

REPORT AND ACCOUNTS

30 SEPTEMBER 2017



SONAE CAPITAL

REPORT AND ACCOUNTS

30 September 2017

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PART I

**REPORT OF THE BOARD OF
DIRECTORS**

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SONAE CAPITAL

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Report of the Board of Directors

1. CEO'S MESSAGE & MAIN HIGHLIGHTS

“The third quarter of 2017 is marked by the integration of a new business – ADIRA, a Portuguese based company, strongly focused on international markets, that leverages on one of the country's main assets and resources: the Portuguese based engineering know-how. The investment we have been making in other segments, namely in Energy, reinforces the stability and the quality of the results that we have been achieving.

The strengthening of the competitive position of each one of our businesses continues to generate positive results as far as turnover and profitability are concerned, being especially notable the improvements in Fitness, Hospitality and Energy segments. In the Refrigeration & HVAC segment in Portugal, the high number of on-going contracts is a promising indicator for the levels of activity expected for the next quarters. Regarding the sale of residential units in Tróia, it continues to develop according to our expectations and the number of booked contracts allows us to be comfortable about the performance for the year. In addition, concerning the sale of Real Estate Assets, we signed a set of sales deeds in this quarter that, added to the Promissory Purchase and Sale Agreements already signed in stock, provides good prospects for 2017.

To conclude, we are certain that the high investment made during the first nine months of 2017, in the amount of 58.6M€, coupled with the continuous focus on the sale of real estate assets, does not compromise the maintenance of a conservative capital structure and will allow for significant growth and increased stability of the Group's main financial indicators, as it is shown in these quarterly results.”

Cláudia Azevedo, CEO

MAIN HIGHLIGHTS

- Integration of ADIRA, an important landmark in the materialization of the corporate strategy;
- Strong turnover growth in Energy (+56.8%), Fitness (+26.3%) and Hospitality (+11.3%) segments;
- Stock of 19 Reservations/Promissory Purchase and Sale Agreements of residential units in Troia Resort corresponding to 6.7M€ at the end of September 2017. During 3Q17, 8 sales deeds were signed, 2 of which under the *fractional* regime (19 sales deeds signed in 9M17);
- Contract sales signed for a lot of real estate assets (excluding residential units in Troia Resort) amounting to 10.2M€ in 3Q17 (15.96M€ in 9M17), in addition to Promissory Purchase and Sale Agreements totaling 5.4M€;
- Backlog in Refrigeration & HVAC Portuguese operation amounting to 32.2M€ in 9M17, representing, approximately, 9 months of turnover;
- Full integration of the operations acquired during the previous quarters in the Energy segment, namely: (i) a Cogeneration operation fueled by landfill biogas, with 1MW, acquired at the end of 1Q17; and (ii) 15MW of Renewable Energies acquired in 2Q17, significantly increasing the turnover (2.63M€ in 3Q17) and the profitability (2.4M€ in 3Q17) of the business, offering higher stability to the Group's cash-flow;
- Notwithstanding the high Capex (58.6M€ including ADIRA's acquisition) and Dividends distribution (25M€), Net Debt increasing only 41.4M€, driven by the cash-flow from operations;
- Net Debt under control and adequate to the Group's business portfolio and type of assets: LTV of 16.1% and Net Debt/EBITDA of 2.41x.

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2. OVERALL PERFORMANCE

Consolidated Profit and Loss Account						
Million euro	3Q 2017	3Q 2016	Δ 17/16	9M 2017	9M 2016	Δ 17/16
Total Operational Income	60.93	52.71	+15.6%	138.38	133.30	+3.8%
Turnover	59.64	51.73	+15.3%	135.18	131.00	+3.2%
Troia Resort	10.45	9.33	+12.0%	20.00	20.42	-2.1%
Hospitality	8.18	7.35	+11.3%	16.26	13.79	+17.9%
Fitness	5.81	4.60	+26.3%	17.29	13.20	+31.0%
Energy	13.01	8.29	+56.8%	34.38	29.80	+15.4%
Refrigeration & HVAC	15.49	19.74	-21.6%	38.76	47.29	-18.0%
Industrial Engineering	1.19			1.19		
Others & Eliminations	5.51	2.42	>100%	7.29	6.51	+12.0%
Other Operational Income	1.29	0.97	+32.8%	3.19	2.30	+39.0%
EBITDA, excluding Guaranteed Income Provisions (1)	12.19	8.20	+48.7%	18.06	13.88	+30.1%
Troia Resort	4.68	3.28	+42.6%	3.78	3.75	+0.9%
Hospitality	1.93	1.40	+37.8%	0.62	-0.94	-
Fitness	0.48	0.78	-39.2%	1.79	1.79	-0.1%
Energy	5.27	1.73	>100%	10.95	6.03	+81.8%
Refrigeration & HVAC	-0.03	0.35	-	0.14	1.66	-91.5%
Industrial Engineering	-0.25			-0.25		
Others & Eliminations	0.11	0.66	-82.8%	1.02	1.61	-36.5%
Provisions for Guaranteed Income	-0.04	-0.08	+49.8%	-0.21	-0.27	+20.4%
EBITDA	12.15	8.12	+49.6%	17.85	13.62	+31.1%
Amortization & Depreciation	-5.48	-3.97	-38.2%	-13.72	-11.84	-15.9%
Provisions & Impairment Losses	-0.04	0.00	-	0.22	-0.05	-
Non-recurrent costs/income (2)	0.01	-0.37	-	-0.07	-0.13	+47.1%
EBIT	6.64	3.79	+75.2%	4.28	1.60	>100%
Net Financial Expenses	-1.24	-1.58	+21.2%	-3.40	-4.99	+31.8%
Investment Income and Results from Assoc. Undertakings	-0.01	1.81	-	1.99	18.18	-89.0%
EBT	5.39	4.02	+33.9%	2.87	14.79	-80.6%
Taxation	-0.65	-0.43	-50.7%	-1.40	-0.81	-72.5%
Net Profit - Continued Businesses	4.73	3.59	+31.9%	1.47	13.97	-89.5%
Net Profit - Discontinued Businesses	-0.31	-0.21	-51.0%	-0.98	-0.78	-26.2%
Net Profit - Total	4.42	3.38	+30.8%	0.49	13.20	-96.3%
Attributable to Equity Holders of Sonae Capital	3.98	3.12	+27.4%	-0.50	12.26	-
Attributable to Non-Controlling Interests	0.44	0.26	+72.1%	0.99	0.93	+5.8%

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

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

The Group's consolidated turnover amounted to 59.64M€ in 3Q17, registering an increase of 15.3% over the same period of 2016. As profitability is concerned, the EBITDA showed a positive performance reaching 12.15M€ (+49.6%), corresponding to an EBITDA margin of 20.4%, growing 4.7pp yoy. It is worth highlighting that:

- Hospitality segment continued to deliver a positive performance and to improve the main operational indicators, namely Occupancy Rate (+6.3pp) and RevPAR (+13.0%), registering a turnover growth of 11.3% and an EBITDA growth of 37.8%;
- Sustainable Fitness turnover growth (+26.3%) due to the continued increase of active members (+29.6%). The expansion plan currently in place (2 fitness clubs opened in the quarter; 4 more than in the previous year) had a negative impact in profitability, which translated into an EBITDA decrease of 39.2% in 3Q17 when compared to 3Q16, although in accumulated terms, EBITDA has remained relatively flat;
- Energy segment continued to show in the quarter an increase in both turnover (+56.8%) and, especially, in EBITDA (which more than tripled), to 13.01M€ and 5.27M€ respectively. The evolution of both energy and gas index prices, as well as the contribution from the operations already acquired in 2017, were the main drivers to the significantly improved performance;
- Troia Resort was able to consolidate the positive evolution already seen in the previous quarter, increasing the number of sales deeds compared to the same period of last year. In 3Q17, 8 sales deeds were registered, 2 of which in the *fractional* regime, which compares to 4 in 3Q16. As a result, turnover increased by 12.0% and profitability increased as well (+44.8%). As of today, 19 promissory purchase and sale agreements and reservations remain in stock, corresponding to 6.67M€. It is forecasted that deeds over a large part of these contracts will be signed in the next quarter;

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- As regards the Real Estate Assets segment, it was concluded a number of sales deeds related to several assets totaling 10.2M€. It should be noted that PPSAs regarding a diverse portfolio of real estate assets are still in the portfolio totaling 5.4M€;
- Ref. & HVAC segment registered an already expected turnover decrease of 21.6% (as in 2016, particularly in the 3Q, an important international project was delivered). However, we witnessed in 3Q17 a clear recovery when compared to the previous quarters. Additionally, and particularly in domestic operation, we started to see an EBITDA recovery that should increase given the number of contracts in backlog in the amount of 32.2M€.

Consolidated Net Profit (Continued Businesses) stood at positive 4.73M€ in 3Q17, increasing 31.9% when compared to 3Q16 mostly driven by: (i) the above mentioned EBITDA performance (+4.03M€); and (ii) the improved Financial Results (+0.34M€), motivated by a lower net debt level and lower financing costs; notwithstanding (iii) the reduction in Results from Investments amounting to 1.82M€ (following the sale of highway concessions in 2016).

Capital Structure/Capex/Ratios			
Million euro	Sept 2017	Dec 2016	Δ 17/16
Net Capital Employed	403.7	386.4	+4.5%
Fixed Assets	320.6	284.1	+12.8%
Non-Current Investments (net)	5.1	4.7	+10.1%
Working Capital	78.6	98.2	-20.0%
Capex (end of period)	58.6	12.7	>100%
% Fixed Assets	18.3%	4.5%	+13.8 pp
Net Debt	107.3	66.0	+62.5%
% Net Capital Employed	26.6%	17.1%	+9.5 pp
Debt to Equity	36.2%	20.6%	+15.6 pp
Net Debt excluding Energy	54.5	48.9	+11.3%
Capital Structure Ratios			
Loan to Value (Real Estate)	16.1%	8.6%	
Net Debt/EBITDA (recurrent)	2.41x	2.38x	

- Capex reached 58.6M€ in 9M17 (including 16.1M€ related with ADIRA's acquisition), showing a significant increase of 45.9M€ over the previous year motivated mostly by investments in the acquisition of new businesses and operations, especially in the Energy segment.

- The Free Cash Flow (levered) at the end of September 2017, excluding dividends paid, was negative by 16.0M€, due to the aforementioned investments, notwithstanding the positive contribution of the cash-flow from operations.

Consolidated Balance Sheet			
Million euro	Sept 2017	Dec 2016	Δ 17/16
Total Assets	523.6	500.4	+4.6%
Tangible and Intangible Assets	272.9	246.3	+10.8%
Goodwill	47.7	37.8	+26.0%
Non-Current Investments	1.8	1.7	+7.2%
Other Non-Current Assets	30.8	29.4	+4.6%
Stocks	103.0	103.2	-0.2%
Trade Debtors and Other Current Assets	63.4	49.4	+28.2%
Cash and Cash Equivalents	5.2	32.2	-83.7%
Assets held for sale	0.1	0.2	-77.3%
Total Equity	296.4	320.4	-7.5%
Total Equity attributable to Equity Holders of Sonae Capital	286.4	310.4	-7.7%
Total Equity attributable to Non-Controlling Interests	10.0	9.9	+0.5%
Total Liabilities	228.4	180.0	+26.9%
Non-Current Liabilities	112.6	120.7	-6.7%
Non-Current Borrowings	85.1	94.3	-9.7%
Deferred Tax Liabilities	21.4	19.6	+9.1%
Other Non-Current Liabilities	6.0	6.8	-11.5%
Current Liabilities	115.8	59.3	+95.4%
Current Borrowings	27.5	4.0	>100%
Trade Creditors and Other Current Liabilities	87.8	54.5	+61.1%
Liabilities associated to assets held for sale	0.6	0.8	-30.8%
Total Equity and Liabilities	524.8	500.4	+4.9%

- Following the investments mentioned, the Net Debt increased versus 2016 year-end, totaling 107.3M€, yet maintaining an adequate capital structure when considering Sonae Capital's business portfolio: LTV stood at 16.1% and Net Debt/EBITDA reached 2.41x.
- The Net Capital Employed increased 4.5% when compared to 2016 year-end, reaching 403.7M€ driven by the increase of Fixed Assets under management.
- As a result of the Net Debt increase, the Debt to Equity ratio rose to 36.2%, +15.6pp compared to the end of 2016.

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3. SEGMENTS PERFORMANCE

3.1. TROIA RESORT



Profit and Loss Account - Troia Resort						
Million euro	3Q 2017	3Q 2016	Δ 17/16	9M 2017	9M 2016	Δ 17/16
Total Operational Income	11.52	9.82	+17.3%	21.83	21.86	-0.1%
Turnover	10.45	9.33	+12.0%	20.00	20.42	-2.1%
Other Operational Income	1.07	0.49	>100%	1.83	1.43	+27.3%
Total Operational Costs	-6.84	-6.53	-4.7%	-18.05	-18.11	+0.4%
Cost of Goods Sold	-1.65	-1.29	-28.1%	-4.13	-3.05	-35.5%
Change in Stocks of Finished Goods	-0.72	-0.84	+14.2%	-1.90	-3.82	+50.3%
External Supplies and Services	-2.88	-2.76	-4.6%	-7.08	-6.84	-3.5%
Staff Costs	-1.16	-1.13	-3.0%	-3.21	-2.94	-9.3%
Other Operational Expenses	-0.43	-0.53	+18.9%	-1.72	-1.46	-17.8%
EBITDA, excluding Guaranteed Income Provisions (1)	4.68	3.28	+42.6%	3.78	3.75	+0.9%
Provisions for Guaranteed Income	-0.04	-0.08	+49.8%	-0.21	-0.27	+20.4%
EBITDA	4.64	3.20	+44.8%	3.57	3.48	+2.6%
EBITDA Margin (% Turnover)	44.4%	34.4%	+10.1 pp	17.8%	17.0%	+0.8 pp
Capex	0.47	0.70	-33.9%	1.23	0.97	+26.6%
EBITDA-Capex	4.18	2.50	+66.9%	2.33	2.50	-6.8%

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

- During 3Q17, 8 deeds of residential units in Troia Resort were signed (19 in 9M17) – two of them in *fractional* regime – an increase from the 4 registered in 3Q16. As a result of the good sales performance, 19 promissory purchase and sale agreements and reservations, amounting to 6.67M€, remain in stock.
- As of September 30, a total of 394 sales deeds were signed on residential units of the Troia Resort complex.
- Turnover of the first nine months of the year amounted to 20.0M€, 2.1% below 9M16, but 12.0% higher in the quarter when compared to the same period of the previous year, reflecting a strong recovery of the average value per deed, associated with the very positive performance presented by the operations that support the Resort.
- Capex for the first nine months of the year remained at controlled levels, if we exclude the turn back, already mentioned in previous releases, of an asset evaluated for 0.37M€ (related to a property swap deed not included in the figures above).
- It should be noted that, as part of the sale process of non-core assets, one of the companies that are included in the perimeter of Troia Resort sold a real estate asset for 1M€, generating a margin of 0.5M€, being recorded in Other Operational Income.

3.2. FITNESS



- Maintenance of the positive performance and strengthening of the competitive position reflected, mainly, in the increased number of active members (+29.6%), with the average monthly fees remaining in line with the same period last year. As a result, turnover of the first nine months of the year increased significantly by 31.0% over the same period last year.
- Performance at the turnover level allows to partially offset the negative impact from new clubs openings (two in quarter), which penalize Ebitda performance before reaching a regular level of customers. However, the decrease registered in 3Q17 compared to the same period last year, is not seen in the nine months performance, showing the resilience that the business is already presenting.

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Profit and Loss Account - Fitness

Million euro	3Q 2017	3Q 2016	Δ 17/16	9M 2017	9M 2016	Δ 17/16
Total Operational Income	5.85	4.68	+25.2%	17.45	13.36	+30.6%
Turnover	5.81	4.60	+26.3%	17.29	13.20	+31.0%
Other Operational Income	0.04	0.07	-43.6%	0.16	0.17	-4.9%
Total Operational Costs	-5.38	-3.89	-38.2%	-15.66	-11.57	-35.3%
Cost of Goods Sold	-0.02	-0.01	<-100%	-0.11	-0.05	<-100%
External Supplies and Services	-3.27	-2.38	-37.8%	-9.54	-7.00	-36.2%
Staff Costs	-1.82	-1.35	-34.6%	-5.25	-3.86	-36.2%
Other Operational Expenses	-0.26	-0.16	-66.4%	-0.76	-0.66	-15.2%
EBITDA	0.48	0.78	-39.2%	1.79	1.79	-0.1%
EBITDA Margin (% Turnover)	8.2%	17.0%	-8.8 pp	10.3%	13.6%	-3.2 pp
Capex	0.55	0.50	+9.7%	1.53	1.13	+35.9%
EBITDA-Capex	-0.08	0.28	-	0.26	0.66	-61.1%
# Health Clubs in Operation	19	15	+ 2	19	15	+ 2

- During the rest of the year we will remain focused on improving the competitive position, looking for opportunities to expand the number of clubs in operation. In fact, the last quarters already show a clear investment increase when compared to the same periods of 2016. Following a capital light approach, the investment in the opening of the new clubs, has occurred at an accelerated pace. At the end of the period, Solinca operates 19 clubs (including 2 new openings in 3Q17: Constituição – Porto and Rio Tinto).

3.3. HOSPITALITY

PORTO PALÁCIO
CONGRESS HOTEL & SPA
★★★★★

AQUALUZ
Tróia
★★★★★

THE ARTIST
PORTO HOTEL
& BISTRO

THE HOUSE
RIBEIRA HOTEL
★★★★★

Profit and Loss Account - Hospitality

Million euro	3Q 2017	3Q 2016	Δ 17/16	9M 2017	9M 2016	Δ 17/16
Total Operational Income	8.36	7.54	+10.9%	16.68	14.21	+17.4%
Turnover	8.18	7.35	+11.3%	16.26	13.79	+17.9%
Other Operational Income	0.18	0.19	-6.1%	0.42	0.42	-1.1%
Total Operational Costs	-6.43	-6.14	-4.7%	-16.05	-15.15	-5.9%
Cost of Goods Sold	-0.66	-0.65	-1.6%	-1.43	-1.37	-4.0%
External Supplies and Services	-3.57	-3.53	-1.2%	-9.10	-8.73	-4.3%
Staff Costs	-2.00	-1.72	-16.5%	-4.96	-4.60	-7.8%
Other Operational Expenses	-0.19	-0.24	+18.3%	-0.57	-0.46	-24.1%
EBITDA	1.93	1.40	+37.8%	0.62	-0.94	+107.7%
EBITDA Margin (% Turnover)	23.6%	19.1%	+4.5 pp	3.8%	-6.8%	+10.7 pp
Capex	0.26	0.04	>100%	0.75	1.23	-39.1%
EBITDA-Capex	1.67	1.36	+22.8%	-0.13	-2.18	+94.1%
# Units	4	4		4	4	

- Following the trend already shown in previous releases, the main operational indicators continue to show favorable evolutions, with the average revenue per room and RevPAR improving, in 9M17, 6.1% and 18.8%, respectively. It should be noted that all operations increased RevPAR when compared to the same period last year, showing the positive dynamics of the sector, in general, and, particularly, of this business segment performance.
- It should be highlighted the positive performance achieved in 3Q17, both in turnover as well as Ebitda, showing a growth of 11.3% and 37.8%, respectively.
- Consequently, in the first nine months of the year, both turnover (+17.9%) and Ebitda (+1.56M€) registered considerable growth rates. Indeed, it should be pointed out that, at the end of nine months of 2017, unlike what happened in previous years, Ebitda was positive (0.62M€).
- Excluding rents, it should be underlined that the Hospitality segment's EBITDAR amounted to 4.2M€ in the 9M17, an improvement of 57.4% over the same period last year.

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- Capex remained at low levels and amounted to 0.75M€ in the first nine months of the year, 39.1% lower than the 9M16. As a result of the Ebitda and the Capex performance Ebitda-Capex increased 94.1% yoy.

3.4. ENERGY



Profit and Loss Account - Energy						
Million euro	3Q 2017	3Q 2016	Δ 17/16	9M 2017	9M 2016	Δ 17/16
Total Operational Income	13.05	8.42	+55.0%	34.65	30.04	+15.3%
Turnover	13.01	8.29	+56.8%	34.38	29.80	+15.4%
Other Operational Income	0.05	0.13	-64.7%	0.27	0.24	+8.7%
Total Operational Costs	-7.78	-6.69	-16.3%	-23.69	-24.02	+1.3%
Cost of Goods Sold	-5.75	-4.95	-16.2%	-17.56	-18.61	+5.7%
External Supplies and Services	-1.16	-1.11	-5.0%	-3.59	-3.29	-9.0%
Staff Costs	-0.60	-0.53	-13.6%	-1.77	-1.79	+1.5%
Other Operational Expenses	-0.27	-0.11	<-100%	-0.78	-0.32	<-100%
EBITDA	5.27	1.73	>100%	10.95	6.03	+81.8%
EBITDA Margin (% Turnover)	40.5%	20.9%	+19.6 pp	31.9%	20.2%	+11.6 pp
Capex	1.24	0.11	>100%	37.20	0.31	>100%
EBITDA-Capex	4.03	1.63	>100%	-26.25	5.72	-
Total Capacity (MW)	72.5	62.8	+15.4%	72.5	62.8	+15.4%
Owned & Operated	62.3	52.6	+18.4%	62.3	52.6	+18.4%
Operated (not consolidated)	10.2	10.2	+0.0%	10.2	10.2	+0.0%

- Energy turnover in 3Q17 amounted to 13.01M€, an increase of 56.8% over the same period of last year, due to: (i) higher electricity sales prices; and (ii) a larger number of cogeneration plants in operation and an increase in the number of renewable assets. In 3Q17 the contributions related to the acquisition of a Cogeneration operation fueled by landfill biogas, at the end of 1Q17, and the 15MW Renewables assets acquired in the 2Q17, are now considered. These acquisitions currently translate an increase to 73MW in owned or operated capacity.
- As a result of the positive turnover performance, Ebitda in the quarter amounted to 5.27M€, an increase of 3.5M€ compared to 3Q16, reaching a margin of 40.5%, +19.6pp yoy, reinforcing the continuous improvement of the last quarters' performance in a row and revealing good prospects towards the end of the year. It should be noted that, in the quarter, the contribution of the operations acquired during the year amounted to 2.63M€ and 2.42M€ in turnover and Ebitda, respectively.
- Cumulative and when compared to the same period of the previous year, turnover increased by 15.4% to 34.4M€. This growth is also reflected in the Ebitda increase of 81.8% to 10.9M€.
- Capex amounted to 37.2M€, mainly due to the above-mentioned acquisitions regarding Renewable operations.

3.5. REFRIGERATION & HVAC



- Turnover in the first nine months of the year, registered an expected decrease of 18.0% to 38.8M€ when compared to the same period last year due to: (i) the delay in the conclusion of several projects at the Refrigeration segment that are expected to be recognized in the coming quarters; and (ii) the delivery, during 2016, of an important international project that positively influenced the previous year.

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Profit and Loss Account - Refrigeration & HVAC						
Million euro	3Q 2017	3Q 2016	Δ 17/16	9M 2017	9M 2016	Δ 17/16
Total Operational Income	15.59	19.98	-22.0%	38.80	48.00	-19.2
Turnover	15.49	19.74	-21.6%	38.76	47.29	-18.0
Other Operational Income	0.10	0.24	-56.4%	0.04	0.72	-94.6
Total Operational Costs	-15.63	-19.64	+20.4%	-38.66	-46.35	+16.6
Cost of Goods Sold	-9.17	-6.78	-35.3%	-19.71	-19.95	+1.2
Change in Stocks of Finished Goods	1.08	-0.87	-	2.78	2.75	+1.1
External Supplies and Services	-4.54	-9.08	+50.0%	-12.47	-20.49	+39.1
Staff Costs	-2.78	-2.80	+0.8%	-8.52	-8.13	-4.8
Other Operational Expenses	-0.21	-0.10	<-100%	-0.74	-0.53	-39.0
EBITDA	-0.03	0.35	-	0.14	1.66	-91.5
EBITDA Margin (% Turnover)	-0.2%	1.8%	-2.0 pp	0.4%	3.5%	-3.1 p
Capex	0.01	0.00	>100%	0.10	0.06	+65.0
EBITDA-Capex	-0.04	0.35	-	0.04	1.60	-97.4

- It should be noted that the backlog on the Portuguese operation, at the end of the period, amounted to 32.2M€, representing approximately 9 months of turnover, indicating a recovery in activity levels for the coming quarter, particularly in the Refrigeration segment.
- Ebitda in 9M17 registered a decrease of 91.5% to 0.14M€, corresponding to a margin of 0.4%, 3.1pp lower when compared with the same period last year, as a result of the aforementioned reasons that negatively impacted the turnover. However, a recovery is expected in the forthcoming months due to the larger number of on-going contracts in Portugal.

3.6. INDUSTRIAL ENGINEERING



Following its strategic purpose, Sonae Capital has incorporated an Industrial Engineering segment, aimed at creating a cluster of technological based companies levered in the Portuguese engineering know-how and strongly export driven.

Under this context, we started to materialize this incorporation during 3Q17 with the acquisition of ADIRA.

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

The acquisition of ADIRA, materialized in the 3Q17, has only contributed to the Group's consolidated results in August and September.

In this initial stage, the Management Team's main focus has been the integration of the main corporate processes, keeping at the same time a clear vision about the transformation plan that has to be implemented.

In the 3Q17, the contribution of this segment to the consolidated results of the Group was 1.2M€ in turnover and -0.2M€ in Ebitda. In addition to Adira's current activity, it includes the costs related to the acquisition process. It should be noted that, as it was the practice of the company before the acquisition, the plant was closed in August.

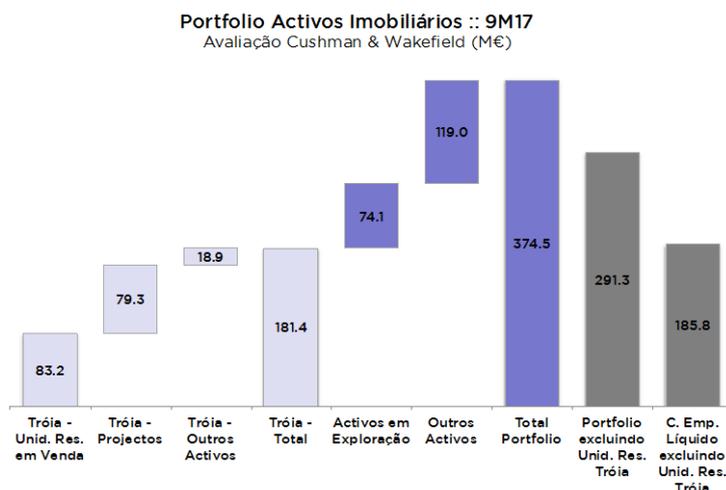
3.7. OTHER ASSETS

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

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

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Report of the Board of Directors



- As at 30 September 2017, the CE in this group of real estate assets amounted to 185.8M€, which are evaluated in 291.3M€, according to the valuation made at the end of the previous year by the independent reference entity Cushman & Wakefield;
- During 3Q17 deeds of 10.2M€ were signed, namely those referring to Braga's Health Club, "Fábrica do Cobre" and one plot of "Tarik" asset (considered in the Troia Resort segment) and;

additionally, there are 5.4M€ of PPSAs signed over a set of assets, which provides good prospects for the coming quarters.

REPORT AND ACCOUNTS – SEPTEMBER 2017

Report of the Board of Directors

4. CORPORATE INFORMATION

4.1. CORPORATE INFORMATION 3Q17

- On July 25, 2017, Sonae Capital, SGPS, SA, following the declaration of non-opposition by the Portuguese Competition Authority, announced the effectiveness of the acquisition of the company "ADIRA – Metal Forming Solutions, SA" and its subsidiary "Guimadira".

4.2. SUBSEQUENT CORPORATE EVENTS

On October 12, 2017, Sonae Capital, SGPS, SA, through its subsidiary CapWatt, SGPS, SA, entered into a sale and purchase agreement with Sonae Arauco, SA, for the acquisition of 90% of the share capital and the voting rights of the company "Sociedade Iniciativa de Aproveitamentos Florestais-Energia, SA" (SIAF-Energia), for a global consideration of approximately 0.9 million euros. This company owns and operates the biomass fired cogeneration plant installed in Sonae Arauco's industrial facility in Mangualde and owns a license to develop and operate a new biomass fired cogeneration plant with installed electric capacity of 10MW, whose total investment of 45 million euros will be made by CapWatt.

REPORT AND ACCOUNTS – SEPTEMBER 2017

Report of the Board of Directors

5. METHODOLOGICAL NOTES

The consolidated financial statements presented in this report are non-audited and have been prepared in accordance with the International Financial Reporting Standards ("IAS / IFRS"), issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union.

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

This document is a translation from the Portuguese original version.

GLOSSARY

- Capex = Investment in Tangible and Intangible Assets.
- EBITDA = Operational Profit (EBIT) + Amortization and Depreciation + Provisions and Impairment Losses + Impairment Losses of Real Estate Assets in Stocks (included in Costs of Goods Sold) – Reversal of Impairment Losses and Provisions (including in Other Operation Income).
- EBITDA, excluding Guaranteed Income Provisions = EBITDA + Provisions related to the estimated present value of potential costs for the full period of the Guaranteed Income from real estate sales at Troia Resort.
- EBITDAR = EBITDA + Building Rents.
- Gearing: Debt to Equity = Net Debt / Equity.
- HVAC = Heating, Ventilation and Air Conditioning.
- Loan to Value (LTV) = Net Debt of real estate assets / Real estate assets Valuation.
- Net Debt = Non-Current Loans + Current Loans – Cash and Cash Equivalents – Current Investments.
- Operational Cash Flow = EBITDA - Capex.
- PPSA = Promissory Purchase and Sale Agreement.
- RevPAR = Revenue Per Available Room.

REPORT AND ACCOUNTS - SEPTEMBER 2017

Report of the Board of Directors

APPENDIX

Consolidated Profit and Loss Account							
Million euro	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
Total Operational Income	37.59	43.00	52.71	97.25	34.31	43.14	60.93
Turnover	36.86	42.41	51.73	59.58	33.64	41.90	59.64
Troia Resort	3.88	7.21	9.33	10.70	2.39	7.16	10.45
Hospitality	2.10	4.34	7.35	3.21	2.67	5.41	8.18
Fitness	4.14	4.45	4.60	4.89	5.88	5.60	5.81
Energy	11.74	9.77	8.29	8.43	9.79	11.58	13.01
Refrigeration & HVAC	13.71	13.83	21.45	15.84	11.91	11.36	15.49
Industrial Engineering							1.19
Others & Eliminations	1.28	2.81	0.72	16.51	1.00	0.78	5.51
Other Operational Income	0.73	0.59	0.97	37.67	0.66	1.24	1.29
EBITDA, excluding Guaranteed Income Provisions (1)	1.47	4.21	8.20	16.78	0.59	5.28	12.19
Troia Resort	0.01	0.46	3.28	13.82	-0.99	0.09	4.68
Hospitality	-1.76	-0.59	1.40	-1.36	-1.54	0.24	1.93
Fitness	0.38	0.62	0.78	0.37	0.90	0.41	0.48
Energy	2.36	1.93	1.73	1.78	2.10	3.58	5.27
Refrigeration & HVAC	0.69	0.62	0.36	0.58	0.42	-0.24	-0.03
Industrial Engineering							-0.25
Others & Eliminations	-0.21	1.17	0.64	1.58	-0.30	1.21	0.11
Provisions for Guaranteed Income	-0.07	-0.12	-0.08	-0.09	-0.06	-0.11	-0.04
EBITDA	1.40	4.09	8.12	16.69	0.53	5.16	12.15
Amortization & Depreciation	-3.90	-3.97	-3.97	-3.96	-4.07	-4.17	-5.48
Provisions & Impairment Losses	-0.01	-0.05	0.00	0.42	0.29	-0.03	-0.04
Non-recurrent costs/income (2)	-0.38	0.62	-0.37	0.21	-0.24	0.16	0.01
EBIT	-2.89	0.70	3.79	13.36	-3.49	1.13	6.64
Net Financial Expenses	-1.73	-1.68	-1.58	-1.15	-1.00	-1.16	-1.24
Investment Income and Results from Assoc. Undertakings	1.05	15.32	1.81	-1.50	0.07	1.93	-0.01
EBT	-3.57	14.34	4.02	10.71	-4.42	1.90	5.39
Taxation	0.16	-0.54	-0.43	-4.99	-0.28	-0.47	-0.65
Net Profit - Continued Businesses	-3.41	13.80	3.59	5.72	-4.70	1.44	4.73
Net Profit - Discontinued Businesses	-0.47	-0.10	-0.21	-0.23	-0.15	-0.52	-0.31
Net Profit - Total	-3.88	13.70	3.38	5.50	-4.85	0.92	4.42
Attributable to Equity Holders of Sonae Capital	-4.19	13.33	3.12	5.33	-5.05	0.57	3.98
Attributable to Non-Controlling Interests	0.31	0.37	0.26	0.16	0.20	0.34	0.44

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

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

PART II

**CONSOLIDATED FINANCIAL
STATEMENTS**

30 SEPTEMBER 2017



SONAE CAPITAL

REPORT AND ACCOUNTS – SEPTEMBER 2017

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016

(Amounts expressed in euro)

ASSETS	Notes	30-09-2017	31-12-2016
NON-CURRENT ASSETS:			
Tangible assets	8	260,943,450	238,784,870
Intangible assets	8	11,927,469	7,615,431
Goodwill	9	47,680,063	37,841,090
Investments in associated companies and joint ventures	5	1,291,013	1,234,900
Other investments	6	546,836	478,855
Deferred tax assets	13	28,385,473	27,380,258
Other non-current debtors	10	2,377,000	2,036,474
Total non-current assets		353,151,304	315,371,878
CURRENT ASSETS:			
Inventories	11	102,998,533	104,511,954
Trade account receivables and other current assets	12	63,365,246	47,746,536
Cash and cash equivalents	14	5,239,045	32,747,208
Total Current Assets		171,602,824	185,005,698
Assets held for sale		52,402	-
TOTAL ASSETS		524,806,530	500,377,576
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	15	250,000,000	250,000,000
Own Shares	15	(1,305,839)	(1,404,226)
Reserves and retained earnings	15	38,205,701	44,241,791
Profit/(Loss) for the year attributable to the equity holders of Sonae Capital		(498,534)	17,594,199
Equity attributable to the equity holders of Sonae Capital		<u>286,401,328</u>	<u>310,431,764</u>
Equity attributable to non-controlling interests	16	9,975,968	9,925,965
Total Equity		296,377,296	320,357,729
NON-CURRENT LIABILITIES:			
Loans	17,18	85,118,161	94,262,228
Other non-current creditors	19	2,963,378	3,751,701
Deferred tax liabilities	13	21,422,852	19,635,287
Provisions	22	3,079,824	3,079,824
Total Non-Current Liabilities		112,584,215	120,729,040
CURRENT LIABILITIES:			
Loans	17	27,470,740	4,473,445
Trade creditors and other current liabilities	21	83,506,934	50,878,346
Provisions	22	4,288,840	3,939,016
Total Current Liabilities		115,266,514	59,290,807
TOTAL LIABILITIES		227,850,729	180,019,847
Liabilities associated with assets held for sale		578,505	-
TOTAL EQUITY AND LIABILITIES		524,806,530	500,377,576

The accompanying notes are part of these financial statements.

The Board of Directors

REPORT AND ACCOUNTS – SEPTEMBER 2017

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED INCOME STATEMENTS BY NATURE

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016

(Amounts expressed in euro)

	Notes	30-09-2017	30-09-2016
Sales		74,575,586	79,896,504
Services rendered		56,986,440	49,541,925
Other operating income		4,271,437	3,527,801
Cost of sales		(45,960,416)	(42,132,663)
Changes in stocks of finished goods and work in progress		(2,923)	(5,482,453)
External supplies and services		(41,768,887)	(44,329,689)
Staff costs		(27,195,422)	(24,444,663)
Depreciation and amortisation		(13,722,655)	(11,838,004)
Provisions and impairment losses (Increases)/Decreases		839,141	(613,204)
Other operating expenses		(3,741,975)	(2,528,225)
Operational profit/(loss)		4,280,326	1,597,329
Financial Expenses		1,413	608,379
Financial Income		(3,404,405)	(5,597,681)
Net financial income / (expenses)		(3,402,992)	(4,989,302)
Profit/(Loss) in associated and jointly controlled companies measured using the equity method	5	262,997	182,779
Investment income		1,731,118	17,995,113
Profit/(Loss) before taxation		2,871,449	14,785,919
taxation	26	1,400,582	811,740
Profit/(Loss) for the year - continued operations		1,470,867	13,974,179
Profit/(Loss) for the year - discontinued operations		(980,653)	(777,174)
Profit/(Loss) for the year	27	490,214	13,197,005
Attributable to:			
Equity holders of Sonae Capital		(498,534)	12,262,588
Non-controlling interests	16	988,750	934,417
Profit/(Loss) per share - continued operations			
Basic	29	0.001949	0.052848
Diluted	29	0.001949	0.052848
Profit/(Loss) per share - discontinued operations			
Basic	29	(0.003964)	(0.003150)
Diluted	29	(0.003964)	(0.003150)

The accompanying notes are part of these financial statements.

The Board of Directors

REPORT AND ACCOUNTS – SEPTEMBER 2017

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA
 CONSOLIDATED INCOME STATEMENTS BY NATURE
 FOR THE 3RD QUARTERS OF 2017 AND 2016
 (Amounts expressed in euro)

	Notes	3rd Quarter 2017 ¹	3rd Quarter 2016 ¹
Sales		34,610,638	47,872,237
Services rendered		24,103,595	3,346,244
Other operating income		1,555,621	1,244,350
Cost of sales		(22,341,594)	(13,494,580)
Changes in stocks of finished goods and work in progress		415,135	(3,141,741)
External supplies and services		(15,742,378)	(18,269,748)
Staff costs		(9,343,022)	(8,568,754)
Depreciation and amortisation		(5,484,613)	(3,969,768)
Provisions and impairment losses (Increases)/Decreases		662,387	(37,413)
Other operating expenses		(1,799,417)	(1,193,574)
Operational profit/(loss)		6,636,352	3,787,253
Financial Expenses		(42,760)	130,410
Financial Income		(1,199,987)	(1,706,913)
Net financial income / (expenses)		(1,242,747)	(1,576,503)
Profit/(Loss) in associated and jointly controlled companies measured using the equity method	5	69,126	71,380
Investment income		(77,119)	1,738,540
Profit/(Loss) before taxation		5,385,612	4,020,670
taxation	26	654,918	434,694
Profit/(Loss) for the year - continued operations		4,730,694	3,585,976
Profit/(Loss) for the year - discontinued operations		(310,197)	(205,490)
Profit/(Loss) for the year	27	4,420,497	3,380,486
Attributable to:			
Equity holders of Sonae Capital		3,977,450	3,123,085
Non-controlling interests	16	443,047	257,401
Profit/(Loss) per share - continued operations			
Basic	29	0.017334	0.013490
Diluted	29	0.017334	0.013490
Profit/(Loss) per share - discontinued operations			
Basic	29	(0.001253)	(0.000833)
Diluted	29	(0.001253)	(0.000833)

The accompanying notes are part of these financial statements.

¹ Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

REPORT AND ACCOUNTS – SEPTEMBER 2017

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016

(Amounts expressed in euro)

	30-09-2017	30-09-2016
Consolidated net profit/(loss) for the period	490,214	13,197,005
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	52,942	101,705
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	-	7,381,842
Change in the fair value of cash flow hedging derivatives	1,366	13,890
Tax related to other comprehensive income captions	-	(2,917)
Other comprehensive income for the period - continued operations	102,288	7,289,555
Other comprehensive income for the period - discontinued operations	(47,980)	204,965
Total comprehensive income for the period	544,522	20,691,525
Attributable to:		
Equity holders of Sonae Capital	(434,623)	19,761,166
Non-controlling interests	979,145	930,359

The accompanying notes are part of these financial statements.

The Board of Directors

REPORT AND ACCOUNTS – SEPTEMBER 2017

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THIRD QUARTERS 2017 AND 2016

(Amounts expressed in euro)

	3 rd Quarter 2017 ¹	3 rd Quarter 2016 ¹
Consolidated net profit/(loss) for the period	4,420,497	3,380,486
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences	161,910	51,175
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	-	-
Change in the fair value of cash flow hedging derivatives	-	(9,824)
Tax related to other comprehensive income captions	-	(48)
Other comprehensive income for the period - continued operations	101,936	(11,547)
Other comprehensive income for the period - discontinued operations	(3,942)	52,850
Total comprehensive income for the period	<u>4,518,491</u>	<u>3,421,789</u>
Attributable to:		
Equity holders of Sonae Capital	4,056,972	3,167,169
Non-controlling interests	461,519	254,620

The accompanying notes are part of these financial statements.

¹ Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

REPORT AND ACCOUNTS – SEPTEMBER 2017

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016

(Amounts expressed in euro)

	Attributable to Equity Holders of Sonae Capital											
	Share Capital	Own Shares	Demerger Reserve (Note 15)	Translation Reserves	Fair Value Reserves	Hedging Reserves	Other Reserves and Retained Earnings	Subtotal Reserves and Retained Earnings	Net Profit/(Loss)	Total	Non-Controlling Interests	Total Equity
Balance as at 1 January 2016	250,000,000	(1,426,791)	132,638,253	(23,350)	-	(11,956)	(80,993,753)	51,609,194	(294,678)	299,887,725	10,247,125	310,134,850
Total consolidated comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of profit of 2016:	-	-	-	105,763	-	13,890	7,378,925	7,498,578	12,262,588	19,761,166	930,359	20,691,525
Transfer to legal reserves and retained earnings	-	-	-	-	-	-	(294,678)	(294,678)	294,678	-	-	-
Dividends paid	-	-	-	-	-	-	(14,669,026)	(14,669,026)	-	(14,669,026)	(1,425,614)	(16,094,640)
(Acquisition)/Sales of own shares	-	22,565	-	-	-	-	-	-	-	22,565	-	22,565
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	119,266	119,266	-	119,266	(119,266)	-
Other changes	-	-	-	-	-	-	93,876	93,876	-	93,876	-	93,876
Balance as at 30 September 2016	250,000,000	(1,404,226)	132,638,253	82,413	-	1,934	(88,365,390)	44,357,210	12,262,588	305,215,572	9,632,604	314,848,176
Balance as at 1 January 2017	250,000,000	(1,404,226)	132,638,253	12,876	-	5,004	(88,414,342)	44,241,791	17,594,199	310,431,764	9,925,965	320,357,729
Total consolidated comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of profit of 2016:	-	-	-	62,547	-	1,366	-	63,913	(498,534)	(434,621)	979,145	544,524
Transfer to legal reserves and retained earnings	-	-	-	-	-	-	17,594,199	17,594,199	(17,594,199)	-	-	-
Dividends paid	-	-	-	-	-	-	(24,521,656)	(24,521,656)	-	(24,521,656)	(926,710)	(25,448,366)
(Acquisition)/Sales of own shares	-	98,387	-	-	-	-	-	-	-	98,387	-	98,387
Changes in the percentage of capital held in affiliated companies	-	-	-	-	-	-	-	-	-	-	(2,432)	(2,432)
Other changes	-	-	-	-	-	-	827,454	827,454	-	827,454	-	827,454
Balance as at 30 September 2017	250,000,000	(1,305,839)	132,638,253	75,423	-	6,370	(94,514,345)	38,205,701	(498,534)	286,401,328	9,975,968	296,377,296

The accompanying notes are part of these financial statements.

The Board of Directors

REPORT AND ACCOUNTS – MARCH 2017

Consolidated Financial Statements

SONAE CAPITAL, SGPS, SA

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016

(Amounts expressed in euro)

	Notes	30-09-2017	30-09-2016	3 rd Quarter 2017 ¹	3 rd Quarter 2016 ¹
OPERATING ACTIVITIES:					
Cash receipts from trade debtors		127,236,984	130,685,516	52,680,782	48,660,183
Cash receipts from trade creditors		(79,838,217)	(83,817,416)	(33,871,337)	(31,707,400)
Cash paid to employees		(27,791,597)	(24,250,824)	(10,515,061)	(8,398,857)
Cash flow generated by operations		<u>19,607,170</u>	<u>22,617,276</u>	<u>8,294,384</u>	<u>8,553,926</u>
Income taxes (paid) / received		824,801	(427,803)	1,279,467	(71,195)
Other cash receipts and (payments) relating to operating activities		<u>4,204,629</u>	<u>(695,719)</u>	<u>1,594,691</u>	<u>(1,144,652)</u>
Discontinued operations		-	(994,362)	-	123,164
Net cash from operating activities (1)		<u>24,636,600</u>	<u>20,499,392</u>	<u>11,168,542</u>	<u>7,461,243</u>
INVESTMENT ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Investments		736,096	38,827,634	38,183	38,226,852
Tangible assets		7,606,677	1,950,289	3,293,889	535,581
Intangible assets		11	226,089	-	177,000
Subsidies		44,209	-	-	-
Interest and similar income		99,787	417,933	7,835	254,550
Loans granted		654,955	-	654,955	-
Dividends		280,461	5,911,400	92,809	5,716,981
Others		6,392	332,859	-	332,859
Changes in consolidation perimeter (companies in)		<u>2,871,834</u>	<u>-</u>	<u>67,996</u>	<u>-</u>
		<u>12,300,422</u>	<u>47,666,204</u>	<u>4,155,667</u>	<u>45,243,823</u>
<u>Cash Payments arising from:</u>					
Investments		(37,289,780)	(148,446)	(8,574,441)	(10,217)
Tangible assets		(5,473,139)	(4,361,345)	(1,776,380)	(1,514,724)
Intangible assets		(801,285)	(427,992)	(166,613)	(234,581)
Loans granted		(33,852)	(58,007)	8	(16,504)
		<u>(43,598,056)</u>	<u>(4,995,790)</u>	<u>(10,517,426)</u>	<u>(1,776,026)</u>
Discontinued operations		-	8,625	-	105
Net cash used in investment activities (2)		<u>(31,297,634)</u>	<u>42,679,039</u>	<u>(6,361,759)</u>	<u>43,467,902</u>
FINANCING ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Loans obtained		49,606,527	99,054,596	3,721,021	30,200,000
Sale of own shares		98,387	144,043	-	-
Others		-	-	-	-
		<u>49,704,914</u>	<u>99,198,639</u>	<u>3,721,021</u>	<u>30,200,000</u>
<u>Cash Payments arising from:</u>					
Loans obtained		(40,933,655)	(127,527,929)	(16,615,107)	(34,706,587)
Interest and similar charges		(3,490,660)	(5,830,270)	(973,726)	(1,626,374)
Reimbursement of capital and paid in capital		(1,658,113)	-	(1,658,113)	-
Dividends		(24,908,646)	(15,987,705)	(63,689)	-
		<u>(70,991,074)</u>	<u>(149,345,904)</u>	<u>(19,310,635)</u>	<u>(36,332,961)</u>
Discontinued operations		-	148,178	-	(22,361)
Net cash used in financing activities (3)		<u>(21,286,160)</u>	<u>(49,999,087)</u>	<u>(15,589,614)</u>	<u>(6,155,322)</u>
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		<u>(27,947,193)</u>	<u>13,179,344</u>	<u>(10,782,830)</u>	<u>44,773,823</u>
Effect of foreign exchange rate		<u>70,434</u>	<u>(1,215)</u>	<u>38,740</u>	<u>1,267</u>
Cash and cash equivalents at the beginning of the period	14	<u>32,731,439</u>	<u>35,318,251</u>	-	-
Cash and cash equivalents at the end of the period	14	<u>4,713,812</u>	<u>48,498,810</u>	<u>(10,821,570)</u>	<u>44,772,556</u>

The accompanying notes are part of these financial

¹ Prepared in accordance with IAS 34 - Interim Financial Reporting and unaudited

The Board of Directors

SONAE CAPITAL, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016

(Translation from the Portuguese Original)
(Amounts expressed in Euro)

1. INTRODUCTION

SONAE CAPITAL, SGPS, SA (“Company”, “Group” or “Sonae Capital”) whose head-office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, is the parent company of a group of companies, as detailed in Notes 4 to 6 (“Sonae Capital Group”) and was set up on 14 December 2007 as a result of the demerger of the shareholding in SC, SGPS, SA (previously named Sonae Capital, SGPS, SA) from Sonae, SGPS, SA, which was approved by the Board of Directors on 8 November 2007 and by the Shareholder’s General Meeting held on 14 December 2007.

Reflecting the current management structure, the reporting segments were revised, addressing the strategic business areas identified in the Group:

- Resorts;
- Hotels;
- Fitness;
- Energy;
- Refrigeration & HVAC;
- Other Assets;
- Industrial Engineering.

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

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted are consistent with those used in the financial statements presented for the year ended 31 December 2016

Basis of preparation

Interim financial statements were presented quarterly, in accordance with IAS 34 – “Interim Financial Reporting”.

The accompanying consolidated financial statements have been prepared from the books and accounting records of the Company and of its affiliated undertakings (Notes 4 to 6), on a going concern basis and under the historical cost convention, except for derivative financial instruments which are stated at fair value.

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3. CHANGES IN ACCOUNTING POLICIES

Changes to international accounting standards that came into force on or after 1 January 2017, did not have material impacts in the financial statements as at 30 September 2017.

4. GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies included in the consolidated financial statements, their head offices and percentage of the share capital held by the Group as at 30 September 2017 and 31 December 2016, are as follows:

Company	Head Office	Percentage of capital held				
		30 September 2017		31 December 2016		
		Direct	Total	Direct	Total	
Sonae Capital SGPS, SA	Maia	Holding	Holding	Holding	Holding	
Hotels						
Porto Palácio Hotel, SA	a)	Porto	100,00%	100,00%	100,00%	100,00%
SC Hospitality, SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
The Artist Porto Hotel & Bistrô - Actividades Hoteleiras, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
The House Ribeira Hotel - Exploração Hoteleira, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Aqualuz Tróia, SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Resorts						
Atlantic Ferries-Tráf.Loc.Flu.e Marít,SA	a)	Grândola	95,77%	95,77%	95,77%	95,77%
Golf Time-Golfe e Invest. Turísticos, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Imopenínsula - Sociedade Imobiliária, SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Imoresort - Sociedade Imobiliária, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Marina de Tróia, SA.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Marmagno-Expl.Hoteleira Imob.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Marvero-Expl.Hotel.Im.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
SII - Soberana Invest. Imobiliários, SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Soltroia-Imob.de Urb.Turismo de Tróia,SA	a)	Lisbon	100,00%	100,00%	100,00%	100,00%
Tróia Market, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Tróia Natura, S.A.	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Troiareort-Investimentos Turísticos, SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Troiareort, SGPS, SA	a)	Matosinhos	100,00%	100,00%	100,00%	100,00%
Tulipamar-Expl.Hoteleira Imob.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Fitness						
Acrobatic Tittle, S.A.	a)	Lisbon	10,00%	10,00%	10,00%	10,00%
Solinca - Health & Fitness, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Energy						
Atelgen - Produção Energia, ACE	a)	Barcelos	51,00%	51,00%	51,00%	51,00%
CAPWATT - Brainpower, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
CAPWATT - ACE, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Colombo - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Engenho Novo - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Hectare - Heat Power, ACE	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt II - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%

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Capwatt III - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Maia - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Martim Longo - Solar Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Vale do Caima - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Capwatt Vale do Tejo - Heat Power, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
CAPWATT - SCSGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Carvemagere - Manutenção e Energias Renováveis, Lda	a)	Barcelos	65,00%	65,00%	65,00%	65,00%
Companhia Térmica SERRADO, ACE	a)	Maia	70,00%	70,00%	70,00%	70,00%
Companhia Térmica Tagol, Lda.	a)	Oeiras	100,00%	100,00%	100,00%	100,00%
CTE - Central Termoeléctrica do Estuário, Lda	a)	Maia	100,00%	100,00%	100,00%	100,00%
Enerlousado - Recursos Energéticos, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%
1) Lusobrisa – Produção de Energia Eléctrica	a)	Maia	100,00%	100,00%	-	-
1) Gasflow, Unipessoal, Lda	a)	Maia	100,00%	100,00%	-	-
Ronfegen - Recursos Energéticos, Lda.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Soternix - Produção de Energia, ACE	a)	Barcelos	51,00%	51,00%	51,00%	51,00%
Suncoutim – Solar Energy, SA.	a)	Faro	85,00%	85,00%	85,00%	85,00%
1) Ventos da Serra – Produção de Energia S.A.	a)	Maia	100,00%	100,00%	-	-

Refrigeration and HVAC

QCE - Desenvolvimento e fabrico de Equipamentos, SA	a)	Matosinhos	100,00%	70,00%	100,00%	70,00%
6) RACE – Refrigeration and Air Conditioning Engineering, S.A.	a)	Matosinhos	100,00%	70,00%	100,00%	70,00%
5) RACE, SGPS, SA	a)	Matosinhos	70,00%	70,00%	70,00%	70,00%
Sistavac Sistemas HVAC-R do Brasil, Ltda	a)	São Paulo	100,00%	70,00%	100,00%	70,00%
Sopair, S.A.	a)	Madrid	100,00%	70,00%	100,00%	70,00%
2) Spinarq Moçambique, Lda	a)	Maputo	70,00%	70,00%	70,00%	70,00%
3) Spinarq-Engenharia,Energia e Ambiente,SA	a)	Luanda	-	-	99,90%	99,90%

Other Assets

Bloco Q-Soc.Imobil.SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Casa da Ribeira-Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Centro Residencial da Maia,Urban.,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Cinclus Imobiliária,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Contacto Concessões, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Contry Club da Maia-Imobiliaria,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Empreend.Imob.Quinta da Azenha,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Fundo Esp.Inv.Imo.Fec. WTC	a)	Maia	100,00%	100,00%	100,00%	100,00%
Imoclub-Serviços Imobiliários,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Imodivor - Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Imohotel-Emp.Turist.Imobiliários,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Imoponte - Sociedade Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Imosedas-Imobiliária e Serviços,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Implantação - Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
Inparvi SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Interlog-SGPS,SA	a)	Lisbon	98,98%	98,98%	98,98%	98,98%
Porturbe-Edifícios e Urbanizações,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Praedium - Serviços, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Praedium II-Imobiliária,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Prédios Privados Imobiliária,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Predisedas-Predial das Sedas,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Promessa Sociedade Imobiliária, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
SC Assets, SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Sete e Meio Herdades-Inv. Agr. e Tur.,SA	a)	Grândola	100,00%	100,00%	100,00%	100,00%
Société de Tranchage Isoroy SAS.	a)	Honfleur	100,00%	100,00%	100,00%	100,00%
Soira - Soc. Imobiliária de Ramalde, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Sótaqua - Soc. de Empreend. Turísticos	a)	Maia	100,00%	100,00%	100,00%	100,00%
Spinveste - Promoção Imobiliária, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%

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	Spinveste-Gestão Imobiliária SGII,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Urbisedas-Imobiliária das Sedas, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Vistas do Freixo-Emp.Tur.Imobiliários,SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
Industrial Engineering							
4)7)	SC, INDUSTRIALS, SGPS, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
1)	Adira - Metal Forming Solutions	a)	Porto	100,00%	100,00%	-	-
1)	Guimadira - Máquinas e Ferramentas, Lda.	a)	Vila Nova de Gaia	100,00%	100,00%	-	-
Others							
	Imobeauty, S.A.	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC - Sociedade de Consultadoria, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC Finance BV	a)	Amsterdam	100,00%	100,00%	100,00%	100,00%
	SC For - Ser.Formação e Desenvolv.Recursos Humanos, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	UP Invest, SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	SC, SGPS, SA	a)	Maia	100,00%	100,00%	100,00%	100,00%
	Solinfitness - Club Málaga, S.L.	a)	Málaga	100,00%	100,00%	100,00%	100,00%
3)	Spred, SGPS, SA	a)	Maia	-	-	100,00%	100,00%
	1) Company acquired in the period;						
	2) Company discontinued in the period;						
	3) Company sold in the period;						
	4) Transfer from the segment Other Assets;						
	5) Ex - Sistavac, SGPS, S.A.;						
	6) Ex - Sistavac, S.A.;						
	7) Ex - SC-Eng. e Promoção Imobiliária SGPS, S.A.						
	a) Majority of voting rights						

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5. INVESTMENTS IN ASSOCIATED AND JOINTLY CONTROLLED COMPANIES

Associated and jointly controlled companies included in the consolidated financial statements, their head offices and the percentage of share capital held by the Group as at 30 September 2017 and 31 December 2016 are as follows:

30 September 2017										
Company name	Head Office	Percentage of Capital Held		Total Assets	Total Liabilities	Total Costs	Total income	Share Capital	Net income	Balance Value
		Direct	Total							
Jointly Controlled Companies										
Other Assets										
Andar - Sociedade Imobiliária, SA	Maia	50.00%	50.00%	16,608,338	16,894,311	114,901	1,102	(285,973)	(113,799)	-
1) Sociedade de Construções do Chile, SA	Maia	100.00%	50.00%	17,277,044	1,001,158	630,775	2,968,607	16,275,886	2,337,832	-
1) Vastgoed One - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	12,050,881	-	83	-	12,050,881	(83)	-
1) Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	12,055,565	-	79	-	12,055,565	(79)	-
Associated Companies										
Other Assets										
Lidergraf - Artes Gráficas, Lda	Vila do Conde	24.50%	24.50%	18,110,800	10,277,189	14,898,162	15,874,813	7,833,610	976,651	1,198,306
Energy										
Feneralt - Produção de Energia, ACE	Barcelos	25.00%	25.00%	566,326	188,203	814,845	1,188,758	378,123	373,913	92,707
				76,668,954	28,360,861	16,458,845	20,033,280	48,308,092	3,574,435	1,291,013

31 December 2016										
Company name	Head Office	Percentage of Capital Held		Total Assets	Total Liabilities	Total Costs	Total income	Share Capital	Net income	Balance Value
		Direct	Total							
Jointly Controlled Companies										
Other Assets										
Andar - Sociedade Imobiliária, SA	Maia	50.00%	50.00%	16,604,641	16,776,815	917,743	-	(172,174)	(917,743)	-
1) Sociedade de Construções do Chile, SA	Maia	100.00%	50.00%	14,746,910	810,256	63,685	166	13,936,655	(63,520)	-
1) Vastgoed One - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	12,050,074	610	1,389	135	12,049,464	(1,254)	-
1) Vastgoed Sun - Sociedade Imobiliária, SA	Maia	100.00%	50.00%	12,054,754	610	1,297	135	12,054,143	(1,162)	-
Associated Companies										
Other Assets										
Lidergraf - Artes Gráficas, Lda	Vila do Conde	24.50%	24.50%	17,937,039	10,378,691	21,305,990	22,539,972	7,558,348	1,233,982	1,138,099
2) Norscut - Concessionária de Scut Interior Norte, SA	Lisbon	-	-	-	-	-	-	-	-	-
2) Operscut - Operação e Manutenção de Auto-estradas, SA	Lisbon	-	-	-	-	-	-	-	-	-
Energy										
Feneralt - Produção de Energia, ACE	Barcelos	25.00%	25.00%	1,036,916	522,770	1,404,866	1,910,592	442,562	438,352	96,801
				74,430,334	28,489,752	23,694,970	24,451,000	45,868,998	688,655	1,234,900

- 1) Null investment values result from the adoption of the equity method in Andar - Sociedade Imobiliária, SA, holder of all of these investments;
- 2) Company sold in 30 September 2016.

Associated and jointly controlled companies are consolidated using the equity method.

Nil balances shown result from the reduction to acquisition cost of amounts determined by the equity method, discontinuing the recognition of its part of additional losses under the terms of IAS 28.

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During the periods ended 30 September 2017 and 2016, movements in investments of associated and jointly controlled companies may be summarized as follows:

	30 September 2017	30 September 2016
Opening balance as at 1 January	1,266,842	12,992,457
Equity method	262,997	7,564,620
Dividends received	(206,883)	(287,240)
Closing balance as at 30 September	1,322,956	1,101,262
Accumulated impairment losses (Note 22)	(31,943)	(31,943)
	1,291,013	1,069,319

The use of the equity method had the following impacts: 262,997 euro recorded on share of results of associated undertakings (182,779 euro at 30 September 2016), and 0 euro in changes in reserves (7,381,842 euro at 30 September 2016).

6. OTHER INVESTMENTS

Group companies, jointly controlled companies and associated companies excluded from consolidation, their head offices, percentage of share capital held and book value as at 30 September 2017 and 31 December 2016 are as follows:

Company	Head Office	Percentage of capital held				Book Value	
		30 September 2017		31 December 2016		30 September 2017	31 December 2016
		Direct	Total	Direct	Total		
Resorts							
Infratroia – Emp. de Infraest. de Troia, E.N.	Grândola	25.90%	25.90%	25.90%	25.90%	64,747	64,747
Other Assets							
Net, SA	Lisbon	0.98%	0.98%	0.98%	0.98%	23,034	23,034
Fundo de Capital de Risco F-HITEC	Lisbon	6.48%	6.48%	6.48%	6.48%	250,950	250,950
Other investments						208,105	140,124
Total						546,836	478,855

As at 30 September 2017 and 31 December 2016, movements in investments were as follows:

	30 September 2017		31 December 2016	
	Non-current	Current	Non-current	Current
Investments at acquisition cost				
Opening balance as at 1 January	770,693	-	889,353	-
Acquisitions in the period	127,441	-	23,752	-
Disposals in the period	(59,460)	-	(142,412)	-
Closing balance as at 30 September	838,674	-	770,693	-
Accumulated impairment losses (Note 22)	(291,838)	-	(291,838)	-
	546,836	-	478,855	-
Other Investments	546,836	-	478,855	-

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7. CHANGES TO THE CONSOLIDATION PERIMETER

During the period ended 30 September 2017 the following companies were acquired:

Company	Head Office	Percentage of capital held at acquisition date	
		Direct	Total
Gasflow, Unipessoal, Lda	Maia	100,00%	100,00%
Lusobrisa – Produção de Energia Eléctrica, S.A.	Maia	100,00%	100,00%
Ventos da Serra – Produção de Energia S.A.	Maia	100,00%	100,00%
Adira – Metal Forming Solutions, S.A.	Porto	100,00%	100,00%
Guimadira – Máquinas e Ferramentas, Lda.	Vila Nova de Gaia	100,00%	100,00%

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

	Acquisition date	30 September 2017
Net assets acquired		
Tangible and intangible assets (Note 8)	44,604,876	42,658,124
Financial investments	1,494,396	1,484,439
Other assets	9,953,806	9,581,843
Cash and cash equivalents	2,992,571	356,576
Other liabilities	(45,287,003)	(40,129,239)
	<u>13,758,646</u>	<u>13,951,743</u>
Total equity	<u>13,758,646</u>	<u>13,951,743</u>
Income statements from the acquired companies		
External supplies and services	1,349,492	-
Staff costs	1,713,846	-
Depreciation and amortisation	1,466,229	-
Provisions and impairment losses	2,940,048	-
Other operating expenses	267,628	-
Operational expenses	8,192,347	-
Sales	5,388,203	-
Services rendered	2,573,776	-
Other operating income	472,277	-
Operational income	8,434,256	-
Operational profit/(loss)	241,909	-
Financial income	4,362	-
Financial expenses	592,968	-
Net financial income / (expenses)	(588,605)	-
Profit/(Loss) before taxation	(346,696)	-
Taxation	(13,995)	-
Profit/(Loss) for the year	(360,691)	-
Gain/(Loss) on acquisition	1,765,245	
Acquisition price	20,638,690	
Payments made	19,553,340	
Net cash flow from the acquisition		
Payments made	19,553,340	
Cash and equivalents acquired	(2,992,571)	
	<u>16,560,769</u>	

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8. TANGIBLE ASSETS AND INTANGIBLE ASSETS

During the nine month period ended 30 September 2017, movements in tangible and intangible fixed assets as well as in amortisation and accumulated impairment losses, are made up as follows:

	Tangible Assets							
	Land and Natural Resources	Buildings and Other Constructions	Plant and Machinery	Vehicles	Fixtures and Fittings	Others	Tangible Assets in progress	Total Tangible Assets
Gross Cost:								
Opening balance as at 1 January 2017	49,277,022	163,142,640	203,878,370	988,371	4,117,201	2,239,282	2,619,249	426,262,135
Changes in consolidation perimeter (companies in)	1,202,850	5,137,832	55,866,629	707,476	56,299	2,602,549	1,112,976	66,686,612
Changes in consolidation perimeter (companies out)	-	-	(83,313)	(344,457)	(30,950)	(3,886)	-	(462,605)
Discontinued operations	-	-	-	(9,693)	(545)	-	-	(10,238)
Capital expenditure	63,921	374,956	342,664	-	4,562	-	5,899,570	6,685,672
Disposals	(982,836)	(12,182,396)	(2,398,757)	(1,706)	(102,142)	(22,300)	(12,037)	(15,702,174)
Exchange rate effect	-	-	(12,388)	(43,057)	(7,660)	(4,728)	-	(67,833)
Transfers	407	598,665	2,087,556	-	124,295	24,385	(3,212,354)	(377,044)
Closing balance as at 30 September 2017	49,561,364	157,071,697	259,680,761	1,296,936	4,161,059	4,835,303	6,407,405	483,014,525
Accumulated depreciation								
Opening balance as at 1 January 2017	-	41,590,603	105,170,616	930,711	3,409,113	1,742,151	-	152,843,194
Changes in consolidation perimeter (companies in)	-	2,492,268	20,268,910	526,652	54,494	516,968	-	23,859,293
Changes in consolidation perimeter (companies out)	-	-	(44,526)	(330,228)	(22,521)	(3,239)	-	(400,514)
Discontinued operations	-	-	-	(6,058)	(297)	-	-	(6,355)
Charges for the period	-	2,018,739	10,677,082	29,078	141,053	66,362	-	12,932,315
Disposals	-	(3,210,179)	(598,841)	(1,706)	(102,102)	(22,300)	-	(3,935,127)
Exchange rate effect	-	-	(6,728)	(40,434)	(6,332)	(4,067)	-	(57,562)
Transfers	-	-	(97,900)	-	41	-	-	(97,860)
Closing balance as at 30 September 2017	-	42,891,432	135,368,613	1,108,016	3,473,449	2,295,875	-	185,137,385
Accumulated impairment losses								
Opening balance as at 1 January 2017	7,602,813	25,704,222	1,327,036	-	-	-	-	34,634,071
Changes in consolidation perimeter (companies in)	-	-	3,219,123	-	-	-	-	3,219,123
Charges for the period	19,199	39,589	6,110	-	-	-	-	64,898
Reversals for the period	(96,347)	(863,894)	(24,160)	-	-	-	-	(984,400)
Closing balance as at 30 September 2017	7,525,665	24,879,917	4,528,109	-	-	-	-	36,933,690
Carrying amount								
As at 1 January 2017	41,674,209	95,847,815	97,380,718	57,660	708,088	497,131	2,619,249	238,784,870
As at 30 September 2017	42,035,699	89,300,349	119,784,039	188,919	687,611	2,539,428	6,407,405	260,943,450

- a) During the first nine months of 2017 subsidies to investment were reclassified from "Other current liabilities – Investment Aid" and "Other non-current creditors – Investment Aid" to "Fixed assets" in the amount of (304,561) euro, as set out in IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance. In the income statement, the subsidy to offset the related cost is now stated in the line of "Depreciation and amortisation".

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

	30 September 2017	31 December 2016
Troiaresort	1,681,457	1,657,460
Cogeneration Project	1,254,934	-

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Health Clubs Refurbishment	978,899	300,884
Others	1,492,114	660,905
	6,407,405	2,619,249

During the nine month period ended 30 September 2017, intangible fixed assets as well as in amortisation and accumulated impairment losses are made up as follows:

	Intangible Assets				Total Intangible Assets
	Patents and other similar rights	Software	Others	Intangible Assets in progress	
Gross Cost:					
Opening balance as at 1 January 2017	8,189,952	3,778,269	283,781	382,826	12,634,829
Changes in consolidation perimeter (companies in)	4,868,797	52,042	3,600,331	1,128,122	9,649,292
Changes in consolidation perimeter (companies out)	-	(4,959)	-	-	(4,959)
Capital expenditure	-	-	192,698	715,430	908,128
Disposals	-	(183)	-	-	(183)
Exchange rate effect	-	(2,795)	-	(726,384)	(2,795)
Transfers	(479,859)	686,910	(225,059)	-	(744,392)
Closing balance as at 30 September 2017	12,578,891	4,509,285	3,851,751	1,499,993	22,439,920
Accumulated amortization					
Opening balance as at 1 January 2017	1,700,975	3,094,135	224,289	-	5,019,398
Changes in consolidation perimeter (companies in)	1,570,467	29,000	2,453,146	-	4,052,613
Changes in consolidation perimeter (companies out)	-	(4,959)	-	-	(4,959)
Charges for the period	353,990	417,427	76,653	-	848,070
Disposals	-	(183)	-	-	(183)
Exchange rate effect	-	(2,489)	-	-	(2,489)
Transfers	-	-	-	-	-
Closing balance as at 30 September 2017	3,625,432	3,532,931	2,754,088	-	9,912,451
Accumulated impairment					
Opening balance as at 1 January 2017	-	-	-	-	-
Changes in consolidation perimeter (companies in)	-	-	600,000	-	600,000
Changes in consolidation perimeter (companies out)	-	-	-	-	-
Charges for the period	-	-	-	-	-
Disposals	-	-	-	-	-
Exchange rate effect	-	-	-	-	-
Transfers	-	-	-	-	-
Closing balance as at 30 September 2017	-	-	600,000	-	600,000
Carrying amount					
As at 1 January 2017	6,488,978	684,135	59,492	382,826	7,615,431
As at 30 September 2017	8,953,459	976,354	497,664	1,499,993	11,927,469

- a) During the first nine months of 2017 subsidies to investment was reclassified from "Other current liabilities – Investment Aid" (Note 21) and "Other non-current creditors – Investment Aid" to "Intangible Assets" in the amount of (473.543) euro, as set out in IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. In the income statement, the subsidy to offset the related cost is now stated in the line of Depreciation and Amortisation.

As at 30 September 2017 the net assets of Marina de Troia in Patents and other similar rights, amounts to 5,699,798 euro (5,701,588 euro at 31 December 2016).

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9. GOODWILL

During the periods ended 30 September 2017 and 31 December 2016, movements in goodwill, as well as in corresponding impairment losses, are as follows:

	30 September 2017	31 December 2016
Gross amount:		
Opening balance	62,194,124	62,194,124
Increases - acquisition of affiliated companies	10,402,905	-
Decreases - disposals of affiliated companies	(563,932)	-
Closing balance	<u>72,033,097</u>	<u>62,194,124</u>
Accumulated impairment losses:		
Opening balance	24,353,034	1,301,596
Increases	-	23,051,438
Closing balance	<u>24,353,034</u>	<u>24,353,034</u>
Total	<u>47,680,063</u>	<u>37,841,090</u>

10. OTHER NON-CURRENT DEBTORS

As at 30 September 2017 and 31 December 2016, other non-current debtors are detailed as follows:

	30 September 2017	31 December 2016
Loans granted to related parties		
Others	907,654	874,613
	<u>907,654</u>	<u>874,613</u>
Impairment losses (Note 22)	(34,916)	(34,916)
	<u>872,738</u>	<u>839,697</u>
Trade accounts receivable and other debtors		
Others	1,191,471	1,196,777
Impairment losses (Note 22)	-	-
	<u>1,191,471</u>	<u>1,196,777</u>
Deferred costs		
Financing charges	312,789	-
	<u>312,789</u>	<u>-</u>
Total financial instruments	<u>2,376,999</u>	<u>2,036,474</u>
Other non-current debtors	<u>2,377,000</u>	<u>2,036,474</u>

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11. INVENTORIES

Inventories as at 30 September 2017 and 31 December 2016 can be detailed as follows, highlighting the value attributable to real estate developments:

	30 September 2017		31 December 2016	
	Total	of which Real Estate Developments	Total	of which Real Estate Developments
Raw materials, by-products and consumables	4,831,596	-	1,416,846	-
Goods for sale	16,983,026	15,423,406	30,621,892	29,396,542
Finished goods	15,691,797	14,287,696	16,227,654	16,227,654
Work in progress	72,339,758	66,185,960	71,597,057	67,573,121
	<u>109,846,177</u>	<u>95,897,062</u>	<u>119,863,448</u>	<u>113,197,317</u>
Accumulated impairment losses on stocks (Note 22)	(6,847,643)	(6,389,840)	(15,351,494)	(15,340,458)
Total Operations	<u>102,998,533</u>	<u>89,507,222</u>	<u>104,511,954</u>	<u>97,856,859</u>

12. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

As at 30 September 2017 and 31 December 2016, trade accounts receivable and other current assets are detailed as follows:

	30 September 2017	31 December 2016
Trade accounts receivable	34,846,340	22,289,476
Accumulated impairment losses on trade debtors (Note 22)	(6,233,997)	(4,259,208)
	<u>28,612,342</u>	<u>18,030,267</u>
Taxes recoverable	8,705,883	10,540,381
Loans granted to and other amounts to be received from related parties	64,144	139,309
Other current assets		
Suppliers with a debtor balance	4,749,872	1,222,273
Other debtors	4,952,685	3,875,438
Accounts receivable from the sale of financial investments	3,549,848	4,088,126
Accounts receivable from the sale of tangible assets	5,671,587	5,920
Interest receivable	7,816	28,246
Deferred costs - Rents	690,864	373,360
Deferred costs - External supplies and services	1,388,116	1,155,795
Other current assets	6,968,013	10,290,839
	<u>27,978,802</u>	<u>21,039,996</u>
Accumulated impairment losses on other current assets (Note 22)	(1,995,925)	(2,003,417)
Trade accounts receivable and other current assets	<u>63,365,246</u>	<u>47,746,536</u>

The caption "Other current assets" includes accruals related with works in progress at the end of the reporting period in the Refrigeration and HVAC segment.

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13. DEFERRED TAXES

Deferred tax assets and liabilities as at 30 September 2017 and 31 December 2016 can be detailed as follows, splitted between the different types of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Amortisation and Depreciation harmonisation adjustments	273,591	566,662	4,316,667	4,068,443
Provisions and impairment losses of non-tax deductible	5,656,307	5,320,494	-	-
Write off of tangible and intangible assets	71,250	71,250	-	-
Write off of accruals	-	-	-	-
Revaluation of tangible assets	-	-	633,827	93,307
Tax losses carried forward	21,354,811	21,414,207	-	-
Financial instruments	-	-	-	-
Write off of stocks	-	-	444,340	462,815
Taxable temporary differences arising from the fair value of non-current liabilities	-	-	6,540,692	6,529,266
Others	1,029,514	7,644	9,487,326	8,481,456
	28,385,473	27,380,258	21,422,852	19,635,287

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 30 September 2017 and 31 December 2016, and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

	30 September 2017			31 December 2016		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use						
Generated in 2012	15,560,877	3,267,784	2017	15,843,716	3,327,180	2017
Generated in 2013	18,024,639	3,785,174	2018	18,024,639	3,785,174	2018
Generated in 2014	13,536,168	2,842,595	2026	13,536,168	2,842,595	2026
Generated in 2015	47,663,128	10,009,257	2027	47,663,128	10,009,257	2027
Generated in 2016	6,904,762	1,450,000	2028	6,904,762	1,450,000	2028
Generated in 2017	-	-	2022	-	-	-
	101,689,574	21,354,811		101,972,414	21,414,207	
With a time limit different from the above mentioned	-	-		-	-	
	101,689,574	21,354,811		101,972,414	21,414,207	

An analysis was made on the relevance of the recognition of deferred taxes, taking into account the possibility of them to be recovered in accordance with the medium and long term prospects of the Group.

Deferred tax assets arising from tax losses have been recorded only when it is likely to occur taxable income in the future.

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As at 30 September 2017, tax losses carried forward amounting to 64,800,037 euro (54,752,193 euro as at 31 December 2016), have not originated deferred tax assets for prudential reasons and are detailed as follows:

	30 September 2017			31 December 2016		
	Tax losses carried forward	Tax Credit	Time limit	Tax losses carried forward	Tax Credit	Time limit
With limited time use						
Generated in 2012	18,080,790	3,796,966	2017	13,872,225	2,913,167	2017
Generated in 2013	26,067,561	5,474,188	2018	25,870,105	5,432,722	2018
Generated in 2014	49,633	10,423	2026	22,249	4,672	2026
Generated in 2015	14,778	3,103	2027	29,058	6,102	2027
Generated in 2016	5,140,097	1,079,420	2028	2,892,333	607,390	2028
Generated in 2017	3,106,630	652,392	2022	-	-	
	<u>52,459,488</u>	<u>11,016,493</u>		<u>42,685,969</u>	<u>8,964,054</u>	
Without limited time use	11,920,139	2,980,035		11,658,674	2,914,669	
With a time limit different from the above mentioned	420,409	96,876		407,549	94,305	
	<u>12,340,548</u>	<u>3,076,911</u>		<u>12,066,224</u>	<u>3,008,973</u>	
	<u>64,800,037</u>	<u>14,093,404</u>		<u>54,752,193</u>	<u>11,973,027</u>	

14. CASH AND CASH EQUIVALENTS

As at 30 September 2017 and 31 December 2016, cash and cash equivalents can be detailed as follows:

	30 September 2017	31 December 2016
Cash at hand	171,115	133,923
Bank deposits	5,055,282	32,604,013
Treasury applications	12,648	9,272
Cash and cash equivalents on the balance sheet	<u>5,239,045</u>	<u>32,747,208</u>
Bank overdrafts (Note 17)	(525,233)	(15,769)
Cash and cash equivalents in the statement of cash-flows	<u>4,713,812</u>	<u>32,731,439</u>

Bank overdrafts include creditor balances of current accounts in financial institutions, and are disclosed in the balance sheet under current bank loans (Note 17).

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15. EQUITY

The share capital of Sonae Capital SGPS, SA is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each.

As at 30 September 2017, Sonae Capital SGPS, S.A. owns 4,783,433 own shares (5,516,571 own shares at 31 December 2016) booked for 1,305,839 euro (1,404,226 euro at 31 December 2016).

Other reserves includes amounts equal to the value of own shares held by the Group's parent company. This reserve should be unavailable while these shares are kept by the company.

The Reserves and retained earnings of Sonae Capital Group in the periods ended 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
Demerger reserve	132,638,253	132,638,253
Translation reserves	75,423	12,876
Hedging reserves	6,370	5,004
Others	(94,514,345)	(88,414,342)
Other reserves and retained earnings	38,205,701	44,241,791

Demerger reserve

The demerger originated a reserve in the amount of 132,638,253 euro, which has a treatment similar to that of a Legal Reserve. According to Company Law, it cannot be distributed to shareholders, unless the company is liquidated, but can be used to make good prior year losses, once other reserves have been used fully, or for capital increases.

Translation reserves

These reserves are comprised by the conversion into euro of the financial statements of the subsidiaries that have other functional currency.

Hedging Reserve

This caption is comprised by the fair value of hedging derivatives and the accrued interest of that derivative. The amounts in this reserve are transferred to the income statement when subsidiaries are sold or liquidated.

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16. NON-CONTROLLING INTERESTS

Movements in non-controlling interests in the periods ended 30 September 2017 and 31 December 2016 are as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Opening balance as at 1 January	9,925,965	10,247,125
Changes in hedging reserves	-	-
Changes in the percentage of capital held in affiliated companies	-	(24,782)
Changes resulting from currency translation	(9,605)	482
Dividends paid	(926,710)	(1,441,468)
Others	(2,432)	45,913
Profit for the period attributable to minority interests	988,750	1,098,695
Closing balance	<u>9,975,968</u>	<u>9,925,965</u>

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

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17. BORROWINGS

As at 30 September 2017 and 31 December 2016, Borrowings are made up as follows:

	30 September 2017		31 December 2016		Repayable on
	Outstanding amount		Outstanding amount		
	Current	Non-Current	Current	Non-Current	
Bank loans					
Sonae Capital SGPS - commercial paper ^{a)}	3,300,000	-	-	-	Fev/2018
Sonae Capital SGPS - commercial paper ^{b)}	10,000,000	-	-	-	Jun/2018
Sonae Capital SGPS - commercial paper ^{c)}	-	-	-	20,000,000	Jun/2021
Sonae Capital SGPS - commercial paper ^{d)}	8,250,000	-	-	-	Jun/2021,
Sonae Capital SGPS - commercial paper ^{e)}	-	10,000,000	-	-	Fev/2023
Up-front fees	-	(18,970)	-	(445,544)	
Others	2,102,949	3,775,886	1,121,468	977,912	
	<u>23,652,949</u>	<u>13,756,916</u>	<u>1,121,468</u>	<u>20,532,367</u>	
Bank overdrafts (Note 14)	525,233	-	15,769	-	
Bank loans	<u>24,178,182</u>	<u>13,756,916</u>	<u>1,137,237</u>	<u>20,532,367</u>	
Bond Loans					
Sonae Capital 2014/2019 Bonds	-	42,500,000	-	42,500,000	May/2019
Sonae Capital 2016/2021 Bonds	-	15,000,000	-	15,000,000	Jul/2021
Up-front fees	-	(288,998)	-	(392,289)	
Bond Loans	<u>-</u>	<u>57,211,002</u>	<u>-</u>	<u>57,107,711</u>	
Other loans	<u>24,394</u>	<u>221,783</u>	<u>117,400</u>	<u>246,177</u>	
Derivatives (Note 18)	-	-	4,530	-	
Obligations under finance leases	3,268,164	13,992,314	3,214,278	16,449,963	
Up-front fees on finance leases	-	(63,853)	-	(73,991)	
	<u>27,470,740</u>	<u>85,118,161</u>	<u>4,473,445</u>	<u>94,262,228</u>	

a) Short term commercial paper programme, issued on 28 March 2008 and valid for a 10 year period, which may be extended at the option of Sonae Capital. Placed in investors or financial institutions and guaranteed by credit lines, with commitment of at least six months to a year, placed in relationship banks.

b) Commercial paper programme, with subscription guarantee, issued on 30 June 2017 with annual payments, unless denounced by either party.

c) Commercial paper programme, with subscription guarantee, issued on 23 de June 2016 and valid for a five years period, with annual payments.

d) Commercial paper programme, with subscription guarantee, issued on 31 December 2013, with automatic annual renewals up to seven years and six months, unless denounced by either party.

e) Commercial paper programme, with subscription guarantee, issued on 24 February 2017 and valid until February 2023, with semi-annual payments starting in 2019.

As at 30 September 2017, borrowings of the Group were as follows:

- Sonae Capital, SGPS, SA, 2014/2019 bond loan in the amount of 42,500,000 euro, with a five year maturity, and a sole reimbursement on 28 May 2019. This bond loan bears interest every six months.
- Sonae Capital, SGPS, SA, 2016/2021 bond loan in the amount of 15,000,000 euro, with a five year maturity, and a sole reimbursement on 29 July 2021, except if the issuer exercise the Call Option. This bond loan bears interest every six months.

The interest rate on bonds and bank loans in force on 30 September 2017 was on average 2.40% (2.69% in December 2016).

Bank loans pay interest rates that are indexed to the Euribor market rates of the period, and its fair value is considered close to its book value.

Other non-current loans include government refundable grants to group companies, which do not bear interest.

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The Group has a loan covenant negotiated in accordance with market practices and is in regular compliance at the present date.

The repayment schedule of the nominal value of borrowings may be summarised as follows:

	30 September 2017		31 December 2016	
	Nominal value	Interest	Nominal value	Interest
N+1	27,472,813	2,584,761	4,468,915	2,557,645
N+2	49,653,921	2,400,244	8,786,986	2,280,282
N+3	6,314,424	649,200	51,245,074	1,368,522
N+4	20,565,644	535,266	8,466,613	482,773
N+5	4,750,188	104,476	22,619,129	422,525
After N+5	4,203,733	41,655	4,056,251	62,467
	112,960,723	6,315,601	99,642,967	7,174,215

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18. DERIVATIVES

Interest rate derivatives

As of 30 September 2017 the Group has no hedging instruments.

Hedging instruments used by the Group as at 31 December 2016 were mainly interest rate options (cash-flow hedges) contracted with the goal of hedging interest rate risks on loans in the amount of 193,262 euro, whose fair value is 4,530 euro and are recorded as liabilities in other loans (Note 17). As at 31 December 2016 all derivatives are hedging derivatives.

These interest rate hedging instruments are valued at fair value as at the balance sheet date, determined by valuations made by the Group using derivative valuation calculation schedules and external valuations when these schedules do not permit the valuation of certain instruments. For options, fair value is determined using the Black-Scholes model and its variants.

The fair value of derivatives is calculated using valuation models based on assumptions which are confirmed by market benchmarks, thus complying with level 2 requirements set on the IFRS 7.

Risk coverage guidelines generally used by the Group in contractually arranged hedging instruments are as follows:

- Matching between cash-flows received and paid, i.e., there is a perfect match between the dates of the re-fixing of interest rates on financing contracted with the bank and the dates of the re-fixing of interest rates on the derivative;
- Perfect matching between indices: the reference index for the hedging instrument and that for the financing to which the underlying derivative relates are the same;
- In the case of extreme rises in interest rates, the maximum cost of financing is limited.

Counterparts for derivatives are selected based on their financial strength and credit risk profile, with this profile being generally measured by a rating note attributed by rating agencies of recognized merit. Counterparts for derivatives are top level, highly prestigious financial institutions which are recognized nationally and internationally.

Fair value of derivatives

The fair value of derivatives is as follows:

	Assets		Liabilities	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Non-Hedge accounting derivatives				
Interest rate	-	-	-	-
Hedge accounting derivatives				
Interest rate (Note 17)	-	-	-	4,530
Other derivatives	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,530</u>
	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>4,530</u></u>

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19. OTHER NON-CURRENT CREDITORS

As at 30 September 2017 and 31 December 2016 other non-current creditors can be detailed as follows:

	30 September 2017	31 December 2016
Loans and other amounts payable to related parties		
Plaza Mayor Parque de Ocio, SA (Note 28)	1,739,399	1,825,274
Others	232,513	232,150
	<u>1,971,911</u>	<u>2,057,424</u>
Other creditors		
Creditors in the restructuring process of Torralta	650,478	623,702
Others	-	-
	<u>650,478</u>	<u>623,702</u>
Deferred income		
Investment aid	-	606,056
Obligations by share-based payments (Note 20)	340,989	464,519
	<u>340,989</u>	<u>1,070,575</u>
Other non-current creditors	<u>2,963,378</u>	<u>3,751,701</u>

During the first nine months of 2017 subsidies to investment were reclassified from “Other current liabilities – Investment Aid” to “Fixed Assets” and “Intangible Assets” in the amount of 606.056 euro, as set out in IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

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20. SHARE-BASED PAYMENTS

Sonae Capital Group granted deferred performance bonuses to employees, based on shares of Sonae Capital SGPS, SA to be acquired, three years after they were attributed to the employee. The acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year. The company has the option to settle in cash instead of shares. The option can only be exercised if the employee still works for the Sonae Capital Group on the vesting date.

As at 30 September 2017 and 31 December 2016, the market value of total liabilities arising from share-based payments, which have not yet vested, may be summarised as follows:

Year of grant	Vesting year	Number of participants	Fair Value	
			30 September 2017	31 December 2016
Shares				
2014	2017	6	-	406,269
2015	2018	6	559,199	512,554
2016	2019	6	408,209	368,445
2017	2020	12	411,473	-
Total			1,378,880	1,287,269

As at 30 September 2017 and 31 December 2016, the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which have not yet vested:

	30 September 2017	31 December 2016
Other non-current creditors (Note 19)	340,990	464,518
Other current creditors	512,599	406,269
Reserves	(277,619)	(170,768)
Staff Costs	575,970	700,019

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21. TRADE ACCOUNTS PAYABLE

As at 30 September 2017 and 31 December 2016 trade accounts payable can be detailed as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Trade creditors	33,890,343	16,479,554
Loans granted by and other payables to related parties	788,829	204,288
Other current liabilities		
Fixed assets suppliers	2,506,949	1,164,703
Advances from customers and down payments	1,847,259	838,494
Other creditors	13,831,341	2,482,586
Taxes and contributions payable	4,920,137	4,719,004
Accrued staff costs	7,396,762	6,376,663
Amounts invoiced for works not yet completed	4,824,326	4,892,128
Accrued expenses with purchases - Energy Segment	100,000	1,872,405
Interest payable	650,322	408,023
Investment aid	149,475	926,085
Other liabilities	12,601,191	10,514,414
	<u>48,827,762</u>	<u>34,194,504</u>
Trade accounts payable and other current liabilities	<u>83,506,934</u>	<u>50,878,346</u>

During the first nine months of 2017 subsidies to investment were reclassified from “Other current liabilities – Investment Aid” to “Fixed Assets” and “Intangible Assets” in the amount of 203.660 euro, as set out in IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance.

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22. PROVISIONS AND ACUMULATED IMPAIRMENT LOSSES

Movements in provisions and accumulated impairment losses over the period ended 30 September 2017 were as follows:

Captions	Balance as at 1 January	Increases	Decreases	Utilisations	Balance as at 30 September 2017
Accumulated impairment losses on:					
Tangible Assets (Note 8)	34,634,071	3,284,020	(984,401)	-	36,933,690
Intangible Assets (Note 8)	-	600,000	-	-	600,000
Goodwill (Note 9)	24,353,034	-	-	-	24,353,034
Other Investments (Notes 5 and 6)	323,781	-	-	-	323,781
Other non-current assets (Note 10)	34,916	-	-	-	34,916
Trade accounts receivable (Note 12)	4,259,204	2,250,264	(274,685)	(791)	6,233,992
Other current assets (Note 12)	2,003,417	147,342	(154,834)	-	1,995,925
Stocks (Note 11)	15,351,493	455,104	(8,958,956)	-	6,847,641
Non-current provisions	3,079,824	-	-	-	3,079,824
Current provisions	3,939,016	1,652,979	-	(1,303,155)	4,288,840
total	87,978,757	8,389,709	(10,372,876)	(1,303,946)	84,691,643

As at 30 September 2017 and 31 December 2016 detail of other provisions was as follows:

	30 September 2017	31 December 2016
Judicial claims	1,858,392	1,697,459
Provision for secured income	1,700,598	2,628,037
Others	3,809,674	2,693,345
Total	7,368,664	7,018,840

The amount in provision for guaranteed income is the estimate of the difference between the amount to be charged through the properties sold in “Tróia” and the guaranteed income to property owners. The amount to be charged through the operation of these assets is estimated based on the average of the values obtained in previous years.

23. OTHER OPERATIONAL INCOME

Other operational income for the period ended 30 September 2017 and 2016 was as follows:

	30 September 2017	30 September 2016
Own work capitalised	59,710	6,794
Gains on sales of assets	2,362,016	613,457
Supplementary income	541,304	488,274
Others	1,308,407	2,419,277
Continued Operations	4,271,437	3,527,802
Discontinued Operations	-	(214,741)
Total	4,271,437	3,313,061

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24. CONTINGENT ASSETS AND LIABILITIES

As at 30 September 2017 and 31 December 2016 the most important contingent liabilities referred to guarantees given and were made up as follows:

	30 September 2017	31 December 2016
Guarantees given:		
on VAT reimbursements	5,199,346	5,199,346
on tax claims	15,619,117	17,589,470
on municipal claims	1,134,224	1,134,224
guarantees given on rental contracts	12,701,147	3,521,714
Others	9,877,450	10,172,103

Others include the following guarantees:

- 4,525,753 euro as at 30 September 2017 (5,872,865 euro as at 31 December 2016) of guarantees on construction works given to clients;
- 3,766,391 euro as at 30 September 2017 (3.766.391 euro as at 31 December 2016) of guarantees given concerning building permits in the Resorts segments.
- 1,131,073 euro as at 30 September 2017 of guarantees given to suppliers and to IAPMEI (Institute of Support to Small and Medium Enterprises and Innovation) in the Industrial Engineering segment.

The Group has not registered provisions for the events/disagreements for which these guarantees were given since its board of Directors believes that the above mentioned events will not result in a loss for the Group.

25. INVESTMENT INCOME

As at 30 September 2017 and 2016, Investment income was made up as follows:

	30 September 2017	30 September 2016
Dividends	-	105,147
Adjustment to the liquidation price of "Sodesa SA."	1,448	
Adjustment to the liquidation price of "Powercer SA."	4,944	
Adjustment to the selling price of "Box Lines Navegação"	44,418	-
Losses on sales of group companies	(84,934)	
Gains in the acquisition of group companies	1,765,245	
Gains of investments in group companies	1,731,121	67,144
Capital gain associated to the sale of Norscut - Concessionária de Scut Interior Norte, SA and	-	17,831,750
Sale of investment units from "Fundo de Investimento Imobiliário Fechado Imosede"		(22,325)
Income from "Fundo de Investimento Imobiliário Imosonae Dois"	-	14,050
Gains/(Losses) on sale of other investments	-	17,823,475
Perdas de imparidade de investimentos		
Others	(3)	(653)
Investment Income	-	-
	1,731,118	17,995,113

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26. TAXATION

As at 30 September 2017 and 2016, Taxation was made up as follows:

	30 September 2017	30 September 2016
Current tax	677,636	421,976
Deferred tax	722,946	389,764
Taxation	1,400,582	811,740

27. RECONCILIATION OF CONSOLIDATED NET PROFIT

As at 30 September 2017 and 2016, the reconciliation of consolidated net profit can be analysed as follows:

	30 September 2017	30 September 2016
Aggregate net profit - continued operations	80,038,066	82,134,063
Aggregate net profit - discontinued operations	(788,053)	(608,480)
Harmonisation adjustments	3,208,017	(848,715)
Elimination of intragroup dividends	(154,987,686)	(454,096,129)
Share of gains/(losses) of associated undertakings	262,997	(104,461)
Elimination of intragroup capital gains/(losses)	68,715,926	-
Elimination of intragroup impairment	(12,719,962)	392,244,800
Adjustments of gains/(losses) on assets disposals	-	-
Adjustments of gains/(losses) of financial shareholdings sale	16,760,912	(5,524,073)
Others	(2)	-
Consolidated net profit for the year - continued operations	1,470,868	13,974,183
Consolidated net profit for the year - discontinued operations	(980,653)	(777,178)
Consolidated net profit for the year	490,214	13,197,005

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28. RELATED PARTIES

Balances and transactions with related parties are detailed as follows:

Transactions	September 2017		September 2016	
	Sales and services rendered	Purchases and services obtained	Sales and services rendered	Purchases and services obtained
Parent company				
Associated companies	20,439	8,381	44,931	24,901
Feneral - Produção de Energia, ACE	12,470	15,187	26,260	-
Lidergraf - Artes Gráficas, Lda	7,969	23,568	18,671	24,901
Other partners and Group companies	32,385,881	5,000,862	26,896,861	3,545,534
Alpêssego - Sociedade Agrícola, SA	3,923	-	5,500	(327)
Casa Agrícola de Ambrães, S.A.	3,334	-	-	-
Aqualuz - Turismo e Lazer, Lda	1,316,484	1,796	-	-
Arrábidasshopping- Centro Comercial, S.A.	1,680	-	-	-
BB Food Service, SA	245,792	(4,461)	431,168	(9,305)
BOM MOMENTO - Comércio Retalhista, SA	200,974	(34)	6,643	-
Bright Development Studio, S.A.	62	-	-	-
Cascaishopping- Centro Comercial, S.A.	545,131	(05)	417,886	(783)
Centro Colombo- Centro Comercial, S.A.	731,170	808,904	835,190	164,125
Continente Hipermercados, S.A.	3,101,580	(6,480)	826,745	1,177
Contimobe-Imobil.Castelo Paiva,SA	-	3,619	284,003	3,614
Digitmarket-Sistemas de Informação,SA	261	206,539	75	198,396
Discovery Sports, SA	648	(680)	13,533	-
Efanor Investimentos, SGPS, S.A.	-	-	46	-
Efanor Serviços de Apoio à Gestão, S.A.	50,523	-	50,092	-
Sierra Spain, Shop. Centers Serv.,S.A.U.	-	-	198	-
Estação Viana - Centro Comercial, S.A.	16	-	-	-
Euroresinas-Indústrias Químicas,SA	-	(2,820)	-	4,830
Fashion Division, S.A.	4,225	-	3,075	-
Guimarãeshopping- Centro Comercial, S.A.	1,928	-	-	-
Iberosegur - Sociedade Ibérica de Mediação de Seguros, Lda	870	-	-	-
Fundo de Invest. Imobiliário Imosede	81,711	422,051	73,621	390,775
Imosistema-Sociedade Imobiliária,SA	968	-	-	-
Fundo Invest. Imobiliário Imosonae Dois	77,215	-	-	-
Infocfield-Informática,SA	41	-	2,132	-
Insco Insular de Hipermercados, S.A.	172,746	(04)	406,015	(11,189)
LCC LeiriaShopping Centro Comercial SA	5,483	-	(1,944)	-
NOS Sistemas S.A.	21,082	833,146	-	-
Modelo - Dist.de Mat. de Construção,S.A.	60,005	-	(450)	-
Modelo Continente Hipermercados,SA	17,417,403	1,019,990	21,353,527	592,622
Modelo Continente Hipermercados, Suc.	1,023	8,250	-	7,200
MDS Affinity-Sociedade de Mediação Lda	-	-	951	-
MDS Corretor de Seguros, SA	257,551	(1,233)	274,743	(7,825)
MDS RE - Mediador de resseguros	-	-	472	-
MDS Africa SGPS, S.A.	1,487	-	-	-
MDS Auto - Mediação de Seguros, SA	1,427	-	2,002	-
MDS Consulting, SA	8,302	1,446	8,558	3,017
MDS, SGPS, SA	636	-	679	-
Modalfa-Comércio e Serviços,SA	17,957	-	70,989	-
MODALLOOP - Vestuário e Calçado, SA	375	-	(6,278)	-
Modelo Hiper Imobiliária,SA	42	-	-	-
Movelpartes-Comp.para Ind.Mobiliária,SA	447	-	297	-
Norteshopping-Centro Comercial, S.A.	26,000	237,394	-	-
Paracentro - Gest.de Galerias Com., S.A.	46,009	3,450	101,235	-
Parklake Shopping, S.A.	6,668,986	(366)	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	2,270	542	81,522	136
Prosa - Produtos e Serviços Agrícolas,S.A.	23,747	(505)	-	-
Público-Comunicação Social,SA	90	7,569	345	2,681

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QCE - Desenvolvimento e Fabrico de Equipamentos, S.A.	-	(540,394)	-	(523,911)
Raso - Viagens e Turismo, S.A.	-	-	-	2,013
Saphety Level - Trusted Services S.A.	-	105,912	-	118,225
SONAESR - Serviços e logística, S.A.	22,273	-	4,900	-
Sempre à Mão - Sociedade Imobiliária,SA	20,218	-	262,640	-
Sonae Financial Services, S.A.	1,874	-	-	-
Sonae Indústria-SGPS,SA	1,697	-	699	-
Sonae Arauco Portugal, S.A.	58,081	10,795	42,841	(206)
Sonae Industria de Revestimentos,SA	327,628	275,361	294,421	310,241
SIRS-Soc.Ind.Radiodifusão Sonora,SA	-	20,476	667	16,000
Sierra Management Portugal-Gest. CC,S.A.	10,480	730,741	27,524	1,514,134
Socijofra-Sociedade Imobiliária,SA	-	-	38,645	-
Sohi Meat Solut-Distr. Carnes	30,787	52,099	-	-
Sonae Center Serviços II, SA	95,346	425,920	108,219	391,173
Sonae.com,SGPS,SA	-	6,330	-	1,287
Sonae Investment Management-S.T.,SGPS,S.A.	287	-	-	-
Sonaecom - Serviços Partilhados, S.A	73,992	(112,914)	70,221	(98,685)
Sonaegest-Soc.Gest.Fundos Investimentos	2,161	168,078	4,914	169,828
Sonae MC - Modelo Continente, SGPS, SA	-	-	-	(346)
Sonaerp - Retail Properties, SA	213,541	14,717	447,420	12,131
Sonae SGPS, SA	8,741	37,500	10,331	37,500
Sysvalue Consultadoria, Int e Seg SI, S.A.	-	-	538	-
Sport Zone-Comércio Art.Desporto,SA	40,322	41,563	32,221	36,437
Sonae Arauco, S.A.	2,462	-	8,784	-
Textil do Marco,SA	83,873	-	89,226	-
Tableros Tradema,S.L.	1,702	-	7,035	-
Centro Vasco da Gama-Centro Comercial,SA	-	3,902	-	-
We Do Consulting-SI,SA	181	221,513	-	220,648
Worten-Equipamento para o Lar,SA	281,846	(223)	159,296	-
ZIPPY - Comércio e Distribuição, SA	4,906	-	41,917	(79)
	32,406,320	5,009,243	26,941,792	3,570,435
Transactions	Interest income	Interest expenses	Interest income	Interest expenses
Parent company				
Associated companies	33,948	-	246,402	-
Andar Sociedade Imobiliária, SA	33,948	-	42,387	-
Norscut - Concessionária de Scut Interior Norte, SA	-	-	204,015	-
Other partners and Group companies	-	66,389	-	72,982
Plaza Mayor Parque de Ocio, SA	-	66,389	-	72,982
	33,948	66,389	246,402	72,982

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Balances	September 2017		December 2016	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Parent company				
Associated companies	53,602	12,727	112,744	3,074
Andar-Sociedade Imobiliária,SA	32,727	-	28,347	-
Feneralt - Produção de Energia, ACE	6,393	-	79,716	-
Lidergraf - Artes Gráficas, Lda	14,482	12,727	4,681	3,074
Other partners and Group companies	8,919,953	2,887,242	10,704,121	1,480,910
Águas Furtadas - Soc. Agrícola, SA	257	-	299	-
Algarveshopping- Centro Comercial, S.A.	16,479	-	16,479	-
Alpéssego - Sociedade Agrícola, SA	250	-	292	-
Arrábidasshopping- Centro Comercial, S.A.	1,531	-	-	-
Aqualuz - Turismo e Lazer, Lda	215,614	141,605	-	-
BB Food Service, SA	39,326	-	80,579	-
BOM MOMENTO - Comércio Retalhista, SA	51,752	-	4,055	-
Casa Agrícola de Ambrães, S.A.	1,835	-	-	-
Cascaishopping- Centro Comercial, S.A.	36,779	-	-	-
Centro Colombo- Centro Comercial, S.A.	136,544	527,700	139,374	16,545
Contimobe-Imobil.Castelo Paiva,SA	404	2,990	77,223	1,500
Continente Hipermercados, S.A.	569,298	12,587	350,457	4,945
Digitmarket-Sistemas de Informação,SA	210,622	83,843	106,409	692
Discovery Sports, SA	4,983	-	2,010	-
Efanor Serviços de Apoio à Gestão, S.A.	8,756	5,451	6,923	5,451
Sonaerp - Retail Properties, SA	5,341	189,181	5,341	58,919
Estação Viana - Centro Comercial, S.A.	-	-	4,445	-
Euroresinas-Indústrias Químicas,SA	-	-	-	12,926
Fashion Division, S.A.	2,322	-	1,364	-
Fundo de Invest. Imobiliário Imosede	41,427	63,748	43,665	44,556
Go Well, S.A.	-	1,425	-	-
Guimarãesshopping- Centro Comercial, S.A.	163	-	720	-
Herco Consul.Riscos Corret.Seguros, Ltda	-	-	-	1,071
Imosistema-Sociedade Imobiliária,SA	5,557	-	11,842	-
Infofield-Informática,SA	1,733	-	1,683	-
Insco Insular de Hipermercados, S.A.	112,405	-	108,945	-
LCC LeiriaShopping Centro Comercial SA	-	172	2,628	-
Loureshopping-Centro Comercial, S.A.	-	-	37,216	-
Madeirashopping- Centro Comercial, S.A.	16,168	-	42,432	-
MDS Africa SGPS, S.A.	43	-	-	-
MDS Consulting, SA	6	1,738	-	-
MDS Corretor de Seguros, SA	13,818	169,652	33,098	129,892
MDS RE - Mediador de resseguros	(838)	-	(530)	-
Modalfa-Comércio e Serviços,SA	3,163	-	8,554	-
MODALLOOP - Vestuário e Calçado, SA	-	-	-	6,235
Modelo - Dist.de Mat. de Construção,S.A.	26,156	-	94,402	-
Modelo Continente Hipermercados, Suc.	385	-	-	-
Modelo Continente Hipermercados,SA	6,130,506	468,761	6,961,465	260,677
Modelo Hiper Imobiliária,SA	52	-	-	-
PHARMACONTINENTE - Saúde e Higiene, S.A.	398	-	7,000	-
Plaza Mayor Parque de Ocio,SA	-	40,300	-	40,300
Prosa - Produtos e Serviços Agrícolas,S.A.	4,554	-	-	-
Público-Comunicação Social,SA	-	870	-	780
Rio Sul - Centro Comercial, SA	6,334	-	6,334	-
Saphety Level - Trusted Services S.A.	-	32,720	-	35,174
SEKIWI, SGPS., S.A.	55	-	80	-
Sempre à Mão - Sociedade Imobiliária,SA	-	-	38,209	-
Siaf-Soc.Iniciat.Aprov.Florestais,SA	-	-	2,261	-
Sierra Management Portugal-Gest. CC,S.A.	27,607	30,834	87,257	91,435
Sierra Spain, Shop. Centers Serv.,S.A.U.	-	-	210	-
SIRS-Soc.Ind.Radiodifusão Sonora,SA	-	8,141	1,997	3,953
Sohi Meat Solut-Distr. Carnes	(2,588)	137,904	-	-

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Sonae Arauco Portugal, S.A.	21,970	13,264	14,398	(130)	
Sonae Arauco, S.A.	469	-	754	-	
Sonae Center Serviços II, SA	59,723	187,449	9,808	77,314	
Sonae Indústria de Revestimentos,SA	123,360	95,091	137,810	106,546	
Sonae Indústria-SGPS,SA	438	-	290	-	
Sonae Investment Management-S.T.,SGPS,S.A.	304	-	-	-	
Sonae SGPS, SA	1,409	37,500	1,265	50,000	
Sonae.com,SGPS,SA	13,296	4,309	-	250	
Sonaecom - Serviços Partilhados, S.A	25,545	-	23,587	300	
Sonaegest-Soc.Gest.Fundos Investimentos	-	16,828	-	16,657	
SONAESR - Serviços e logística, S.A.	3,585	-	33,944	-	
Sport Zone-Comércio Art.Desporto,SA	1,238	16,096	1,083	8,158	
Tableros Tradema,S.L.	215	-	811	-	
Textil do Marco,SA	8,906	-	8,817	119	
We Do Consulting-SI,SA	-	90,134	-	39,800	
Worten-Equipamento para o Lar,SA	118,651	10,213	260,645	8,346	
ZIPPY - Comércio e Distribuição, SA	23	-	1,568	-	
	8,973,555	2,899,969	10,816,865	1,483,984	
Balances		Loans obtained	Loans granted	Loans obtained	Loans granted
Parent company					
Associated companies		-	872,739	-	839,697
Andar Sociedade Imobiliária, SA		-	872,739	-	839,697
Other partners and Group companies		1,739,399	-	1,825,274	-
Plaza Mayor Parque de Ocio, SA		1,739,399	-	1,825,274	-
		1,739,399	872,739	1,825,274	839,697

- a) The parent company is Efanor Investimentos, SGPS, SA;
b) Balances and transactions with Group Sonae, SGPS and Group Sonae Indústria, SGPS, SA are included under Other partners in Group companies.

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29. EARNINGS PER SHARE

Earnings per share for the periods ended 30 September 2017 and 2016 were calculated taking into consideration the following amounts:

	30 September 2017	30 September 2016
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	(498,534)	12,262,588
Net profit taken into consideration to calculate diluted earnings per share	(498,534)	12,262,588
Number of shares		
Weighted average number of shares used to calculated basic earnings per share	247,388,190	246,740,156
Weighted average number of shares used to calculated diluted earnings per share	247,388,190	246,740,156
Earnings per share (basic and diluted) - Continued operations	<u>0.001949</u>	<u>0.052848</u>
Earnings per share (basic and diluted) - Discontinued operations	<u>(0.003964)</u>	<u>(0.003150)</u>
Earnings per share (basic and diluted)	(0.002015)	0.049698

There are no convertible instruments included in the shares of Sonae Capital, SGPS, SA. hence there is no dilutive effect.

30. SEGMENTS INFORMATION

In 30 September 2017 and 31 December 2016, the following were identified as segments:

- Resorts
- Hotels
- Fitness
- Energy
- Refrigeration and HVAC
- Other Assets
- Industrial Engineering

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Consolidated Financial Statements

The contribution of the business segments to the income statement of the periods ended 30 September 2017 and 2016 can be detailed as follows:

30 September 2017									
Profit and Loss Account	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Other Assets	Industrial Engineering	Intersegment Adjustments	Consolidated
Turnover	16,380,647	16,261,362	17,291,587	34,380,467	38,762,734	15,340,127	1,192,791	(8,047,689)	131,562,026
Other operational income	2,616,929	432,509	414,151	271,281	39,633	1,195,348	53,134	(751,549)	4,271,437
Total operational income	18,997,576	16,693,870	17,705,738	34,651,747	38,802,367	16,535,475	1,245,925	(8,799,235)	135,833,463
Operational cash-flow (EBITDA)	3,568,428	621,959	1,957,581	10,952,117	(96,142)	950,612	(245,765)	71,091	17,779,881

30 September 2016									
Profit and Loss Account	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Other Assets	-	Intersegment Adjustments	Consolidated
Turnover	18,855,072	13,790,029	13,195,808	29,798,950	47,287,159	14,854,589	-	(8,343,178)	129,438,429
Other operational income	1,934,418	442,490	240,742	877,253	717,811	377,363	-	(1,062,275)	3,527,802
Total operational income	20,789,490	14,232,519	13,436,549	30,676,203	48,004,969	15,231,953	-	(9,405,451)	132,966,232
Operational cash-flow (EBITDA)	3,479,463	(937,290)	1,626,784	6,643,010	1,033,444	1,643,640	-	1	13,489,052

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Consolidated Financial Statements

The contribution of the business segments to the Balance sheets as at 30 September 2017 and 31 December 2016 can be detailed as follows:

30 September 2017									
Balance Sheet	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Other Assets	Industrial Engineering	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	109,080,180	12,697,564	9,300,881	64,733,141	9,791,248	122,479,470	17,228,235	(24,759,737)	320,550,982
Investments	49,655,150	10,849,636	22,516	96,520	14,208	319,761,241	1,912,507	(380,473,928)	1,837,849
Other Assets	54,451,131	10,559,290	2,896,055	14,298,234	54,384,729	490,224,003	18,707,184	(443,102,928)	202,417,699
Total Assets	213,186,462	34,106,490	12,219,452	79,127,895	64,190,185	932,464,714	37,847,926	(848,336,593)	524,806,530
Total Liabilities	181,373,305	28,496,192	7,918,384	73,725,128	29,684,111	336,617,895	13,685,031	(443,649,316)	227,850,729
Technical investment	1,234,270	752,145	1,528,596	2,202,478	99,666	1,743,827	43,358	(10,540)	7,593,800
Gross Debt	10,439,774	-	132,414	8,273,119	-	88,952,216	4,791,378	1	112,588,902
Net Debt	10,214,403	(116,351)	(3,716)	8,194,766	(692,100)	85,317,714	4,434,673	468	107,349,857

31 December 2016									
Balance Sheet	Resorts	Hotels	Fitness	Energy	Refrigeration and HVAC	Other Assets	-	Intersegment Adjustments	Consolidated
Fixed Assets Tangible, Intangible and Goodwill	115,857,957	12,729,785	9,145,613	29,695,898	9,853,707	131,504,913	-	(24,546,482)	284,241,391
Investments	46,712,016	10,693,538	11,573	98,948	9,691	342,388,894	-	(398,200,905)	1,713,755
Other Assets	60,237,499	9,948,572	2,537,855	7,882,427	44,978,632	538,990,283	-	(450,152,835)	214,422,433
Total Assets	222,807,472	33,371,895	11,695,041	37,677,273	54,842,030	1,012,884,090	-	(872,900,222)	500,377,576
Total Liabilities	187,208,324	30,113,066	8,944,775	32,545,115	20,914,865	350,921,833	-	(450,628,131)	180,019,847
Technical investment	1,212,720	1,359,711	1,994,065	3,764,716	71,574	1,014,124	-	(2,668)	9,414,242
Gross Debt	11,715,949	-	158,972	9,658,175	515,200	76,687,376	-	-	98,735,673
Net Debt	10,844,588	(102,001)	83,404	8,830,431	(110,543)	46,442,585	-	-	65,988,465

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31. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 30 September 2017.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 16 November 2017.

The Board of Directors

PART III
**INDIVIDUAL FINANCIAL
STATEMENTS**
30 SEPTEMBER 2017



SONAE CAPITAL

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Individual Financial Statements

SONAE CAPITAL, SGPS, SA
INDIVIDUAL BALANCE SHEET AS AT 30 SEPTEMBER 2017 AND 31 DECEMBER 2016
(Amounts expressed in euro)

ASSETS	Notes	30/09/2017	31/12/2016
NON-CURRENT ASSETS:			
Tangible assets		28,220	28,660
Investments	4	308,522,872	308,580,096
Deferred tax assets	7	14,314,699	14,314,699
Other non-current assets	5	328,301,654	332,918,086
Total non-current assets		651,167,445	655,841,541
CURRENT ASSETS:			
Taxes recoverable	6	819,313	2,163,794
Other current assets	6	64,768,861	43,498,510
Cash and cash equivalents	8	74,256	27,861,181
Total Current Assets		65,662,430	73,523,485
TOTAL ASSETS		716,829,875	729,365,026
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	9	250,000,000	250,000,000
Own Shares	9	(1,305,839)	(1,404,226)
Reserves and retained earnings	10	301,630,917	316,888,259
Profit/(Loss) for the year		20,620,295	8,738,316
TOTAL EQUITY		570,945,373	574,222,348
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bank Loans	11	10,000,000	19,579,665
Bonds	11	57,211,002	57,107,711
Other non current liabilities	13	236,802	360,486
Total Non-Current Liabilities		67,447,804	77,047,862
CURRENT LIABILITIES:			
Trade creditors	13	190,638	92,536
Bank Loans	11	21,550,000	-
Other creditors	12	55,216,764	76,808,940
Other current liabilities	13	1,479,296	1,193,340
Total Current Liabilities		78,436,698	78,094,816
TOTAL LIABILITIES		145,884,502	155,142,678
TOTAL EQUITY AND LIABILITIES		716,829,875	729,365,026

The accompanying notes are part of these financial statements.

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Individual Financial Statements

SONAE CAPITAL, SGPS, SA
 INDIVIDUAL INCOME STATEMENTS BY NATURE
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016
 (Amounts expressed in euro)

	Notes	30/09/2017	30/09/2016
Operational profit			
Other operating income	17	85,332	85,032
Operational profit total		<u>85,332</u>	<u>85,032</u>
Operational loss			
External supplies and services	14	(1,042,272)	(766,133)
Staff costs	15	(1,384,998)	(1,113,497)
Depreciation and amortisation		(1,553)	(1,116)
Other operating expenses	17	(36,059)	(98,887)
Operational loss total		<u>(2,464,882)</u>	<u>(1,979,633)</u>
Operational profit/(loss)		(2,379,550)	(1,894,601)
Financial Expenses	16	(2,874,179)	(5,046,101)
Financial Income	16	7,746,480	14,079,409
Net financial income / (expenses)		4,872,301	9,033,308
Investment income	16	16,855,591	28,824,170
Profit/(Loss) before taxation		19,348,342	35,962,877
Taxation	18	1,271,953	364,052
Profit/(Loss) for the year		<u>20,620,295</u>	<u>36,326,929</u>
Profit/(Loss) per share			
Basic and Diluted	19	0.083352	0.147227

The accompanying notes are part of these financial statements.

REPORT AND ACCOUNTS – SEPTEMBER 2017

Individual Financial Statements

SONAE CAPITAL, SGPS, SA
 INDIVIDUAL INCOME STATEMENTS BY NATURE
 FOR THE THIRD QUARTERS OF 2017 AND 2016
 (Amounts expressed in euro)

	3 rd Quarter 17 ¹ (Unaudited)	3 rd Quarter 16 ¹ (Unaudited)
Operational profit		
Other operating income	30,772	30,996
Operational profit total	<u>30,772</u>	<u>30,996</u>
Operational loss		
External supplies and services	(371,943)	(279,642)
Staff costs	(335,548)	(465,801)
Depreciation and amortisation	(614)	(362)
Other operating expenses	(8,092)	(6,154)
Operational loss total	<u>(716,197)</u>	<u>(751,959)</u>
Operational profit/(loss)	(685,425)	(720,963)
Financial Expenses	(995,016)	(1,493,465)
Financial Income	2,219,405	4,631,533
Net financial income / (expenses)	1,224,389	3,138,068
Investment income	(2,352,824)	(444)
Profit/(Loss) before taxation	(1,813,860)	2,416,661
Taxation	740,578	221,263
Profit/(Loss) for the year	(1,073,282)	2,637,924
Profit/(Loss) per share		
Basic and Diluted	(0.004338)	0.010691

The accompanying notes are part of these financial statements.

REPORT AND ACCOUNTS – SEPTEMBER 2017

Individual Financial Statements

SONAE CAPITAL, SGPS, SA
 INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016
 (Amounts expressed in euro)

	30/09/2017	30/09/2016
Individual net profit/(loss) for the period	20,620,295	36,326,929
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences		
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	-	-
Change in the fair value of assets available for sale	-	-
Change in the fair value of cash flow hedging derivatives	-	-
Tax related to other comprehensive income captions	-	-
Other comprehensive income for the period	-	-
Total comprehensive income for the period	20,620,295	36,326,929

The accompanying notes are part of these financial statements.

REPORT AND ACCOUNTS – SEPTEMBER 2017

Individual Financial Statements

SONAE CAPITAL, SGPS, SA
 INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
 FOR THE THIRD QUARTERS OF 2017 AND 2016
 (Amounts expressed in euro)

	3 rd Quarter 17 ¹ (Unaudited)	3 rd Quarter 16 ¹ (Unaudited)
Individual net profit/(loss) for the period	(1,073,282)	2,637,924
Items that may be reclassified subsequently to net profit / (loss):		
Changes in the currency translation differences		
Share of other comprehensive income of associates and joint ventures accounted for by the equity method (Note 5)	-	-
Change in the fair value of assets available for sale	-	-
Change in the fair value of cash flow hedging derivatives	-	-
Tax related to other comprehensive income captions	-	-
Other comprehensive income for the period	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>(1,073,282)</u>	<u>2,637,924</u>

The accompanying notes are part of these financial statements.

REPORT AND ACCOUNTS - SEPTEMBER 2017

Individual Financial Statements

SONAE CAPITAL, SGPS, SA
INDIVIDUAL STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016
 (Amounts expressed in euro)

	Share Capital (Note 9)	Own Shares (Note 9)	Fair Value Reserves (Note 10)	Other Reserves (Note 10)	Retained Earnings	Sub total	Net Profit/(Loss)	Total Equity
Balance as at 1 January 2016	250,000,000	(1,426,791)	9,463,225	309,676,446	-	319,139,671	12,198,782	579,911,662
Total individual comprehensive income for the period	-	-	-	-	-	-	36,326,929	36,326,929
Appropriation of profit of 2015:	-	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings	-	-	609,939	-	11,588,843	12,198,782	(12,198,782)	-
Dividends paid	-	-	-	(3,080,184)	(11,588,843)	(14,669,027)	-	(14,669,027)
(Acquisition)/Sales of own shares	-	22,565	-	218,832	-	218,832	-	241,397
Other changes	-	-	-	-	-	-	-	-
Balance as at 30 September 2016	250,000,000	(1,404,226)	10,073,164	306,815,094	-	316,888,258	36,326,929	601,810,961
Balance as at 1 January 2017	250,000,000	(1,404,226)	10,073,164	306,815,095	-	316,888,259	8,738,316	574,222,348
Total individual comprehensive income for the period	-	-	-	-	-	-	20,620,295	20,620,295
Appropriation of profit of 2016:	-	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings	-	-	436,916	-	8,301,400	8,738,316	(8,738,316)	-
Dividends paid	-	-	-	(16,220,257)	(8,301,400)	(24,521,657)	-	(24,521,657)
(Acquisition)/Sales of own shares	-	98,387	-	525,999	-	525,999	-	624,386
Other changes	-	-	-	-	-	-	-	-
Balance as at 30 September 2017	250,000,000	(1,305,839)	10,510,080	291,120,837	-	301,630,917	20,620,295	570,945,373

The accompanying notes are part of these financial statements.

REPORT AND ACCOUNTS – SEPTEMBER 2017

Individual Financial Statements

SONAE CAPITAL, SGPS, SA
 INDIVIDUAL STATEMENTS OF CASH FLOWS
 FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 AND 2016
 (Amounts expressed in euro)

	Notes	30/09/2017	30/09/2016	3 rd Quarter 17 ¹ (Unaudited)	3 rd Quarter 16 ¹ (Unaudited)
OPERATING ACTIVITIES:					
Cash receipts from trade debtors		-	9,512	-	-
Cash receipts from trade creditors		968,860	795,508	289,436	254,825
Cash paid to employees		989,300	689,942	248,384	276,385
Cash flow generated by operations		(1,958,160)	(1,475,938)	(537,820)	(531,210)
Income taxes (paid) / received		(1,875,526)	262,439	(2,134,950)	30,315
Other cash receipts and (payments) relating to operating activities		(1,642,614)	124,049	41,463	460,701
Net cash from operating activities (1)		(1,725,248)	(1,614,328)	1,638,593	(100,824)
INVESTMENT ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Investments		600,001	2,484	1	2,102
Tangible assets		-	5,000	-	5,000
Interest and similar income		13,533,361	25,008,205	5,082,802	8,765,688
Dividends		18,122,785	34,791,098	-	6,744,800
Others		1,053,753	777,933	-	-
Loans granted		6,088,237	-	5,677,015	-
		39,398,137	60,584,720	10,759,818	15,517,590
<u>Cash Payments arising from:</u>					
Investments		1,069,344	1,103,963	-	-
Tangible assets		1,113	1,250	1,113	-
Loans granted		28,422,983	1,371,028	(4,701,625)	(1,959,940)
		29,493,440	2,476,241	(4,700,512)	(1,959,940)
Net cash used in investment activities (2)		9,904,697	58,108,479	15,460,330	17,477,530
FINANCING ACTIVITIES:					
<u>Cash receipts arising from:</u>					
Sale of own shares		98,387	144,043	-	-
Loans obtained		49,450,000	93,850,000	3,750,000	30,200,000
		49,548,387	93,994,043	3,750,000	30,200,000
<u>Cash Payments arising from:</u>					
Interest and similar charges		2,380,660	5,004,703	606,084	1,410,979
Dividends		24,515,574	14,665,371	-	-
Loans obtained		58,618,528	118,648,915	29,582,985	3,440,479
		85,514,761	138,318,989	30,189,068	4,851,458
Net cash used in financing activities (3)		(35,966,374)	(44,324,946)	(26,439,068)	25,348,542
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(27,786,925)	12,169,206	(9,340,144)	42,725,247
Cash and cash equivalents at the beginning of the period	8	27,861,181	30,562,977	9,414,399	6,936
Cash and cash equivalents at the end of the period	8	74,256	42,732,183	74,256	42,732,183

The accompanying notes are part of these financial statements.

REPORT AND ACCOUNTS – SEPTEMBER 2017

Individual Financial Statements

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

(Translation from the Portuguese Original)

(Amounts expressed in Euro)

1. INTRODUCTION

Sonae Capital, SGPS, SA (“the Company” or “Sonae Capital”) whose registered office is at Lugar do Espido, Via Norte, Apartado 3053, 4471-907 Maia, Portugal, was set up on 14 December 2007 by public deed, following the demerger from Sonae, SGPS, SA of the whole of the shareholding in the company formerly named Sonae Capital, SGPS, SA, now named SC, SGPS, SA, in compliance with paragraph a) of article 118 of the Commercial Companies Code.

The Company’s financial statements are presented as required by the Commercial Companies Code. According to Decree-Law 158/2009 of 13 July of 2009, the Company’s financial statements have been prepared in accordance with International Financial Reporting Standards

2. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in preparing the accompanying individual financial statements are consisting with those used in the financial statements presented for the year ended 31 December 2016.

2.1 Basis of preparation

Interim financial statements are presented quarterly, in accordance with IAS 34 – “Interim Financial Reporting”.

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

3. CHANGES IN ACCOUNTING POLICIES

During the period there were no changes in accounting policies or prior period errors.

REPORT AND ACCOUNTS - SEPTEMBER 2017

Individual Financial Statements

4. FINANCIAL INVESTMENTS

As at 30 September 2017 and 31 December 2016 Investments are detailed as follows:

	30 September 2017	31 December 2016
Investments in affiliated and associated undertakings	349,194,729	361,971,915
Investments in other companies		
Sonae RE - (0,04%)	1,200	1,200
Fundo Invest. Imob. Imosonae Dois - (0,001%)	-	-
Matadouro Alto Alentejo, SA - (0,89%)	1	1
NET Novas Tecnologias, SA - (0,98%)	23,034	23,034
Fundo F HITEC - (6,48%)	250,950	250,950
	<u>349,469,914</u>	<u>362,247,100</u>
Impairment	(40,947,042)	(53,667,004)
	<u><u>308,522,872</u></u>	<u><u>308,580,096</u></u>

4.1 Investments in affiliated and associated undertakings

As at 30 September 2017 and 31 December 2016, the detail of Investments in Affiliated and Associated Companies is as shown in the table below:

Company	% Held	30.09.2017				Profit / (Loss) for the period
		Fair Value	Book Value	Fair Value Reserve	Equity	
CAPWATT, S.G.P.S., S.A.	100.00%		2,725,000		5,156,505	2,163,889
Fundo Esp de Invest. Imob Fechado WTC	59.87%		42,271,519		72,119,267	2,490,151
Troiaresort, SGPS, S.A.	100.00%		167,132,793		78,994,660	(549,120)
Interlog - SGPS, S.A.	98.94%		21,658,210		21,857,056	4,068
Lidergraf - Artes Gráficas, SA.	24.50%		1,125,301		7,833,610	976,651
SC Assets S.G.P.S., SA	100.00%		25,577,659		14,088,552	266,596
SC Hospitality, S.G.P.S., S.A.	100.00%		5,857,175		6,284,584	(156,700)
SC Finance B.V.	100.00%		263,698		(4,771,849)	6,064,935
SC Industrials, S.G.P.S., S.A.	100.00%		34,575,100		24,469,045	23,269,045
Race, SGPS, S.A.	70.00%		32,492,436		40,921,963	271,229
Solinca - Health & Fitness, S.A.	100.00%		15,515,838		1,621,115	400,670
Total			349,194,729			
impairment losses						
SC Assets S.G.P.S., SA			21,565,892			
Interlog - SGPS, S.A.			36,864			
Troiaresort, SGPS, S.A.			19,344,286			
Spread, S.G.P.S., S.A.						
Total			40,947,042			

REPORT AND ACCOUNTS - SEPTEMBER 2017

Individual Financial Statements

Company	31.12.2016					Profit / (Loss) for the period
	% Held	Fair Value	Book Value	Fair Value Reserve	Equity	
CAPWATT, S.G.P.S., S.A.	100.00%		2,725,000		8,022,003	5,294,092
Fundo Esp de Invest. Imob Fechado WTC	59.57%		42,271,519		71,389,116	3,137,593
Troiareort, SGPS, S.A.	100.00%		167,132,793		79,543,780	(2,001,159)
Interlog - SGPS, S.A.	98.94%		21,658,210		21,852,988	30,161
Lidergraf - Artes Gráficas, SA.	24.50%		1,125,301		7,558,348	1,233,982
SC Assets S.G.P.S., SA	100.00%		25,577,659		13,821,956	(3,476,518)
SC Hospitality, S.G.P.S., S.A.	100.00%		5,857,175		6,746,620	305,336
SC Finance B.V.	100.00%		263,698		(10,836,784)	(964,510)
SC Industrials, S.G.P.S., S.A.	100.00%		34,575,100		13,873,988	12,673,988
Race, SGPS, S.A.	70.00%		32,492,436		40,650,733	(239,599)
Solinca - Health & Fitness, S.A.	100.00%		14,446,494		975,503	(244,941)
Spred, S.G.P.S., S.A.	100.00%		13,846,529		227,094	84,120
Total			361,971,915			

Impairment losses

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

Investments carried at cost correspond to those in unlisted companies and for which a fair value cannot be reliably estimated.

Impairment tests on financial investments were performed in 2016, based on external valuations of the real estate of group companies or DCF methodology, to assess the fair value of such investments.

These assessments use discount rates that correspond to the weighted average rates of the cost of capital (WACC), calculated on the basis of the business type in which they operate and its target capital structures, and are in the range [7.2% - 10.1%]. 5 years projections were considered and growth rates in perpetuity were considered void.

As a result of this impairment tests as at 30 September 2017 and 31 December 2016, the detail of Impairments on Investments in Affiliated and Associated Companies is as shown in the table below.

	30 September 2017	31 December 2016	Variation
Spred, SGPS, SA	-	(12,719,962)	12,719,962
Interlog - SGPS, S.A.	(36,864)	(36,864)	-
Troiareort, SGPS, S.A.	(19,344,286)	(19,344,286)	-
SC Assets SGPS SA	(21,565,892)	(21,565,892)	-
	(40,947,042)	(53,667,004)	12,719,962

The variation presented in this caption was generated as a result of the sale of the entire share capital of Spred SGPS, SA in September 2017.

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5. OTHER NON-CURRENT ASSETS

As at 30 September 2017 and 31 December 2016, other non-current assets are detailed as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Loans granted to group companies:		
SC Assets, SGPS, SA	173,173,228	177,691,228
Troiaresort, S.G.P.S., SA	135,742,637	135,742,637
SC Finance BV	5,885,000	5,885,000
Solinca - Health & Fitness, SA	2,529,000	2,940,222
SC Hospitality SGPS SA	9,971,000	9,971,000
SC Industrials SGPS SA	688,000	688,000
	<u>327,988,865</u>	<u>332,918,086</u>
Deferred costs - Non Current		
Financing charges	<u>312,789</u>	<u>-</u>
	<u>328,301,654</u>	<u>332,918,086</u>

These assets were not due or impaired as at 30 September 2017. The fair value of loans granted to Group companies is basically the same as their book value.

Loans to group companies interest at market rates and are repayable within a period exceeding one year. The interest rate as at 30 September 2017 stood, in average, at approximately 2.350%.

The deferred costs relate to the deferral of the financial charges associated with the bank loans obtained, by their due dates.

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6. OTHER CURRENT ASSETS and INCOME TAX

As at 30 September 2017 and 31 December 2016, other current assets and Income tax are made up as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Other Debtors - Group	1,355,012	1,417,349
Loans granted	58,964,796	33,034,900
Other Debtors	1,303,346	55,192
Accrued income	2,795,091	8,608,007
Deferred costs	350,616	383,062
	<u>64,768,861</u>	<u>43,498,510</u>
Income tax withheld	819,313	2,163,794
	<u>65,588,174</u>	<u>45,662,304</u>

The balance registered at Other Debtors - Group is related to the values transferred from subsidiaries under the IRC regime (RETGS).

As at 30 September 2017 and 31 December 2016, the item Loans Granted is related to financial operations with the following subsidiaries:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Loans to group companies		
SC Assets, SGPS, SA	3,487,580	59,000
CAPWATT, SGPS, S.A.	40,015,900	13,225,200
Inparvi SGPS, SA	80,545	68,000
SC, SGPS, S.A.	14,177,462	13,943,600
Solinca - Health & Fitness, SA	-	703,400
Spred SGPS SA	-	2,523,500
Troiaresort, S.G.P.S., SA	1,203,309	2,512,200
	<u>58,964,796</u>	<u>33,034,900</u>

Loans to group companies interest at market rates and are repayable within a period inferior to one year. The interest rate as at 30 September 2017 stood, in average, at approximately 1.360%.

The item Other Debtors includes as at 30 September 2017 the amount 1,276,232 euro related to the credit acquired from its subsidiary Spred SGPS SA and related to the settlement of the sale price of the stake in the company, Box Lines Navegação SA, in previous years.

The amount recorded in the accrued income includes 2,710,997 euro relating to interest on loans granted to subsidiaries as well as 84,093 euro relating to commissions of guarantees given to subsidiaries.

Deferred costs include 310,419 euro relating to bank charges, which are deferred over the loan period.

Income Tax

Under current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except if there have been tax losses or tax benefits, or ongoing tax inspections or claims. In these cases, and depending on the circumstances, the time limits are extended or suspended. In this way the Company tax return, from the years 2014 to 2017, could still be subject to review.

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However, in the opinion of the Company's Board of Directors, it is not expected that any correction relating to the said financial years will be significant for the consolidated financial statements as at 30 September 2017.

The Company is subject to the special regime for the taxation of groups of companies (RETGS) provided for in Article 69 and following of the IRC Code, integrating the taxation group, which is the mother company.

In the fiscal year 2017, the Company is subject to taxation on Corporate Income Tax at the normal rate of 21%, plus municipal taxes at a maximum rate of 1.5%.

In addition, on the part of the taxable profit of more than 1,500,000 euros subject to and not exempt from Corporate Income Tax, the following state levy fees are levied: 3% over 1,500,000 euros and less than 7,500,000 euros; 5% on the upper part to 7,500,000 euros and up to 35,000,000 euros; and 7% that is levied on the part of the taxable income that exceeds 35,000,000 euros.

Under the terms of Article 88 of the Portuguese Income Tax Code, the company is also subject to autonomous taxation on a set of charges at the rates provided for in the mentioned article.

The Corporate income tax rate in force for 2017 is 21%.

As at 30 September 2017 and 31 December 2016, the item Income tax is made up as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Income tax withheld	263,800	1,325,486
Income tax (advanced payment)	507,777	1,374,287
Income tax	<u>47,736</u>	<u>(535,979)</u>
	<u>819,313</u>	<u>2,163,794</u>

7. DEFERRED TAXES

Deferred tax assets and liabilities as at 30 September 2017 and 31 December 2016 can be detailed as follows, split between the different types of temporary differences:

	<u>Deferred tax assets</u>		<u>Deferred tax liabilities</u>	
	<u>30 September 2017</u>	<u>31 December 2016</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
Tax losses carried forward	14,314,699	14,314,699	-	-

The movements in deferred tax assets and liabilities for the periods ended 30 September 2017 and 31 December 2016 were as follows:

	<u>Deferred tax assets</u>		<u>Deferred tax liabilities</u>	
	<u>30 September 2017</u>	<u>31 December 2016</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
Opening balance	14,314,699	8,275,218	-	-
Effect in results				
Tax losses carried forward	-	6,039,482	-	-
Others	-	-	-	-
	<u>14,314,699</u>	<u>14,314,701</u>	<u>-</u>	<u>-</u>
Effect in reserves:	-	-	-	-
Closing balance	<u>14,314,699</u>	<u>14,314,701</u>	<u>-</u>	<u>-</u>

In accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward, as at 30 September 2017 and 31 December 2016, tax losses carried forward can be summarized as follows:

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	30 September 2017			31 December 2016		
	Tax losses	Deferred tax assets	To be used until	Tax losses	Deferred tax assets	To be used until
Generated in 2013	61,175	12,847	2018	61,175	12,847	2018
Generated in 2014	13,536,168	2,842,595	2026	13,536,168	2,842,595	2026
Generated in 2015	47,663,128	10,009,257	2027	47,663,128	10,009,257	2027
Generated in 2016	6,904,762	1,450,000	2028	6,904,762	1,450,000	2028
Generated in 2017	-	-	2022	-	-	2022
	<u>68,165,233</u>	<u>14,314,699</u>		<u>68,165,233</u>	<u>14,314,699</u>	

The constitution of deferred tax assets was based on the analysis of the relevance of its recognition, notably as regards the possibility of their recovered, given the prospects for medium and long term of the company.

The deferred tax assets recognized resulting from fiscal losses are recorded to the extent that it is probable that taxable profit will occur in the future.

The valuation of deferred tax assets is based on the business plans of the Group companies, periodically reviewed and updated.

Since fiscal year 2014, most of the Group's subsidiaries, based in Portugal, are part of the perimeter of the taxed Corporate Group in accordance with the Special Taxation Regime for Company Groups (RETGS), whose parent company is the Sonae Capital, SGPS, SA. Gains generated by the application of this tax regime are allocated to Sonae Capital SGPS.

The analysis carried out on 30 September 2017, resulted that there is reasonable expectation of recovery of deferred tax assets recorded before their date of expiry.

8. CASH AND CASH EQUIVALENTS

As at 30 September 2017 and 31 December 2016, cash and cash equivalents can be detailed as follows:

	30 September 2017	31 December 2016
Cash	-	-
Bank deposits	74,256	27,861,181
Cash and cash equivalents in the balance sheet	<u>74,256</u>	<u>27,861,181</u>
Bank overdrafts	-	-
Cash and cash equivalents in the cash flow statement	<u>74,256</u>	<u>27,861,181</u>

9. EQUITY

The share capital of Sonae Capital SGPS, SA both in March 2017 and December 2016 is represented by 250,000,000 ordinary shares, which do not have the right to a fixed remuneration, with a nominal value of 1 euro each.

As at 30 September 2017, Sonae Capital SGPS, SA holds 4,783,433 own shares representing 1.913% of the share capital (5,516,226 shares at 31 December 2016), recorded by 1,305,839 euros (1,404,226 euros at 31 December 2016) (Note 10).

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10. RESERVES

As at 30 September 2017, and 31 December 2016 the caption Other Reserves can be detailed as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Free reserves	157,176,745	172,772,616
Demerger reserve	132,638,253	132,638,253
Own shares reserve	1,305,839	1,404,226
	<u>291,120,837</u>	<u>306,815,095</u>

Free Reserves: These reserves result from the transfer of the positive results obtained in retained exercises and can be distributed to shareholders provided they are not required to cover losses.

The overall value of the demerger reserve (Note 1), representing the difference between the book value of the stake in SC, SGPS, SA (382,638,252 euros) which was highlighted Sonae, SGPS, SA for the Company and the amount of capital social Society (250,000,000 euros) which is comparable to the legal Reserve, according to the Companies Code, may not be distributed to the shareholders except in the event of liquidation of the Company, but may be used to absorb accumulated losses, after other reserves are exhausted, or can be incorporated into capital.

Legal Reserve: Under the law, at least 5% of annual net profit is positive, should be allocated to the legal reserve until it represents 20% of the share capital. This reserve is not distributable except in the event of liquidation of the company, but can be used to absorb losses after the other reserves, or increase capital. On 30 September 2017 the value of this item amounts to 10,510,080 Euros (December 2016: 10,073,164 Euros).

Reserve own shares: This reserve, established in accordance with article 342 of the CSC, is the same amount of the own shares value held by the company. This reserve is unavailable while the own shares are in possession of the company.

11. LOANS

As at 30 September 2017 and 31 December 2016 this caption included the following loans:

	<u>30 September 2017</u>		<u>31 December 2016</u>	
	<u>Current</u>	<u>Non Current</u>	<u>Current</u>	<u>Non Current</u>
Bank loans				
Sonae Capital SGPS - commercial paper a)	3,300,000	-	-	-
Sonae Capital SGPS - commercial paper b)	10,000,000	-	-	-
Sonae Capital SGPS - commercial paper c)	-	-	-	20,000,000
Sonae Capital SGPS - commercial paper d)	8,250,000	-	-	-
Sonae Capital SGPS - commercial paper e)	-	10,000,000	-	-
Up-front fees not yet charged to income statement	-	-	-	(420,335)
	<u>21,550,000</u>	<u>10,000,000</u>	<u>-</u>	<u>19,579,665</u>
Bank overdrafts (Note 8)	-	-	-	-
	<u>21,550,000</u>	<u>10,000,000</u>	<u>-</u>	<u>19,579,665</u>
Bond Loans				
Sonae Capital 2016/2021 Bonds f)	-	15,000,000	-	15,000,000
Sonae Capital 2014/2019 Bonds g)	-	42,500,000	-	42,500,000
Up-front fees not yet charged to income statement	-	(288,998)	-	(392,289)
	<u>-</u>	<u>57,211,002</u>	<u>-</u>	<u>57,107,711</u>
	<u>21,550,000</u>	<u>67,211,002</u>	<u>-</u>	<u>76,687,376</u>

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- a) Commercial paper program launched on 28 March 2008 and valid for a period of 10 years, and may be extended on the initiative of Sonae Capital. Emissions placed with investors and / or financial institutions supported by committed credit lines with terms between 6 months and one year, contracted with relationship banks.
- b) Commercial paper program, with guarantee of subscription, started on June 30, 2017 with annual renewals, unless denounced by either party.
- c) Commercial paper program, with guaranteed by subscription, started on June 23, 2016, valid for a period of 5 years, with annual amortizations.
- d) Commercial paper program, with guaranteed subscription beginning on December 31, 2013 with annual automatic renewals up to a maximum of seven years and six months, unless notice is given by either party.
- e) Commercial paper program, guaranteed by subscription, started on February 24, 2017, valid until February 2023, with semimanual amortizations beginning in 2019.
- f) Bond loan Sonae Capital SGPS - 2016/2021 in the amount of 15,000,000 euro, with a 5 year maturity, and a sole reimbursement on 29 July 2021. This bond loan pays interest every six months.
- g) Bond loan Sonae Capital, SGPS 2014/2019, repayable after 5 years, in one instalment, on 28 May 2019. This bond issue pays interest every six months.

The interest rate on bank loans and bonds in force on 30 September 2017 was on average 2.513%.

Bank loans pay interest rates that are indexed to the Euribor market rates of the period, and its fair value is considered close to its book value.

In case of any Bank institution or commercial paper investor do not renew, at the maturity date, its respective loans, the Group has credit lines available to overcome such renewables

There are no derivative instruments.

12. OTHER CREDITORS

As at 30 September 2017 and 31 December 2016 other creditors can be detailed as follows:

	<u>30 September 2017</u>	<u>31 December 2016</u>
<u>Other creditors</u>		
Group companies - Short term loans	54,784,172	75,502,700
Other creditors	<u>432,592</u>	<u>1,306,240</u>
	<u>55,216,764</u>	<u>76,808,940</u>

As at 30 September 2017 and 31 December 2016 the caption loans granted is relative to financial operations granted to the following subsidiaries:

	<u>30 September 2017</u>	<u>31 December 2016</u>
Group companies - Short term loans:		
Interlog-SGPS,SA	21,841,400	21,856,000
SC Industrials,SGPS,S.A.	10,946,000	37,421,000
SC For - Serv. de For. e Desenv. de Recur. Hum., Unipe., Lda	23,300	19,700
Race, SGPS, S.A.	18,178,815	13,074,500
SC Hospitality SGPS SA	2,918,293	3,131,500
Solinca - Health & Fitness, SA	876,364	-
	<u>54,784,172</u>	<u>75,502,700</u>

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Loans obtained from group companies bear interest at market rates and are repayable within one year. The interest rate as at 30 September 2017 was, in average, approximately 0.080%.

The item Other Creditors - other, there are included 409,404 euros regarding transfers from subsidiaries of tax estimates under the special regime RETGS.

13. SUPLIERS, TAXES, OTHER NON CURRENT AND CURRENT LIABILITIES

As at 30 September 2017 and 31 December 2016 these items were as follows:

	30 September 2017		31 December 2016	
	Current	Non current	Current	Non current
Trade creditors	190,638	-	92,536	-
Taxes payable - income tax	-	-	-	-
Taxes payable - other taxes	60,666	-	70,975	-
Other current liabilities	-	-	-	-
Accruals:				
Staff costs	660,550	236,802	664,870	360,486
Interest payable	672,589	-	379,457	-
Other accruals	78,679	-	73,119	-
Deferred income	6,813	-	4,919	-
	<u>1,479,296</u>	<u>236,802</u>	<u>1,193,340</u>	<u>360,486</u>

As at 30 September 2017 and 31 December 2016 interest payable can be detailed as follows:

	30 September 2017	31 December 2016
Interest payable		
Bank Loans	624,090	371,182
Group companies - Short term loans	48,498	8,275
	<u>672,589</u>	<u>379,457</u>

As at 30 September 2017 and 31 December 2016 the Income tax and Other taxes can be detailed as follows:

	30 September 2017	31 December 2016
Income taxation	-	-
Income taxation - amounts withheld	32,195	42,921
VAT	69	55
Social security contributions	28,402	27,998
Stamp tax	-	-
	<u>60,666</u>	<u>70,975</u>

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14. EXTERNAL SUPPLIES AND SERVICES

As at 30 September 2017 and 2016 External Supplies and services can be detailed as follows:

	<u>30 September 2017</u>	<u>30 September 2016</u>
Operational rents	(31,641)	(11,166)
Insurance costs	(29,784)	(32,657)
Travelling expenses	(33,630)	(29,456)
Services obtained	(903,695)	(663,043)
Other services	(43,522)	(29,811)
	<u>(1,042,272)</u>	<u>(766,133)</u>

In services obtained, stands out the amounts in heading fee of shared services, of 138,009 euros (2016: 196,458 euros) and heading Holding cost with the amount of 497,493 euros (2016: 312,316 euros), invoiced by subsidiary SC Sociedade de Consultadoria, SA

15. STAFF COSTS

As at 30 September 2017 and 2016, staff costs were made up as follows:

	<u>30 September 2017</u>	<u>30 September 2016</u>
Governing bodies' remunerations	(897,966)	(880,509)
Staff and other sectors remunerations	(292,961)	(102,458)
Compensation	(42,935)	-
Social security contributions	(136,600)	(122,539)
Other staff costs	(14,536)	(7,991)
	<u>(1,384,998)</u>	<u>(1,113,497)</u>

In 2017 the average number of employees was 1 (one) (2016: 1 one).

16. NET FINANCIAL EXPENSES AND INVESTMENT INCOME

As at 30 September 2017 and 30 September 2016, Net Financial Expenses and Investment Income can be detailed as follows:

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	<u>30 September 2017</u>	<u>30 September 2016</u>
Interest payable and similar expenses		
Interest arising from:		
Bank loans	(230,158)	(1,650,038)
Bonds	(1,469,800)	(1,343,688)
Other	(40,565)	(116,551)
Other financial expenses	<u>(1,133,637)</u>	<u>(1,935,823)</u>
	<u>(2,874,160)</u>	<u>(5,046,101)</u>
Interest receivable and similar income		
Interest income	<u>7,746,480</u>	<u>14,079,409</u>
	<u>7,746,480</u>	<u>14,079,409</u>
Net financial expenses	<u><u>4,872,320</u></u>	<u><u>9,033,308</u></u>
Reversal of /and Impairment losses (Note 4.1)	12,719,962	(6,744,800)
Dividends received	18,122,785	34,791,098
Gains on financial investments	39,691	-
Losses on financial investments	(15,080,601)	-
Other income	<u>1,053,753</u>	<u>777,871</u>
Investment income	<u><u>16,855,591</u></u>	<u><u>28,824,170</u></u>

As at 30 September 2017, the amount recorded under Reversion and impairment losses on financial investments and Losses on Financial Investments refer in their entirety to the sale of the subsidiary Spred SGPS, SA.

As at 30 September 2017, the amount mentioned in “Interest arising from other” refers in its entirety to interest on current loans obtained from group companies.

As at 30 September 2017, the amount mentioned in “interest receivable and similar income” includes interest on loans granted to group companies amounting to 7,745,526 euros.

As at 30 September 2017, the amount mentioned in “Other financial expenses” refers to commissions incurred with the assembly and management of bank loans and bonds.

As at 30 September 2017, the amount mentioned in “Other income” relates to income received from the WTC Fund.

As at 30 September 2017, the amount of dividends received from affiliated company can be detailed as follows:

Lidergraf, SA	114,074
SC Industrials SGPS, SA	305,336
SC Hospitality SGPS SA	12,673,988
Capwatt SGPS SA	<u>5,029,387</u>
	18,122,785

17. OTHER OPERATIONAL PROFIT AND OTHER OPERATIONAL EXPENSES

As at 30 September 2017 and 2016 these items were as follows:

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	<u>30 September 2017</u>	<u>30 September 2016</u>
Operational profit		
Other supplementary income - guarantees commissions (Note 21)	84,821	80,137
Others	511	4,895
	<u>85,332</u>	<u>85,032</u>
Operational expenses		
Indirect taxes	(35,990)	(98,703)
Others	(69)	(184)
	<u>(36,058)</u>	<u>(98,887)</u>

18. TAXATION

As at 30 September 2017 and 2016, Taxation was made up as follows:

	<u>30 September 2017</u>	<u>30 September 2016</u>
Current tax (Note 6)	1,271,953	364,052
Deferred tax (Note 7)	-	-
	<u>1,271,953</u>	<u>364,052</u>

As stated in Note 6, the Company is taxable according to the RETGS.

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19. EARNINGS PER SHARE

Earnings per share for the periods ended 30 September 2017 and 2016 were calculated taking into consideration the following amounts:

	<u>30 September 2017</u>	<u>30 September 2016</u>
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	20,620,295	36,326,929
Effect of dilutive potential shares	-	-
Net profit taken into consideration to calculate diluted earnings per share	<u>20,620,295</u>	<u>36,326,929</u>
Number of shares		
Weighted average number of shares used to calculate basic earnings per share	247,388,190	246,740,156
Weighted average number of shares used to calculate diluted earnings per share	<u>247,388,190</u>	<u>246,740,156</u>
Earnings per share (basic and diluted)	<u>0.083352</u>	<u>0.147227</u>

20. COMPLIANCE WITH LEGAL REQUIREMENTS

Art 5 nr 4 of Decree-Law nr 495/88 of 30 December changed by art 1 of Decree-Law nr 318/94 of 24 December.

In the period ended 30 September 2017 there are no shareholders' loan contracts.

In the period ended 30 September 2017 short-term loan contracts were entered with the companies: Companhia Térmica Tagol, Lda.; Capwatt Maia-Heat Pow.,SA; Capwatt Martim Longo,SA; Capwatt Vale de Caima-H.P,SA; Capwatt ACE;; QCE-D.Fab.Equipamentos, SA,; RACE - Refrigeration & Air Conditioning Engineering, SA Matosinhos Sucursala Bucuresti; Soberana Invest.Imobil.SA; Troiamarket, SA; The House Ribeira Hotel SA; Soternix-Prod.Energia,ACE; Golftime - Golfe e Inv. Turisticos SA; Troiaresort SA; Tulipamar-Expl.Hoteleira Imob.SA; Imoresort - Sociedade Imobiliária, S.A.; Marmagno - Expl.Hoteleira Imob.,SA; Atlantic Ferries-Tráf.Loc,Flu.e Marít.SA; Marina de Tróia, SA; Aqualuz Tróia - Exploração Hoteleira e Imobiliária SA; RACE - Refrigeration & Air Conditioning Engineering, S.A.; Sótaqua - Soc. de Empreend. Turisticos e Imopenínsula - Sociedade Imobiliária, SA.

As at 30 September 2017 amounts due by affiliated companies can be summarized as follows:

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Loans and Short term loans granted

Companies	Closing Balance
SC Assets, SGPS, SA	176,660,808
SC Hospitality, SGPS, SA	9,971,000
CAPWATT, SGPS, S.A.	40,015,900
Inparvi SGPS, SA	80,545
SC Finance BV	5,885,000
SC, SGPS, S.A.	14,177,462
Solinca - Health & Fitness, SA	2,529,000
Troiareort, S.G.P.S., SA	136,945,946
SC Industrials SGPS, SA	688,000
	<u>386,953,661</u>

As at 30 September 2017 amounts due to affiliated companies can be summarized as follows:

Short term loans obtained

Companies	Closing Balance
Interlog-SGPS,SA	21,841,400
SC - Industrials,SGPS,S.A.	10,946,000
SC For - Serv. de For. e Desenv. de Recur. Hum., Unipe., Lda	23,300
Race, SGPS, S.A.	18,178,815
SC Hospitality SGPS SA	2,918,293
Solinca - Health & Fitness, SA	876,364
	<u>54,784,172</u>

21. SUBSEQUENT EVENTS

No significant events, requiring further disclosure, have occurred after 30 September 2017.

22. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on 16 November 2017.

Board of Directors