tax (difference to minimum grant):

The Decree Law n º 29/88 of 3 August, down in paragraph 1 of Article 3, the concessionaire is obliged to pay an annual payment amounting to 50% of the gross gaming revenues. This payment cannot be, under any circumstances, lower than the values in the table attached to that Decree Law.

The minimum annual contributions were established (prices of the year 2000) by Decree-Law No. 275/2001 of 14 December 2001, by the time the Concessions Contracts were extended by fifteen years more.
At the beginning of the year 2015 the Regulatory-Decree nº1/2015 of 21st January came to approve the split payment in installments of the annual minimum contributions calculated based on Decree-Law 275/2001, subject to prior approval from "Turismo de Portugal" of the payments schedule proposed by the Game Concessionaire Companies.
The Regulatory-Decree nº1/2015 was applied for the first the time to the amounts related to the year ended December 2014, which initially payment deadline was on January 31st, 2015.

During the first quarter of 2013, after a unanimous vote taken at the headquarters of the Portuguese Association of Casinos, the operating companies from the Group Estoril-Sol, have filed lawsuits against the State in which they seek to be restored the financial balance of Gaming Concessions. Such a claim is founded, among other reasons, because the State, through its actions and omissions has given rise to changes in circumstances that were the basis for the negotiation of the gaming concessions. Of them highlights the fact that it was assumed for tax basis a continuing and significant increase of gaming revenue throughout the concession period. Despite not having checked this proposition due to the economic climate and as a result of the State attitude in relation to online gambling and illegal gambling, among others, it continued to require them to pay very high taxes, calculated on revenue that the Concessionaires did not obtain. Thus, remained no alternative to the Concessionaires that was not to challenge with the competent Administrative and Fiscal Courts the settlements of tax to which they were presented, and for that purpose submit the necessary judicial guarantees. However by the time of approval of this report, and although the Group has contested all tax assessments which have been submitted, they are, without exception, paid. The Group or any of its subsidiaries, by the time of approval of these financial statements, do not have any overdue debt related with "Gaming tax" to the Portuguese State. (Note 29).

7. COST OF GOODS SOLD

In the years ended on 31st December 2016 and 2015, this caption is broken down as follows:

	2016			
	Goods	Finished and intermediate products	Raw materials and consumables	Total
Opening balance	3.264.192	3.176.352	312.897	6.753.441
Purchases	-	-	2.996.029	2.996.029
Adjustments	-	-	(99.269)	(99.269)
Closing balance	3.264.180	3.176.352	335.113	6.775.645
Cost of goods sold and materials consumed	12	-	2.874.544	2.874.557

	2015			
	Goods	Finished and intermediate products	Raw materials and consumables	Total
Opening balance	3.264.192	3.176.352	327.892	6.768.436
Purchases	-	-	2.727.453	2.727.453
Adjustments	-	-	3.324	3.324
Closing balance	3.264.192	3.176.352	312.897	6.753.441
Cost of goods sold and materials consumed	-	-	2.745.772	2.745.774

8. EXTERNAL SUPPLIES AND SERVICES

In the years ended on 31st December 2016 and 2015, external supplies and services were as follows:

	2016	2015
Gifts to customers	4.389.133	4.241.690
Subcontracts	3.748.331	3.158.501
Energy and other fluids	2.916.455	2.895.464
Conservation and repairs	2.858.605	2.726.096
Specialized work	2.847.691	2.648.412
Advertising	2.647.108	1.843.083
Cleaning and laundry	2.456.078	2.426.924
Royalties	2.076.373	1.999.650
Surveillance and security	1.636.147	1.600.242
Rents	1.258.512	1.161.080
Financial services (comissions)	729.474	521.717
Insurance	592.616	592.896
Fees	588.615	375.988
Communication	479.717	528.382
Travel and hotels	258.586	203.532
Other	1.034.589	900.082
	30.518.030	27.823.739

9. STAFF COSTS

In the years ended on 31st December 2016 and 2015, staff costs were as follows:

	2016	2015
Remuneration of governing bodies	2.966.561	2.856.538
Remuneration of staff	22.169.626	22.297.692
Indemnities	71.816	85.368
Charges on remuneration	5.508.032	5.631.350
Insurance	187.140	178.025
Social charges	1.131.979	1.044.140
Premiums for pensions	185.000	180.000
Other	457.742	625.176
	32.677.895	32.898.289

During the years ended on 31 December 2016 and 2015, the average number of staff in the service of the Group was 889 and 8882 employees, respectively.

The fees of the Official Auditor exclusively referring to the legal revision and audit services of the accounts amounted to 80.100 Euros and 71.000 Euros, during 2016 and 2015, respectively.

10. DEPRECIATION AND AMORTIZATION

In the years ended on 31st December 2016 and 2015, the Group booked the following depreciations:

	2016	2015
Tangible fixed assets (Note 15)	13.202.527	13.680.303
Tax deductions on investments (Note 16)	(4.143.187)	(4.107.031)
Net	9.059.340	9.573.272
Intangible assets (Note 17)	11.359.008	11.430.732
Investment properties (Note 18)	5.551	5.551
	20.423.898	21.009.553

11. IMPAIRMENT OF NON-DEPRECIABLE / AMORTIZABLE INVESTMENTS

In the years ended on 31st December 2015 and 2014, the Group booked the following impairments over its non-depreciable/amortizable investments:

	2016	2015
Other treasury applications	10.574	2.846
	10.574	2.846

12. OTHER TAXATION AND OTHER OPERATING EXPENSES

In the years ended on 31st December 2016 and 2015, the captions of other taxation and other operating expenses were as follows:

	2016	2015
Other taxation and rates	283.658	365.356
Sub-total I (other taxation)	283.658	365.356
Sundries expenses	98.734	72.426
Offer of own goods and services	1.939.245	1.878.794
write-off of tangible fixed assets	13.478	4.937
Quotas	117.756	121.066
Losses in inventories	1.123	4.296
Donations	226.892	119.399
Other	1.445.368	325.440
Sub-total II (Other operating costs)	3.842.597	2.526.358
	4.126.255	2.891.714

13. NET FINANCIAL COSTS

Financial costs and income for the years ended on 31st December 2016 and 2015 is broken down as follows:

Financial Costs	2016	2015
Interest borne:		
Financing from banks	(1.664.177)	(2.925.493)
Finance and operating leasing	(169.271)	(148.283)
	(1.833.447)	(3.073.776)
Other financing costs:		
Comissions and similar charges	(952.251)	(1.225.397)
	(2.785.699)	(4.299.174)

Financial Income	2016	2015
Exchange gains	25.402	20.635
Other	15.524	6.500
	40.926	27.135
Net financial costs	(2.744.772)	(4.272.039)

14. INCOME TAX OF THE YEAR

The Company is subject to corporation income tax at the rate of 21% plus a Municipal Surcharge of 1.5% of taxable income, resulting in a maximum aggregate tax rate of 22.5%. In addition, taxable income for the year ended 31 December 2016 in excess of 1.500.000 Euros is subject to a State Surcharge under the terms of article 87-A of the Corporation Income Tax Code at the following rates:

- 3% for taxable profit between 1.500.000 Euros and 7.500.000 Euros;
- 5% for taxable profit between 7.500.000 Euros and 35.000.000 Euros (a*);
- 7% for taxable profit exceeding 35.000.000 Euros (b*);

(a*) When more than (euro) 7 500 000 until (euro) 35 000 000, is divided into two parts: one, equal to (euro) 6 000 000, which is subject to the rate of 3%; another, equal to the taxable income in excess of (euro) 7 500 000, which is subject to the rate of 5%;

(b*) When more than (euro) 35 500 000, is divided into three parts: one, equal to (euro) 6 000 000, which is subject to the rate of 3%; another, equal to (euro) 27 500 000, which is subject to the rate of 5%; and another, equal to the taxable income in excess of (euro) 35 000 000, which is subject to the rate of 7%;

In addition, net finance costs for 2016 and following years are deductible for determining annual taxable income according with the greater of the following limits:

- 1.000.000 Euros;
- 40% of the profit before amortization and depreciation, net finance costs and taxes.

In accordance with legislation in force, the tax declarations are subject to revision and correction by the tax authorities during a period of four years (five years for the Social Security), except when there have been tax losses, tax benefits have been granted, or inspections, complaints or objections are under way, in which cases, depending on the circumstances, deadlines for filing such statements are extended or suspended. In this way, the Company's tax declarations of the years from 2013 to 2016 could still be subject to revision.

The Company is covered by the Special System for Taxation of Groups of Companies ("SSTGC"), which is defined in article 69 of the Corporate Income Tax Code and covers all the companies in which it has a direct or indirect holding of at least 75% of the respective capital and which are, at the same time, resident in Portugal and taxed under Corporation Tax (IRC). Under this regime the taxable profit of the group relating to each tax period is calculated by the controlling company (Estoril Sol, SGPS, SA), through the algebraic sum of taxable profits and tax losses obtained in the individual periodic statements for each of the companies belonging to the group. The amount obtained is adjusted for part of the profits distributed among group companies that is included in the individual taxable bases.

The following companies are part of this system ("SSTGC"):

- Estoril-Sol, SGPS, S.A;
- DTH – Desenvolvimento Turístico e Hoteleiro, S.A.;
- Estoril Sol Imobiliária, S.A.;
- Estoril Sol V – Investimentos Imobiliários, S.A.;
- Estoril Sol e Mar – Investimentos Imobiliários, S.A.;
- Estoril Sol Investimentos Hoteleiros, S.A.

The cost of taxation on income on 31st December 2016 and 2015 is broken down as follows:

	2016	2015
Pre-Tax Profit	7.579.497	4.266.797
Writte-off of the Result of Companies exempt from IRC and subject to the Special Gaming Tax	(10.362.305)	(5.320.880)
Pre-Tax Profit of the Companies (REGTS)	(2.782.808)	(1.054.083)
Non-deductible costs		
Other non-deductible costs	336.395	404.463
	336.395	404.463
Non-taxable income		
Other non-taxable income	-	(521.885)
	-	(521.885)
Result for tax purposes	(2.446.413)	(1.171.505)
Costs with taxation on income calculated at the rate of 22.5%	-	-
Autonomous taxation	117.699	70.734
Income tax - current	117.699	70.734
Income tax - deferred	-	-
Income tax of the year	117.699	70.734

No deferred tax assets were reported in relation to the tax losses reportable, given that no tax profits are expected from the activities that generate these results and which would allow the such assets to be recovered.

In accordance with current legislation tax losses can be carried forward during a period of twelve years (six years for losses incurred up to 2009 and four years for losses incurred in 2010 and 2011) after their occurrence for deduction from taxable income generated in that period, limited to 70% of the Group's taxable income in each year, applicable also to tax losses incurred in prior years.

On 31st December 2016 and 2015 the tax losses reportable amounted, respectively, to 4.564.852 Euros and 10.832.221 Euros, and were generated as follows:

	2016			2015
Generated in :				
	- year 2012	549.388	- year 2012	549.388
	- year 2013	1.099.598	- year 2013	1.099.598
	- year 2014	1.744.362	- year 2014	1.744.362
	- year 2015	1.191.504	- year 2015	1.191.504
	- year 2016	2.446.413	- year 2016	-
		7.031.265		4.584.852

15. TANGIBLE FIXED ASSETS

During the years ended on 31st December 2016 and 2015, the movement in tangible assets, as well as in the respective depreciation and accumulated impairment losses, was as follows:

January to December 2016

	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	16.513.836	197.253.396	119.447.590	66.744	4.330.748	82.292	131.617	337.826.223
Acquisitions	-	163.152	2.950.600	-	66.536	-	1.803.909	4.984.197
Adjustments / Transfers	-	67.028	26.622	-	-	-	(154.588)	(60.938)
Write-off	-	-	(2.136.699)	-	(11.105)	-	-	(2.147.804)
Closing balance	16.513.836	197.483.576	120.288.113	66.744	4.386.179	82.292	1.780.938	340.601.678
Depreciation and accumulated impairment losses:								
Opening balance	-	129.470.334	97.760.983	45.412	3.682.050	80.995	-	231.039.774
Depreciation of the year	-	7.270.915	5.718.283	9.203	203.762	364	-	13.202.527
Disposals	-	-	-	-	-	-	-	-
Write-off	-	-	(2.123.220)	-	(11.113)	-	-	(2.134.333)
Closing balance	-	136.741.249	101.356.046	54.615	3.874.699	81.359	-	242.107.968
Net amount	16.513.836	60.742.327	18.932.067	12.129	511.480	933	1.780.938	98.493.712

The caption “Land and natural resources” includes the land on which the Lisbon Casino is based. The caption “Buildings and other constructions” comprises mostly the amounts of the buildings where Estoril Casino, Lisbon Casino and Póvoa de Varzim Casino operate. The caption “Basic equipment” essentially reflects gaming equipment.

Under the concession contract for gambling or games of chance in the permanent gaming areas of Estoril part of the Company’s tangible fixed assets are revertible to the Portuguese State.

In the case of Lisbon Casino only the tangible fixed assets referring to gaming equipment and which are therefore entered in the caption “Basic equipment” are revertible to the State. With regard to Estoril Casino and Póvoa de Varzim Casino, both the buildings and the gaming equipment are revertible to the State.

From total purchases for the year 2016 in the amount of 4.984.197 Euros, below the most relevant:

- 3.518.000 Euros – renewal of game equipment, 120 new slot machines for the following casinos: Casino de Lisboa (40 slot machines), Casino do Estoril (13 slot machines) and Casino da Póvoa (67 slot machines). This new acquisitions were in accordance with the Group fixed assets investment plan. In the same period the Group made disposals of game equipment in the total amount of 2.100.000 Euros;

- 230.000 Euros in the acquisition and update of software belonging to the support and back office areas;

- 330.000 Euros in the acquisition of new equipment for the entertainment areas of the Casinos, with special emphasis on Estoril, 220.000 Euros;

Movement in tangible assets during the year ended December 31st, 2015:

January to December 2015	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	16.513.836	197.253.396	113.891.718	66.744	3.928.055	82.292	364.823	332.100.864
Acquisitions	-	-	5.949.768	-	51.707	-	494.420	6.495.895
Adjustments / Transfers	-	-	361.411	-	366.211	-	(727.622)	-
Write-off	-	-	(755.304)	-	(15.224)	-	-	(770.528)
Closing balance	16.513.836	197.253.396	119.447.593	66.744	4.330.749	82.292	131.621	337.826.231
Depreciation and accumulated impairment losses:								
Opening balance	-	121.688.433	92.786.527	35.476	3.538.941	80.249	-	218.129.626
Depreciation of the year	-	7.781.901	5.729.567	9.937	158.152	746	-	13.680.303
Disposals	-	-	-	-	-	-	-	-
Write-off	-	-	(755.110)	-	(15.042)	-	-	(770.152)
Closing balance	-	129.470.334	97.760.984	45.413	3.682.051	80.995	-	231.039.777
Net amount	16.513.836	67.783.062	21.686.609	21.331	648.698	1.297	131.621	106.786.456

From total purchases for the year 2015 in the amount of 6.495.895 Euros, below the most relevant:

- 4.600.000 Euros – renewal of game equipment, 163 new slot machines for the following casinos: Casino de Lisboa (80 slot machines), Casino do Estoril (40 slot machines) and Casino da Póvoa (43 slot machines). This new acquisitions were in accordance with the Group fixed assets investment plan. In the same period the Group made disposals of game equipment in the total amount of 700.000 Euros;

- 330.000 Euros in the acquisition of new equipment for the entertainment areas of the Casinos, with special emphasis on Estoril, 220.000 Euros;

The division between tangible fixed assets that are non-revertible and revertible to the State in the years ended on 31 December 2016 and 31 December 2015 is presented below:

Tangible fixed assets revertible to the State

Year 2016 - Tangible fixed assets revertible to the State	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	-	135.675.108	111.307.904	-	2.764.450	60.674	131.617	249.939.753
Acquisitions	-	163.152	2.621.796	-	40.854	-	1.746.102	4.571.904
Disposals	-	-	-	-	-	-	-	-
Adjustments / Transfers	-	67.028	-	-	-	-	(154.588)	(87.560)
Write-off	-	-	(2.135.775)	-	(10.149)	-	-	(2.145.924)
Closing balance	-	135.905.288	111.793.925	-	2.795.155	60.674	1.723.131	252.278.173
Depreciation and accumulated impairment losses:								
Opening balance	-	106.639.484	91.514.212	-	2.663.345	60.310	-	200.877.351
Depreciation of the year	-	5.459.747	5.379.346	-	39.266	364	-	10.878.723
Disposals	-	-	-	-	-	-	-	-
Adjustments / Transfers	-	-	-	-	-	-	-	-
Write-off	-	-	(2.122.296)	-	(10.151)	-	-	(2.132.447)
Closing balance	-	112.099.231	94.771.262	-	2.692.460	60.674	-	209.623.627
Net amount	-	23.806.057	17.022.663	-	102.695	-	1.723.131	42.654.547

Year 2015 - Tangible fixed assets revertible to the State

	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	-	135.675.108	105.936.216	-	2.745.863	60.674	147.882	244.565.743
Acquisitions	-	-	5.834.242	-	21.019	-	396.553	6.251.814
Disposals	-	-	-	-	-	-	-	-
Adjustments / Transfers	-	-	291.319	-	-	-	(412.818)	(121.499)
Write-off	-	-	(753.872)	-	(2.432)	-	-	(756.304)
Closing balance	-	135.675.108	111.307.905	-	2.764.450	60.674	131.617	249.939.754
Depreciation and accumulated impairment losses:								
Opening balance	-	101.129.854	86.953.689	-	2.609.583	59.588	-	190.752.714
Depreciation of the year	-	5.509.630	5.312.934	-	56.067	722	-	10.879.353
Disposals	-	-	-	-	-	-	-	-
Adjustments / Transfers	-	-	-	-	-	-	-	-
Write-off	-	-	(752.411)	-	(2.304)	-	-	(754.715)
Closing balance	-	106.639.484	91.514.212	-	2.663.346	60.310	-	200.877.352
Net amount	-	29.035.624	19.793.693	-	101.104	364	131.617	49.062.404

Tangible fixed assets non-revertible to the State

Year 2016 - Tangible fixed assets non-revertible to the State

	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	16.513.836	61.578.288	8.139.686	66.744	1.566.298	21.618	-	87.886.470
Acquisitions	-	-	328.804	-	25.682	-	57.807	412.293
Disposals	-	-	-	-	-	-	-	-
Adjustments / Transfers	-	-	26.622	-	-	-	-	26.622
Write-off	-	-	(924)	-	(956)	-	-	(1.880)
Closing balance	16.513.836	61.578.288	8.494.188	66.744	1.591.024	21.618	57.807	88.323.505
Depreciation and accumulated impairment losses:								
Opening balance	-	22.830.850	6.246.771	45.412	1.018.705	20.685	-	30.162.423
Depreciation of the year	-	1.811.168	338.937	9.203	164.496	-	-	2.323.804
Disposals	-	-	-	-	-	-	-	-
Adjustments / Transfers	-	-	-	-	-	-	-	-
Write-off	-	-	(924)	-	(962)	-	-	(1.886)
Closing balance	-	24.642.018	6.584.784	54.615	1.182.239	20.685	-	32.484.341
Net amount	16.513.836	36.936.270	1.909.404	12.129	408.785	933	57.807	55.839.165

Year 2015 - Tangible fixed assets non-revertible to the State

	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	16.513.836	61.578.288	7.955.502	66.744	1.182.192	21.618	216.941	87.535.121
Acquisitions		-	115.526	-	30.688	-	97.863	244.077
Disposals		-	-	-	-	-	-	-
Adjustments / Transfers		-	70.092	-	366.211	-	(314.804)	121.499
Write-off		-	(1.432)	-	(12.792)	-	-	(14.224)
Closing balance	16.513.836	61.578.288	8.139.688	66.744	1.566.299	21.618	-	87.886.473
Depreciation and accumulated impairment losses:								
Opening balance	-	20.558.579	5.832.838	35.476	929.358	20.661	-	27.376.912
Depreciation of the year		2.272.271	416.633	9.937	102.085	24	-	2.800.950
Disposals		-	-	-	-	-	-	-
Adjustments / Transfers		-	-	-	-	-	-	-
Write-off		-	(2.699)	-	(12.738)	-	-	(15.437)
Closing balance	-	22.830.850	6.246.772	45.413	1.018.705	20.685	-	30.162.425
Net amount	16.513.836	38.747.438	1.892.916	21.331	547.594	933	-	57.724.052

16. TAX DEDUCTIONS ON INVESTMENT

During the year ended on 31st December 2016 and 2015, the Company benefited from the following tax deductions on investments:

	Dec - 2016			
Tax deductions on investments	Opening Balance	Investment year	Income of the year	Closing Balance
Estoril Casino	6.985.271	91.509	(1.644.380)	5.432.400
Lisboa Casino	3.412.552	81.775	(916.502)	2.577.825
Póvoa de Varzim Casino	7.943.726	1.027.355	(1.582.305)	7.388.776
	18.341.549	1.200.639	(4.143.187)	15.399.000

	Dec - 2015			
Tax deductions on investments	Opening Balance	Investment year	Income of the year	Closing Balance
Estoril Casino	7.873.632	750.517	(1.638.878)	6.985.271
Lisboa Casino	3.013.943	1.337.912	(939.303)	3.412.552
Póvoa de Varzim Casino	8.744.902	727.674	(1.528.850)	7.943.726
	19.632.477	2.816.103	(4.107.031)	18.341.549

The attribution of these tax deductions against the Special Gaming Tax payable is exclusively related with the acquisition of gaming equipment with the prior authorization of the Gambling Inspection Service.

17. INTANGIBLE ASSETS

During the years ended on 31st December 2016 and 2015, the movement in intangible assets, as well as in the respective amortization and accumulated impairment losses, was as follows:

	Dec - 2016	Dec - 2015
	Gaming Concession Rights	Gaming Concession Rights
Gross amount		
Opening balance	260.610.564	260.610.564
Acquisitions	36.000	-
Disposals	-	-
Tranfers amd write-offs	-	-
Closing balance	260.646.564	260.610.564
Amortization and accumulated impairment losses:		
Opening balance	193.648.161	182.217.429
Other adjustments	-	-
Amortization of the year	11.359.008	11.430.732
Closing balance	205.007.169	193.648.161
Net assets	55.639.395	66.962.403

The breakdown of intangible assets on 31st December 2016 and 2015 is as follows:

	December - 2016		
	Gross Assets	Accumulated Amortization	Net Assets
Estoril Gaming Concession			
- Casino Estoril	153.576.455	(129.776.774)	23.799.681
- Casino Lisboa	30.000.000	(21.641.378)	8.358.622
Póvoa Gaming Concession - Casino da Póvoa	77.034.109	(53.583.817)	23.450.292
	260.610.564	(205.001.969)	55.608.595
Intangible assets - Online gaming license (a)	36.000	(5.200)	30.800
	260.646.564	(205.007.169)	55.639.395

(a) -The Board of Directors of Turismo de Portugal, IP, at a meeting held on 25 July 2016, decided under the Legal Framework for Games and Online Betting (RJO), approved by Decree-Law No. 66/2015 of 29 April, assign to Estoril Sol Digital, Online Gaming Products and Services, SA, a license for online gambling exploration, which will operate under the internet domain www.estorilsolcasinos.pt/ . This license shall be valid for an initial period of three years from the date of issue, expiring on July 24th, 2019, if not renewed, under the terms and conditions set out in RJO. Estoril Sol Digital, began exploring the online gambling activity in the web site mentioned above on the same day the license was issued, ie 25th July 2016.

	December - 2015		
	Gross Assets	Accumulated Amortization	Net Assets
Estoril Gaming Concession			
- Casino Estoril	153.576.455	(123.826.853)	29.749.602
- Casino Lisboa	30.000.000	(19.584.235)	10.415.765
Póvoa Gaming Concession - Casino da Póvoa	77.034.109	(50.237.073)	26.797.036
	260.610.564	(193.648.161)	66.962.403

The concession in Estoril carried over from the then Estoril Sol, S.A. (now known as Estoril Sol, S.G.P.S, S.A.) to Estoril Sol III, Turismo, Animação and Jogo, S.A., in the last quarter of 2001. In this transaction process, an asset was produced between group companies with the concession premium in 1987, for the amount of 4,701,376 Euros which is eliminated in the consolidated accounts.

On the other hand, it negotiated an extension of the concession for Estoril until 2020, as it assumed a financial obligation toward the State amounting to 98,759,889 Euros, payment of which began in 2001 with the amount of 57,641,085 Euros and ended in July 2006 with the payment of the last of the ten instalments with a base value equal to 4,111,880 Euros, plus monetary updates as defined in the concession extension contract. It should be pointed out that in 2001 we estimated and capitalized the monetary updates for the ten instalments, as agreed to, however, these were corrected from the moment when the international accounting standards were applied.

The same procedure was assumed with regard to Póvoa Casino, the concession for which runs up to the year 2023, and, in this case, the Group paid the Government the amount of 58,359,353.97 Euros in instalments also occurring in the period from 2001 to 2006, which were also the subject of monetary correction. These assets have a finite useful life, and they shall be fully depreciated by late 2020 in relation to the gaming concession for Estoril Casino and Lisbon Casino, and by late 2023 in the case of Póvoa Casino. There are no assets with an indefinite useful life or contractual commitments for the purchase of intangible assets.

In order to examine the impairment of the value of each of these concessions, as recorded in the financial statements, a technical estimate was given for the value of each of these concessions, in accordance with International Accounting Standards. To this end, we carried out the work of arriving at a reasonable value of the concessions operated by the Group, based on the characteristics and nature of the business being conducted, using the updated cash flow method, considering the duration of the concessions.

Use of this method is based on the principle that the estimated value of an organization or a business is represented by its potential for generating financial resources in the future that are liable to be withdrawn from the business and distributed to shareholders without jeopardizing its continuity.

In compliance with the provisions under IFRS, the Group conducts annual impairment analyses of Gaming Concessions, reported on 31 December each year, or whenever there are indications of impairment.
The impairment tests are carried out by independent and certified entities for this purpose, to the different Gaming Concessions: Estoril Gaming Concession, including casino do Estoril and Casino de Lisboa and Póvoa Gaming Concession which includes the Casino da Póvoa de Varzim.

On 31 December 2014 the Group, hired a specialised independent entity to perform the analysis of impairment of the Gaming Concessions.

Impairment analyses of Gaming Concessions are carried out using the discounted cash-flow method, based on the financial projections of cash-flow up to the end of the period of the concession. The discount rates used reflect the level of indebtedness and the cost of third party capital of each cash generating unit, as well as the level of risk and profitability expected by the market.

The financial projections are prepared based on assumptions of how the activity of the cash generating unit and their markets will evolve, which are in line with historic trends, reasonable and prudent in their preparation regarding the behaviour of the main market variables and performance of the activities compared with the strategic plans defined.

As a result of the impairment analysis performed on 31 December 2014 the Company did not recognised impairment losses in its Consolidated Financial Statements as there was no indication of impairment in the value of the Gaming Concessions.

In 2015 and 2016, in the absence of new evidence of impairment over the value of game concessions, the company did not recognized any additional impairment losses over the value of Game Concessions. This decision is supported in accordance with the values achieved for the year 2016 and 2015, related with the growth of game revenues and operational results, values well above the forecasted in the study held on December 2014.

18. INVESTMENT PROPERTIES

During the years ended on 31st December 2016 and on 31 December 2015, the movement in investment properties, as well as in the respective depreciation and accumulated impairment losses, was the following

	Dec - 2016	Dec - 2015
Gross amount:		
Opening balance	282.509	282.509
Additions	-	-
Write-offs	-	-
Disposals	-	-
Clising balance	282.509	282.509
Depreciation and impairment losses:		
Opening balance	78.162	72.611
Depreciation of the year	5.551	5.551
Closing balance	83.713	78.162
Net value	198.795	204.346

Investment properties is made up principally from an apartment and respective contents held by Estoril-Sol (III) – Turismo, Animação e Jogo, S.A., in Monte Estoril.

19. OTHER NON-CURRENT ASSETS

On 31st December 2016 and 31st December 2015 other non-current assets were made up as follows:

	Dec - 2016	Dec - 2015
Other non-current assets	41.907	31.623
	41.907	31.623

Other non-current assets essentially relate to amounts receivable from the Tax Administration.

20. INVENTORIES

On 31st December 2016 and 2015, this caption was broken down as follows:

	Dec - 2016			Dec - 2015		
	Gross Amount	Impairment Losses	Net Amount	Gross Amount	Impairment Losses	Net Amount
Goods	6.033.690	(2.769.510)	3.264.180	6.033.702	(2.769.510)	3.264.192
Finished and intermediate products	3.285.982	(109.630)	3.176.352	3.285.982	(109.630)	3.176.352
Raw materials, secondary materials and consumables	335.113	-	335.113	312.897	-	312.897
	9.654.785	(2.879.140)	6.775.646	9.632.581	(2.879.140)	6.753.442

The caption “Goods” essentially comprises a fraction of offices in Estoril and a Warehouse in Alcoitão held by the Group which is intended for resale.

Through one of its companies the Group owns a plot of land where the old ruins of the Hotel Miramar stand. This asset is entered in the caption “Finished and intermediate products”,

The caption “Raw materials, secondary materials and consumables” is almost totally made up from food and drink products intended for sale in the diverse bares and restaurant areas of Estoril and Póvoa de Varzim Casinos.

During the year ended December 31st, 2013and 2012, the Group has used an independent and specialized duly authorized and certified to do so with the CMVM (Securities and Exchange Commission), to perform an evaluation study of the value market for the following properties:

- fraction of offices in Estoril;
- plot of land where the old ruins of the Hotel Miramar stand;

The evaluation study consisted in determining the market value of the property as of December 31st in its current shape on the assumption that the property is free and available, respecting the requirements of the provisions of IAS 36. The criteria used to perform the evaluation study were the "Direct market comparison" and "Yield return" considering the "Discounted Cash Flows" method. From the evaluation syudy resulted impairments in the total amount of 2.879.140 Euros. Since then there were not identified new indications of impairments over the market value of those assets, which is why there was no need to record additional impairment losses.

21. CUSTOMERS

On 31st December 2016 and 2015, this caption was broken down as follows:

	Dec - 2016	Dec - 2015
Customers current account	337.160	261.800
Impairment	(10.143)	(12.225)
	327.017	249.575
Customers doubtful debts	2.387.601	2.455.842
Impairment	(2.387.601)	(2.455.842)
	-	-
	327.017	249.575

Current account customers' debts are related with the activities of entertainment and restaurants. These are subject to evaluation by the credit control debts, and all debts that are overdue for periods of six months or more are subject to an entry of impairment for an amount equal to that of the debt (100%). On 31 December 2016 and 2015 there were no outstanding balances receivable for periods of 6 months or more that did not have a provision.

The Group does not grant credit in its gaming activity, although there are situations where amounts cannot be received, related with the means of payment used. Whenever an unfunded cheque is detected related with the gaming activity, a provision is immediately set up for the full amount, irrespective of the effort made for its collection that may be made in the future in order to effectively receive the amounts in cash.

22. OTHER ACCOUNTS RECEIVABLE

On 31st December 2016 and 2015, this caption was broken down as follows:

	Dec- 2016	Dec - 2015
Advance payments to suppliers	164.440	166.510
State and Public Sector	53.718	78.450
Deferrals:		
Expenses with entertainment shows to be held	-	0
Insurance	518.988	228.610
Fees with maintenance, techical assistance and licences	127.980	107.577
Other deferrals	17.610	3.262
Commercial areas renters	162.300	278.909
Withholding and guarantee deposits	204.671	82.843
Other accounts receivable	250.840	73.871
	1.500.547	1.020.032

23. CASH AND CASH EQUIVALENTS

On 31st December 2016 and 2015, this caption was broken down as follows:

	Dec- 2016	Dec - 2015
Cash	8.696.631	8.643.414
Bank Deposits:		
- Immediately avaiable bank deposits	3.657.733	2.210.633
- Long term deposits (a)	1.200.000	-
Other teasury applications	19.025	29.599
Cash and bank deposits	13.573.388	10.883.646
Bank overdrafts	-	(44.296)
Cash and cash equivalents	13.573.389	10.839.350

(a) – Maturity over three months.

24. CAPITAL

On 31st December 2016, the share capital of the Company is represented by 11,993,684 shares, of which 6,116,779 are registered shares and 5,876,905 bearer shares, of a nominal unit value of 5 Euros, which confer the right to a dividend.

The share capital issued by the Company on 31st December 2016 and on 31 December 2015 is broken down as follows:

	Dec - 2016	Dec - 2015
Share capital	59.968.420	59.968.420
Treasury shares	(708.306)	(708.306)
Issue premiums	960.009	7.820.769
	60.220.123	67.080.883

The share capital is represented by the following categories of shares:

Data	Nominal value	No. of shares
31st of December 2016		
Registered	5€	6.116.779
Bearer	5€	5.876.905
		11.993.684
31st of December 2015		
Registered	5€	6.116.779
Bearer	5€	5.876.905
		11.993.684

The share issue premium was reduced by 6,860,760 Euros to 960,009 Euros with reference to 31st December 2016 and was used to cover losses from previous years in accordance with the proposal for applying the results of the year 2015 approved at the General Shareholders' Meeting held on May 31st, 2016.

Treasury shares were acquired by the Company as follows:

Year of Acquisition	No. Shares	Nominal value	Total nominal	Total premiums	Total
2001	34.900	5	174.500	280.945	455.445
2002	43	5	215	184	399
2007	22	5	110	88	198
2008	27.600	5	138.000	114.264	252.264
Total	62.565		312.825	395.481	708.306

Legal persons with more than a 20% holding in the share capital:

- Finansol, Sociedade de Controlo, S.G.P.S, S.A., with 57.79%
- Amorim – Entertainment e Gaming International, S.G.P.S., S.A., with 32.67%.

The application of the net result of the year is according to the proposal for the application of results of individual accounts. The difference between the results of the individual accounts and the consolidated accounts is recorded in the caption "Other reserves and retained earnings."

25. NON-CONTROLLING INTERESTS

On 31th December 2016 and 31st December 2015, this caption was broken down as follows:

Company	Dec-16 Equity	Dec-16 Profit / (Loss) of the period	Dec-16 Book value of non-controlling interests	Dec-16 Proportion in income attributable to non-controlling interests	Dec-15 Equity	Dec-15 Profit / (Loss) of the period	Dec-15 Book value of non-controlling interests	Dec-15 Proportion in income attributable to non-controlling interests
Estoril-Sol Digital, Online Gaming Products and Services, S.A.	2.296.340	1.813.718	1.148.165	906.859	N/a	N/a	N/a	N/a

Within the online gaming activities, which is carried out through Estoril Sol Digital, Online Gaming Products and Services, S.A, a subsidiary company of Estoril Sol (III) – Turismo, Animação e Jogo, S.A., a company owned by the issuer (Estoril-Sol, SGPS, S,A,), signed with Vision Gaming Holding Limited, a company based in Malta, an association agreement, through which it holds a minority interest, corresponding to 49.9998% of the share capital of Estoril Sol Digital, keeping the Estoril Sol (III) SA most of the capital and votes in that company (Estoril Sol Digital, Online Gaming Products and Services, S.A.). From this operation resulted no gains/losses for the Estoril-Sol Group.

26. FINANCIAL DEBT

On 31st December 2016 and 2015, this caption was broken down as follows:

Nature of the financing	Dec - 2016 Nominal Value	Dec - 2016 Balance sheet Value	Dec - 2015 Nominal Value	Dec - 2015 Balance sheet Value
Non-current financing:				
- Bank loans	1.250.000	1.250.000	4.992.520	4.992.520
- Financial leasing	0	0	10.712	10.712
	1.250.000	1.250.000	5.003.232	5.003.232
Current financing:				
- Bank loans	7.688.648	7.710.499	3.750.000	3.789.885
- Commercial paper	2.500.000	2.449.228	30.000.000	29.625.669
- Current accounts	18.930.300	18.930.300	17.168.100	17.246.461
- Bank overdrafts (Note 23)	-	-	44.296	44.296
- Financial leasing	10.712	10.712	8.835	8.835
	29.129.660	29.100.739	50.971.231	50.715.146
	30.379.660	30.350.739	55.974.463	55.718.378

The average interest rates for financing, borne by the Group, including commissions and other charges, come within an interval of between 2% and 4,1%.

Some of the financing operations, mainly bank loans, include commitments to maintain certain financial ratios based on contractually negotiated limits (financial covenants).
These ratios are:

- Net Debt / Ebitda;
- Financial autonomy.

On the 31st December 2016 these ratios were according the contractually negotiated limits.

The amount classified as non-current bank loans, for a total amount of 1.250.000 Euros, falls due in accordance with the following schedule:

- 1.250.000 Euros in 2018;

Depending on the operating funds that are freed up, we feel the financial risk to which the associated undertakings are exposed is minimal, and the same understanding has prevailed in the examination carried out by financial institutions, as shown by the fact that assets guarantees are dispensed with for operations under contract.

The amount included in the column "Nominal value" corresponds to the contracted value that is still owing. The column "Balance sheet value" is added to the nominal value of financial charges already incurred but still not due, less interest and or commissions paid in advance.

27. LEASING

The companies that comprise the Group are lessees in financial and operational leasing contracts related with motor vehicles, which are denominated in Euros.

These contracts produce the following future liabilities for the Group:

	Dec - 2016		
	Finance Leasing	Operational Leasing	Total
Up to 1 year	10.712	277.966	288.678
Between 1 year and 5 years	-	426.052	426.052
	10.712	704.018	714.730

	Dec - 2015		
	Finance Leasing	Operational Leasing	Total
Up to 1 year	8.835	335.152	343.987
Between 1 year and 5 years	10.712	334.441	345.153
	19.547	669.593	689.140

28. PROVISIONS

The movement in the provisions accounts in the years ended on 31st December 2016 and 2015 is as follows:

2016	Opening Balance	Increases	Reversals	Writte-off	Closing Balance
Provisions for pensions	3.522.023	355.000	(925.000)	(52.373)	2.899.650
Legal proceedings in hand	4.193.142	1.450.357	-	(260.275)	5.383.224
Other risks and charges	569.098	-	-	-	569.098
	4.762.240	1.450.357	-	(260.275)	5.952.322
	8.284.263	1.805.357	(925.000)	(312.648)	8.851.972

2015	Opening Balance	Increases	Reversals	Writte-off	Closing Balance
Provisions for pensions	3.388.396	186.000	-	(52.373)	3.522.023
Legal proceedings in hand	2.600.221	2.174.830	(300.630)	(281.279)	4.193.142
Other risks and charges	477.975	92.026	(903)	-	569.098
	3.078.196	2.266.856	(301.533)	(281.279)	4.762.240
	6.466.592	2.452.856	(301.533)	(333.652)	8.284.263

Provisions for pensions / Post-employment benefits

By the Articles of Association approved in the General Meeting of 29 May 1998, Estoril Sol, SGPS, SA confirmed, in article 36, the right to a retirement pension paid by the company to the former directors who had already retired, based on the previous article 25 of the Articles of Association that were then altered, and the same rights and benefits as those of directors, in office at that time, who had or would have then completed ten years of service – after entering retirement - rights and benefits to be regulated in a contract to be agreed between the Company and these directors.

In order to estimate its liabilities for these payments, the Group follows the procedure of annually obtaining actuarial calculations of the liabilities, calculated using the technical standards of the Insurance Institute of Portugal.

The most recent actuarial study of the assets of the plan and of the present value of the defined benefit obligations was carried out in December of 2015 by a specialised entity accredited for the purpose. The present value of the obligation concerning defined benefits and the cost of current services and of related past services were measured using the projected unit credit method.

The main assumptions made in the actuarial evaluation mentioned above were the following:

	2016	2015
Discount rate	1,5%	2%
rate of growth of pensions	0,00% p.a.	0,00% p.a.
Mortality table		
- Before retirement	n.a.	n.a.
- After retirement	GKF95	GKF95
Invalidity table	n.a.	n.a.
Table of departures	n.a.	n.a.
Retirement age	01-Jan-21	01-Jan-17

The actuarial study resulted the following:

- an increase of 185,000 Euros (Note 22) which reflects the cost charged to the current year associated with post-employment benefits to be paid after December 31st, 2015;

- an reversal (net effect) of 755,000 Euros (reversal of 925,000 Euros and reinforcement of 170,000 Euros) resulting from experience gains in terms of population (provision reversal) and assumption changes (provision reinforcement), discount rate, as shown above. This reversal was offset a gain in terms of equity accounts, in accordance with the accounting standards applied by the company, IAS 19.

- The value entered in the "Write-off" column in the amount of 52.373 Euros is the amount of disbursements made on behalf of current pension beneficiaries.

Legal proceedings in hand

The provision for legal proceedings_in hand is intended to cover estimated liabilities based on information from legal advisors, arising from lawsuits filed against the Group.

During 2016, the Group made provisions in the total amount of 1.450.357 Euros, of which 1,250,357 Euros were used to face possible contingencies and legal costs in the scope of the challenging of the Game Tax with the competent Administrative and Tax Courts

During 2015 the Group set up provisions amounting to approximately 2.174.830 Euros, from which 900.000 Euros to address new lawsuits of a commercial nature, and 1.100.000 Euros for employment litigation.

Already accrued in the previous years (earlier than 2015), 1.200.00 Euros, related to a collective dismissal made by the subsidiary companies of the Group as described in note 29 of the Consolidated Financial Statements – Contingent Liabilities.

Other risks and charges

These provisions mostly contemplate questions of divergence in fiscal matters between the Group and the Tax Administration.

29. OTHER ACCOUNTS PAYABLE

On 31st December 2016 and 2015, this caption was broken down as follows:

	Dec - 2016	Dec - 2015
Other accounts payable - non-current		
Annual payment - Difference to minumum grant		
Installments payment schedule - approved for 2014	3.734.424	3.734.424
Installments payment schedule - approved for 2015	576.214	1.152.429
	4.310.638	4.886.853
Other accounts payable - current		
Current suppliers	5.382.419	4.021.681
Suppliers of investments	1.100.635	115.268
State and Public Sector		
Annual gaming payment	11.606.867	10.965.250
Annual payment - Difference to minumum grant		
Decree 1/2015 - 10% over 50% rate of the annual gaming payment	3.241.292	2.098.102
Installments payment schedule - approved for 2015	576.215	576.215
Special Gaming Tax (to be paid next month)	6.541.148	6.436.312
Social Security contribuitons	611.667	635.457
Other in favour of the State	1.112.534	1.082.685
Clients advance payments	338.736	-
Charges with holidays payable	4.540.311	3.929.751
Responsabilities for accumulated gaming premiums	1.872.791	1.847.883
Other	2.980.721	3.331.323
	39.905.336	35.039.927

Clients advance payments:

The value of “Clients advance payments” relate entirely to the online casino and refer to the balance of the internet website of the online casino, available for playing or withdraw at 23:59; 31st December 2016.

Annual Gaming Tax (difference to minimum grant):

The Decree Law n º 29/88 of 3 August, down in paragraph 1 of Article 3, the concessionaire is obliged to pay an annual payment amounting to 50% of the gross gaming revenues. This payment cannot be, under any circumstances, lower than the values in the table attached to that Decree Law.

The minimum annual contributions were established (prices of the year 2000) by Decree-Law No. 275/2001 of 14 December 2001, by the time the Concessions Contracts were extended by fifteen years more.

At the beginning of the year 2015 the Regulatory-Decree nº1/2015 of 21st January came to approve the split payment in installments of the annual minimum contributions calculated based on Decree-Law 275/2001, subject to prior approval from “Turismo de Portugal” of the payments schedule proposed by the Game Concessionaire Companies.
The Regulatory-Decree nº1/2015 was applied for the first the time to the amounts related to the year ended December 2014, which initially payment deadline was on January 31st, 2015.

The value 4.310.638 Euros registered in the caption “Other accounts payable – non-current”, as “Annual payment – difference to minimum grant” is related to the following instalment payment schedules in accordance with a prior authorization from Turismo de Portugal:

- Instalments payment schedule - approved for 2014, that will be paid in three equal annual instalments of 1.244.808 Euros, on December 31st, 2019, 2020 and 2021.
- Instalments payment schedule - approved for 2015, that will be paid in three equal annual instalments of 576.215 Euros, on December 31st, 2016, 2017 and 2018. The instalment due in 2017 is recorded as “Other accounts payable – current”.

30. CONTINGENT LIABILITIES AND ASSETS, GUARANTEES AND COMMITMENTS

Contingent liabilities

In the normal course of its activity, the Group is involved in diverse legal proceedings. Given the nature of these and the provisions set up, in accordance with studies and opinions of legal consultants, the current expectation is that the respective outcome will not lead to any material effects in terms of the activity undertaken, the asset position and the result of the operations.

The main situations are the following:

- Differences in understanding between the Group and the Tax Authorities over Corporation Tax (IRC), relating to the years 2007, 2008, 2009 and 2010, with regard to the taxation of undocumented expenses incurred in the course of the gaming activity of subsidiaries that form part of the Group and which operate games of fortune as their main activity. During the year 2013 occurred the 1st instance verdict contrary to the allegations and convictions of the Group relating to the process for the years 2007 to 2009. It is the Company’s belief, grounded in favourable opinions from legal advisers, that a final decision should be favourable, which is why the Group appealed to higher courts. On the date of these financial statements there are also previous legal decisions that are in the Group’s favour, as well as judicial jurisprudence which is favourable to the Group on this matter. Even so, on this date the Group has bank guarantees provided in favour of the Finance Office of Cascais amounting to 7.197.635 Euros.

- One of the subsidiaries of the Group made a collective dismissal in 2010 within the terms established in the Law, which affected 112 employees. Some of these contested this procedure and filed a lawsuit in Court trying to have this overturned and for their reintegration as Company staff. The Company and the legal consultants responsible for the case consider that there is a high probability of the Company winning and, therefore, it has set up a provision corresponding only to the legal obligations allowed for in labour legislation in cases of collective dismissal which it will have to pay to the former employees by way of indemnity evens if it wins the case. As at 31st December 2016 there are 25 former employees with pending litigation related with this dismissal. The provision accrued within the accounts amounts to 733.545 Euros. (Note 28).

- One of the subsidiaries of the Group made a collective dismissal in 2013 within the terms established in the Law, which affected 21 employees. Some of these contested this procedure and filed a lawsuit in Court trying to have this overturned and for their reintegration as Company staff. The Company and the legal consultants responsible for the case consider that there is a high probability of the Company winning and, therefore, it has set up a provision corresponding only to the legal obligations allowed for in labour legislation in cases of collective dismissal which it will have to pay to the former employees by way of indemnity evens if it wins the case. As at 31st December 2016 there are 14 former employees with pending litigation related with this dismissal. The provision accrued within the accounts amounts to 360.000 Euros. (Note 28)

The Group also sets up diverse technical provisions related with the normal functioning of its main activity, the operation of games of fortune. Among the more significant ones we should highlight:

- The existence of an account payable for a total amount of 1.872.791 Euros in respect of liabilities for accumulated gaming premiums. These liabilities are revised on a monthly basis, according to the accumulated premiums announced in the diverse gaming rooms of the Casinos run by the Group (Note 29).

Guarantees provided

On 31st December 2016 and 2015 the guarantees provided by the Group were as follows:

	Dec - 2016	Dec - 2015
Obligations related with the Special Gaming Tax	24.494.052	22.050.000
Tax lawsuits in hand / litigation	7.414.888	7.414.888
Current suppliers	39.250	39.250
	31.948.190	29.504.138

31. MANAGEMENT OF FINANCIAL RISKS

In the normal course of its activity the Estoril-Sol Group is exposed to a variety of financial risks that can change its asset value. Financial risk is understood to be the probability of obtaining results other than those expected, whether these be positive or negative, materially and unexpectedly changing the asset value of the Group.

In order to minimise the potential impact of these risks, the Group adopts a strict and consistent financial policy based on two vitally important instruments:

- approval of the annual budget and the respective revision and analysis of deviations on a monthly basis, and;
- the elaboration of financial and cash-flow planning, which is also reviewed on a monthly basis.

The financial risks which can possibly impact on the activities undertaken by the Group are those presented below:

Credit risk:

The credit risk is related with the balances receivable from customers and other debtors, classified in balance sheet in the captions, “Customers” and “Other accounts receivable”, respectively.

Portuguese legislation forbids casino concessionaires from granting credit to gaming activities, and so, in this regard, Group Companies are not exposed to credit risk.

Other revenue from restaurant and entertainment activities, which account for around only 2,6% of revenue, therefore represents insignificant exposure.

Liquidity risk:

The management of the liquidity risk is based on maintaining an adequate level of available cash and on the contracting of credit limits that help not only to ensure the normal development of the Group's activities but also to cater for any operations of an extraordinary nature.

According to the monetary resources freed up by the companies that comprise the Group, we feel the financial risk to which the Group is exposed is minimal, and the same understanding has prevailed in the examination carried out by financial institutions, as shown by the fact that asset guarantees are dispensed with for operations under contract, further reinforced by the no less relevant fact that over the years the Group has been successively reducing its financial liabilities, thereby complying with the commitments assumed.

Interest rate risk

The Group's exposure to the interest rate risk stems from the existence, in its balance sheet, of financial assets and liabilities, taken out at variable rates. A change in the market rates has a direct impact on the value of the interest received and/or paid, causing consequent variations in cash.

A significant part of the financing obtained by the Group is classified as current, and so the interest rate is frequently revised, which means a greater exposure to fluctuations in market interest rates, whether in the Company's favour or not.

If the market interest rates had been 1% higher during the years ended on 31st December 2016 and 2015, the financial costs of those years would have increased by approximately 431.000 Euros and 701.000 Euros, respectively.

Exchange rate risk

All operations are carried out in Euros, with the exception of some current imports, which periods of no more than 45 days, which are conducted in US Dollars, and so the Group has only minimal exchange rate exposure.

32. EVENTS AFTER THE BALANCE SHEET DATE

During the first quarter of 2017 the Group paid 11.606.887 Euros referring to the annual payment of the Special Gaming Tax, 3.241.292 Euros referring to the annual payment (difference to minimum grant) and 6.541.148 Euros referring to the Special Gaming Tax relating to the period of December of 2016 (Note 29). It has been cancelled bank guarantees issued by the Group in the total amount of 17.244.052 Euros related with these payments.

33. CONSOLIDATED RESULTS PER SHARE

The consolidated result per basic share of the years ended on 31st December 2016 and on 31 December 2015 was determined as follows:

	Dec - 2016	Dec - 2015
Net profit of the Equity holders of the Parent Company	6.554.939	4.196.033
Average weighted number of shares in circulation	11.931.119	11.931.119
Result per basic share	0,55	0,35

Due to the fact that there are no situations that cause dilution, the net result per diluted share is the same as the net result per basic share.

LAMPREIA, VIÇOSO & ASSOCIADO
SOCIEDADE DE REVISORES OFICIAIS DE CONTAS, LDA.

JOSÉ MARTINS LAMPREIA - ROC Nº 149
Registado na CMVM sob o nº 20160032
DONATO JOÃO LOURENÇO VIÇOSO - ROC Nº 334
Registado na CMVM sob o nº 20160080
JOSÉ ALBERTO CAMPOS DIAS - ROC Nº 365
Registado na CMVM sob o nº 20160096

RUA DA CONCEIÇÃO, 85 - 1º ESQ.
1100-152 LISBOA
TEL. 21 321 95 30 -- TLM. 92 750 41 83/4
FAX. 21 321 95 39
E-mail: geral@lampreiavicoso.com
Site: www.lampreiavicoso.com

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Estoril-Sol, SGPS, S.A. which comprise the balance sheet as at 31 December 2016 (that presents total assets of Euro 125,521,429; total equity of Euro 91,260,481, including a net profit of Euro 6.654.939), the income statement, , the statement of changes in equity and the statement of cash flows for the year then ended, and the accompanying notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present true and fairly, in all material respects, the financial position of Estoril-Sol, SGPS, S.A. as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in Portugal (NCRF / SNC).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

Description of the most significant risks	*Summary of the auditor's responses*
Post-employment benefits	
Responsibilities for retired and on job directors involve a significant degree of judgment on long-term assumptions, which may result in significant changes in the amounts recorded in the financial statements. As stated in note 14 of the notes to the individual financial statements, we verified the existence of a change in assumptions in relation to the previous period un the actuarial calculation of liabilities, both in terms of the discount rate and in the starting date of the liability. This type of "bonus" constitutes risk factors, evidencing, also, matter relevant for auditing purposes.	We assessed the reasonableness of the assumptions and estimates assumed in the actuarial calculation of these liabilities. We assessed the independence of the expert. We have verified that the Entity's Articles of Incorporation provide for such pension rights.
Investments in Subsidiary Companies	
As disclosed in note 7 of the notes to the individual financial statements, ESTORIL SOL, SGPS, SA, presents in financial investments in subsidiaries an amount of 123,348,382 euros, as a result of the application, in its registration, of the "Equity method", and also due to the effect of granting new capital contributions. In accordance with the Portuguese accounting and financial reporting standards (NCRF) - the capital shares in subsidiaries are analyzed at each balance sheet date in order to detect any impairment losses. The valuation of financial investments in subsidiary companies is a matter that we consider relevant in the audit. .	Understanding and evaluation of the relevant financial investments in subsidiary companies. Judgment of the management analysis was made by reference to the comparison of current performance with estimates in previous years. Analysis of the adequacy of equity method used to account the financial investments in subsidiary companies.

Responsibilities of Management and Supervisor Body for the financial statements

Management is responsible for:

– the preparation of the financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Company in accordance with Portuguese accounting and financial reporting standards (NCRF);

- the preparation of a management report, including a corporate governance report, under the applicable law and regulation;

- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Entity's and the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 skepticism throughout the audit. We also:

- 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;

- 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;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- we communicate with those charged with governance, including the Statutory Audit 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;

- from the matters communicated with those charged with governance, including the Statutory Audit Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;

- we provide the Statutory Audit Board with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement between the information included in the Management report with the consolidated and separate financial statements and the verifications required in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais")

Report on the other legal and regulatory requirements

About the Management Report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge and appreciation of the Group, we did not identify material misstatements.

About the Governance Report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, and beyond the key audit matters mentioned above, we further report on the following:

– We have been appointed auditors of Estoril, SGPS, S.A. (parent-company of the Group) for the first time in the shareholders' general meeting that took place on 10 July 2007 to complete term ending in 2007, remaining in office until the present time. Our last appointment took place at the shareholders' general meeting held on 04th February 2013 for a term covering the period between 2013 and 2016.

- The Board of Directors confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated and separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Entity's Statutory Audit Board as at 04 April 2017.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8,of the Legal Regime of the Portuguese Statutory Auditors and that we kept our independence from the Group during the execution of the audit.

Lisbon, 21st April, 2017

LAMPREIA, VIÇOSO & ASSOCIADO
Sociedade de Revisores Oficiais de Contas, Lda.
(Registada na CMVM sob o n.º 20161466)
representada por
José Martins Lampreia

REPORT AND OPINION OF THE AUDIT BOARD
(Individual accounts)

To the Shareholders,

Pursuant to the applicable legal provisions and the Company's Memorandum and Articles of Association, it is our duty to submit to your appreciation the Report and Opinion of the Audit Board on the Management Report and on the Corporate Governance Report and individual financial statements, presented by the Board of Directors of **ESTORIL SOL, S.G.P.S., S.A. - Public Company -** in relation to the year ended on 31 December 2016.

1- REPORT

1.1- The Audit Board has monitored the company's management and operations during the year. It remained in regular contact with the Board of Directors and with other company officials, who were always available to provide due explanations. It also had access to all documentation requested for performing its duties.

1.2- The Audit Board performed the tests and checks it is entrusted with, and deemed necessary, under the circumstances. It monitored the procedures for controlling risks and the internal control system implemented. The process of preparation and disclosure of financial information was also supervised.

1.3- The Management Report and the Corporate Governance Report describe the policies followed, the economic and financial operations, the conditioning factors involved, with regard to the fiscal year under evaluation, and the prospects for progress, given the economic climate.

1.4- The individual accounts, comprising the balance sheet, the income statement by natures, the statement of the changes in equity and the cash flow statement and the corresponding Notes, are all in agreement with the accounting records and with the accounting policies and practices.

1.5- In compliance with the legal provisions the Board certified the independence of the Statutory Auditors noting their professionalism and technical capacity, supervising their activity, at appropriate intervals, through meetings and the observation of the checks made by it.

1.6- We evaluated the Legal Certification of Accounts and the Audit Report as prepared by the Chartered Accountants, which warranted our agreement.

1.7- The Audit Board considered the proposal for the application of results presented by the Board of Directors.

2 – DECLARATION OF LIABILITY

The Audit Board declares within the terms and for the purposes of the provisions in line c) of no.1 of article 245 of the Securities and Exchange Commission's Code that, to the best of its knowledge, the information contained in the individual financial statements relating to the year 2016 was prepared in accordance with the generally accepted accounting principles in Portugal, giving a true and appropriate image of the financial position, the result of the operations, the changes in equity and the cash flow of **ESTORIL SOL, S.G.P.S., S.A. - Public Company -**, and that the management and corporate governance reports faithfully portray the evolution of the businesses, of the performance and of the financial position of the company and contain a description of the main risks and uncertainties that it is faced with.

3 - OPINION

In view of the above, we evaluated the Management Report and Corporate Governance Report, the balance sheet and individual accounts relating to the year 2016, as well as the proposal for the application of results, it being our opinion that these are in a condition to be discussed and voted on in a General Meeting of Shareholders.

Estoril, 26th April 2017

The Audit Board

Chairman - *Mário Pereira Pinto*

Director – *António José Alves da Silva*

Director – *Manuel Martins Lourenço*

LAMPREIA, VIÇOSO & ASSOCIADO
SOCIEDADE DE REVISORES OFICIAIS DE CONTAS, LDA.

JOSÉ MARTINS LAMPREIA - ROC Nº 149
Registado na CMVM sob o nº 20160032
DONATO JOÃO LOURENÇO VIÇOSO - ROC Nº 334
Registado na CMVM sob o nº 20160080
JOSÉ ALBERTO CAMPOS DIAS - ROC Nº 365
Registado na CMVM sob o nº 20160096

RUA DA CONCEIÇÃO, 85 - 1º ESQ.
1100-152 LISBOA
TEL. 21 321 95 30 -- TLM. 92 750 41 83/4
FAX. 21 321 95 39
E-mail: geral@lampreiavicoso.com
Site: www.lampreiavicoso.com

STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

Report on the audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Estoril-Sol, SGPS, S.A. which comprise the consolidated statement of financial position as at 31 December 2016 (that presents total consolidated assets of Euro 161,151,408; consolidated equity of Euro 77,732,274, including a net profit of Euro 6.554.939), the consolidated statement of profit and loss, 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 accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present true and fairly, in all material respects, the consolidated and separate financial position of Estoril-Sol, SGPS, S.A. as at 31 December 2016 and of its consolidated financial performance and its 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 further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks	*Summary of the auditor's responses*
<u>Revenue recognition</u>	
International Standards on Auditing (ISA) presumes as a possible risk factor for fraud the financial performance. As stated in note 6 of the notes to the consolidated financial the revenues are almost entirely the result of the concessionary subsidiaries of the gaming areas of Estoril (Estoril and Lisbon), Póvoa do Varzim and Online. It should be noted that the Special Gaming Tax, supported by the Estoril Sol Group in 2016, was around 96,450,000 euros. This issue highlights relevant audit matters	The game revenue is subject to permanent supervision and validation by the State Supervision and Control Services (SRIJ), which has facilities in the casinos for this purpose. We have evaluated the internal controls and carried out substantive and analytical procedures to assess the consistency of revenues, which included: -Control of the bank deposits related with revenues; -Cross-check between the revenue accounting and the annual game tax form approved by (SRIJ); and -Cash and cash equivalents inventory/counting.
<u>Fixed tangible and intangible assets</u>	
Intangible assets refer to the Casino Estoril and Lisboa, Casino da Póvoa and online gambling concessions. As reported in note 17 of the Notes to the Consolidated Financial Statements, the management made a technical estimate of the value of each game concession, and did not detect any evidence of impairment, due to the improvement in the indicators that served as the basis for the last impairment study carried out by an independent entity, which is based on the growth of the gaming revenues, on all concessions and on the improvement of the overall results. As of December 31, 2016, the tangible fixed assets have € 42,654,547 of assets allocated to the game concessions and, therefore, reversible to the State	We have evaluated the acquisition and disposal of assets used for the game operation, and their respective authorizations by the supervisory entity, Game Control and Inspection Service, hereinafter referred to as SRIJ. We have tested the conformity of depreciations. We evaluated the assets inventory requirements As for the recovery value of the game concessions, we have seen the growth game revenues and the overall improvement in results.

at the end of the respective concessions. It should be noted that these assets are subject to a tax deduction with the prior acquisition authorization and physical control by the Supervisory Entity, Game Regulation and Inspection Service, hereinafter referred to as the SRIJ. In compliance with the provisions of article 21 of the Portuguese game law, an inventory is carried out every two years and forwarded, in order to detect any divergence for the SRIJ.

This issue highlights relevant audit matters

Post-employment benefits

Responsibilities for retired and on job directors involve a significant degree of judgment on long-term assumptions, which may result in significant changes in the amounts recorded in the financial statements.

As stated in note 28 of the notes to the consolidated financial statements, we verified the existence of a change in assumptions in relation to the previous period un the actuarial calculation of liabilities, both in terms of the discount rate and in the starting date of the liability.

This type of "bonus" constitutes risk factors, evidencing, also, matter relevant for auditing purposes.

We assessed the reasonableness of the assumptions and estimates assumed in the actuarial calculation of these liabilities.

We assessed the independence of the expert.

We have verified that the Entity's Articles of Incorporation provide for such pension rights.

Legal Proceedings and Contingencies

Management constantly monitors the risk inherent in tax matters and current disputes with the Tax Authorities', taking into account the opinion expressed by the legal and tax advisors, as disclosed in notes 28 and 30 of the notes to the consolidated financial statements

The complexity and the degree of judgment inherent in the tax matters mentioned in note 30 of the notes to the consolidated financial statements, as well as the level of uncertainty associated with the respective outcome, justify that it was a relevant matter for the purposes of our audit.

Understanding and evaluation of the litigation monitoring process, namely of fiscal/tax nature

Review of the minutes of the meetings of the Governing Bodies and request of information with the Legal Department of the company.

Confirmation with the lawyers who provide services to the Group of the processes/contigency they sponsor, their development and expectations of success.

Independent analysis of the main tax proceedings in progress.

Analysis of the adequacy of the disclosures presented in the consolidated financial statements.

<u>Legal and Regulatory risks</u>

Taking into account the jurisdiction in which the main companies of the Group operate - games concessions / casino - and the regulatory conditions imposed on this activity, namely compliance with financial autonomy ratios, according to Article 17 of the Portuguese Game Law, there are risks and penalties in the event of non-compliance

All companies of the Group, within the game activity, met with the financial autonomy ratio required.

This issue highlights relevant audit matters

We verified the conditions established in article 17 of the Portuguese Game Law, which indicate a minimum financial autonomy ratio of 40% as of the sixth year of the concession.

As for online activity, article 16 (2) of Decree-Law no. 66/2015 of 29th April establishes a minimum financial autonomy ratio of 35%, which has also been met.

.

Responsibilities of Management and Supervisor Body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Group in accordance with IFRS as adopted by the European Union;

- the preparation of a management report, including a corporate governance report, under the applicable law and regulation;

- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;

- the adoption of accounting principles and criteria appropriate in the circumstances; and

- the evaluation of the Entity's and the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 skepticism throughout the audit. We also:

- 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;

- 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;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- we communicate with those charged with governance, including the Statutory Audit 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;

- from the matters communicated with those charged with governance, including the Statutory Audit Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;

- we provide the Statutory Audit Board with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement between the information included in the Management report with the consolidated and separate financial statements and the verifications required in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais")

REPORT ON THE OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited consolidated financial statements, and considering our knowledge and appreciation of the Group, we did not identify material misstatements.

About the Governance Report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, and beyond the key audit matters mentioned above, we further report on the following:

– We have been appointed auditors of Estoril, SGPS, S.A. (parent-company of the Group) for the first time in the shareholders' general meeting that took place on 10 July 2007 to complete term ending in 2007, remaining in office until the present time. Our last appointment took place at the shareholders' general meeting held on 04th February 2013 for a term covering the period between 2013 and 2016.

- The Board of Directors confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated and separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Entity's Statutory Audit Board as at 04 April 2017.

- We declare that we have not rendered any prohibited services under the terms of article 77, number 8,of the Legal Regime of the Portuguese Statutory Auditors and that we kept our independence from the Group during the execution of the audit.

Lisbon, 21st April, 2017

LAMPREIA, VIÇOSO & ASSOCIADO
Sociedade de Revisores Oficiais de Contas, Lda.
(Registada na CMVM sob o n.º 20161466)
representada por
José Martins Lampreia

REPORT AND OPINION OF THE AUDIT BOARD
(Consolidated accounts)

To the Shareholders,

Pursuant to the applicable legal provisions, it is our duty to submit to your appreciation the Report and Opinion of the Audit Board on the Management Report and on the Corporate Governance Report and other consolidated financial statements, presented by the Board of Directors of **ESTORIL SOL, S.G.P.S., S.A. - Public Company -** in relation to the year ended on 31 December 2016.

1- REPORT

1.1- We examined the operations conducted by the consolidating company and monitored the operations of the Group of companies headed by the said consolidating company, both directly and via explanations collected from Management and services. The Audit board also performed those checks deemed necessary, under the circumstances.

1.2- The Audit board performed the tests and checks it is entrusted with and that it deemed necessary in the circumstances. It monitored the procedures for controlling risks and the implemented internal control system. It also supervised the process of preparation and disclosure of the financial information.

1.3- The management and corporate governance reports describe the policies followed, the economic and financial operations, the conditioning factors involved relating to the year under evaluation, and the future prospects in the current economic climate.

1.4- The consolidated accounts, comprising the Consolidated Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement and respective notes, are all in agreement with the accounting records and with the accounting policies and practices of the International Financial Reporting Standards (IFRS) as adopted in the European Union.

1.5- In compliance with the legal provisions, the Board verified the independence of the Statutory Auditors noting their professionalism and technical capacity, and supervised, with appropriate frequency, their activity, through meetings and observing the checks carried out by them.

1.6- We have evaluated the Legal Certification of Accounts and Audit Report – Consolidated Accounts – prepared by the Statutory Auditors, which warranted our agreement.

2 - DECLARATION OF RESPONSIBILITY

The Audit Board, pursuant to and for the purposes of the provisions under line c) of no.1 of article 245 of the Portuguese Securities Code, declares that, to the best of its knowledge, the information appearing in the consolidated financial statements relating to the year 2015 was prepared in conformity with the International Financial Reporting Standards (IFRS) as adopted in the European Union, showing a true and appropriate image of the financial position, the operating result, the changes in equity and the cash flow of **ESTORIL SOL, S.G.P.S., S.A. - Public Company -**, and that the management and corporate governance reports faithfully shows the progress of the business, the performance and financial position of the company, and contains a description of the main risks and uncertainties they are faced with.

3 - OPINION

In view of the above, we have evaluated the management and corporate governance reports and the consolidated financial statements of **ESTORIL SOL, S.G.P.S., S.A. - Public Company -**, for 2016 as well as the proposal for the application of consolidated profits, and it is our opinion that these are in a position to be discussed and voted on in a General Meeting.

Estoril, 26th April 2017

The Audit Board

Chairman - *Mário Pereira Pinto*

Director – *António José Alves da Silva*

Director – *Manuel Martins Lourenço*