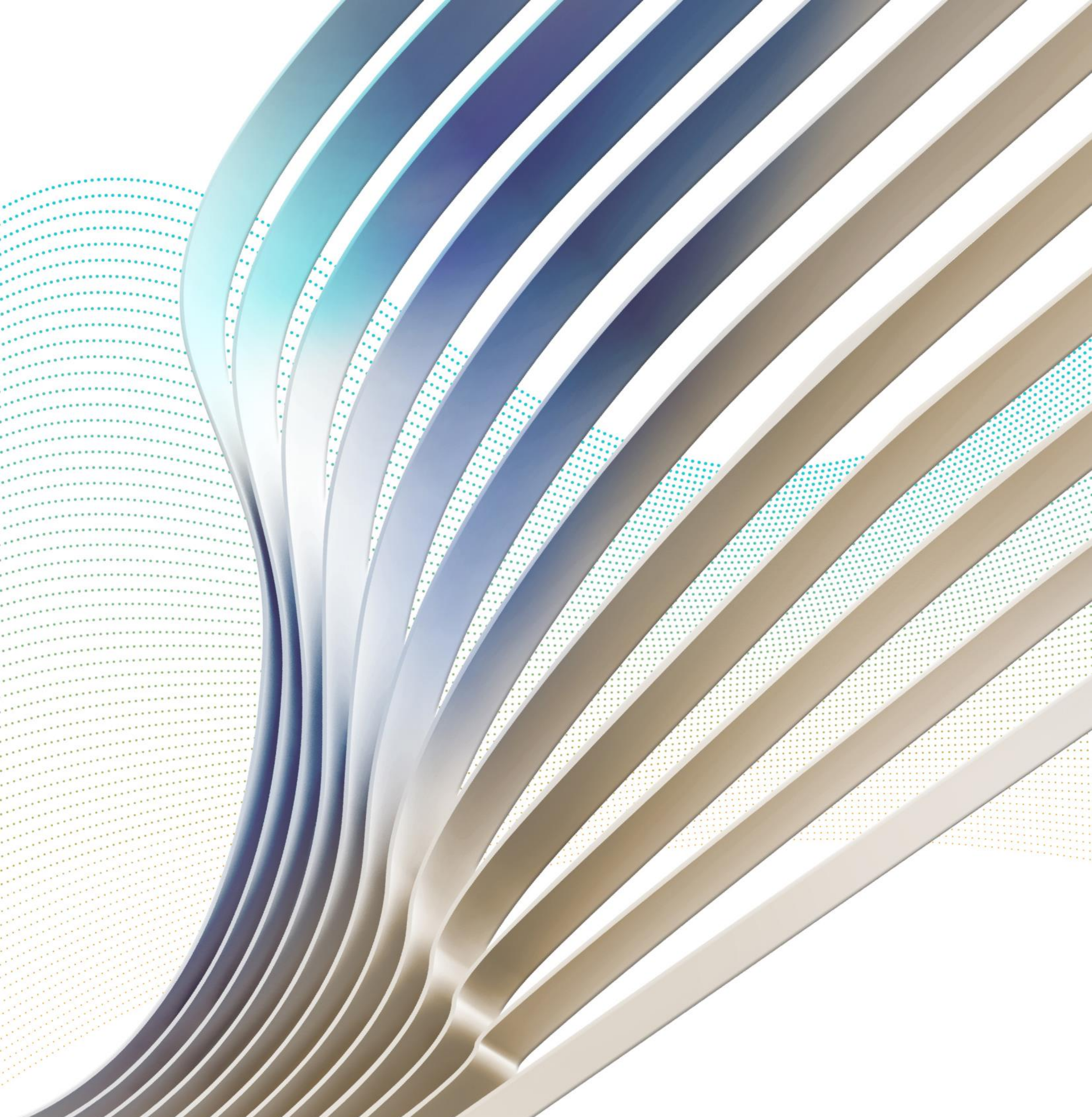
SONAE FINANCIAL REPORT '16

SONAE

IMPROVING LIFE

Contents



SONAE FINANCIAL REPORT '16

MANAGEMENT REPORT

SONAE

IMPROVING LIFE

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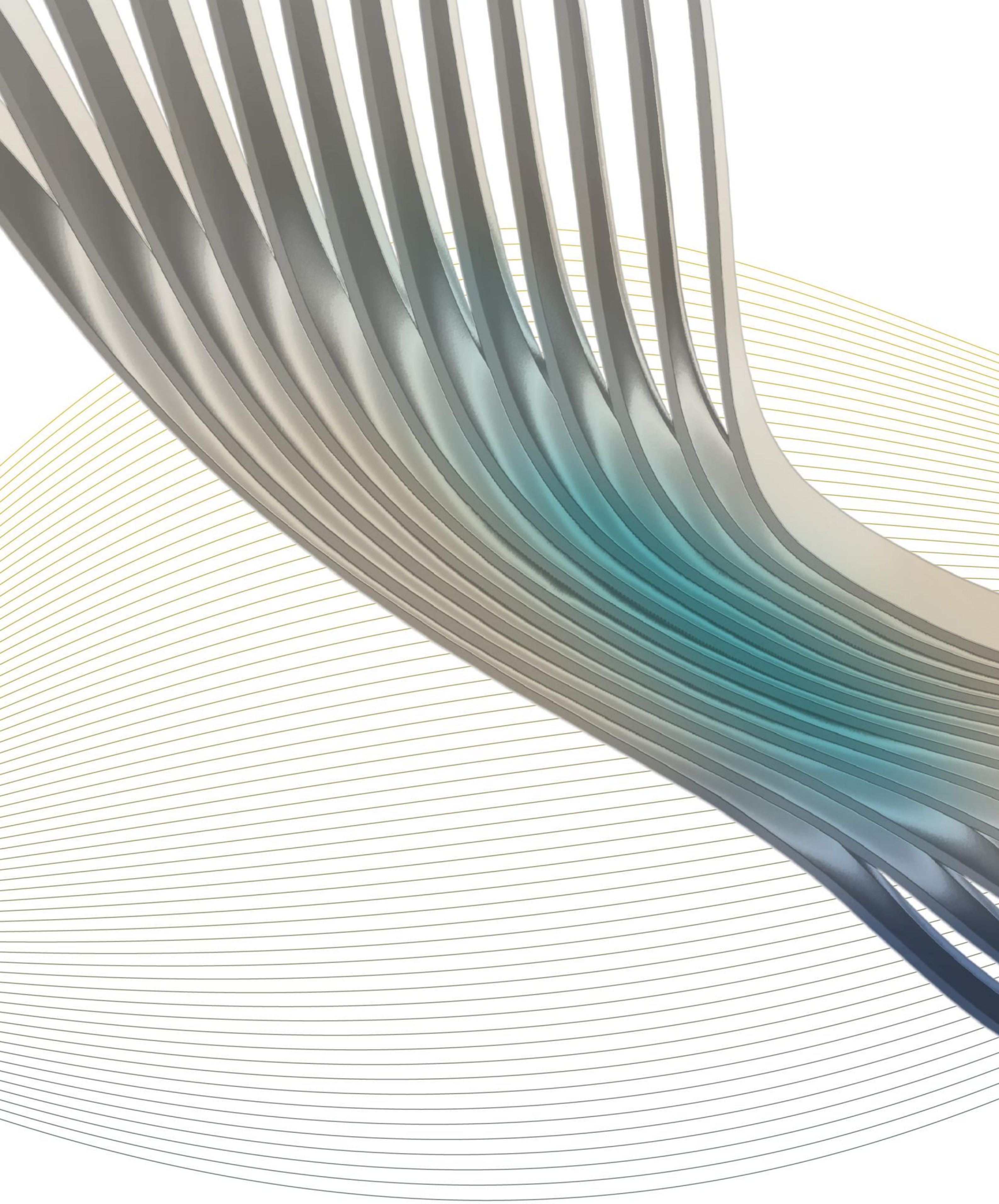
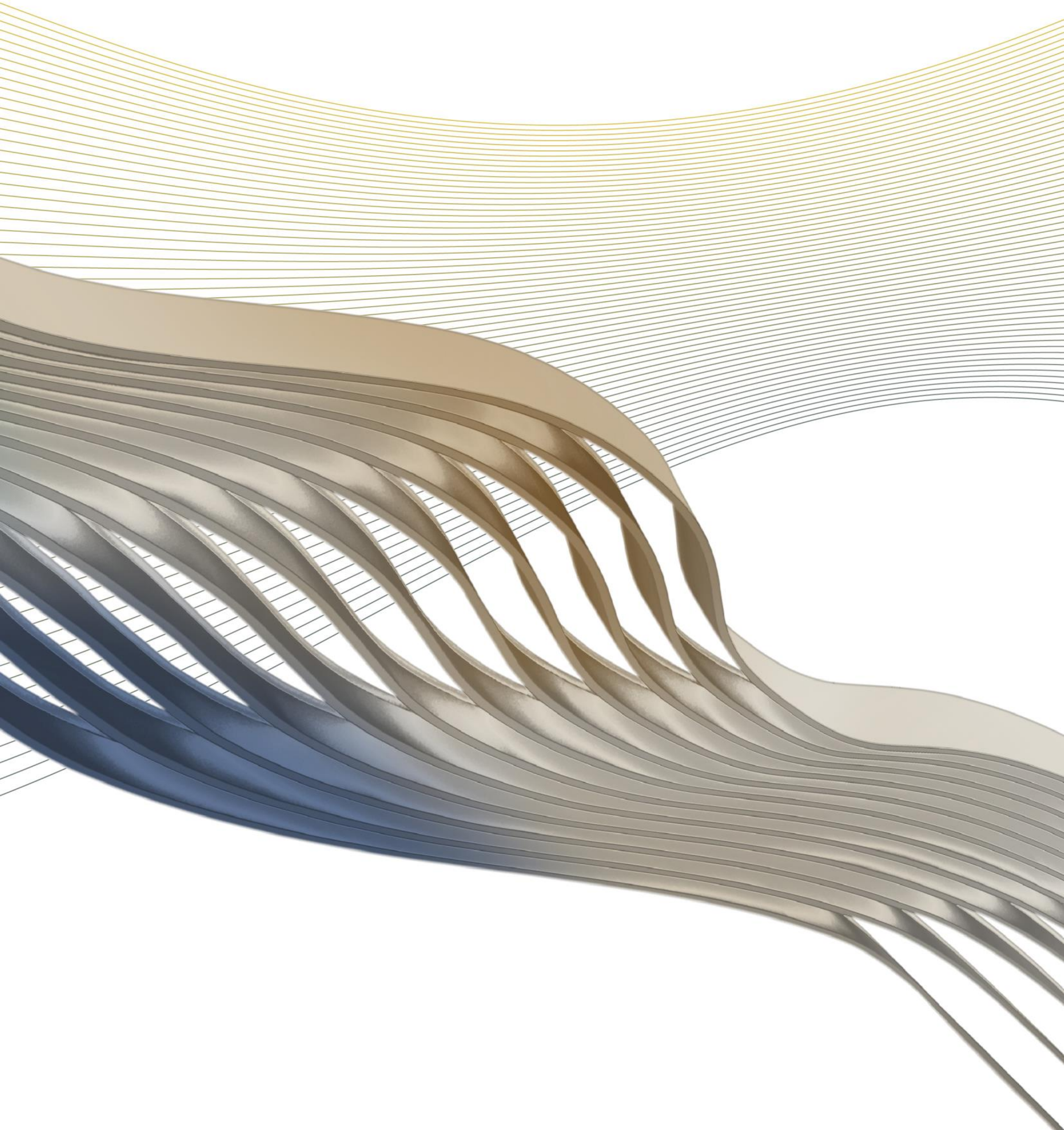
Contents

At Sonae, each day is a new beginning for new opportunities, new challenges and new triumphs.



SONAE

SONAE AT A GLIMPSE

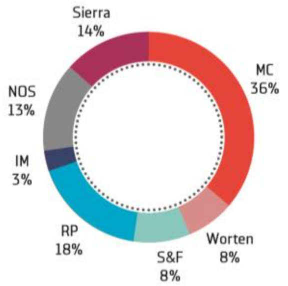


Sonae at a glimpse

Our numbers in 2016

Enterprise Value

Split



Invested Capital

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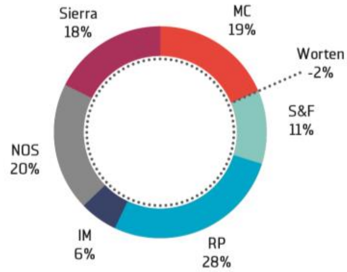

Turnover

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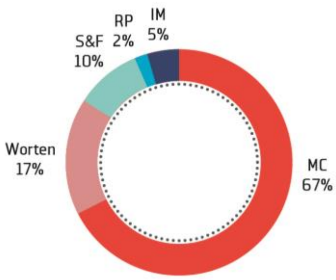

EBITDA

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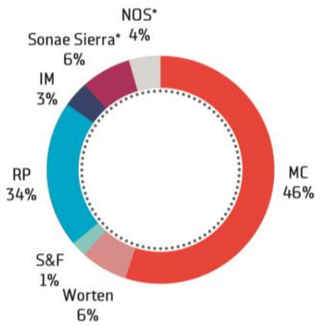


* Equity consolidated

Turnover evolution (M€)

EBITDA evolution (M€)

Our world

Europe
- Armenia
- Austria
- Azerbaijan
- Belgium
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Georgia
- Germany
- Greece
- Hungary
- Italy
- Kazakhstan
- Latvia
- Luxembourg
- Netherlands
- Poland
- Portugal
- Republic of Ireland
- Romania
- Russia
- Serbia
- Slovakia
- Slovenia
- Spain
- Switzerland
- Turkey
- UK
- Ukraine

Asia
- Bahrain
- Bangladesh
- Cambodia
- Qatar
- China
- Singapore
- India
- Indonesia
- Iraq
- Israel
- Japan
- Kuwait
- Lebanon
- Malaysia
- Myanmar
- Pakistan
- Philippines
- Republic of Korea
- Saudi Arabia
- Taiwan
- Thailand
- UAE
- Vietnam

America
- Argentina
- Bahamas
- Brazil
- Canada
- Cayman Islands
- Chile
- Colombia
- Dominican Republic
- Ecuador
- Guatemala
- Martinique
- Mexico
- Nicaragua
- Peru
- Puerto Rico
- Trinidad & Tobago
- USA
- Venezuela

Africa
- Algeria
- Angola
- Cape Verde
- Egypt
- Ghana
- Libya
- Morocco
- Mozambique
- Nigeria
- Kenya
- South Africa
- Tanzania
- Tunisia

Oceania
- Australia
- New Zealand

Awards and recognitions

The Kaizen Institute award recognises the outstanding adoption of continuous improvement methodologies as a strategic factor. Paulo Azevedo, Sonae Chairman and Co-CEO was the first individual recipient to ever receive this award; Sonae SR was also awarded.

CDP focus on improving corporate awareness through the measurement and disclosure of the environmental footprint. Sonae is one of the Iberian Leaders to be recognised by the CDP index and to achieve the Leadership A – award for its environmental reporting policy.

The Stevie Awards recognise the best practices and the success of organisations and professionals from all over the world. Sonae's new corporate website was distinguished in the Best Overall Web Design category.

The European Excellence Award honours the world's best communication and public relations projects. Sonae was the recipient of the award in the category of "External Publication" for its pioneering "Retail Book of Innovation'15".

The *Prémio Excelência – Inovação no Retalho* recognises innovative approaches to the retail business in the Portuguese retail sector. Sonae received 4 awards (Continente, Zippy, Mo and Note!)

The Portugal Digital Awards distinguish distinctive and innovative projects or individuals that stand out in relation to digital transformation. Worten and BIT were both recipients of awards.

The Vertex Awards are the only global competition devoted exclusively to the art of Private Brand package design. Sonae was the recipient of 7 awards in 2016.

The CIO of the Year by CIONET recognises excellence in managing Information and Communication Technologies as a strategic driver in sustainable success. David Alves, CIO at Sonae was the recipient of this award.

15 *Escolha do Consumidor* awards

2 Portugal Superbrands awards

6 *Marca de Confiança* awards

Sonae – Several brands, but the same Culture of Success

Our customers are our success. Their recognition is paramount to us and it represents our commitment and responsibility to work our hardest every day.

We do not compromise on quality

146,497 quality analyses (79,313 internally and 67,184 externally) of our suppliers around the world

109,927 suggestions and complaints were received and analysed

We value our team

One of the largest employers in Portugal

44.4 thousand colleagues sharing a common goal

More than 1 million hours

of specialised training

The environment is a priority

One of the Iberian Leaders to be recognised by the CDP index

Leadership A-

awarded for our environmental reporting policy

CO_2 emissions decreased by 13% when compared to 2015

Tomorrow's leadership starts today

16 innovative projects distinguished internally for their significant contribution to the business

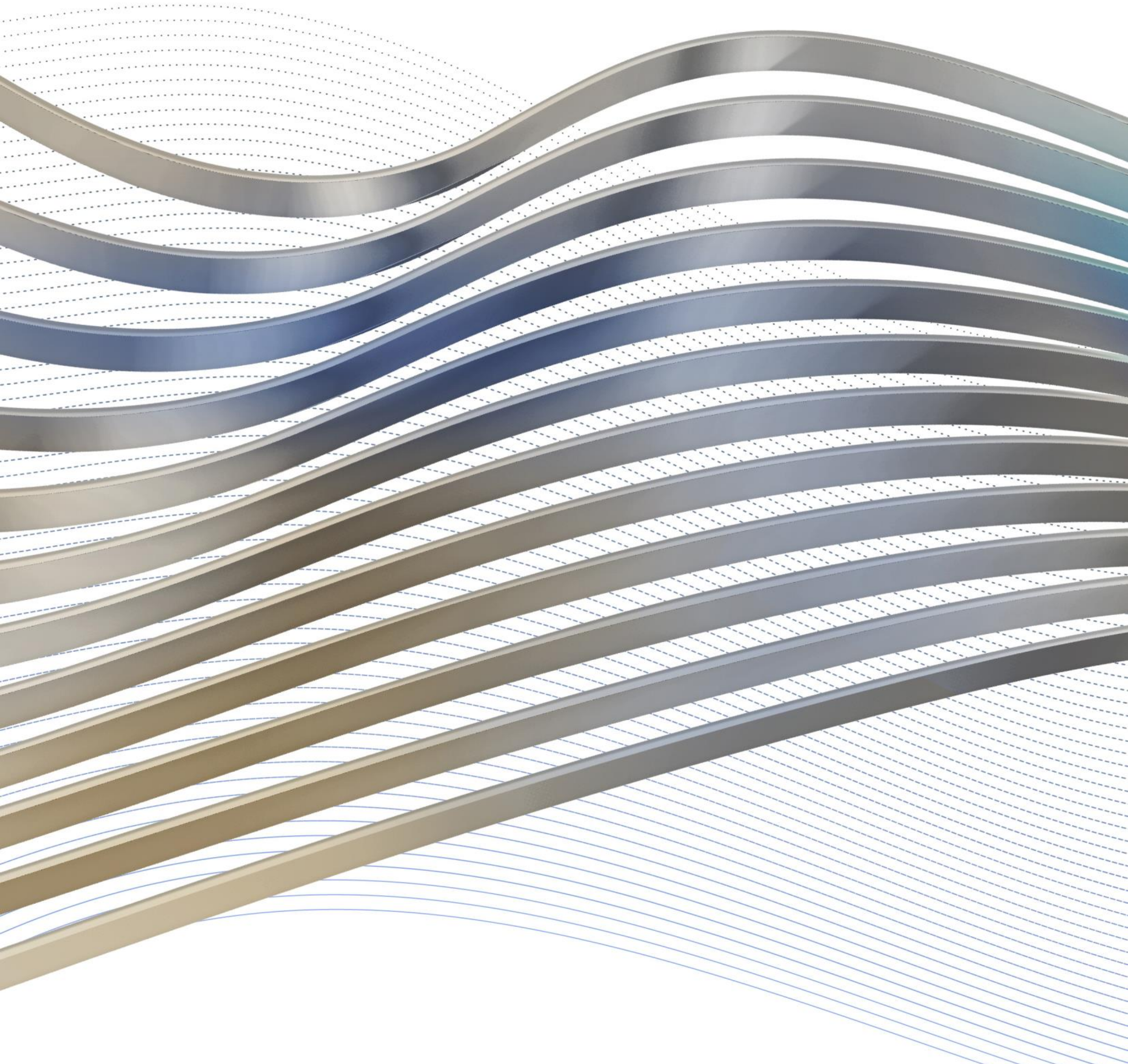
176 external awards confirm our complete commitment to quality and sustainable success

We support our community

€10 M in community support to social, human and cultural causes

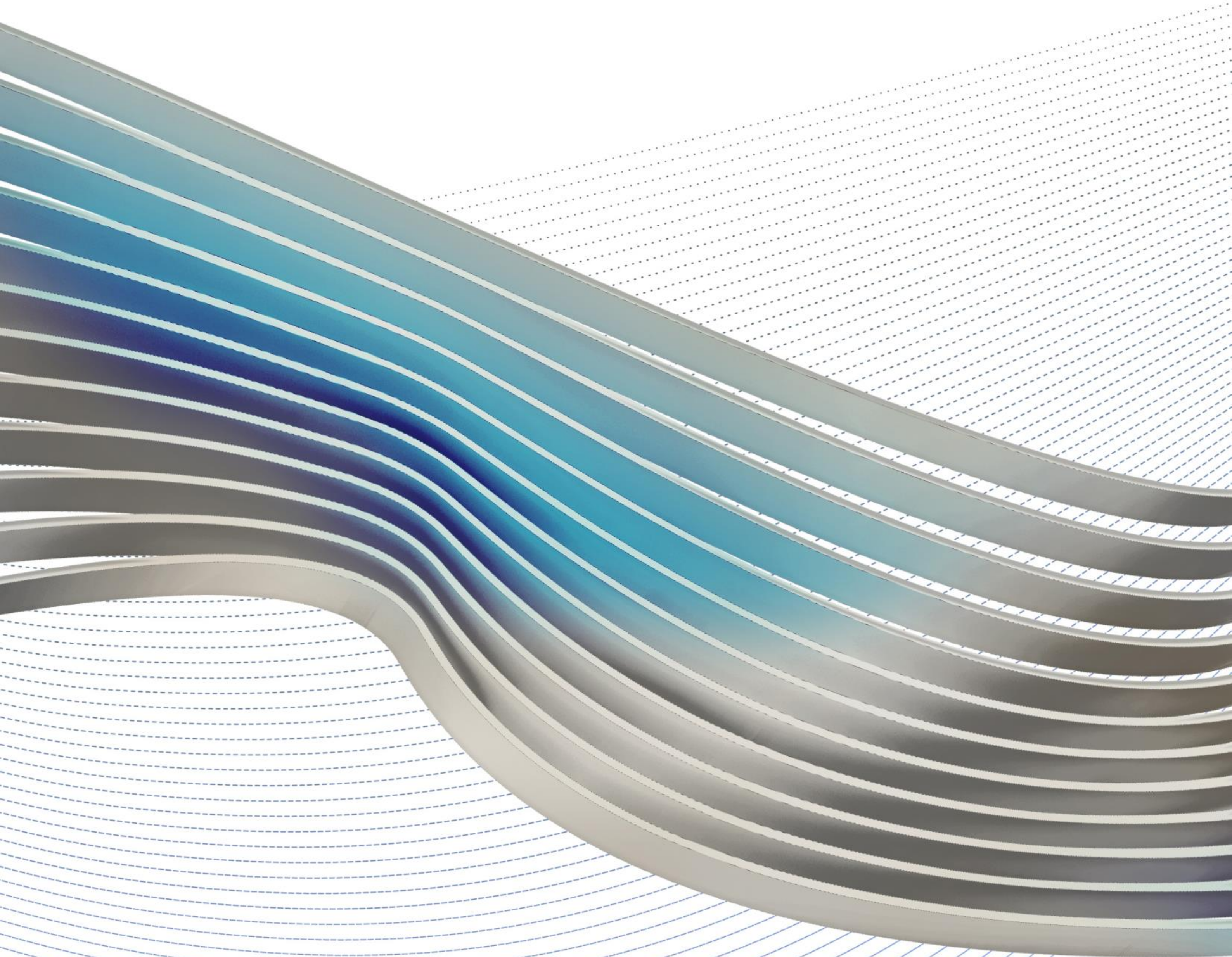
1,393 institutions supported

5,988 hours of volunteering to help the community



SONAE

SONAE
GROUP



Sonae group

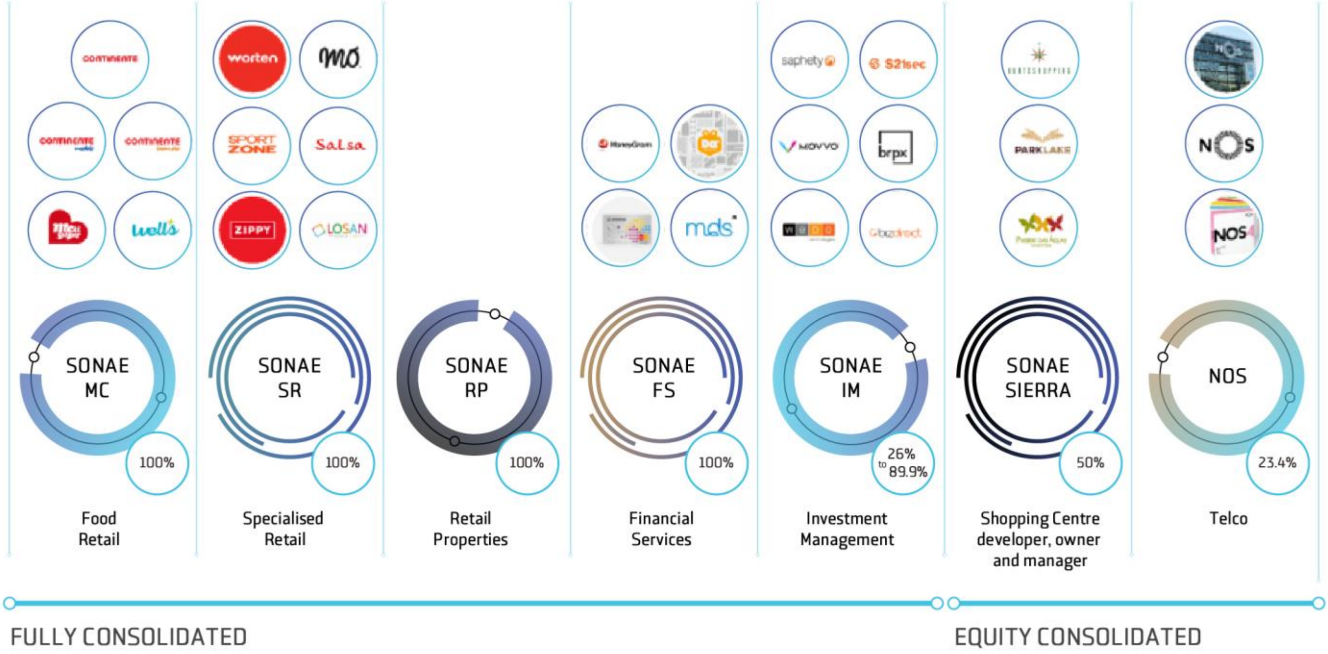
Our history

	50's to 70's	80's	90's
Capital Markets		• Launch of Sonae in the **Capital Markets** (1983) • **7 IPOs** for: Particleboard, Food Retail, Tourism, Media, Robotics, Shopping Centres, Electricity and Cooling (1987)	• **Acquisition of a controlling position in Tafisa** (wood panels) (1993)
M&A/ Disposals	• **Acquisition of NOVOPAN** (1971)	• **Acquisition of STAR** (travel agency) (1989)	• **Opening of Centro Colombo**, the largest Shopping Centre in the Iberian Peninsula (1997) • **Launching of Optimus** (1998 - telco operator)
Openings		• **Opening of the 1st Hypermarket** in Portugal: Continente (1985 - Matosinhos) • **Opening of the Sheraton Palácio Hotel** (1986) (currently Porto Palácio Hotel) • **Opening of the first two Shopping Centres** built and managed by Sonae (1989 - Portimão and Albufeira)	
Holding Operations	• **Foundation of Sonae** - Sociedade Nacional de Estratificados (18th August 1959) • **Belmiro de Azevedo was hired** (1965)		•Set up of **Sonae Tourism** (1994) •**Partnership** between **Sonae Sierra** and **Grosvenor** (1997)

	00's	2007 to 2009	10's
Capital Markets	· **Sonae Sierra delisting** (2001) · **Spin-off of Sonae Indústria** (2005) · **Sonaecom takeover bid for PT and PT Multimédia** (2006)	· **Spin-off of Sonae Capital** (2007)	
M&A/ Disposals	· **Partnership** between **MDS** (insurance company) and **Cooper Gay** (insurance broker) (2004) · **Disposal of Sonae Distribuição Brasil** to the Wal-Mart Group (2005) · **Disposal of Enabler**, by Sonaecom (2006)	· **Acquisition of Carrefour Portugal** (2007) · **Sale of 49.9% of MDS capital** to Suzano Group (2009)	
Openings			· **Acceleration of international expansion** of several brands from Sonae (2010) (Zippy, Worten, Sport Zone, Berg, Deeply, ...)
Holding Operations		· **Paulo Azevedo becomes the CEO of Sonae** (2007)	· **Launching of the new corporate identity** (2010) · **Launching of "Obrigações Continente"**, a €200 M bond issue available through a public subscription offer to retail investors (2012)

	2013 to 2015	2016
Capital Markets	• **Sonaecom launches a tender offer for the acquisition of a maximum of 24.16% of its share capital**. The level of acceptance reaches 62%, corresponding to aprox. 55 M Sonaecom shares (2014)	• **Cash settled equity swap** term extension
M&A/ Disposals	• **Merger between Zon and Optimus** and creation of the **NOS** brand (2013) • **Sonae SR acquires Losan**, a company specialised in kidswear wholesale with strong international presence (2015) • **Sonae sells GeoStar** (2015) • **Sonae IM** pursues its strategy of active portfolio management: sells **Mainroad** to NOS, acquires 60% of **S21Sec** capital and invests in **Movvo**	• **Sonae SR** acquires 50% of **Salsa** capital • Agreement for the acquisition of a 51% participation in **Go Well** • Acquisition of **2 food retail** stores in **Mozambique** • **Four Sale and Leaseback** transactions
Openings		• **Sonae Sierra** opens **ParkLake** Shopping Centre in Bucharest • **Sonae MC** opens its 1st **supermarket specialised in healthy food**
Holding Operations	• Launch of a **convertible bonds offer** due in 2019 with a principal amount of € 210.5 M (2014) • **Paulo Azevedo becomes Chairman and Co-CEO of Sonae. Ângelo Paupério is elected as Co-CEO** (2015)	• **Bond issue** amounting to **€60 M** with a maturity of 7 years • **Acquisition** and **amortisation of 600 bonds** in the amount of **€60 M**

Portfolio structure



*to be integrated in 2017

Chairman's message

In a perhaps expectable sequence, political uncertainty was the latest addition to a streak of concerning world negative developments, which included financial, economic, environmental and security crisis.

We are naturally concerned with the possible consequences and we attempt to understand the possible societal and business impacts in all markets where we operate. Despite these risks, which can by no means be downplayed, we, at Sonae, feel somewhat reassured by the resilience and ability to adapt we have demonstrated. Our strong corporate culture and ethical approach to business has also proved to be a distinctive asset.

Our focus on the long term, innovation and sustainability has helped us steer through one of the worst economic crisis in Southern Europe and come out with a stronger company and new prospects – and always at a very healthy distance from the many political and corporate scandals that arose in the period.

We stayed true to our values and beliefs, worked harder and continued to invest in our future. 2016 was a particularly rewarding year because we were able to add turnover growth (+7.2%) to the positive performance in profitability and financial strength of the last few years.

The Iberian Peninsula, it is fair to say, has exceeded the modest expectations in most economic forecasts and has helped us significantly in obtaining this growth. Perhaps more importantly both Spain and Portugal managed to form relatively stable governments in seemingly difficult circumstances. The fact that this was partly achieved at the expense of tackling long term structural issues does of course leave Iberia in a vulnerable situation for the foreseeable future.

Our robust consolidated performance, with growth in turnover, EBITDA, direct and indirect results and with net debt reduction was achieved with positive evolutions across the board of our business units. Furthermore, this was possible in a year of strong investment in defending our leading position in our core markets and investing in innovation and internationalisation.

Sonae MC was particularly successful in further increasing its customer value proposition and accelerating the expansion of our smaller size formats into areas where we had small market shares. As a result, we achieved simultaneous growth in like-for-like sales and turnover growth through new store openings. This was only possible because the team put in an amazing amount of work to find and implement improvements in an extensive number of areas. Within Sonae MC we also made significant progress in preparing two new growth avenues – Health & Wellness and Internationalisation – where we expect to be able to show significant results in 2017.

Sonae SR has reorganized itself into an Electronics and a Sports & Fashion division. This increased specialization is showing early signs of focus and motivation. Both divisions contributed to the growth in turnover and EBITDA. Worten further developed its omnichannel strategy and customer value proposal, launching new websites, rebranding and further developing the latest store concepts. Sports & Fashion continued to work on product range and store network to achieve profitability in the original businesses at the same time that it develops a "House of Banners" concept and integrates new acquisitions and partnerships, with increasing international reach.

Sonae Sierra continued its successful strategy of being an integrated developer and manager of retail based real estate in own property and for third parties in Europe, South America, Northern Africa and the Middle East. We were particularly pleased to have significantly enlarged the number of clients and partners in services and investment. The opening of ParkLake Shopping Centre in Bucharest was also an extremely successful display of our innovative capabilities in development and we were proud to receive the CIJ Award 2016 for Best Retail Development & Developer of the year.

NOS continued to grow in turnover and profitability successfully managing a major battle for premium sports content and leading the market in convergence, product innovation and service quality.

2016 was not just a year of financial progress. We continued to increase and develop our people, support local communities, improve Health and Safety ratios, energy and water consumption and reduce CO2 emissions. It is difficult to know which of the 176 award we received in the year to highlight, but running the risk of being unfair, I would like to mention two achievements:

- The AAMBA global award which selected SONAE as best company in the world at integrating and developing MBA students.
- The reduction of 13% of our carbon emissions, despite our significant expansion of activity, following last year's public commitment to make our subscription to the "Paris Pledge for Action" a very real acceleration to our progress in environmental performance.

Over the last few years, and in particular in 2016, I believe we have demonstrated our ability to withstand very difficult market conditions and fierce competitive battles always taking into consideration the long term sustainability and profitability of our company.

We trust this will be increasingly apparent and that our shareholders will be rewarded accordingly.

I am extremely thankful to all our teams and all our partners for the work, energy, creativity and resilience they have shown.

Looking forward, we are committed to developing our portfolio based on our 3 strategic pillars and our plans are, as always, to produce outstanding economic value at the same time that we:

Improve our Work

Improve our People

and

Improve our Planet

Paulo Azevedo, Chairman and Co-CEO

Corporate strategy

Sonae's Mission

To create long-term economic and social value, taking the benefits of progress and innovation to an ever-increasing number of people.

Our Way

We are a multinational group with solid roots and a constant drive towards progress. Our culture, how we conduct ourselves in life and in business is what bonds us and makes us special, in any business or geographic area.

The values we share, which can be found in our origins and in our DNA, are a legacy for the future and the way we create long-term economic value.

We face each day as a fresh new beginning for new opportunities, new challenges and new triumphs.

Sonae's Values

Trust and Integrity

We are committed to creating economic value in the medium and long term, built on relationships founded on integrity and trust.

People are at the Centre of Our Success

Setting constant challenges and being open to change are crucial in order to attract ambitious people. Our people are a determining factor in the markets where we operate and, for that reason, we invest in developing their capabilities and skills, thereby further enriching our culture.

Ambition

Ambition stems from continuously establishing goals which push us beyond our limits, reinforcing our efforts and determination. Ambition drives us and keeps us dissatisfied with the status quo, forcing us to reach beyond our past successes.

Innovation

Innovation is at the heart of our businesses. Innovation involves risks, but we are aware of the importance of identifying and managing these risks, so as to maintain within reasonable limits. We know that only by innovating, can we grow sustainability.

Social Responsibility

We have an active sense of social responsibility, and try to contribute to improving the communities within which we operate. Our behaviour takes into account the most recent environmental concerns and sustainable development policies.

Frugality and Efficiency

We aim to optimise the use of resources and maximise their return, seeking cost efficiency, and avoiding any waste or extravagance. As a priority, we focus on achieving operating efficiency, promoting healthy competition, and delivering high impact projects.

Cooperation and Independence

We are willing and ready to cooperate with central and local governments, in order to improve regulatory, legal and social frameworks, and to ensure the best solutions for the communities within which we operate, but we also take care to maintain our independence in relation to all such entities.

Sonae's Strategic Pillars

VALUE CREATION THROUGH THREE STRATEGIC PILLARS

We constantly strive to reinforce our strongest competitive positions and explore new business opportunities that leverage our exceptional capabilities and asset base as a way to nurture our portfolio of options for future growth.

Internationalisation remains our key growth driver for years to come and we will continue to deploy resources accordingly, as we have the opportunity to enlarge our international footprint and reinforce Sonae's status as a multinational corporation.

We will maintain a high level of flexibility in pursuing different business models (from organic expansion to wholesale, franchising and services rendering) and investment styles (including wholly owned businesses and majority stakes, but also joint ventures and minority stakes).

Strengthen and leverage our key assets and competencies

Reinforcing our strongest competitive positions is a key condition for our long-term sustainability. It is the stepping stone for our growth strategy and it is where most of our key competences and assets currently reside. We will therefore continue to explore new business opportunities that leverage our exceptional capabilities and asset base in Portugal, as a way to nurture our portfolio of options for future growth. Below is a description of a few examples of this strategic pillar.

Go Natural restaurants - A strategic investment for Sonae MC

As a market leader in food retail, Sonae MC is in a privileged position to anticipate market trends and to quickly and strategically invest. Based on MC's capacity to better understand the food retail market, Sonae MC has been significantly increasing its presence in the healthy food market.

Go Natural is a benchmark brand in the healthy lifestyle sector which owns 22 healthy food restaurants in Portugal typically located in shopping centres, in a variety of formats such as grab & go, sushibar, made to order and breakfasts.

This acquisition (which is expected to be completed in 2017) is in line with Sonae MC's strategy towards investing in the area of health and wellness, namely in healthy food, providing an answer to consumers' growing demand for options that promote a healthy lifestyle and contribute to improving their quality of lifeIt also strengthens Sonae MC's market position as a specialist in wellbeing and reinforces its investment in solutions adapted to a healthy lifestyle.

"Go Natural is recognised in the market for its distinctive offers in the area of healthy food and it is very much in line with our strategy of promoting healthy lifestyle habits. In partnership with our current shareholders, we will foster their strengths and promote new opportunities for growth and development."

Luís Moutinho | CEO of Sonae MC

Go Natural – Sonae MC's first supermarket totally dedicated to healthy food

Sonae MC launched its first specialised supermarket focused on a healthy lifestyle, under the Go Natural brand, at the end of 2016.

The first Go Natural supermarket opened in Lisbon with a retail sales area of 350 sqm, introducing a comprehensive and articulated concept that was developed to create an organic and natural environment.

It also includes a corner with a Go Natural restaurant, featuring an appealing design in a comfortable environment, where customers are able to try nutritional juices, soups, salads, pastas, sushi, in addition to hot meals and a salad bar where they can create their own salad.

At the supermarket, customers can find a wide range of healthy, organic and dietetic products, specific ingredients appropriate for people with food intolerances or restrictions, as well as supplements, vitamins and sports nutrition, with a broad range of products available at the best price.

"Sonae MC is committed to democratising access to healthy and organic products, with special nutritional qualities, available to all consumers, at attractive prices. Launching the Go Natural supermarkets is an important step in this strategy, as it allows us to offer our customers a distinctive shopping experience and service, strengthening our growing specialisation in the area of healthy food. Additionally, customers will also benefit from a strong promotional dynamic with several direct discounts and discounts on the Continente card, which is valid at these stores."

Inês Valadas | Director of Sonae MC

Well's Health Plan – Sonae MC has strengthened its commitment further to the Health segment

The launch of the Well's Health Plan is directly in line with Sonae MC's drive to strengthen and leverage its key assets and competencies by reinforcing the value of its loyalty card and bringing health services to a significant part of the Portuguese population.

Well's concern for health and wellbeing has resulted in launching Well's Health Plan, which is designed to offer easier access to private medical care. This Plan reinforces Well's position in the health area and aims to facilitate access to private health services to the more than five million Portuguese people who do not have insurance or health plans or access to subsystems.

This option is available to Continente card holders and their families and it is expected to allow Portuguese families to save more than €15 M in medical services every year, providing direct discounts on medical services and accumulating an extra 15% discount on their Continente card.

To access this plan, clients need to have a Continente loyalty card and have spent an average of €50 per month over the last six months. "Well's Health Plan is for you, your family, it is for everyone."

"All Portuguese people can now enjoy and benefit from this plan. We aim to democratise access to private health in a transversal way, by providing our clients with affordable prices for consultations, examinations, minor surgeries and other medical services. It is our conviction that the Well's Health Plan brings value to all Portuguese people, especially the 53% who do not have any other solution."

Well's Health Plan in a Nutshell

- 5.6 Million Portuguese people do not have any insurance or health plan.
- In partnership with AdvanceCare, the plan allows an average saving of 40% on the actual value of a consultation or examination.
- Has no membership costs or monthly fees, no limit of use or waiting period, no age limit or exclusion due to pre-existing conditions.
- Provides access to General Practice and Specialised Consultations, Dental Care, Examinations and Blood Tests, Birth and Small Surgeries, Emergency Consultations and House Calls (24h/day), Physiotherapy, Psychology or Nutrition.

Inês Valadas | Administradora da Sonae MC

Universo Card – Taking customer loyalty a step further

Launched in October 2015 with a clear goal of becoming a major player in household payment methods in Portugal, *Universo* card has reached more than 400 thousand clients at the end of 2016, far exceeding the best expectations of the Financial Services' team.

The *Universo* card is an example of Sonae's ability to reinforce an already strong competitive position, as it strengthens the value proposal of the Continente loyalty card by combining it with a payment and a discount tool. The previous success with loyalty programmes has served to leverage the launch of the *Universo* card, allowing it to establish itself as a successful discount and payment platform for Portuguese families, integrating Sonae stores as well as the growing network of partners within the Continente programme and all the benefits of a universally accepted MasterCard, with no annual fees.

"In just over one year, we have been able to reach more than 400 thousand clients, a number that is naturally very satisfying, which confirms how extremely useful this innovative solution is in the national market. The *Universo* Card came about to strengthen Sonae's commitment to be at the side of the Portuguese people at all times, providing them with effective savings and better management of their family budgets. It is our ambition to continue to take the benefits of the *Universo* Card to an increasing number of Portuguese families."

Carlos Braziel David | COO of Sonae FS

Worten – Omni-channel shopping experience

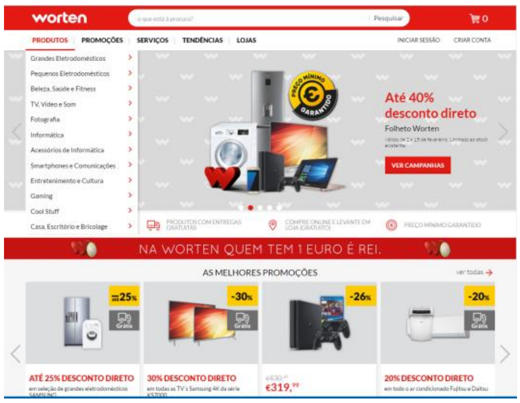
In a market branded by fast moving trends, constant technological changes and fierce competition, Worten is continuously evolving and adapting, creating a unique dynamic and becoming a reference for customers. Based on its omni-channel strategy, Worten is committed to providing customers with diversity, affordability and convenience, by integrating its online shopping functionalities with its network of stores. It is increasingly common for a customer to calmly choose and buy a product at Worten.pt, and then pick up the order at the store closest to them.

"We want to make it very clear that Worten finds everything a customer wants, even if it does not exist in the store. We deal with a more demanding and knowledgeable client, who has access to information about a huge variety of articles. It is therefore natural that their expectation is to have concrete access to all those varieties of products. Even if there is no stock in the stores, Worten guarantees that the article the customer wants will be ordered, with the added value of delivering it wherever they want, whether it is at home, at work or at a Worten store of the client's choice."

Inês Drummond Borges | Worten Marketing Director

Worten – The online experience

Worten's website plays a pivotal role in Worten's omni-channel strategy. Accordingly, Worten took this a step further with the introduction of a new website, more innovative and intuitive, incorporating the most modern e-commerce practices. It is 100% responsive (viewable on a desktop, laptop, tablet or smartphone) with smooth interaction effects, intuitive usability and easy navigation. Its fresh look and new features make it more appealing, ultimately reflecting the innovation and dynamism of the Worten brand itself. More flexible and efficient, the new website also highlights more product categories and introduces new product simulators and comparators to make the buying process easier - either online or through the in-store reservation option.



The website was first introduced in the Spanish market and was launched last November in the Portuguese market with an impressive impact.

Sonae Sierra – Renowned expertise in Shopping Centre management

Sonae Sierra has been developing its portfolio of projects by expanding the services provided to third parties. The company's international footprint and extensive experience in developing and managing shopping centres creates a unique profile that allows Sonae Sierra to enter any shopping centre project at any stage and bring unique strengths and expertise to the table.

Tachefine Shopping Centre, Casablanca.

In 2016, Sonae Sierra signed a contract with Marjaneto to provide leasing services to the Tachefine Shopping Centre (Casablanca). With this new contract, Sonae Sierra currently provides specialised services to nine shopping centres in Morocco. At the same time, it is also continuing with the development of Zenata Shopping Centre.

"Morocco is a strategic market for Sonae Sierra at the international level. The country is a strong market with high potential for development, in which the middle class offers multiple opportunities for companies whose business is based on consumption. Our growth in third party service provision and confidence in our management capacity has enabled us to engage in the first development with our own capital, namely Zenata. Nonetheless, with this new contract Sonae Sierra continues to grow in the field of third party services."

Alberto Bravo | Managing Director of Property Management for Eastern Europe and North Africa at Sonae Sierra

InovRetail – Expanding Sonae IM's portfolio of retail intelligence

Sonae IM has become a reference shareholder in the start-up InovRetail. InovRetail is a company whose core business is the development of advanced analytical tools, focusing on supporting retailers in decision-making and improving their performance. The solutions developed by InovRetail allow retailers to adjust supply and increase sales based on analytical data, while enabling forecasts to be made with high levels of reliability. In addition, they also create new opportunities to improve the in-store customer experience. These solutions are already implemented in reference retailers in the areas of sport, electronics, fashion, food, among others, representing more than 500 stores.

Inovretail
THE RETAIL INTELLIGENCE COMPANY

The entry of Sonae IM will contribute to making InovRetail a technological reference company for retailers at a global level and enables Sonae IM to foster its options for future growth, further developing its portfolio around retail and telco technology.

The next steps will be to accelerate InovRetail growth in the markets where it already operates, as well as to enter new markets by investing in team growth, improving its SaaS (Software as a Service) platform and strengthening research and development. InovRetail's ambitious global expansion plan will be based on a team with extensive experience in information technology related to retail, specialised in data and analysis.

"We believe in the underlying potential of InovRetail in becoming a global player, and we will help to accelerate the company's growth. This investment approach is aligned with Sonae IM's strategy – to invest in teams and companies with great global growth potential, with distinctive technologies for the vertical retail"
Eduardo Piedade | Executive Director of Sonae IM

Drive international expansion

Internationalisation will remain our key growth driver for many years to come. Therefore, this is one of Sonae's strategic priorities and we will deploy resources accordingly. Below is a description of a few examples of this strategic pillar.

Salsa – Sports and Fashion's most recent acquisition

Sports and Fashion has concluded the acquisition of a 50% stake in Salsa at the end of 1H16. Established in 1994, Salsa is a Portuguese jeanswear brand, internationally renowned for its entrepreneurship and ability to develop innovative products. Salsa is a truly global company, with its products available in 32 countries. Salsa's turnover generated outside Portugal is above 50% and the company has had a consistent track record of double digit EBITDA margin.

Salsa is known for its strong operational knowledge in textile innovation and third-party distribution, robust international growth perspectives, solid and consistent operational profitability and an extremely loyal client base. These qualities, coupled with Sonae's international ambition, strong network capabilities and shopping centre international footprint, will lead to additional international expansion, while adding efficiency through synergies and economies of scale.

Sports and Fashion's long-term goals for Salsa are ambitious:

- Accelerate growth both in current and new countries
- Reach 70% of international revenues by 2020
- Maintain strong profitability levels
- Reinforce the brand position beginning with the Iberian market

Salsa has been fully consolidated in Sonae SR's – Sports and Fashion financial statements since the beginning of 2H16.

ParkLake – Sonae Sierra's flagship project

ParkLake is an example of Sonae Sierra's unique knowledge and capacity to operate as a global player.

The €180 M investment from Sonae Sierra and Caelum Development comprises more than 200 shops and creates approximately 2,000 new direct jobs, bringing several new brands and retail concepts to the Romanian market for the first time.

ParkLake was inspired from its inception to be a project that would redefine excellence in sustainability, a clear demonstration of Sonae Sierra's ambitions in the international arena, going beyond the most demanding requirements in terms of quality, safety and sustainability.

With appealing architecture and a design that perfectly matches the neighbouring Titan Park, ParLake offers a comfortable and pleasant shopping experience, complemented with a distinctive mixture of leisure and sports features.

"ParkLake is our first development in Romania and one that sets new standards at an international level. The shopping centre brings together the different concepts of shopping, nature and family and we have developed sport's features,

children's entertainment, events and relaxation areas like no other place in the city. ParkLake is set to become the place in town where you can go shopping and eat, but also relax, enjoy a walk, practise sport and watch live shows; and all of this linked to the amazing Titan Park. We wanted bring a new perspective to shopping and leisure activities in Bucharest and from tomorrow onwards, everyone can enjoy the new ParkLake experience."

Ingo Nissen | Managing Director of Sonae Sierra, responsible for Development in Romania

Zippy – Growing its international footprint

In order to expand its business, Zippy is concentrating on diversifying its business models and is focusing in particular on franchising as a way to become more international. Products of the brand are now available in more than 40 countries and the aim is to continue to grow through franchising agreements, wholesale or store-in-store solutions.

Zippy continued to pursue its international expansion in 2016, ending the year with 72 stores outside Portugal, 54 of which were through franchising agreements. In 2016, Zippy entered Ukraine through a partnership with a fashion department retailer to create nine selling corners in the country. Additionally, Zippy has signed a franchising agreement for Cyprus which includes the possibility of opening five new units over the next five years.

"Zippy has been investing in developing quality products that combine price, style and innovation, which has allowed us to win over partners and customers around the world. Through its own stores, franchising and wholesale business models, Zippy's products are currently available in over 40 countries, contributing to establishing Sonae as a multinational corporation that is able to compete in the most varied markets, from more mature economies to countries with strong economic potential."

Joana Ribeiro da Silva | Executive Director of Sonae SR and Zippy CEO

Losan – "happy fashion" international expansion

Following the acquisition of the multinational brand Losan, a Spanish based company specialised in the wholesale of children's clothing, the Sports and Fashion division was able to expand its international presence.

Losan's network includes more than 40,000 sale points in more than 40 countries, with international sales representing more than 50% of Losan's turnover. Their already strong international presence keeps growing and in 2016, Losan entered new relevant markets, such as the Persian Gulf and China, and opened a subsidiary in Russia.

In 2016, Sports and Fashion opened this brand to the international retail market through the establishment of the first franchising contract, in Bahrain, which includes the opening of one store in 2016, and up to 15 stores in the next 5 years.

"Sonae's acquisition of Losan has helped us to reconfirm our strategic plan, creating new growth perspectives. Entering Bahrain is the beginning of a franchising expansion in the GCC region, a new expansion format that capitalises on our ability to develop children's fashion products at attractive prices and adapted to the daily lives of all children."

Gerd Loewen | CEO of Losan

Continente Wholesale – A strong base to conquer new markets

Sonae MC's unique network of supply partners and the quality of its own brand products are a key determinant in its international wholesale strategy.

Sonae MC wholesale is now present in 20 countries and continues to improve its internationalisation strategy and processes in both food and non-food retail, making sure that it is able to answer the most demanding challenges with the same quality that has made Continente a reference in retail.

Diversify business and investment approach

Sonae ensures high levels of flexibility in pursuing its growth ambitions, by adopting different business models and investment styles. Business models range from organic expansion to wholesale, franchising and rendering services, while the investment approach varies between full ownership and majority stakes to joint ventures and minority stakes. Each model is selected and deployed according to our ability to accelerate specific opportunities and manage risk. Below is a description of a few examples of this strategic pillar.

Sonae MC – Diversification of business models and investment style

Meu Super - Enlarging the influence of the Continente brand through franchising

Meu Super is a solid example of Sonae MC's growth strategy via franchising, which allows the diversification of the food business through the establishment of local food convenience stores located in residential areas. This model already combines 260 local Meu Super stores, in which the franchisees have access to Continente's private label and to the integration of Continente's loyalty card programme. Franchisees do not pay royalties or start-up commission and benefit from Sonae MC's know-how to study the business viability, as well as the store operation.

Hilton Food – A partnership that provides the extra step in food preparation and in the commitment to national production

Sonae MC partnered with Hilton Food Group, a specialist in meat preparation and packing, with the main goal of further upgrading the quality of its products. This partnership will allow the position of Continente to be strengthened further in the development of innovation and sustainable promotion of the agro-food business in Portugal.

Under this agreement, Sonae MC and Hilton Food will work together towards the optimisation and development of the Meat Processing Centre, a unit that is currently responsible for a weekly supply of more than 1,000 tons of meat to Continente stores across Portugal.

This partnership confirms Sonae MC's ambition to increase value creation in the meat department, while reinforcing its commitment to support the sustainable development of national production.

Sonae SR – Diversification of business models and investment style

Losan - Expertise in global supply chain

Losan, currently fully owned by Sonae Sports and Fashion division, is the second largest Spanish operator in children's wholesale fashion, ranking third in markets such as Italy or Portugal.

The company brings a team with in-depth experience of the Spanish market and an operational infrastructure that allows Sonae SR to increase its tools and competences in the wholesale area and supply chain, empowering new business opportunities and strengthening its position in the global fashion market, especially in children's fashion..

Sonae SR - Joint venture for the Canary Islands

Sonae continuously looks for opportunities to strengthen its international presence, focusing on the development of partnerships with players that share its values and have extensive local or industry expertise. The joint venture with Grupo Número 1 for the opening of specialised retail stores in the Canary Islands is an example of such an approach.

The joint venture with Grupo Número 1 is aimed at accelerating the internationalisation of Worten and Sport Zone via the opening of 14 Worten stores and 13 Sport Zone stores.

The necessary investment is aligned with the implementation of a capital light approach towards expansion, with real estate being owned by third parties and with Sonae benefiting from a local network. The entry into the Canary Islands market follows new models that Sonae can to adopt in the expansion to new markets.

Sonae Sierra – Pursuing a capital recycling strategy

In order to finance its investments, Sonae Sierra has been carrying out a "capital recycling" strategy. The company releases equity holdings in mature projects and reinvests them in the development of new projects, maintaining a minority stake, the property management of shopping centres, and in some cases also its fund management.

With the easing of the financial crisis, Sonae Sierra's assets, which are concentrated in southern Europe, are again very attractive to investors, allowing the company to recycle capital and concentrate once again on its main activity, namely the development of new projects.

During 2016, Sonae Sierra sold a percentage stake of the Sierra Portugal Fund to Madison International Realty and established Iberia Coop, a new fund in partnership with CBRE GIP to own and operate shopping centres in the Iberian Peninsula. The venture was launched with the acquisition of three regional shopping centres in Spain (Luz Del Tajo) and Portugal (AlgarveShopping and Estação Viana Shopping), previously owned by the Sierra Fund. Under the arrangement, CBRE GIP has a majority stake in the centres, while Sonae Sierra retains a minority share and assumes the role of local operating partner and asset and property manager.

NOS - Success in managing a JV with clear value creation

Since the merger to create NOS, which occurred in 2013, NOS has been delivering a positive operating and financial performance in a highly competitive market, and meeting its demanding target for market share growth ahead of Sonae's expectations.

This company achieved both a turnover and EBITDA growth of 4.9% and 4.4%, respectively. NOS' performance is driven by innovation and service quality, which allows market share across all business segments to be increased, particularly in the business segment.

During 2016, NOS achieved a key position in the sports segment, by signing major contracts with Sport Lisboa and Benfica and Sporting Clube de Portugal.

Leadership and Governance

Sonae's leadership is the result of a lean structure that empowers each colleague in the organisation to believe that they can help the company to create a living and thriving organisation, based on solid corporate values and determined to create a sustainable future based on a better society.

We want Sonae to grow both in segments and geographically. In a fast-moving business landscape, where barriers to competitors are becoming increasingly lower, where investors are more demanding both in accountability and performance and where market trends change swiftly. Our companies need to be agile and need to excel in different markets, each one with its own idiosyncrasies. We want the best of all the dimensions. We want our business units to be successful and at the same time we want to create value through the combination of a singular portfolio of companies designed to work together and create a strong competitive advantage from the synergies created.

In order to achieve higher levels of business specialisation, we have provided each business unit with dedicated management teams, with unique knowledge about each market. Sonae is an anchor to investors focused on the long-term performance and we want to make sure that investors perceive how unique our skills are in each segment and we want investors to access each unit performance with the same level of scrutiny that we impose. To do so, we need to stay faithful to our values and promote a high level of transparency across the whole organisation.

Our corporate governance structure is designed to protect small investors and to comply strictly with the best corporate governance practices. We have selected members with a strong commitment to sustainability and with a reputable background both as individuals and as professionals.

Sonae's Board of Directors reflects our commitment to higher levels of efficiency while maintaining a high level of independency, with 2 executive directors (and both co-CEOs) and 7 non-executive and independent directors. The structure of Sonae's Board of Directors represents our commitment to small investors, bringing in a multidisciplinary team comprised of independent, world-renowned experts in different areas covering all the critical dimensions of Sonae's strategy. We want to receive advice from the best and we want investors to feel that we promote an open management approach.

1 **Tsega Gebreyes** – Expertise in finance and strategy across different sectors and geographic. Founding Director and Managing Partner of Satya Capital, a London-based, African-focused private equity firm.

2 **Dag Skattum** - Longstanding career in the financial sector, namely in capital markets and M&A advisory with JP Morgan and TPG. Currently Vice-Chairman of JPMorgan Chase EMEA.

3 **Paulo de Azevedo** – Chairman and Co-CEO. Has held senior positions in Sonae Group since 1988.

4 **José Neves Adelino** – Professor of Economics and Finance in leading universities in Europe over the last 40 years. Has held non-executive positions in several listed companies and is currently a Director at Fundação Calouste Gulbenkian.

(from left to right)

5 **Lorraine Trainer** - Career specialised in HR and talent management, particularly in the financial sector. Has spent the last few years mostly in corporate advisory roles with a strong focus on Board-level succession planning services and director development.

6 **Christine Cross** - Longstanding career in retail, particularly in the food segment (14 years of senior positions held at Tesco PLC). Currently providing independent advisory and serving on several non-executive Board positions.

7 **Ângelo Paupério** – Co-CEO. Has held senior positions in Sonae Group since 1989.

8 **Andrew Campbell** – Renowned expert on Corporate-level Strategy. Currently Director of the Ashridge Strategic Management Centre. Previous positions held at the London Business School and McKinsey & Company.

Marcelo Faria de Lima (not in the picture) – Strong expertise in the Brazilian market, particularly in the financial/investment management sector. Currently holds several non-executive roles in leading Brazilian corporations.

The Board of Directors is responsible for ensuring the management of Sonae's business, exercising all management acts pertaining to Sonae's corporate purpose, setting strategic guidelines and appointing and generally supervising the activity of the Executive Committee and of its specialised committees.

Sonae Executive Committee comprises of our two Co-CEOs. A light weight team who collaborate closely together and that is responsible for the implementation of the strategic guidelines, working every day to achieve long-term sustainable success.

The Executive Committee manages our business portfolio assisted by a dedicated and highly-qualified team with specialised knowledge of each business segment, the Group of Senior Executives.

The Group of Senior Executives includes the CEOs of all the business units and plays a pivotal role in managing and developing Sonae's portfolio.

1 **Luís Reis** – Corporate Centre, Sonae FS and Sonae RP CEO.
2 **Miguel Mota Freitas** – Sonae SR, Worten and Sports and Fashion CEO.
3 **Paulo Azevedo** – Sonae Chairman and Co-CEO.
4 **Fernando Guedes de Oliveira** – Sonae Sierra CEO.
5 **Cláudia Azevedo** – Sonae IM CEO.
6 **Miguel Almeida** – NOS CEO.
7 **Ângelo Paupério** – Sonae Co-CEO.
8 **Luís Moutinho** – Sonae MC CEO.

(from left to right)

Corporate Governance

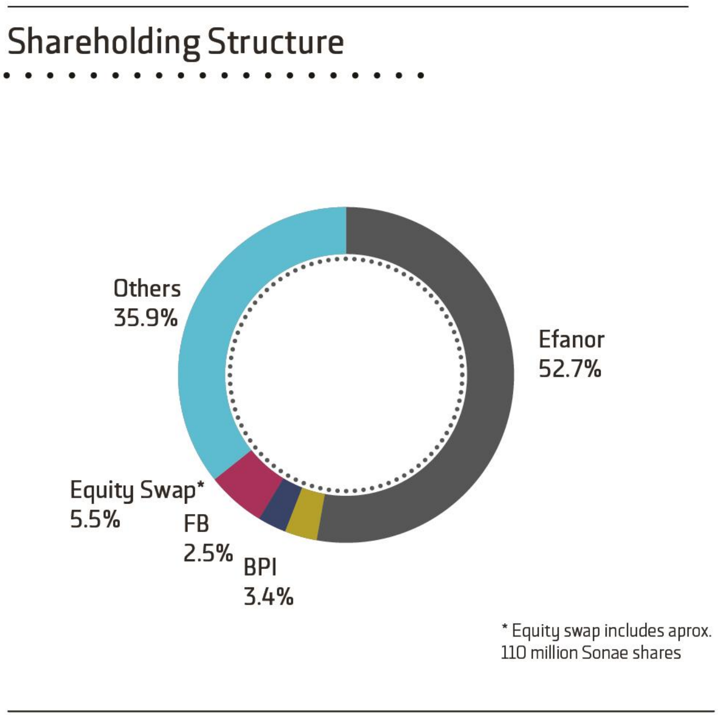
Sonae is aware of its impact on society and we stand by our responsibilities. Our corporate values reflect our vision towards stakeholders and we are committed to the highest standards of corporate governance based on transparency, ethics and responsible behaviour, contributing towards our history of success and, more importantly, to our future.

Sonae is a transparent organisation and we are deeply committed to maintaining good communications with all investors and we devote particular attention to small investors. We advocate the highest levels of information quality and transparency on the market.

Our Investor Relations department is permanently available to discuss any issue with our stakeholders and all relevant information is made available both in Sonae and on the Stock Exchange Commission websites. Our reporting policies go beyond the regulatory requirements and we are committed to reporting all relevant information on a voluntary basis.

For further information on Corporate Governance related issues, please refer to our Corporate Governance Report.

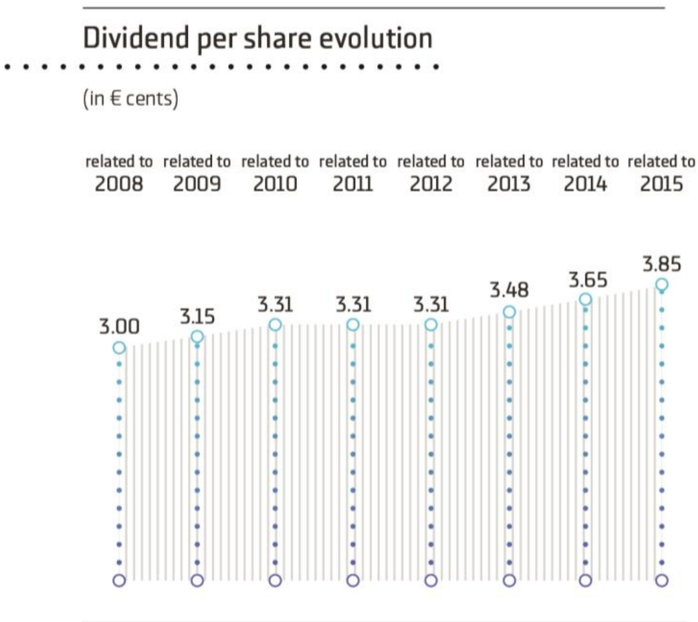
Shareholding structure



Creating value for shareholders

Despite all the turmoil that continues to shape today's socioeconomic landscape, Sonae has delivered another strong performance, anchored on the success of our strategy that allows for sustainable growth.

Dividends are a very relevant component of our shareholders' value creating strategy and coupled with our strong economic performance has been an anchor for long-term sustainable return on investment. Our stable dividend practice reflects a long-term focus on creating value for the shareholders and is based on the simple principle that our dividends will always be the same as last year's and, in recent history, only twice dividends did not increase.



For the year ended December 31st, 2016 the Board of Directors will propose at the Shareholders' General Meeting the distribution of a gross dividend of €0.04 per share, 5% above the dividend distributed in the year before.

This dividend corresponds to a dividend yield of 4.6%, based on the closing price as at December 31st 2016, and to a payout ratio of 54% of the consolidated direct income attributable to equity holders of Sonae.

Share information

Sonae's shares are quoted on the Portuguese stock exchange, NYSE Euronext Lisbon, and are included in several indices, including the PSI 20, with a market cap weighting of 4.4%, as at the end of December 2016.

ISIN code	PTSON0AM0001
BLOOMERG code	SON PL
REUTERS code	SONP.IN
Share capital	2,000,000,000

The table below shows the key indicators of Sonae's share performance throughout the last 3 years:

	2014	2015	2016
Year close	1.024	1.048	0.874
Year high	1.419	1.500	1.083
Year low	0.942	0.975	0.621
Average trading volume per day (nr. of shares)	3,786,300	3,652,518	3,990,139
Average trading volume per day (€)	4,518,003	4,417,704	3,308,696
Market cap. as at 31st Dec (M €)	2,048	2,096	1,748

Share Price Evolution 2016

Sonae's shares ended the year 2016 quoted at €0.874, reflecting a nominal decrease of 16.6% during the year, which compares with a decrease of approximately 11.9% of the reference index of the Portuguese Stock Market – the PSI 20. The share price was particularly affected by the global financial crisis, but also by macro and financial problems in Portugal.

The trading volume decreased slightly as Sonae's average in 2016 was approximately 4 million shares per day.

During 2016, Sonae did not carry out any transaction with its own shares.

During 2016, the main announcements, which may have had a possible impact on Sonae's share price were as follows:

20.01.2016 – 2015 preliminary retail sales

01.02.2016 – Sonae announces its sale and leaseback operation
25.02.2016 – Sonae announces the completion of a bond issue and bond purchase for amortisation
01.03.2016 – Sonae announces its sale and leaseback operation
16.03.2016 – 2015 consolidated results
30.03.2016 – Sonae announces its sale and leaseback operation
12.05.2016 – 2016 first quarter results
12.05.2016 – Preliminarily announcement on the acquisition of Salsa
30.06.2016 – Sonae announces its acquisition of Salsa
18.08.2016 – 2016 first semester results
09.11.2016 – 2016 first nine months results
02.12.2016 – Sonae announces the acquisition of Go Natural
30.12.2016 – Sonae announces its sale and leaseback operation

Analysts Coverage

Sonae has the following analysts covering its share price.

Broker	Recommendation	*Price Target*	Date
Barclays	Hold	€0.90	Mar. 17
Equita	Buy	€1.30	Feb. 17
BPI	Buy	€1.15	Jan. 17
Haitong	Buy – Silver Bullet	€1.08	Jan. 17
Caixa BI	Buy – Top Pick	€1.45	Jan. 17
Fidentiis	Buy	€1.03	Sep. 16
Big	Buy	€1.37	Apr. 16
MainFirst	Outperform	€1.40	Jan. 16

The average price target totals €1.21, representing a discount of 27.8% when compared to Sonae's closing price of December 31st 2016 (€0.874).

In 2016, the Investors Relations team attended the following events.

Date	Location	Event	Organization
Jan. 16	London	Iberian Conference	Haitong
Feb. 16	Paris	Meeting with Convertible Investors	Octo Finances
Mar. 16	London	Roadshow	BPI
Aprl 16	Paris	ESN Conference	ESN
Aprl 16	Madrid	Roadshow	Haitong
May 16	London	JP Morgan Global Consumer and Retail Conference	JP Morgan
May 16	London	Reverse Roadshow (with Analysts)	Sonae
May 16	Milan	Equita European Conference	Equita
Jun. 16	New York	Haitong Conference	Haitong
Jun. 16	Lisbon	Meeting with Portuguese Funds	ESN
Sep. 16	Oporto	BPI Iberian Conference	BPI
Oct. 16	Warsaw	Haitong Retail Conference	Haitong
Oct. 16	Maia	Meeting with investors	Mirabaud
Dec. 16	London	Roadshow	BPI

Sustainable Business

Corporate responsibility is paramount to our overall strategy as we believe that organisations emerge from and are a thriving part of society. Therefore, organisations must demonstrate a steadfast commitment towards corporate responsibility and a better society. Corporate responsibility is an area in which we excel when it comes to defining new benchmarks. We continuously reinforce our dedication towards the solid values of our corporate responsibility policies, ensuring that our strategy and its impact are meticulously executed and remain in line with our long-term objectives. We do not compromise on a sustainable future where transparent, ethical and responsible behaviour are fundamental principles guiding our social and business operations. We communicate regularly with our stakeholders, uniting everyone with a common goal to make a better, more sustainable world.

For further information on our Sustainability related issues, please refer to our Sustainability Report.

Respect for the environment

Respect for the environment is central to our values. Our environmental strategy is designed to reduce our environmental footprint to the absolute minimum while using our prominent position in society to increase the community's awareness and understanding of environmental matters. We strongly advocate actions which support the environment and circulate information enabling our stakeholders to make well-informed, up-to-date choices regarding environmental issues. We ensure that our environmental management policies are executed with high levels of commitment and care.

We look at environmental matters as a challenge to be more efficient, to be innovative and to bring our stakeholders closer together towards a common goal. We answer those challenges with a determined commitment to make a difference. It is our responsibility to guarantee that the environmental legacy to which future generations are entitled is one that warrants being entrusted to the next generation.

ParkLake – Excellence in sustainability

Sonae Sierra, together with Caelum Development, inaugurated the new shopping centre – ParkLake (Romania). Parklake offers its visitors an innovative shopping experience, taking advantage of the natural environment surrounding, the outstanding architecture and the adoption of sustainability as a characteristic intrinsic to its development. 2.8 million visits in just four months of opening is a clear evidence of its success.

Awarded for its Architecture and Design, Parklake has been developed to the highest international standards of quality, safety and sustainability. The concept of sustainability is transversal throughout the project, aiming to continuously reduce its environmental impact, through the efficient use of energy resources. The success of this initiative has been recognised with various international distinctions:

- Awarded the best "Concept & Design Project of the Year" at the SEE Real Estate Awards.
- Named "Developer of the year" by CIJ Awards.
- BREEAM and UNE 170001-2 Certifications.
- Construction work certified according to ISO 14001 and OHSAS 18001 standards, for environmental and health and safety management, respectively.

Sourcing with integrity

It is of the utmost importance at Sonae and for our customers that the origin of our products can be easily identified. Our customers need to know how and from where we source our products, reassuring them that our products are of the highest quality. In this respect, safety too is of great concern within the organisation itself and in terms of our customers. Our suppliers' network is always carefully monitored so as to guarantee superior levels of efficiency and quality. This also allows any problems to be rapidly addressed and best practices to be streamlined. We take painstaking care with our supply network, working in close collaboration with our partners towards enduring success. It is vital that our partners are fully aligned with our approach to business. At Sonae, there are extensive continuous learning programmes and support forums in place, which provide training and guidance so as to ensure adherence to our rigorous corporate responsibility policies. We want to make certain that we source products with integrity and quality, working with our partners to build a sustainable future together.

***Clube de Produtores* Continente – Sharing values**

The *Clube de Produtores* Continente (Continente Producers Club) has signed a protocol with Portugal Fresh for the promotion of national fruits and vegetables. The first action this partnership put in place was the distribution of a piece of fruit and/or vegetable, every weekend, to children visiting the Continente stores.

The involvement of producers has been a key factor in the success of this initiative and reinforces the convergence of the values we share with our producers. We highlight the efforts of our partners Frutalvor, Central do Painho, Campotec, SOMA, VitaCress and Lusofruta, which up until now have contributed about 4.5 tons of fruits and vegetables, namely apples, rocha pears and baby carrots.

Innovation is essential for our sustainable success

Our relentless drive towards innovation has paved our way for success. Our past triumphs always remain a source of pride but we hold even higher expectations for the future. Boundaries do not deter us, we reach beyond them to extend our horizons, shaping the future of innovation and innovative technologies.

At Sonae, we genuinely believe that everyone is able to innovate. The ability to transform innovative initiatives into practical ideas is key to our success and it is an achievement for which we have grown to enjoy a world-wide reputation. As a value driver innovation is effective on two levels. First of all, innovation takes place within our organisation, on an internal basis, increasing levels of efficiency and allowing specialisations to be developed. Additionally, we promote innovative initiatives in relation to the products and services provided to our customers. Creating an ethos which facilitates change is critical, as innovation leads to long-standing success.

Innovation at the core of our business

Sonae SR, in partnership with Porto Design Factory and with Stanford University launched an open innovation initiative aimed at meeting the challenges posed by Berg Cycles and Worten.

City bike

Sustainable mobility, based on new models and transport options, has emerged to respond to the tendencies and concerns of the younger generations. With increasing environmental awareness, Sonae SR - Sports and Fashion has decided to launch an initiative for the design of prototypes for a city bike for Berg Cycles. The challenge was to present more sustainable alternative mobility solutions which would improve travel in large cities and the result was the development of a bicycle that provides greater accessibility and comfort.

Monitoring, managing and controlling appliances

The initiative launched by Worten challenged the students of Porto Design Factory and the University of Moderna and Reggio Emilia to present a creative and innovative solution to improve customer's service experience at Worten. The team has developed the App Wsempre, accessible through any mobile device, which offers the customer the possibility of controlling and monitoring various equipment and their consumption, and also includes an SOS button to contact customer support, among others. Thus assisting them with service and maintenance.

We value our team

Sonae is a living organisation built by people for people. Our motto ‘The success of our team is our success’ is one in which we take great pride, because at Sonae a skilled, passionate and satisfied team is the only way to ensure that the highest quality products and services are available to our customers. Our team strives every day to deliver superior products and services to our customers. The invaluable role of our team spans across the whole organisation and it is a priority for us to promote the best possible conditions for their personal and professional development. We believe we have the best team, from a diversity of backgrounds and with a multitude of skills. Moreover, we operate in a large variety of business segments, all around the world, creating an inspiring and energetic workplace that advances creativity, initiative and innovation. We make it our business to ensure that each colleague and each team enjoy the best opportunities for growth.

***Programa Contacto* – 30 years of new talents**

The Programa Contacto (Contacto Programme) celebrated its 30th birthday. This programme was created with the goal of recruiting final year undergraduate/masters degree students from the best universities to carry out an internship at Sonae and, afterwards, depending on their performance in relation to expectations, to join our team.

In the new edition of the 2016 Contacto Programme, “Gyroscopers” were selected – young talent, with an open mind and global perspective. These are young people with different academic backgrounds, nationalities and exceptional extracurricular achievements, who are able to bring and integrate their experiences into their day-to-day work like one of Sonae’s colleagues.

The young people selected have begun a 9-month paid internship, where they will have the opportunity to build a large networking system and have contact with experienced leaders in challenging contexts. In this way, by promoting knowledge and innovation, the Contacto Programme offers participants a unique opportunity for personal and professional development.

Throughout its lifecycle, the Contacto Programme has always been successful, and we would like to highlight the following milestones:

- Participation of more than 4,500 youngsters from various areas of training, since the beginning of the programme.

- 40 thousand applications since the beginning of the programme.
- 45 internships carried out in Portugal in 2016/2017.

Making a positive difference to our community

As a market leader we are aware that contributing towards making a difference in our community is part of our definition of sustainable growth. We proudly and actively accept the responsibility of making a significant difference to our community and we place great importance on this positive influence. Our priority is to have an effect that is both extensive and enduring. We believe that we can make a stronger positive impact through a multidimensional strategy, which focuses on different social dimensions that together promote a better society and a better world. The scope of our social responsibility extends to six principal areas that we consider vital to foster a sustainable and better society: the environment, culture, education, health and sports, science and innovation and social solidarity.

We coordinate our community campaigns through ActivShare, a platform designed to help us to respond more effectively to those who need our help, by streamlining our alignment and communication efforts. We actively participate in several initiatives to help our community and we are proud of having a team that shares this value.

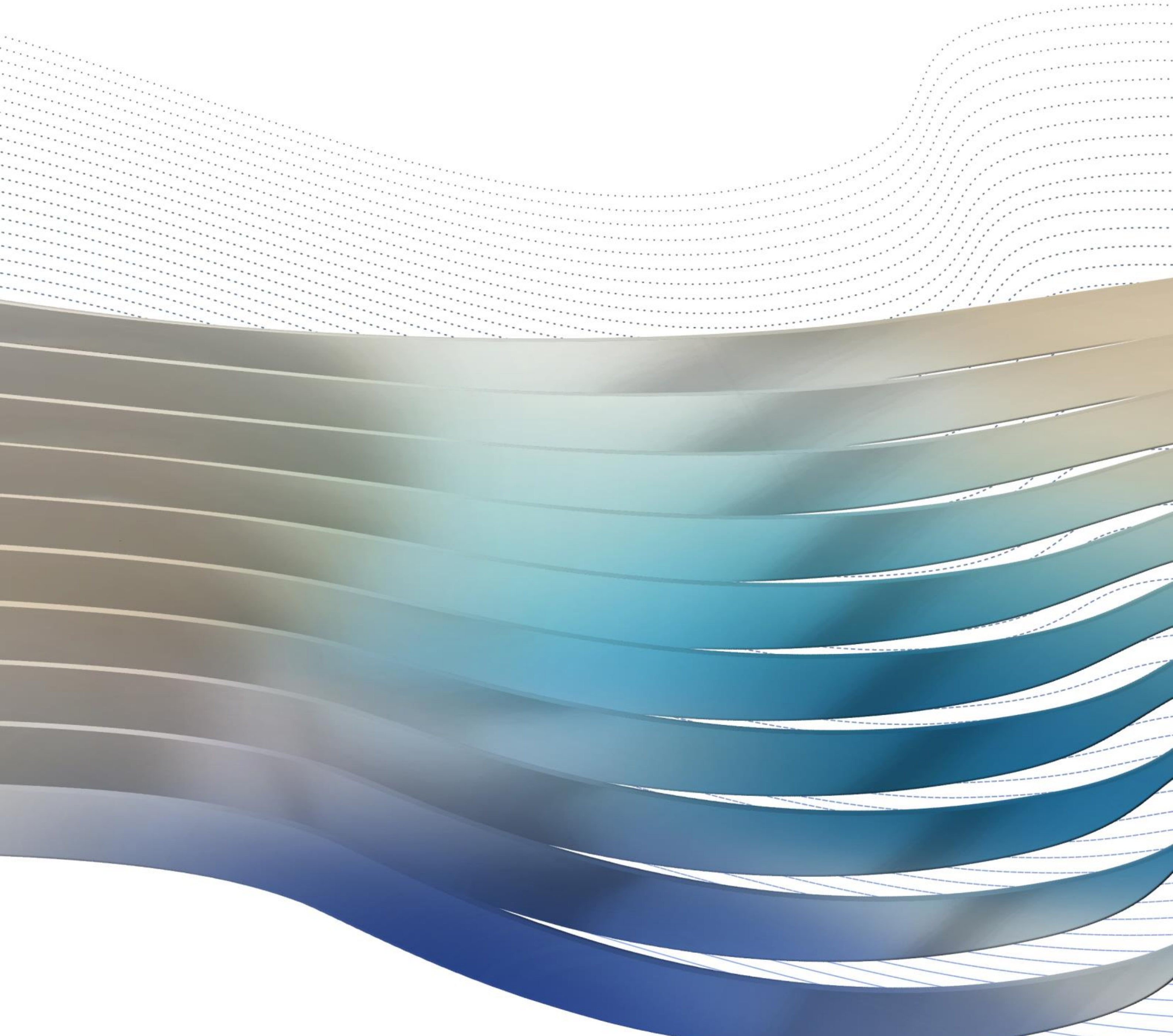
Always supporting our communities

The diversity of business areas, roles and skills that exist throughout Sonae's different businesses, creates a once in a lifetime opportunity for young people to develop their professional and personal interests in a real work context, uniquely diverse at all levels.

The **Sonae Summer Experience project** – **Launch yourself** into the Future, arose precisely from the belief that Sonae could play a very important role in the process of young people's vocational choice and that this process could contribute in an effective way to the development of skills that are important for their professional and personal future.

In order to achieve this goal, the Sonae Academy developed a programme, in partnership with the Faculty of Psychology and Educational Sciences of the University of Porto, a consultant in the design of the programme implemented, and with Católica Porto Business School, responsible for the management and leadership classes and vocational orientation. Furthermore, the programme benefitted on the active participation of more than 40 colleagues with different roles, backgrounds, ages and geographic areas, who shared their knowledge and experience with the participants. This combination, resulted in the first programme in Portugal for vocational development in a real work context: **The Sonae Summer Experience project – Launch yourself into the Future**

During the period of one week, the Sonae Summer Experience project, provided 26 young people the opportunity to be part of the company, by visiting different businesses and participating in shadowing experiences with colleagues with different roles, receiving training in multiple management and leadership areas, responding to business challenges playing sports and, based on this experience, reflecting upon their educational and professional future.



SONAE

PORTFOLIO PERFORMANCE

Portfolio performance

CEO’s message

For Sonae 2016 was a year of significant progress in the implementation of corporate strategy and in the diverse areas of activity, culminating in important results in terms of growth and strengthening of competitive positions in main businesses.

Considering the companies in which we have a controlling position, the turnover reached 7,100 million euros, growing more than 6% y.o.y., and EBITDA surpassed 1,000 million euros, increasing 4.2% when compared to the previous year. Total Capex approximated 900 million euros.

We evolved towards an organisation of more autonomous, agile, and focused business areas, capable of better responding to the speed of change in the markets in which they operate. We paid particular attention to the strengthening of retail businesses, shopping centres and telecommunications, never, however, neglecting investment in avenues of growth that capitalise on the existing asset base and which further the development of competencies aligned with trends and needs of the markets of the future.

In retail, we surpassed 5,000 million euros in turnover for the first time, enjoying positive contributions from all businesses (even excluding acquisitions), and we increased the quality of the portfolio with the inclusion of Salsa and Go Natural, as well as with other participations of smaller dimension, which, however, bring with them high levels of competence in e-commerce, data analytics or energy management. Furthermore, it was also possible to negotiate an agreement with JD Sports for the creation of a strong Iberian sports operator, which will benefit from the dimension and strongly complementary contributions of each of the integrating companies.

At Sonae Sierra, we successfully continued the strategy of reducing capital allocated to mature assets for further investment in new shopping centres and acquisition of minority participations in funds that enhance the provision of services and the growth in the number of shopping centres under management. In this context, we highlight the opening of ParkLake Plaza shopping centre, with an innovative and outstanding concept that has introduced new standards in the Romanian market and received significant international recognition.

At NOS, we maintained our capacity to grow and improve profitability while simultaneously continuing to lead the evolution of telecommunications in Portugal, promoting valuable solutions for our customers and the entire value chain in this sector of crucial importance for the competitiveness of any country.

In the Investment Management division, we acquired relevant positions in three important investment funds with participations in some of the most promising Portuguese companies in the technology sector, such as Outsystems or Feedzai, while at the same time we further created an organisation capable of managing companies in diverse phases of their business life-cycle and in which the participation in global market consolidation movements presents a solid promise of value generation.

All this was achieved in a year in which we continued to reinforce our capital structure, as net debt was again reduced, along with the reduction of its cost and increased maturity.

We are thus fully aware that we enter 2017 as a better, stronger company, enjoying an improved portfolio and increasingly comfortable with our strategy. However, we know that our greatest confidence lies in the quality and dedication of our people who, every day, assuming with ease the values of Sonae, dedicate themselves to the accomplishment of the mission which inspires us.

Ângelo Paupério, Sonae Co-CEO

Consolidated financial performance

Macroeconomic context

2016 in review

The global economic recovery slowed down in 2016. World output expanded by 3.0%[1], the slowest pace since the recession in 2009, hampered by weak activity in emerging markets, while in advanced economies growth remained surprisingly robust. Nevertheless, despite disappointing growth, economic conditions have gradually stabilised, and the World will enter 2017 with strong fundamentals and thus better growth prospects.

2016 was particularly marked by rising geopolitical turmoil, with events such as the Brexit, the US presidential election, the attempted *coup d'état* in Turkey, the impeachment of the Brazilian President Dilma Rousseff and the "No" vote in Italy, among others, fuelling uncertainty and volatility in markets, and ultimately having a negative effect on growth.

GDP around the globe

United States: +1.6% China: +6.7% Eurozone: +1.7%	Portugal: +1.4% Spain: 3.2%

In the **United States**, activity started to decelerate in mid-2015, but regained pace in the second half of 2016. Growth was primarily fuelled by strong household spending, driven by a solid labour market which has nearly reached full employment levels. Conversely, investment remained subdued, particularly in the energy sector dragged by low energy prices, while uncertainty related with the presidential election and the Brexit may have led to investment delays. Overall, the US economy fell behind expectations in 2016, with an increase in GDP of only +1.6%, circa 1.p.p. below the 2015 pace of growth.

The evolution in **Emerging Markets** was much more diverse. In Asia, China's economic growth remained resilient (+6.7%), supported by economic policies, and India continued to perform well (+6.6%) albeit with somewhat less strength. Conversely, other emerging countries like Brazil, Argentina, Russia and Turkey still faced recessions.

In the **Eurozone,** fundamentals remained globally supportive, namely low oil prices, ECB's accommodative monetary policy stance, limited euro appreciation and a slightly more expansionary fiscal policy associated with expenses with refugees. These factors continued to support private consumption which remains the main driver of economic growth. Nevertheless, the economy was penalised by geopolitical tensions and political uncertainty, as well as incipient growth in emerging markets and weak global trade. Moreover, in some economies, the recovery is still being dragged down by the effects of past crises. All in all, GDP expanded by +1.7%, growing at a higher rate than the US for the first time since 2008.

Portugal's economic growth fell behind expectations, dragged by the still incipient recovery of exports, penalised by falling sales to Angola, domestic uncertainties and, above all, by the weakness of both private and public investment, while private consumption remained strong. Nevertheless, a second semester that was better than expected gave a slightly positive contribution to the annual growth and added a positive tilt to growth in 2017. GDP[2] expanded by +1.4% in 2016, decelerating from 1.6% in 2015.

Private consumption in nominal terms (+3.4%)[3] grew faster than disposable income, following the same path since the start of the recovery in 2014. The exceptional performance of consumption was particularly supported by an unprecedented low savings rate (4%)[3], associated with a post-crisis boost to confidence and to the wealth effect. Against a background of growth in disposable income, the reversion of austerity, falling unemployment rate and house price recovery, consumer confidence ended 2016 at its highest level since April 2000.

Strong private spending in recent years was associated with demand for durable goods, which suffered the most during the crisis, supported by consumer credit. In 2016, households continued to favour durable goods, and in particular vehicles (+16.1%)[4], albeit to a lesser extent, as consumption approached pre-crisis levels. In turn, spending in other categories gained strength, reflected in tourism behaviour (+9.6%)[5] and in retail sales growth (+2.7%)[6], particularly in food and beverages (+4.1%), but also in the recovery of non-food categories (+0.9%), namely clothing (+4.8%).

In **Spain**, the economy proved to be more resilient than expected, with GDP expanding by 3.2%[7], the same rate as in 2015, and the strongest among the major European economies. This is particularly striking given the context of global uncertainty and the ten months of domestic political deadlock.

Economic recovery was boosted by external and internal tailwinds. The former still include low oil prices and the continued positive impact of ECB's monetary policy. Internally, dynamic job creation, supportive credit conditions, expansionary fiscal policy and the extraordinary performance of tourism continued to drive domestic demand.

During 2016, private consumption remained the main driver of economic recovery, growing by +3.2%[8] in real terms. The dynamism of private spending reflected increasing household purchasing power and consumer confidence, supported by a sustained labour market improvement and growing real estate wealth within the context of favourable financial conditions. Families continued to favour discretionary consumption, particularly vehicles (+12.4%)[9] and tourism and restaurants (+6.8%)[10], categories that suffered the most during the crisis. Retail sales[11] performed relatively well during the year (+2.1%), particularly the non-food sector (+3.4%), while the pace of growth in the food market was more moderate (+2.2%).

Perspectives

In 2017, the path for the **global economy** will be dependent on how three hard transitions progress in a context of great political uncertainty: i) transition from monetary to fiscal policy; ii) transition from globalisation to de-globalisation; iii) China's economic and currency regime transition.

The inauguration of Donald Trump as the President of the US, the forthcoming elections in several European countries and the National Congress of the Chinese Communist Party, all taking place in 2017, will contribute to a highly uncertain global economic and political context.

However, if these three transitions progress in an orderly fashion, global growth is expected to improve moderately, underpinned by a continued recovery in developed economies and by stronger activity in most of the emerging world.

Outlook

A positive outlook for the advanced economies The Portuguese economy will accelerate moderately	Emerging markets will grow faster Spain will continue to recover
The outlook for **advanced economies** is somewhat more favourable, reflecting the strengthening of activity in the second half of 2016, reinforced by still supportive monetary policies in some economies and a renewed fiscal boost in others, particularly in the US.	The picture for **emerging markets** is also more positive, with some of the large economies that have been under pressure stabilising, while for commodity-exporting countries the outlook is improving as the price of these resources recovers.
The **Portuguese economy** is expected to accelerate slightly (+1.6%)[12], continuing the moderate recovery path that has characterised recent years. This healthier outlook is mainly associated with an improving external sector and most of all with the recovery of investment. Nevertheless, the outlook continues to face significant risks, mainly associated with the fragilities of the financial sector and high debt stocks. As demand for durable goods is set to decelerate, private spending is expected to moderate towards a more sustainable pace in 2017, growing in line with real disposable income, as savings rates remain at low levels.	In **Spain,** economic recovery is set to continue in 2017 (+2.5%) [13] , underpinned by sustained monetary stimulus and by a dynamic exporting sector and the continued recovery of the real estate sector. However, economic growth is expected to decelerate, driven by uncertainty, rising oil prices limiting households' purchasing power gains, limited room to further reduce the cost of credit and a fiscal policy that may become restrictive in order to control public deficit. Household consumption is forecast to grow at a more moderate pace in line with the gradual slowdown in job creation, while this gentle slowdown will be more evident in durable goods, which are already close to the pre-crisis levels.

In short, the **Iberian** economies seem to be heading towards more sustainable growth, nevertheless divergence persists, with stronger albeit decelerating activity in Spain, but only a modest improvement, expected in Portugal. **Main risks** to the outlook are coming from the external front and are globally skewed to the downside, mainly related with rising political uncertainty and the unpredictable global spill overs from changes in the US economic policy stance.

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1 Data for main economic blocks: European Economic forecast, Winter 2017, February 2017, GDP growth in real terms;
2 INE, Gross Domestic Product at market prices (chain linked volume detail annual), March 2017;
3 INE, quarterly economic accounts for households and non-profit institutions serving households, four quarters cumulated sum, last data available 3Q16;
4 Passenger car sales;
5 INE, Nights spent in hotel establishments;
6 INE Retail sales index, excluding car sales and fuels;
7 INE, Quarterly National Spanish accounts, March 2017;
8 Idem;
9 Ministry of Industry and competitiveness;
10 INE, Turnover index in Tourism and restaurants;
11 INE, Retail sales index;

12 European Economic Forecast, Winter 2017, February 2017, GDP growth in real terms;
13 Idem.

Competitive advantages of such a diversified portfolio

Our portfolio is continuously and carefully designed to work together, promoting the individual success of each business unit while creating synergies across the whole portfolio. Each company has to have the capacity to individually create value for shareholders but together they write a history of success.

Sonae's portfolio is increasingly diversified, offering a set of distinctive competitive advantages.

Leading market position in the food retail market, with benchmark profitability

Sonae MC the market leader in Portuguese food retail, with the largest and increasing market share in terms of turnover (€3,687 M in 2016, growing 5.6% above 2015). Despite the 50bps decrease in comparison to 2015, Sonae MC's EBITDA margin at 5.7% still defines the industry benchmark.

As market leader, Sonae MC is capable of not only anticipating market trends, positioning itself in a privileged position to enter new segments with growth potential, but also to accelerate new project developments by using its market presence as leverage. Furthermore, Sonae MC continues to look for higher levels of efficiency through process innovation and lean management.

In addition, Sonae MC e-commerce operation has had double digit growth and is the market leader in a market, which although small, has considerable growth potential. Additionally, Sonae MC's private label products have a relevant market acceptance and represent 30% of sales.

Finally, the Continente loyalty card is a case study that represents more than 90% of Continente sales and is a part of every Portuguese family.

Sonae MC – A solid partnership with Portugal

Sonae MC, opened its first Continente hypermarket in Portugal more than 30 years ago, starting a profound revolution in Portuguese society, in particular in consumer habits. Today, Continente still drives the market and has a privileged position that allows Sonae MC to position itself in new growth markets ahead of its competitors. The success of Well's is a demonstration of Sonae MC's ability to leverage and strengthen new projects and we expect the same from our most recent partnership in the Health & Wellness sector via the acquisition of Go Natural.

Sonae MC fosters a network of 41 Continente hypermarkets, 130 Continente Modelo supermarkets, 77 Continente Bom Dia convenience stores, 260 Meu Super franchises and 198 Well's parapharmacies.

For the last 14 years, Continente has been selected by consumers as one of the most trusted brands, with a network designed to be where our customers need us.

The telco operator with the highest turnover growth in the market, and continuously improved profitability

NOS is a clear demonstration of the success of our diversification in investment styles and its capacity to design strategic partnerships aimed at success.

NOS' strong operational trends are generating market share gains and improvements in the company's financial performance. NOS is the most active and the fastest growing player in the market, continuously delivering an outstanding and solid performance at all levels.

NOS – The market recognises our excellence

Following the merger between Optimus and Zon, and the subsequent creation of NOS, and since September 9th 2013, the day when new shares issued were listed, to December 31st 2016, the company's market capitalisation has increased 32%, corresponding to a share price increase from €4.27 to €5.64.

Shopping centres with proven renowned international quality and Sierra pursuing its recycling capital strategy

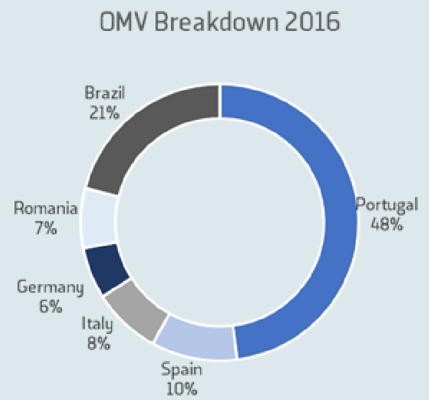
Sonae Sierra is a joint venture with Grosvenor. The company operates from corporate offices in 13 countries and owns 45 shopping centres, totalling a Net Asset Value of €1,418 M.

Sonae Sierra has positioned itself as a major player in the international arena, with exceptional experience in both project development and shopping centre management that has been proven internationally and clearly distinguishes itself from its competitors, which often focus on only one of these dimensions.

The quality of Sonae Sierra's past projects is a major determinant in the success of its recycling capital strategy. Sonae Sierra has been recycling capital from mature, non-controlled assets to other projects with development potential, which on the one hand demonstrates there is a market for its projects even when they mature, a signal of intrinsic project quality, and on the other hand allows Sonae Sierra to be a front runner embracing new dynamic projects.

- **Released capital during 2016**

- Sale of 41% of Loop5
- Sale of 25% of Sierra Portugal Fund
- Reduction in the ownership share of Algarveshopping and Estação de Viana (Portugal) e Luz del Tajo (Spain), all have a partnership with CBRE Global Investment Partners



- **5 shopping centre developments in the pipeline**

Zenata (Morocco), McArthurGlen Designer Outlet Málaga (Spain), Cucuta (Colombia), Norte Shopping expansion (Portugal), Nuremberga (Germany)

The Iberian omni-channel electronics player

Worten is included in the top 3 Iberian players in electronics. With a portfolio of 234 physical stores in Iberia, Worten has been developing a truly omni-channel strategy. Throughout its history, Worten has been demonstrating a unique capacity to adapt and drive consumer habits in an incredibly fast-moving market driven by constant technological changes. In Portugal, Worten is the market leader with a growing market share and with a benchmark and profitable performance. The omni-channel strategy with the in-store pickup and store reservation options already represents 30% of all online sales.

- Turnover growth of 2.1% in the Iberian market
- Turnover of €910 M gradually approaching €1 billion
- EBITDA margin of 2.9% in 2016
- Portuguese electronics market leader with a growing market share (+20bps in December 2016)
- More than 50% increase in December's online sales after the launching of Worten's new website in Portugal

Focus on building competencies to reach increased profitability levels in Sports and Fashion

Sports and Fashion is focused on building competencies to reach increased profitability levels in the Sports and Fashion businesses while expanding its international footprint. The combination of its network of 363 own stores with an expanding franchise network, and the recent acquisition of Salsa and Losan, is driving a fast growth both in Portugal and abroad.

Sports and Fashion turnover has already surpassed €500 M and EBITDA margin has been growing.

The MoU that was announced with JD Group and JD Sprinter already in 2017 is a major step for the creation of a Group that will become the second largest Iberian Sports Retailer, generating further scale and resources to continue JD's, Sport Zone's and Sprinters' current growth momentum and reaching attractive profitability levels, thus adding significant value to Sports and Fashion portfolio.

***Sports and Fashion* – A unique original portfolio**

A growing portfolio

Sale and leaseback transactions at Sonae RP generating capital gain above €150 M

Sonae RP is focused on optimising the management of the retail real estate portfolio, in line with Sonae's main strategic guidelines, in support of the growth of its retail businesses.

During the last 6 years Sonae RP pursued an asset monetisation strategy, aimed at meeting freehold targets and deleveraging Sonae. After selling and leasing back a group of properties, Sonae RP released more than €580 M in cash proceeds and had a capital gain above €150 M.

- Net Asset Value of €931 M
- Gross Book Value of €1,260 M
- 50% Freehold in Sonae MC
- 21% Freehold in Sonae SR

Financial Services

Sonae FS was created with the objective of fostering financial services. It currently includes the pre-paid card programme (card *Dá*), the cross-selling over store credit, Continente Money Transfer and the recently launched *Universo* card. MDS, the group's insurance player will soon be integrated into Sonae FS.

As Sonae's portfolio grows, the company believes in the potential for synergies to increase for its loyal customers, a cornerstone of the company's success.

The *Universo* card is the result of a natural evolution of the Continente card and we believe it has the potential to become a key player in consumer payments. So far the launch of the new card has been a success and shows the benefits of our experience and of an integrated approach across a rich portfolio.

Universo Card

Innovative payment and loyalty card

More than 400 thousand subscribers in approximately 1 year after launching

Discount platform for Portuguese families, including Sonae stores, as well as the growing network of partners within the Continente loyalty programme

Card Dá

A pre-paid card accepted in more than 1,000 stores both in Portugal and Spain

Cross-selling over store credit

Cross-selling of credit insurance and personal loans to store credit customers

Continente *Money Transfer*

A service for money transfers across the globe at our stores, at the customer's convenience

Financial statements analysis

Sonae performance and capital structure

Sonae Consolidated results

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	**5,014**	**5,376**	**7.2%**	**1,375**	**1,494**	**8.6%**
Sonae MC	3,490	3,687	5.6%	941	1,002	6.6%
Sonae SR [1]	1,294	1,438	11.1%	377	430	13.9%
Sonae RP	121	92	-24.2%	29	23	-21.8%
Sonae IM [2]	249	258	3.7%	62	68	10.4%
E&A [3]	-140	-98	-	-34	-29	-
Underlying EBITDA	**331**	**320**	**-3.3%**	**105**	**109**	**4.2%**
Sonae MC	215	210	-2.1%	63	63	1.1%
Sonae SR	5	35	-	14	27	89.1%
Sonae RP	109	80	-26.2%	26	20	-22.8%
Sonae IM [2]	16	13	-21.4%	7	4	-47.0%
E&A [3]	-15	-18	-	-5	-5	-
Underlying EBITDA margin	6.6%	5.9%	-0.6 p.p.	7.6%	7.3%	-0.3 p.p.
Equity method results [4]	48	44	-9.2%	10	8	-19.5%
o.w. S. Sierra (direct results)	31	28	-6.8%	9	8	-10.9%
o.w. NOS	18	17	-5.0%	2	1	-16.7%
Non-recurrent items	14	53	-	-14	-3	81.1%
EBITDA	**393**	**416**	**5.9%**	**101**	**115**	**14.0%**
EBITDA margin	7.8%	7.7%	-0.1 p.p.	7.3%	7.7%	0.4 p.p.
D&A [5]	-187	-203	-8.6%	-52	-57	-9.3%
EBIT	**206**	**213**	**3.5%**	**49**	**58**	**19.0%**
Net financial activity	-57	-46	19.0%	-5	-9	-68.3%
EBT	**149**	**167**	**12.1%**	**44**	**49**	**13.1%**
Taxes	-21	-19	10.9%	-17	-21	-21.8%
Direct results [6]	**128**	**148**	**15.9%**	**26**	**28**	**7.3%**
Indirect results	**49**	**74**	**-**	**5**	**52**	**-**
Net income	**177**	**222**	**25.6%**	**31**	**81**	**159.3%**
Non-controlling interests	-1	-7	-	2	-4	-
Net income group share	**175**	**215**	**22.7%**	**33**	**77**	**134.2%**

(1) The SR and Sports and Fashion turnover values were readjusted when compared to the information reported in Sonae's Trading Statement for 2016. The turnover of each Sports and Fashion company was correct but there was an accounting change introduced in this Earnings Announcement, in eliminations & adjustments;
(2) Includes Technology and Partnerships contribution;
(3) Eliminations & adjustments;
(4) Equity method results: includes direct income related to investments consolidated by the equity method (mainly Sonae Sierra and NOS);
(5) Depreciations & amortisations including provisions & impairments;
(6) Direct results before non-controlling interests.

Sonae consolidated turnover stood at €5,376 M in 2016, increasing 7.2% when compared to 2015, benefiting from the positive performance of all businesses apart from RP, which was impacted by the lower freehold level.

Sonae EBITDA increased by €23 M in 2016, to €416 M, mostly driven by:

(i) a €30 M increase in SR's underlying EBITDA: amounting to approximately €8 M at Worten and €21 M at Sports and Fashion (driven mostly by the consolidation of Losan and Salsa, but also including the positive contribution of the original portfolio);

(ii) the impact of MC's price investment and expansion of its store network, which has resulted in a €5 M reduction in underlying EBITDA; and,

(iii) the positive contribution of non-recurrent items.

Sonae net financial activity improved by €11 M, registering a negative €46 M in 2016, driven by the combination of the lower average net debt and by the lower cost of outstanding debt. Sonae average interest rate of outstanding debt continued to decrease and reached 1.3% on December 31st 2016. It should be noted that Sonae financial results exclude Sonae Sierra and NOS businesses.

Sonae direct results amounted to €148 M, increasing 15.9% when compared to 2015. This was driven by the higher EBITDA, the less negative net financial activity and lower taxes, notwithstanding the higher D&A.

Sonae indirect results reached €74 M, backed by the contribution of Sierra (both the positive effect of the valuation of Sierra's assets in 2016 and the value created with the opening of ParkLake in Romania, in 3Q16) and by a group of movements related to transactions regarding financial assets.

Sonae net income group share stood at €215 M, increasing 22.7% when compared to the previous year, benefiting both from direct and indirect results performance.

Sonae net invested capital

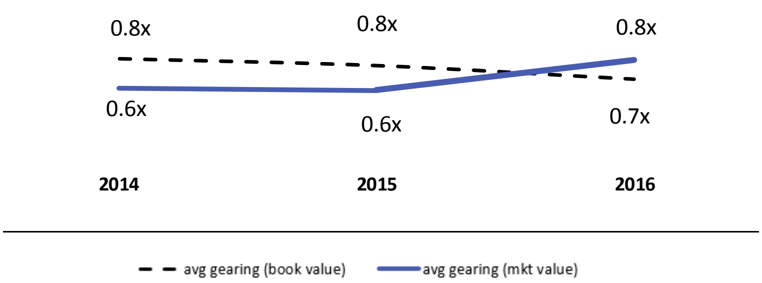
Million euros	2015	2016	y.o.y.
Net invested capital	**3,088**	**3,279**	**6.2%**
Technical investment	1,944	1,995	2.6%
Financial investment	1,313	1,372	4.5%
Goodwill	606	654	8.0%
Working capital	-775	-741	4.4%
Sonae shareholders funds	**1,795**	**2,064**	**15.0%**
Sonae net debt (1)	**1,293**	**1,215**	**-6.0%**
Net debt / Invested capital	41.9%	37.0%	-4.8 p.p.

(1) Financial net debt + net shareholder loans.

Sonae shareholders' funds stood at €2,064 M in 2016, €270 M above 2015.

Sonae net debt reached €1,215 M, decreasing 6.0% in comparison to 2015.

Gearing



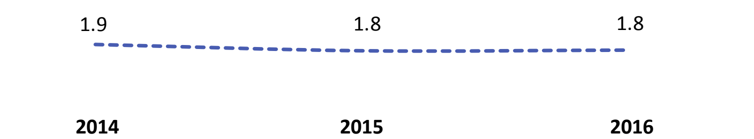
Average gearing at book value reached 0.7x, decreasing 0.1x in comparison with 2015. **Average gearing at market value** stood at 0.8x, increasing y.o.y. driven mostly by Sonae's market price evolution.

Million euros	2015	2016	y.o.y.
Net financial debt	**1,290**	**1,215**	**-5.8%**
MC, SR and RP	646	683	5.8%
IM	15	9	-37.1%
Holding & other	629	522	-17.0%
Sonae net debt	**1,293**	**1,215**	**-6.0%**

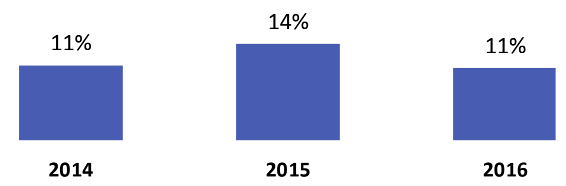
Sonae continues to focus on presenting a robust capital structure, optimising funding costs whilst maintaining sufficient back up liquidity and an improved maturity profile.

Sonae carried out during 2016 an **ambitious programme to further strengthen its capital structure** by launching a formal tender with local and international banks for the refinancing of its facilities, having refinanced more than **€1,125 M**, €775 M of which is in long-term facilities and around €350 M in short-term facilities, allowing the average maturity profile to increase, remaining above 4 years. Thus, Sonae continued to fulfil its practice of being fully financed for the coming 18 months and at the same time improving its general funding conditions.

Capital Structure - MC, SR and RP
Net debt to EBITDA



Capital Structure
Loan-to-value (%) - Holding



Net financial debt of **MC, SR and RP** reached €683 M in 2016, €37 M above 2015, driven mostly by the cash-out related to the acquisition of 50% of Salsa, coupled with the consolidation of Salsa's debt. The **net debt to EBITDA** at MC, SR and RP stood at 1.8x, maintaining the level registered in 2015.

Holding net debt totalled €522 M, decreasing 17.0% y.o.y. and benefiting from the sale of the direct participation at NOS, which took place in June 2016. **Loan-to-value** ratio of the Holding stood at 11%, benefiting from the lower Holding net debt.

Sonae Capex

Million euros	2015	2016	% of Turnover
Capex	**300**	**437**	**8.1%**
Sonae MC	114	167	4.5%
Sonae SR	111	152	10.6%
Sonae RP	60	62	67.8%
Sonae IM	11	51	19.9%

Sonae Capex increased from €300 M to €437 M, mostly due to MC, SR and IM:

- **MC Capex** increased by €53 M to €167 M, driven by the acceleration of the expansion of its store network, which includes the opening of 25 Continente Bom Dia stores, 1 Continente hypermarket and 25 Well's stores;

- **SR Capex** reached €152 M in 2016, increasing by €41 M, more than explained by the Capex related to the acquisition of Salsa, which took place on June 30th 2016;

- **RP Capex** totalled €62 M in 2016, remaining flat when compared to 2015. RP Capex is mostly driven by MC's expansion of its store network and future developments;

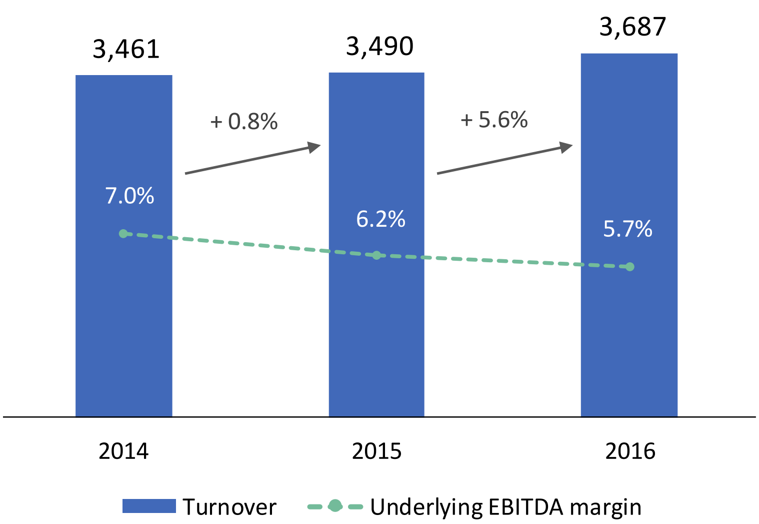
- **IM Capex** reached €51 M in 2016, increasing €40 M y.o.y., mostly due to the acquisitions in the technology area: InovRetail and Armilar Venture Partners.

Sonae MC results

Turnover and underlying EBITDA

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	3,490	3,687	5.6%	941	1,002	6.6%
LfL sales (%)	-1.7%	1.9%	-	-0.2%	2.1%	-
Underlying EBITDA	215	210	-2.1%	63	63	1.1%
Underlying EBITDA margin	6.2%	5.7%	-0.5 p.p.	6.7%	6.3%	-0.3 p.p.

Turnover and Underlying EBITDA evolution



MC turnover reached €3,687 M in 2016, growing 5.6% when compared to the previous year. This performance was backed by **LfL sales growth** of 1.9%, and by the expansion of the store network, in which we would like to highlight the opening of 1 Continente hypermarket, 25 Continente Bom Dia and 77 Meu Super stores. The expansion of these last two formats contributed to increasing the number of convenience stores at MC.

On a quarterly basis, **turnover** for the 4Q16 stood for the very first time above €1,000 M, reaching €1,002 M and growing 6.6% versus 4Q15. Thus, MC continued to increase market share, which has occurred consistently over the course of the year.

The Portuguese competitive environment continues to be very strong, and has been this way for many years, naturally having an impact on profitability. Despite the continuous investment in price competitiveness, **MC's underlying EBITDA margin** reached 5.7% in 2016, 50bps below 2015, and stood at 6.3% in 4Q16, 34bps below 4Q15. Also in 4Q16, it should be noted that MC's **underlying EBITDA** performance was flat versus 4Q15 and reached €63 M.

The improvement of the value proposition was one of **MC**'s major objectives for 2016. The company remained focused on closely monitoring a series of leading indicators which include price perception, price competitiveness and customer satisfaction. At the same time, with the objective of establishing Continente as a specialist in perishables, the brand worked towards improving and communicating its offer.

Also in 2016, MC took a few steps to expand its position in the Health and Wellness segment. **Sonae MC** had already developed a value proposition, both through Area Viva, an area specialised in organic and healthy food at Continente stores, and also through the Well's parapharmacies. The agreement for the acquisition of Go Natural and the opening of the first supermarket entirely dedicated to organic food, which took place in 4Q16, were aimed at consolidating **MC**'s presence in a segment with relevant growth potential.

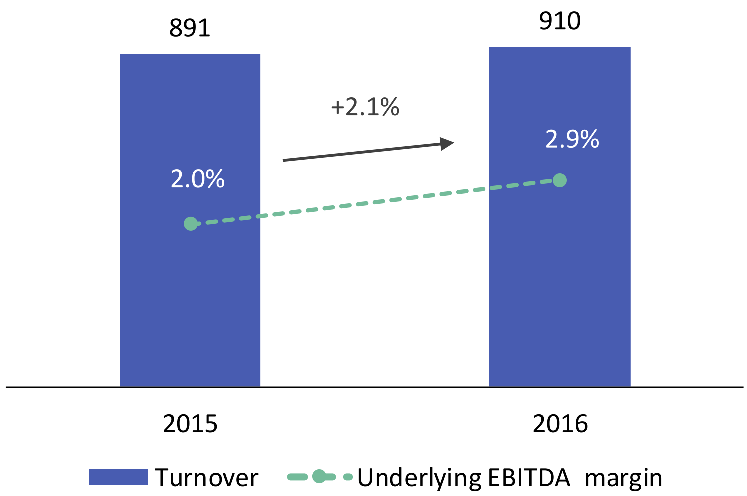
Sonae SR results

Performance per business

Million euros	2015	2016	y.o.y	4Q15	4Q16	y.o.y.
Turnover [1]	**1,294**	**1,438**	**11.1%**	**377**	**430**	**13.9%**
Worten	891	910	2.1%	266	276	4.0%
Sports and Fashion [1]	403	527	30.9%	112	154	37.6%
LFL (%)	**-1.1%**	**2.5%**	**-**	**-0.1%**	**3.8%**	**-**
Worten	0.0%	3.3%	-	1.5%	4.0%	-
Sports and Fashion	-2.9%	1.0%	-	-3.2%	3.3%	-
Underlying EBITDA	**5**	**35**	**-**	**14**	**27**	**89.1%**
Worten	18	26	43.8%	16	17	9.5%
Sports and Fashion	-13	8	-	-2	10	-
Underlying EBITDA margin (%)	**0.4%**	**2.4%**	**2.0 p.p.**	**3.8%**	**6.3%**	**2.5 p.p.**
Worten	2.0%	2.9%	0.8 p.p.	6.0%	6.3%	0.3 p.p.
Sports and Fashion	-3.2%	1.6%	4.8 p.p.	-1.4%	6.3%	7.7 p.p.

(1) The SR and Sports and Fashion turnover values were readjusted when compared to the information reported in Sonae's Trading Statement for 2016. The turnover of each Sports and Fashion company was correct but there was an accounting change introduced in this Earnings Announcement, in eliminations & adjustments.

Worten Turnover and Underlying EBITDA evolution



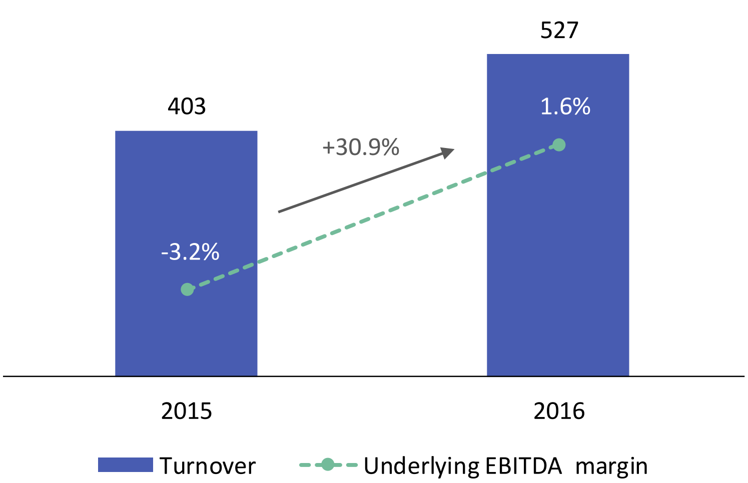
Worten continued to implement its omni-channel strategy in Iberia. This involves creating a totally integrated operation, supported by a network of physical stores and two recently renewed e-commerce platforms (firstly in Spain, then in Portugal). We would like to highlight the extremely positive performance of the Portuguese platform, launched in November 2016, with a significant increase in e-commerce sales.

Worten turnover stood at €910 M, growing by 2.1% when compared to 2015 and reflecting a market share growth of 20bps[1] in Portugal.

Worten remained highly focused on increasing profitability in Iberia and was able to increase **underlying EBITDA** by €8 M in 2016, to €26 M (2.9% of turnover). On a quarterly basis, underlying EBITDA increased by 9.5% and reached €17 M, despite the company's focus on improving its operation through providing a better service, as well as the promotion driven market in Portugal.

[1] According to GFK as of December 2016, last available information.

Sports and Fashion Turnover and Underlying EBITDA evolution



The **Sports and Fashion** division comprises an original portfolio that includes Sport Zone, MO and Zippy, as well as two businesses acquired in 4Q15 and 2Q16, respectively: Losan and Salsa.

The **Sports and Fashion turnover** increased 30.9% in 2016, to €527 M. This growth resulted largely from Losan and Salsa's contributions, and also from the performance of the original portfolio. Sport Zone maintained its positive sales per m2 performance, despite the increased number of stores. Zippy posted a strong LfL sales performance of 10% in Portugal and 6% in Spain. MO was able to show positive signs, especially in 4Q16. On a quarterly basis, **Sports and Fashion turnover** grew by 37.6%, to €154 M.

The **Sports and Fashion underlying EBITDA** totalled €8 M, registering an improvement of €21 M y.o.y.. This benefited both from the consolidation of Salsa and Losan's results, and from the positive contribution of the original portfolio, in which all businesses increased profitability.

The MoU that was recently announced with JD Group and JD Sprinter is a major step for the creation of a Group that will become the second largest Iberian Sports Retailer, generating further scale and resources to continue JD's, Sport Zone's and Sprinters' current growth momentum and reaching attractive profitability levels, thus adding significant value to Sports and Fashion portfolio.

SR turnover stood at €1,438 M in 2016, posting an increase of 11.1% when compared to 2015, backed by Worten and the Sports and Fashion divisions. As for **SR underlying EBITDA**, it increased to €35 M in 2016, also driven by both SR divisions.

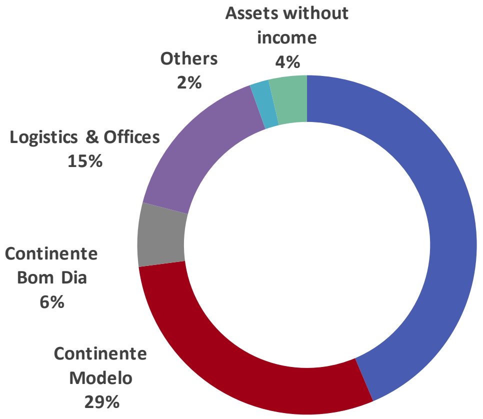
Sonae RP results

Turnover and Underlying EBITDA

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	121	92	-24.2%	29	23	-21.8%
Underlying EBITDA	**109**	**80**	**-26.2%**	**26**	**20**	**-22.8%**
Underlying EBITDA margin	90.0%	87.5%	-2.5 p.p.	89.6%	88.5%	-1.2 p.p.

RP Portfolio

as % of Gross Book Value



RP business unit is responsible for the management of Sonae's retail real estate portfolio. As of 31 December 2016, the portfolio of real estate assets had a gross book value amounting to €1,260 M, equivalent to a net book value of €931 M.

Throughout 2016, **RP** continued to implement its strategy of asset monetisation and completed 4 sale and leaseback operations. The cash proceeds amounted to €251 M, equivalent to a capital gain of approximately €70 M. This strategy enabled capital from mature real estate assets to be released while also maintaining adequate operational flexibility. **MC**'s freehold reached the 50% target announced and included 21 Continente stores, 62 Continente Modelo stores and 26 Continente Bom Dia stores on December 31st 2016. As for SR's freehold, it stood at 21%.

RP turnover decreased 24.2% in 2016, to €92 M, driven mostly by freehold reduction at **MC**, from 62% at the 2015 year-end, to 50%. The underlying EBITDA amounted to €80 M, corresponding to an underlying EBITDA margin of 87.5%.

Sonae IM results

Technology portfolio

WeDo Technologies	Movvo
Saphety	Brightpixel
Bizdirect	InovRetail
S21Sec	Armilar Venture Partners

Turnover and Underlying EBITDA

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Turnover	115	117	1.6%	26	29	9.8%
Underlying EBITDA	**10**	**5**	**-52.8%**	**4**	**2**	**-56.8%**
Underlying EBITDA margin	8.6%	4.0%	-4.6 p.p.	13.5%	5.3%	-8.2 p.p.

IM has an active portfolio strategy, with the clear objective of building and managing a portfolio of tech-based companies linked to retail and telecommunications, aiming to develop innovative solutions and with an international focus. IM's core areas of interest include business analytics solutions, mobility solutions for retail, in-store technologies, fraud assurance and cybersecurity solutions. Armilar Venture Funds includes 3 Venture Capital funds in which Sonae IM owns participation units acquired to Novo Banco in December 2016, Sonae IM's latest acquisition. Thanks to this acquisition, IM reinforced its portfolio with sizeable stakes in leading edge companies such as Outsystems and Feedzai.

Sonae IM also includes the following partnerships - MDS, Maxmat, Tlantic and Público - which reached a turnover of €142 M and an underlying EBITDA of €9 M in 2016.

In the Technology arm, IM turnover totalled €117 M, increasing 1.6% when compared to 2015. Underlying EBITDA amounted to €5 M, representing an underlying EBITDA margin of 4.0%.

Sonae Sierra results

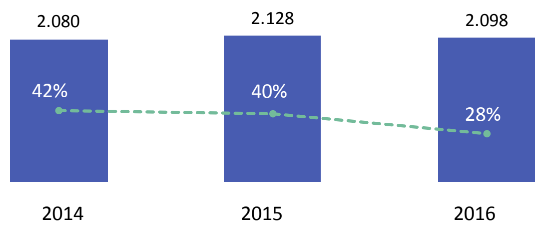
Operational Indicators

	2015	2016	y.o.y.
Footfall (million visitors)	**433**	**430**	**-0.6%**
Europe & New Markets	326	333	2.1%
Brazil	107	97	-8.8%
Ocuppancy rate (%)	**95.2%**	**96.6%**	**1.3 p.p.**
Europe	96.1%	97.1%	1.0 p.p.
Brazil	92.6%	94.8%	2.2 p.p.
Like-for-Like (LfL) **tenant sales**			
Europe	3.1%	3.4%	-
Brazil (local currency)	2.8%	0.9%	-
Tenant sales (million euros)	**4,501**	**4,495**	**-0.1%**
Europe (million euros)	3,182	3,285	3.2%
Brazil (million euros)	1,319	1,211	-8.2%
Brazil (million reais)	4,806	4,644	-3.4%
Nº of shopping centres owned and managed (EOP)	**66**	**65**	**-1**
Europe	54	55	1
Brazil	12	10	-2
Nº of shopping centres owned/co-owned (EOP)	**45**	**45**	**0**
Europe	35	36	1
Brazil	10	9	-1
GLA under Management ('000 sqm)	**2,273**	**2,316**	**1.9%**
Europe & New Markets	1,742	1,835	5.3%
Brazil	531	481	-9.3%

Financial Indicators

Million euros	2015	2016	y.o.y.	4Q15	4Q16	q.o.q.
Turnover	**226**	**209**	**-7.2%**	**64**	**59**	**-7.4%**
EBIT	**105**	**97**	**-8.2%**	**29**	**26**	**-9.4%**
EBIT margin	46.6%	46.1%	-0.5 p.p.	44.9%	44.1%	-0.7 p.p.
Direct results	61	57	-7.1%	19	16	-11.8%
Indirect results	81	125	54.3%	28	72	156.0%
Net results	**142**	**181**	**27.9%**	**47**	**89**	**89.2%**
… attributable to Sonae	71	91	27.9%	23	44	89.2%

Open Market Value (OMV) (1) and leverage
billion euros



(1) Includes investment properties at open market value and development properties at cost.

Throughout 2016, **Sierra** continued to pursue its capital recycling strategy, which acts as an enabler for Sierra's future growth by releasing capital to finance new developments and to expand the provision of professional services.

Over the last year, regarding **asset disposals**, Sierra sold 41% of Loop5, in Germany, diluted 25% of its position in the Sierra Portugal Fund and reduced its ownership in AlgarveShopping, Estação Viana Shopping and Luz del Tajo (following the closing of a partnership with CBRE Global Investment Partners).

ParkLake, which was opened on September 1st 2016, in Romania, was the major **development** of the past year. With an occupancy rate of 97.1% by the year end the results achieved so far have been very positive.

The remaining projects in the pipeline include: Málaga McArthurGlen Designer Outlet Málaga (Spain), NorteShopping Expansion (Portugal), Jardín Plaza Cucuta (Colombia) and Zenata (Morocco).

In December 2016, Sonae Sierra and Bankinter launched ORES Socimi – a real estate investment vehicle aimed at investing in single assets with long-term rentals such as hypermarkets and supermarkets, retail parks, high street retail, among others mainly located in the major cities of Iberia. Total investment is expected to reach €400 M through equity raised and borrowings on a 50:50 basis. Sierra will be responsible for the management of the fund and for the **property management** of the properties.

Indirect results reached €125 M in 2016, benefiting from strong yield compression, mainly in Iberia, as well as from the positive effect of the value created in the Parklake development. Consequently, on December 31st 2016, the **Investment and Development Properties** attributable to Sierra reached €2.098 bn, €30 M below the 2015 year-end, driven by the disposals, which more than off-set the investments in projects under development, the positive exchange rate effect in the Brazilian real (closing rate 12M16 vis-à-vis closing rate 12M15) and assets valuation.

The **operational performance** continued to provide evidence of the high quality and efficient management approach of Sierra assets: in **Europe,** tenant sales increased 3.2%, to €3,285 M, corresponding to an increase in LfL tenant sales of 3.4% and occupancy rates increased further to 97.1%; in **Brazil**, LfL tenant sales reached 0.9%, maintaining the positive trend registered in the previous quarter, but declining 3.4% y.o.y. to 4,644 M reais, due to the still challenging macroeconomic environment. Despite this, **occupancy rates** continued to grow, reaching 94.8% in 2016, 220bps above 2015.

Sierra turnover stood at €209 M, which represents a 7.2% decrease when compared to 2015. This was mostly driven by asset disposals. The **EBIT** reached €97 M, less 8.2% y.o.y., corresponding to an **EBIT margin** of 46.1%. Excluding the portfolio changes and the unfavourable exchange rate effect, EBIT would have increased 6% due to higher rental income and higher EBIT margin from services rendered.

NAV reached €1,418 M at the end of 2016, €239 M above December 2015, reflecting both the direct and indirect results of the period, the favourable exchange rate effect less the dividends payment. **Loan-to-value** stood at 28% in 2016, compared to 40% in 2015, an improvement that reflects the cash position of the company.

NOS results

Financial Indicators

Million euros	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Operating revenues	**1,444**	**1,515**	**4.9%**	**376**	**391**	**3.8%**
EBITDA	**533**	**557**	**4.4%**	**123**	**125**	**1.4%**
EBITDA margin	36.9%	36.7%	-0.2 p.p	32.7%	32.0%	-0.8 p.p
Net results	**83**	**90**	**9.3%**	**9**	**12**	**30.5%**
Capex	**408**	**393**	**-3.8%**	**114**	**100**	**-12.0%**

Operational Indicators

('000)	2015	2016	y.o.y.	4Q15	4Q16	y.o.y.
Total RGUs (Net adds)	**839**	**612**	**-**	**188**	**135**	**-**
Convergent RGUs (Net adds)	1,000	534	-	189	116	-
Mobile (Net adds)	480	333	-	98	60	-
Pay TV (Net adds)	67	57	-	22	15	-
Total RGUs	**8,465**	**9,077**	**7.2%**	**8,465**	**9,077**	**7.2%**
Convergent RGUs	2,854	3,387	18.7%	2,854	3,387	18.7%
Convergent customers	591	680	15.1%	591	680	15.1%
ARPU/Unique subscriber with fixed access (euros)	42	43	3.1%	43	44	2.1%

NOS published its results on March 2nd 2017, which are available at **www.nos.pt**.

NOS continued to show a very solid operating and financial performance.

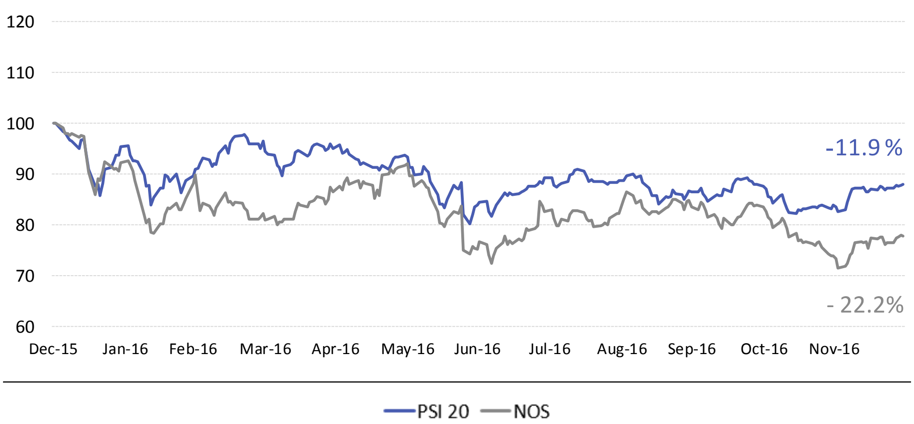
The **operating revenues** increased 4.9% y.o.y., to €1,515 M, maintaining the positive top line performance throughout all the segments.

EBITDA registered €557 M, improving 4.4% when compared to 2015 and corresponding to an EBITDA margin of 36.7%.

Net results increased by 9.3% y.o.y, to €90 M.

Total RGUs grew by 7.2%, to 9,077 M, surpassing the 9,000 M threshold. The **convergent RGUs** increased to 3,387 M, + 18.7% y.o.y..

Share price performance



During 2016, **NOS** market capitalisation decreased 22.2%, corresponding to a share price decrease from €7.25 to €5.64.

The PSI-20, the main Portuguese index, decreased its market capitalisation 11.9% in the same period.

NOS approved a proposal to submit at the Shareholders' Annual General Meeting the payment of a gross dividend of €0.20 per share, an increase of 25% when compared to the dividend paid in the previous year.

Sonae statement of financial position

Million euros	2015	2016	y.o.y.
TOTAL ASSETS	**5,232**	**5,513**	**5.4%**
Non current assets	**3,759**	**4,104**	**9.2%**
Tangible and intangible assets	1,681	1,978	17.7%
Assets available for sale	131	8	-
Goodwill	606	654	8.0%
Investment properties	1	1	-4.4%
Other investments	1,244	1,383	11.1%
Deferred tax assets	64	61	-4.3%
Others	32	19	-39.2%
Current assets	**1,473**	**1,409**	**-4.4%**
Stocks	635	696	9.7%
Trade debtors	96	116	20.6%
Liquidity	283	345	22.1%
Others	459	251	-45.3%
SHAREHOLDERS' FUNDS	**1,795**	**2,064**	**15.0%**
Equity holders	1,658	1,894	14.2%
Attributable to minority interests	136	171	25.3%
LIABILITIES	**3,437**	**3,448**	**0.3%**
Non-current liabilities	**1,427**	**1,372**	**-3.9%**
Bank loans	566	508	-10.3%
Other loans	707	702	-0.7%
Deferred tax liabilities	79	114	45.1%
Provisions	40	26	-34.9%
Others	36	22	-40.2%
Current liabilities	**2,009**	**2,077**	**3.4%**
Bank loans	259	350	35.5%
Other loans	56	11	-80.5%
Trade creditors	1,162	1,137	-2.2%
Others	533	579	8.5%
SHAREHOLDERS' FUNDS + LIABILITIES	**5,232**	**5,513**	**5.4%**

Risk management

Risk management is a natural dimension of Sonae's culture and plays a pivotal role in our corporate governance structure. We approach risk management as a value creation driver, by managing and controlling the risks and threats that come our way, as we believe that it is a part of a sustainable future. Effective risk management across the whole organisation allows us to better understand the business environment and to reinforce our leadership.

Our activities are exposed to the risks that shape the business landscape and we monitor these risks using a multidimensional approach based on a wide range of analytical tools that spans from customer and market surveys to adjusting our offers and shopping experience to market trends and consumer preferences, whilst adhering to strict programmes of food safety audits for stores, coffee shops, warehouses and manufacturing centres. This allows us to detect any potential issue so that corrective measures can be implemented as soon as possible.

Additionally, we mitigate these risks by incorporating risk management in our strategy, namely via business and market diversification, alternative investment approaches, innovation, cost management and the launching, promotion and adaptation of our portfolio of products and services to adapt to market trends and consumption profiles.

Please refer to our Corporate Governance Report and Financial Statements for a more comprehensive description of the risks impending over Sonae's activities.

Trends and outlook

For 2017, Sonae will continue to follow its strategy, which is based on three pillars: strengthen and leverage key assets and competencies, drive international expansion and diversify business and investment approach. Also, as an active portfolio manager, Sonae will continue working towards finding the most value accretive solutions for all its assets.

MC will remain focused on improving its leadership position in the food retail business by continuously improving its value proposition and expanding its convenience store presence. At the same time, **MC** will continue pursuing business opportunities in adjacent segments, namely in health and wellness. **MC** believes that despite the very intensely competitive market, it will be able to keep benchmark profitability levels in 2017.

Worten will continue implementing its omni-channel strategy in Iberia. This will involve creating an increasingly robust operation, capable of improving its position in the electronics market. The efforts behind the **Sports and Fashion** division will continue to be the geographical expansion of its portfolio of brands, while improving its profitability, already leveraged by the double-digit EBITDA performance of Salsa. Most importantly, the MoU recently announced provides very positive expectations, as the **Sports and Fashion** division will have a much more competitive, strong and profitable position in the Sports segment.

Sierra aims to increase exposure to developments in Europe and emerging markets and intensify the focus on providing real estate services to clients. Capital recycling acts as an enabler to future growth by releasing capital to finance new developments, reducing exposure to investment risks, and protecting future returns by securing management contracts.

At **NOS**, the positive financial and operational performance reached in 2016 is a step further towards the objective of becoming an even more relevant player in the Portuguese telecoms market.

Although we are still cautious in relation to next year's, the results reached in 2016 reinforce our positive stance for 2017.

Individual Net Income

Sonae, SGPS, SA operations, on a stand-alone basis, are essentially associated with the management of the share-holdings in its subsidiaries. In 2016, the individual net income of Sonae, SGPS, SA stood at 61,300,218.37 euros.

The amount of 383,647.00 euros is already reflected in the net income and is planned for the variable remuneration of executive directors, as a distribution of profit, pursuant. 2 of art. # 31 of the Articles of Association as proposed by the Shareholders Remuneration Committee, which is responsible for the implementation of the remuneration policy as approved at the Shareholders General Meeting held on April 29th, 2016.

Proposal for the appropriation of the financial year Net Income

Taking into consideration Sonae's shareholder remuneration policy, the Group's financial position, and the amount of distributable reserves which allow for compliance with article 32 of the Portuguese Companies Act, the Board of Directors hereby proposes to the Shareholders' General Meeting that pursuant to the terms of the law and the Articles of Association:

- the net profit, in the amount of 61,300,218.37 euros, is allocated as follows:

  Legal Reserves: 3,065,011.00 euros

  Dividends: 58,235,207.37 euros

- and that free reserves in the amount of 21,764,792.63 euros are also distributed to the shareholders,

thereby proposing an overall gross dividend per share amounting of 0.04 euros. From the total dividends of 80,000,000.00 euros shall be excluded the amount of dividends that would be attributable to the shares that, at the dividends distribution date, are held by the Company or by any of its subsidiaries, which should be added to Free Reserves.

This dividend corresponds to a dividend yield of 4.6% considering the closing price of December 31st 2016 and to a payout ratio of 54% considering the direct results attributable to Sonae's shareholders.

Subsequent events

February 17th 2017

Sonae Sierra and Bankinter launched their recently created Socimi on the Alternative Stock market. This listed real estate investment company was created in December 2016 on a 50:50 basis, and its major investment focus is on hypermarkets and supermarkets, retail parks and high street retail. Shopping centres will not be included in the asset portfolio.

March 9th 2017

Sonae announced that agreed with JD Sports Fashion Plc (JD Group), and JD Sprinter Holdings (JD Sprinter), a Memorandum of Understanding (MoU) which would see the combination of the JD Group's existing businesses in Iberia and JD Sprinter, with Sport Zone's business.

This MoU establishes the key parameters for the creation of an Iberian Sports Retail Group that will have as shareholders the JD Group, Sonae and the family shareholder of JD Sprinter, with shareholdings of approximately 50%, 30% and 20%, respectively.

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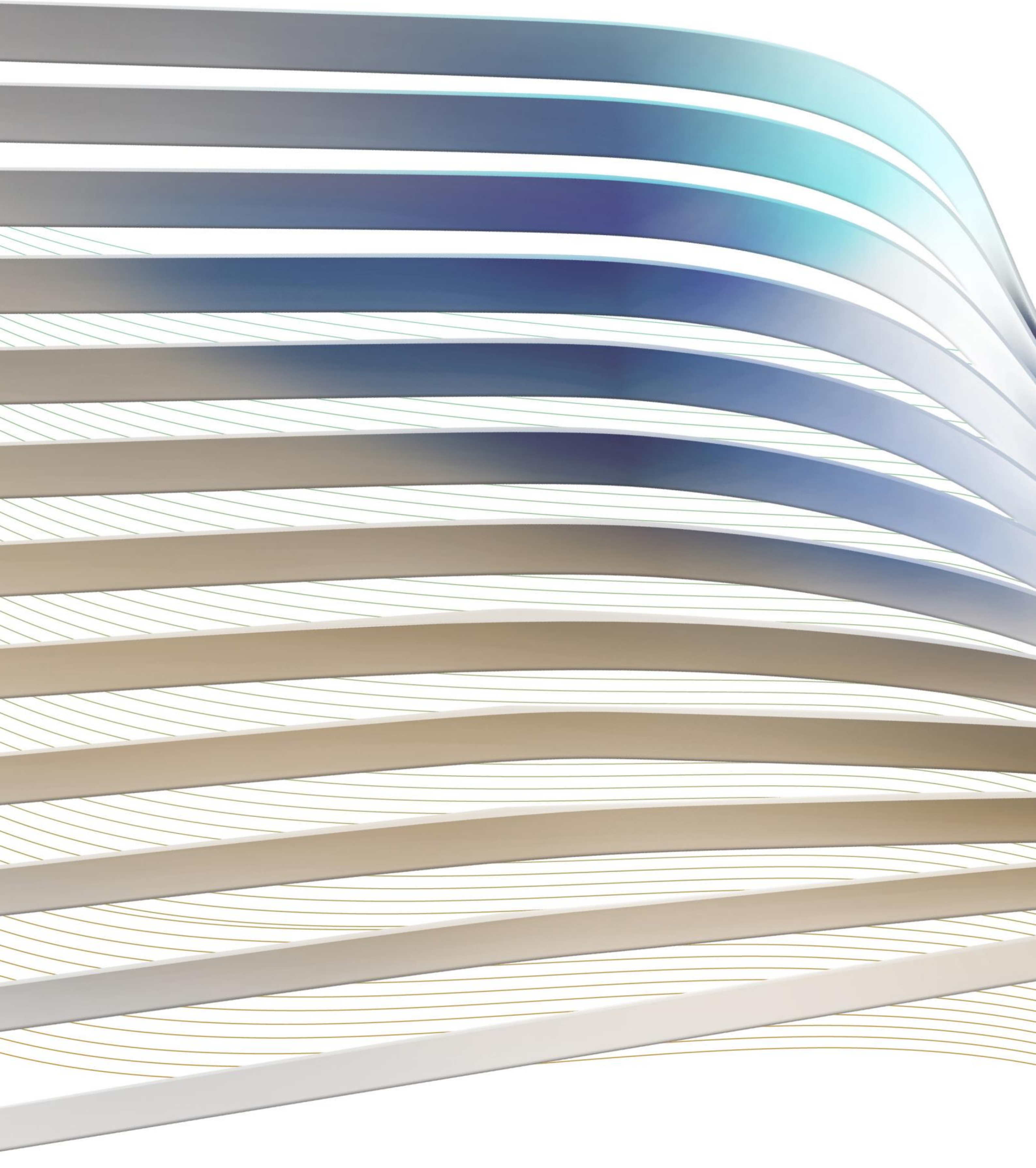
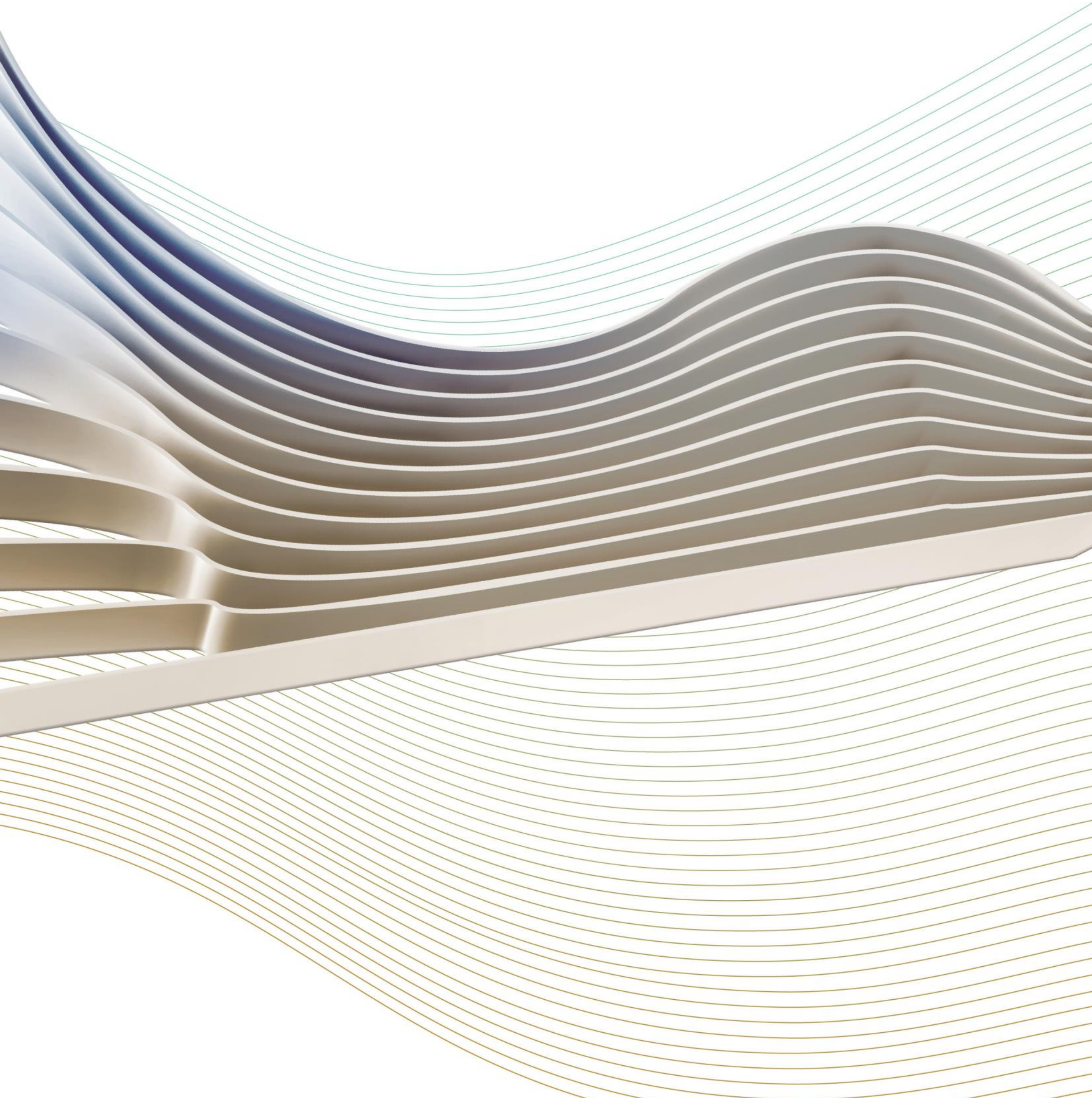


SONAE

CLOSING REMARKS AND ACKNOWLEDGEMENTS



Closing remarks and acknowledgements

The Board of Directors would like to thank the Statutory Audit Board and the Statutory External Auditor for their valuable advice and assistance. The Board would also like to express its gratitude to suppliers, banks and other business associates of Sonae for their continuing involvement and for the confidence that they have shown in the organisation.

The Board of Directors also expresses its gratitude to all employees for their effort and dedication throughout the year.

Approved at the meeting of the Board of Directors held on March 14th 2017

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

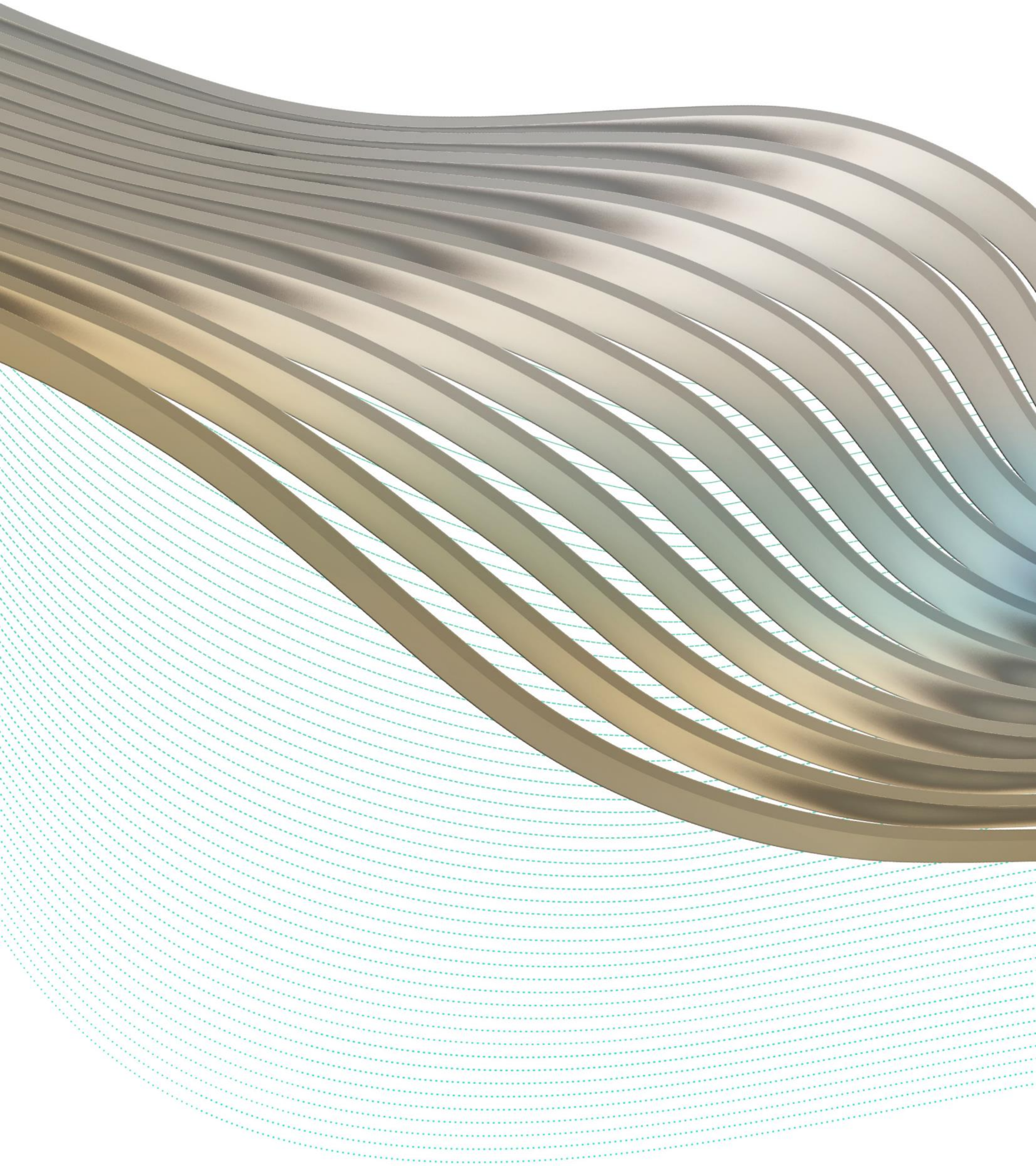
Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

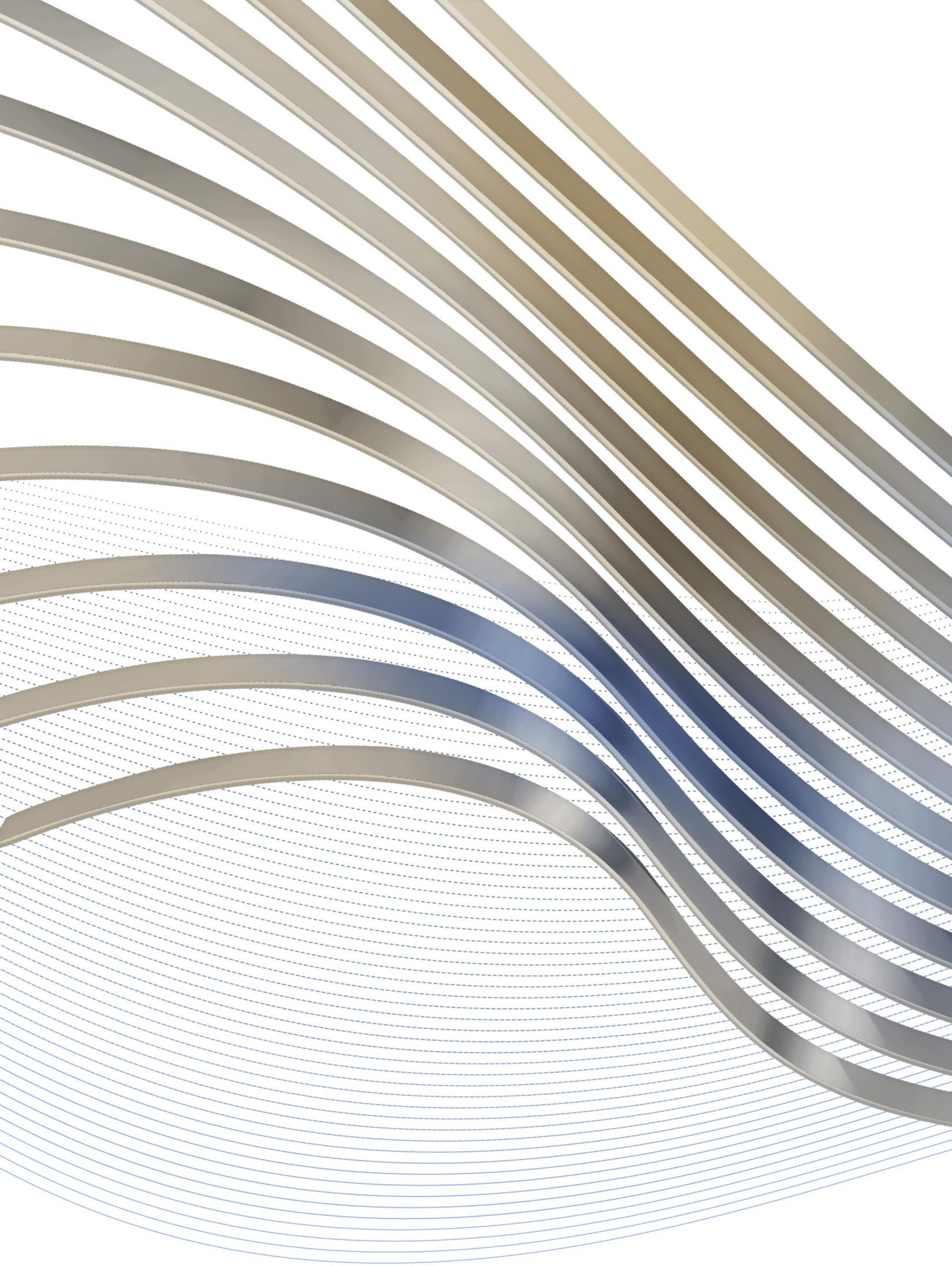


GLOSSARY

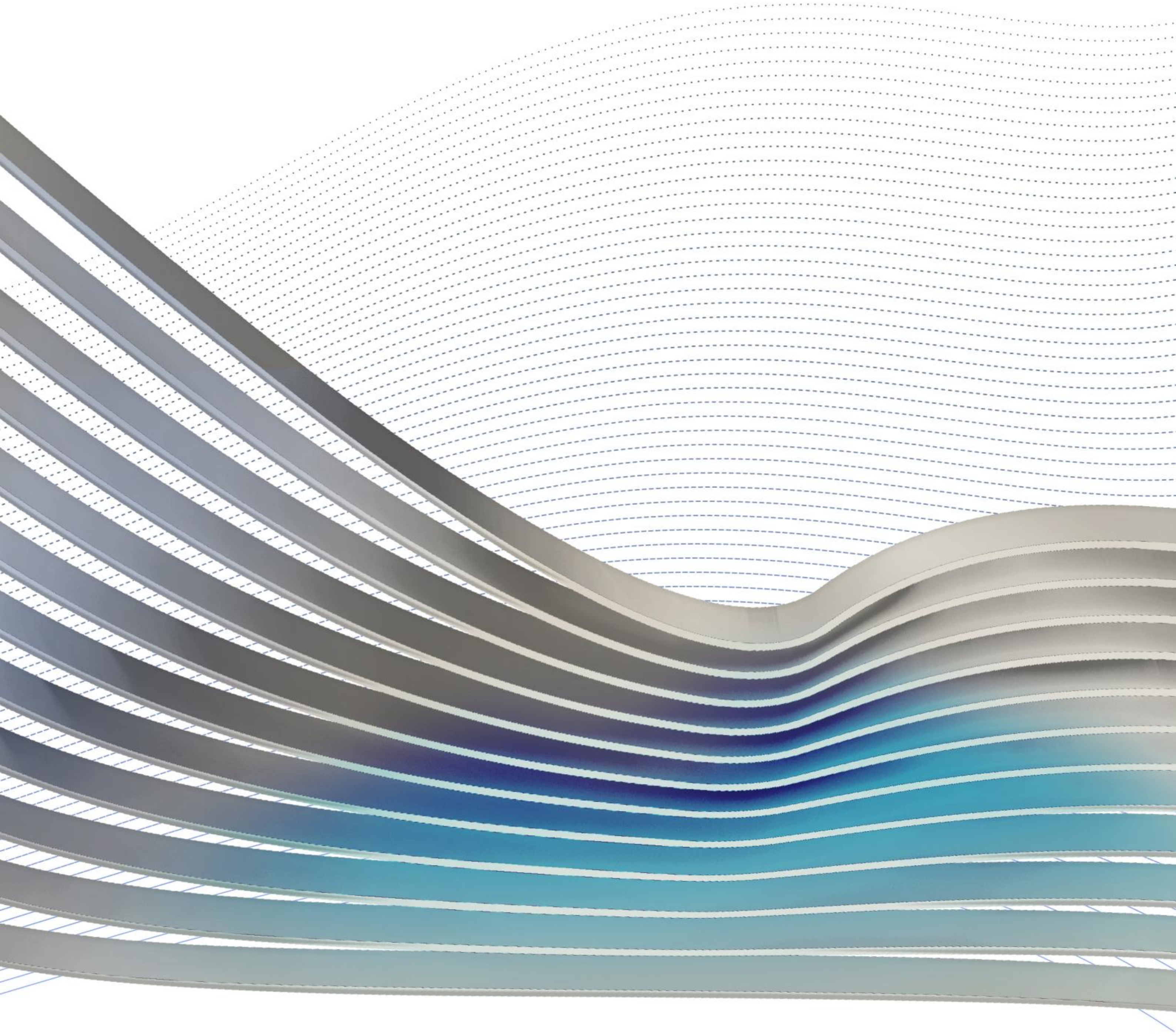
Glossary

CAPEX	Investments in tangible and intangible assets and investments in acquisitions.
Direct results	Results excluding contributions to indirect results.
(Direct) EBIT	Direct EBT - financial results.
EBITDA	Underlying EBITDA + equity method results (Sonae Sierra direct results and ZOPT net results) + non-recurrent items.
EBITDA margin	EBITDA / turnover.
(Direct) EBT	Direct results before non-controlling interests and taxes.
E&A (Eliminations & adjustments)	Intra-groups + consolidation adjustments + contributions from other companies not included in the identified segments.
EoP	End of period.
Free Cash Flow (FCF)	EBITDA - CAPEX - change in working capital - financial results - income taxes.
Gearing (book value)	The average of the last four quarters considering, for each quarter, total net debt (EoP) / total shareholders' funds (EoP).
Gearing (market value)	The average of the last four quarters considering, for each quarter, total net debt (EoP) / equity value considering the closing price of Sonae shares on the last day of each quarter.
GLA	Gross Lettable Area: equivalent to the total area available to be rented in the shopping centres.
Indirect results	Includes Sonae Sierra's results, net of taxes, arising from: (i) investment property valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses of non-current assets (including goodwill) and (iv) provision for assets at risk. Additionally and concerning Sonae's portfolio, it incorporates: (i) impairments in retail real estate properties; (ii) reductions in goodwill; (iii) provisions (net of taxes) for possible future liabilities and impairments related with non-core financial investments, businesses, assets that were discontinued (or in the process of being discontinued/repositioned); (iv) results from mark to market methodology of other current investments that will be sold or exchanged in the near future; and (v) other non-relevant issues.
Investment properties	Shopping centres in operation owned and co-owned by Sonae Sierra.
Liquidity	Cash & equivalents + current investments.
Like for Like sales (LfL)	Sales made by stores that operated in both periods under the same conditions. Excludes stores opened, closed or which suffered major upgrade works in one of the periods.
Loan to value (LTV) - Holding	Holding net debt / investment portfolio gross asset value; gross asset value based on market multiples, real estate NAV and market capitalisation for listed companies.
Loan to value (LTV) - Shopping Centres	Net debt / (investment properties + properties under development).
LTM	Last twelve months.
Net asset value (NAV)	Open market value attributable to Sonae Sierra - net debt - minorities + deferred tax liabilities.
Net debt	Bonds + bank loans + other loans + financial leases + shareholder loans - cash, bank deposits, current investments, and other long-term financial applications.
Net invested capital	Total net debt + total shareholders' funds.

Other income	Dividends.
Other loans	Bonds, leasing and derivatives.
Open market value (OMV)	Fair value of properties in operation and under development (100%), provided by independent international entities.
Return on Invested Capital (RoIC)	EBIT (LTM) / net invested capital.
Return on equity (ROE)	Total net income n (equity holders) / shareholders' funds n-1 (equity holders).
RGU	Revenue generating unit.
Technical investment	Tangible assets + intangible assets + other fixed assets - depreciations and amortisations.
Underlying EBITDA	Recurrent EBITDA from the businesses consolidated using the full consolidation method.



APPENDIX



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

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

Approved at the meeting of the Board of Directors held on March 14th 2017

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

José Manuel Neves Adelino, Non-Executive Director

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

Article 447 of the Portuguese Companies Act and Article 14, paragraph 7, of the Portuguese Securities Comission (CMVM) Regulation no. 05/2008

Disclosure of the number of held shares and other securities issued by the Company and of the transactions executed over such securities, during the financial year in analysis, by the members the statutory managing and auditing bodies and by people discharging managerial responsibilities ("dirigentes"), as well as by people closely connected with them pursuant to article 248 B of the Portuguese Securities Code:

	Date	Additions		Reductions		Position on 31.12.2016	Balance on 31.12.2016
		Quantity	Aver. Price €	Quantity	Aver. Price €		Quantity
Duarte Paulo Teixeira de Azevedo (*) (**) (***) (a)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (4)						Dominant	
Sonae - SGPS, SA (3)							805,730
Shares purchased under the terms of the remuneration policy	29/3/16	805,730	0.051				
Ângelo Gabriel Ribeirinho dos Santos Paupério (*)							
Sonae - SGPS, SA (3)							214,248
Shares purchased under the terms of the remuneration policy	29/3/16	664,248	0.051				
Sale	20/12/16			450,000	0.882		
Enxomil - Consultoria e Gestão, SA (10) (b)						Dominant	
Enxomil - Sociedade Imobiliária, SA (11)						Dominant	
Belmiro Mendes de Azevedo (**)							
Efanor Investimentos, SGPS, SA (1)						Dominant	
Maria Margarida Carvalhais Teixeira de Azevedo (**)							
Sonae - SGPS, SA (3)							14,901
Maria Cláudia Teixeira de Azevedo (**) (***)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA (3)							319,150
Shares purchased under the terms of the remuneration policy	29/3/16	114,472	0.051				
Linhacom, SGPS, SA (6)						Dominant	

	Date	Additions		Reductions		Position on 31.12.2016	Balance on 31.12.2016
		Quantity	Aver. Price €	Quantity	Aver. Price €		Quantity
(1) Efanor Investimentos, SGPS, SA (1)							
Sonae- SGPS, SA (3)							200,100,000
Pareuro, BV (2)						Dominant	
(2) Pareuro, BV							
Sonae- SGPS, SA (3)							849,533,095
(3) Sonae- SGPS, SA							
Sonae Investments, BV (7)						Dominant	
Sontel, BV (8)						Dominant	
Sonaecom, SGPS, SA (9)						Dominant	
(4) Migracom, SA							
Sonae- SGPS, SA (3)							2,464,337
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
(5) Imparfin - Investimentos e Participações Financeiras, SA							
Sonae- SGPS, SA (3)							4,105,280
(6) Linhacom, SGPS, SA							
Sonae- SGPS, SA (3)							439,314
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
(7) Sonae Investments BV							
Sontel BV (8)						Dominant	
(8) Sontel BV							
Sonaecom, SGPS, SA (9)						Dominant	
(9) Sonaecom SGPS, SA							
Sonae - SGPS, SA (treasury shares)							0
Sale	31/3/16			137,859	1.064		
(10) Enxomil - Consultoria e Gestão, SA (b)							
Sonae - SGPS, SA (3)							2,021,855
(11) Enxomil - Sociedade Imobiliária, SA							
Sonae - SGPS, SA (3)							450,000
Purchase	20/12/16	450,000	0.882				

(*) Member of the Board of Directors of Sonae - SGPS, SA

(**) Member of the Board of Directors of Efanor Investimentos SGPS, SA (directly and indirectly dominant company) (1)

(***) Member of the Board of Directors of Imparfin - Investimentos e Participações Financeiras, SA (5)

(a) Shares previously held by family member of this person discharging managerial responsibilities ("dirigente"), have ceased to be attributable to that family member since the legal basis of imputation of article 248, paragraph 4), subparagraph a), of the Portuguese Securities Code, is no longer applicable

(b) Formerly known as Enxomil, SGPS, SA

SONAE FINANCIAL REPORT '16

CORPORATE GOVERNANCE REPORT

IMPROVING LIFE

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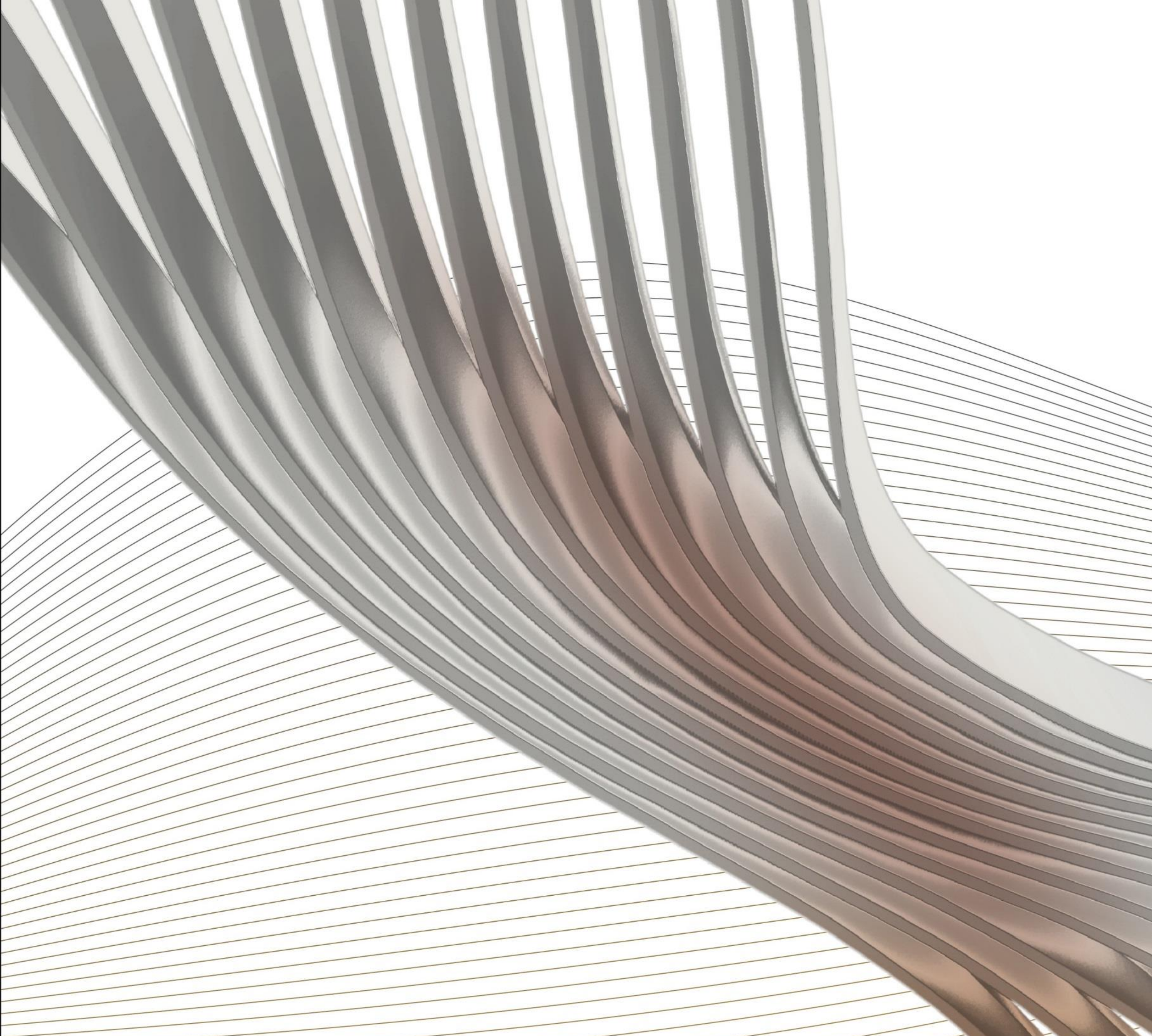
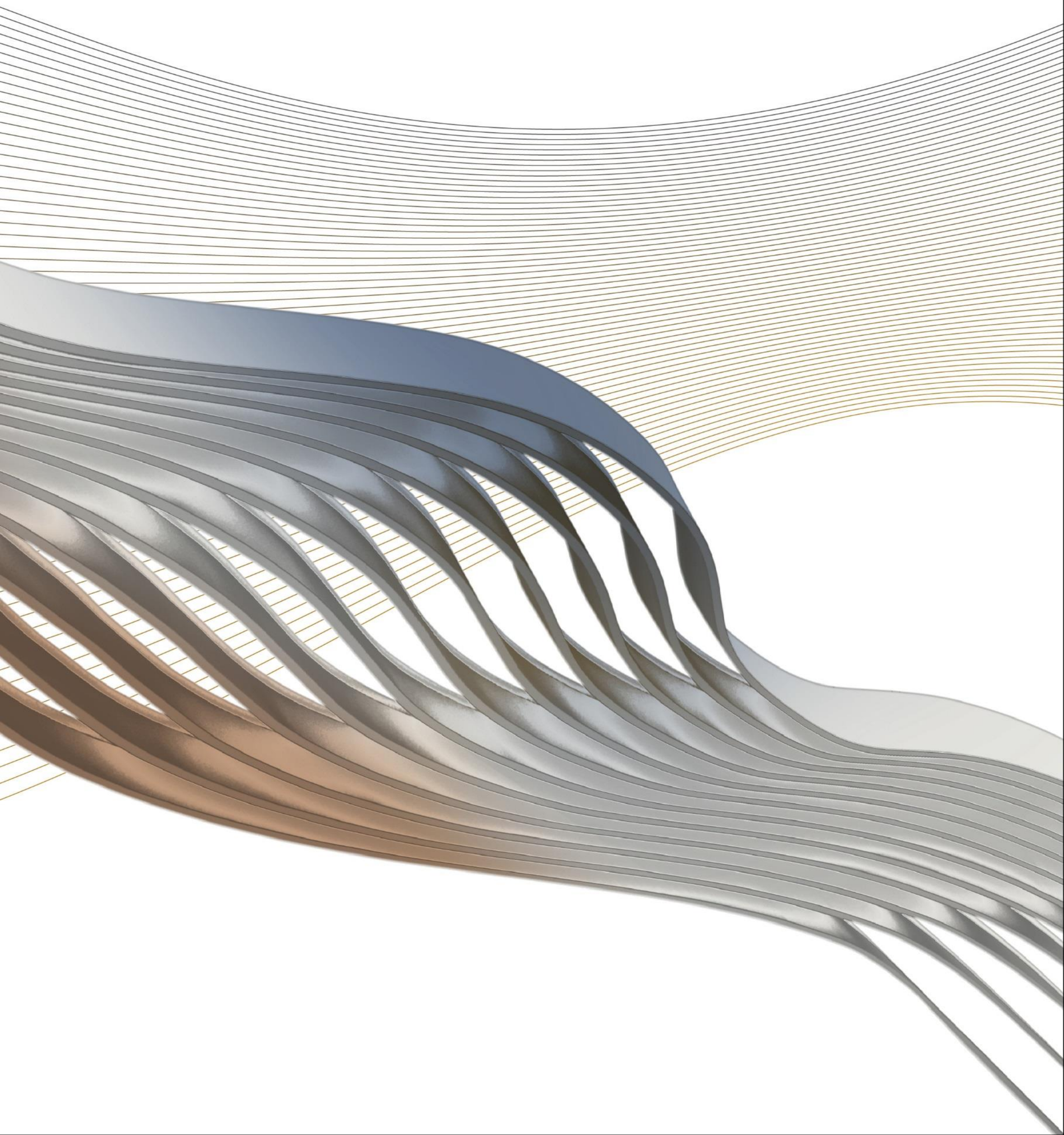


SONAE

PART I

SHAREHOLDING STRUCTURE ORGANISATION AND CORPORATE GOVERNANCE



A. Shareholder Structure

I – Share Capital Structure

1. Share Capital Structure

The Company's share capital is 2,000,000,000 euro, fully subscribed and paid up, divided into 2,000,000,000 nominative ordinary shares, each with a nominal value of one euro.

The distribution of share capital and respective voting rights among the owners of qualified shareholdings is listed below in section II.7.

All the shares representing the Company's share capital are admitted to trading on the Euronext Lisbon regulated market.

2. Restrictions on the transfer and ownership of shares

There are no restrictions on the ownership or transfer of Company's shares.

3. Own Shares – number, percentage of share capital they represent and percentage of voting rights that would correspond to own shares

The Company, on 31st December 2016, did not held, directly or indirectly, any percentage of own shares representing the Company's share capital.

4. Significant agreements with ownership clauses

There are no agreements executed by the Company incorporating clauses with the aim of setting up defensive measures to a change in its shareholder control or that cease in case of a change of the Company's control following a takeover bid.

The majority of the share capital of the Company is attributable to a single shareholder.

The shareholders' agreement executed between the Company and Grosvenor Group Limited ("Grosvenor"), relating to Sonae Sierra, SGPS, SA, gives Grosvenor the power to terminate the agreement in the case of a change of control of the Company, but only in the particular and exclusive situation of the Company ceasing to be directly or indirectly controlled by its present reference shareholder or any of his relatives.

This clause applies in the same way should a change of control occur in Grosvenor.

The effects of terminating the agreement include the exercise of a call option, the sharing of assets or sale of the company Sonae Sierra, SGPS, SA.

5. Defensive measures in case of change of control

No defensive measures were adopted by the Company.

6. Shareholders' Agreements

The Board of Directors has no knowledge of any joint venture agreements involving the Company.

II – Shareholdings and holdings of bonds

7. Qualified shareholdings

On 31st December 2016, relying on the notices received by the Company pursuant to article 16 of the Portuguese Securities Code, the owners of qualified shareholdings, the respective attributable share capital and voting rights percentage, as well as the source and grounds for such attribution, were the following:

Qualified shareholdings

Shares held and voting rights attributable to shareholders owning 2% or more of the share capital of Sonae - SGPS, SA, calculated in accordance with article 20 of the Portuguese Securities Code, as required by article 8, paragraph 1, subparagraph b), of the Portuguese Securities Market Commission (CMVM) Regulation no. 05/2008:

Shareholder	No. of shares	% of shares and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, SA (I)			
Directly	200,100,000	10.0050%	10.0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	849,533,095	42.4767%	42.4767%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	14,901	0.0007%	0.0007%
By Maria Cláudia Teixeira de Azevedo (Director of Investimentos, SGPS, SA)	319,150	0.0160%	0.0160%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae - SGPS, SA and Efanor Investimentos, SGPS, SA)	805,730	0.0403%	0.0403%
By Migracom, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Duarte Paulo Teixeira de Azevedo)	2,464,337	0.1232%	0.1232%
By Linhacom, SGPS, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Maria Cláudia Teixeira de Azevedo)	439,314	0.0220%	0.0220%
Total attributable to Efanor Investimentos, SGPS, SA	**1,053,676,527**	**52.6838%**	**52.6838%**
Banco BPI, SA	132,851,868	6.6426%	6.6426%
Banco Português de Investimento, SA	365,199	0.0183%	0.0183%
Fundos de Pensões do Banco BPI	40,071,372	2.0036%	2.0036%
BPI Vida - Companhia de Seguros de Vida, SA	4,751,416	0.2376%	0.2376%
Total attributable to Banco BPI, SA (II)	**178,039,855**	**8.9020%**	**8.9020%**
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.4925%	2.4925%
Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social	**49,849,514**	**2.4925%**	**2.4925%**

Source: communications received by the Company regarding qualified shareholdings up to 31th December 2016.

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

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

(I) Belmiro Mendes de Azevedo is, according to subparagraph b) of paragraph 1 of article 20 and paragraph 1 of article 21, both of the Portuguese Securities Code, the "ultimate beneficial owner", as he is the controlling shareholder of Efanor Investimentos, SGPS, SA and the latter wholly owns Pareuro BV.

(II) total number of voting rights attributed to Banco BPI, SA as per article 20 of the Portuguese Securities Code.

This information is disclosed in an Appendix to the Management Report.

Updated information regarding qualified shareholdings is available at the Company's website, http://www.sonae.pt/en/investors/shareholder-structure/.

8. Number of shares and bonds held by the members of the statutory governing bodies, submitted pursuant to paragraph 5 of Article 447 of the Portuguese Companies Act

This information is disclosed in an Appendix to the Management Report, as follows:

Article 447 of the Portuguese Companies Act and Article 14, paragraph 7, of the Portuguese Securities Commission (CMVM) Regulation no. 05/2008

Disclosure of the number of held shares and other securities issued by the Company and of the transactions executed over such securities, during the financial year in analysis, by the members of the statutory governing and auditing bodies and by people discharging managerial responsibilities ("dirigentes"), as well as by people closely connected with them pursuant to article 248 B of the Portuguese Securities Code:

		Additions		Reductions		Position on 31.12.2016	Balance as of 31.12.2016
	Date	Quantity	Aver. Price €	Quantity	Aver. Price €		Quantity
Duarte Paulo Teixeira de Azevedo (*) (**) (***) (a)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (4)						Dominant	
Sonae - SGPS, SA (3)							805,730
Shares purchased under the terms of the remuneration policy	29/03/2016	805,730	0.051				
Ângelo Gabriel Ribeirinho dos Santos Paupério (*)							
Sonae - SGPS, SA (3)							214,248
Shares purchased under the terms of the remuneration policy	29/03/2016	664,248	0.051				
Sale	20/12/2016			450,000	0.882		
Enxomil – Consultoria e Gestão, SA (10) (b)						Dominant	
Enxomil – Sociedade Imobiliária, SA (11)						Dominant	
Belmiro Mendes de Azevedo (**)							
Efanor Investimentos, SGPS, SA (1)						Dominant	
Maria Margarida Carvalhais Teixeira de Azevedo (**)							
Sonae - SGPS, SA (3)							14,901
Maria Cláudia Teixeira de Azevedo (**) (***)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA (3)							319,150
Shares purchased under the terms of the remuneration policy	29/03/2016	114,472	0.051				
Linhacom, SGPS, SA (6)						Dominant	

	Date	Additions Quantity	Additions Aver. Price. €	Reductions Quantity	Reductions Aver. Price. €	Position on 31.12.2016	Balance as of 31.12.2016 Quantity
(1) Efanor Investimentos, SGPS, SA							
Sonae - SGPS, SA (3)							200,100,000
Pareuro, BV (2)						Dominant	
(2) Pareuro, BV							
Sonae - SGPS, SA (3)							849,533,095
(3)Sonae - SGPS, SA							
Sonae Investments, BV (7)						Dominant	
Sontel, BV (8)						Dominant	
Sonaecom, SGPS, SA (9)						Dominant	
(4) Migracom, SA							
Sonae - SGPS, SA (3)							2,464,337
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
(5) Imparfin - Investimentos e Participações Financeiras, SA							
Sonae - SGPS, SA (3)							4,105,280
(6) Linhacom, SGPS, SA							
Sonae - SGPS, SA (3)							439,314
Imparfin - Investimentos e Participações Financeiras, SA (5)						Minority	
(7) Sonae Investments BV							
Sontel BV (8)						Dominant	
(8) Sontel BV							
Sonaecom, SGPS, SA (9)						Dominant	
(9) Sonaecom SGPS, SA							
Sonae - SGPS, SA (treasury shares)							0
Sale	31/03/2016			137,859	1.064		
(10) Enxomil – Consultoria e Gestão, SA (b)							
Sonae - SGPS, SA (3)							2,021,855
(11) Enxomil – Sociedade Imobiliária, SA							
Sonae - SGPS, SA (3)							450,000
Purchase	20/12/2016	450,000	0.882				

(*) Member of the Board of Directors of Sonae - SGPS, SA

(**) Member of the Board of Directors of Efanor Investimentos SGPS, SA (directly and indirectly dominant company) (1)

(***) Member of the Board of Directors of Imparfin - Investimentos e Participações Financeiras, SA (5)

(a) Shares previously held by family member of this person discharging managerial responsibilities ("dirigente"), have ceased to be attributable to that family member since the legal basis of imputation of article 248, paragraph 4), subparagraph a), of the Portuguese Securities Code, is no longer applicable.

(b) Formerly known as Enxomil, SGPS, SA

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

The powers given by the Articles of Association to the Board of Directors to increase the Company's share capital were withdrawn in April 2011. As from that date, these powers are held exclusively by the Shareholders' General Meeting.

10. Relevant business relationship between owners of qualified shareholdings and the Company

There are no existing relevant business relationships between the Company and owners of qualified shareholdings notified to the Company.

Without prejudice to the aforementioned, Bank BPI, SA maintains a business relationship with the Company within the scope of the Company's corporate purpose, under market conditions and alongside with other national and international financial institutions.

B. Governing Bodies and Committees

I – Shareholders' General Meeting

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

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

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

The members of the Board of the Shareholders' General Meeting elected for the 2011-2014 mandate – corresponding to their second term in office, as the first mandate in office ran from 2007 to 2010 - were re-elected for the second time, following a resolution taken at the Shareholders' Annual General Meeting held on 30th April 2015, for the present four-year term 2015-2018.

Board of the Shareholders' General Meeting
Manuel Cavaleiro Brandão, Chair
Maria da Conceição Cabaços, Secretary

b) Exercising voting rights

12. Restrictions on voting rights

12.1 Restrictions on voting rights depending on the number or percentage of shares ownership

The Company's share capital is entirely made up of a single class of common shares, in which one share equals one vote, and where there are no statutory limitations on the exercise of the voting rights by any shareholder. Share blocking is not required in order to attend the Shareholders' General Meeting. In compliance with paragraph 1 of article 23-C of the Portuguese Securities Code, the "Registry date" is the key moment in time for the proof of the shareholder's legal entitlement to attend and exercise voting rights at the Shareholders' General Meeting. The "Registry Date" is also the decisive time reference regarding the application of the voting and attendance rule for professional shareholders who own shares in their own name but which are held on behalf of their respective clients.

12.2 Representation

The right to vote by proxy and the way in which this right is exercised is described in the respective notices convening Shareholders' General Meetings, in accordance with the law and the Company's Articles of Association.

Shareholders can be represented at Shareholders' General Meetings by presenting a written representation document before the meeting begins, addressed and delivered to the Chairman of the Board of the Shareholders' General Meeting, stating the name and address of the proxy and the date of the meeting. The abovementioned information may be sent by using an electronic email address provided by the Company.

A shareholder can nominate different proxies for each group of shares held in different securities accounts, without prejudice to the principle of one share one vote, in accordance with article 385 of the Portuguese Companies Act. Shareholders who professionally own shares in their own name but which are held on behalf of their respective clients can vote in different ways.

The Company provides appropriate information on its website, at https://www.sonae.pt/en/investors/general-meetings/ to enable shareholders, who wish to be represented, to give their voting instructions to their respective proxy holders. Such information, which includes the proposals to be submitted to the Shareholders' General Meeting and a template of a representation letter, is disclosed on the website, within the legally established time limits.

12.3 Vote in writing

Shareholders can vote in writing in relation to all items on the agenda of the Shareholders' General Meeting. Without prejudice to the obligation of proving shareholding legal entitlement, written votes will only be taken into account when received at the Company's head office by registered post, with acknowledgement of receipt addressed to the Chairman of the Board of the Shareholders' General Meeting or by electronic means, at least three business days prior to the General Meeting. The voting ballot, if sent by registered post, must be signed by the owner of the shares or by a legal representative. In the case of an individual, it should be accompanied by an authenticated copy of his/her identity document. In the case of a corporate entity, the signature should be authenticated with confirmation that the signatory is duly authorised and mandated for that purpose. If the ballot is sent by electronic means, it must respect the requirements and procedures established by the Chairman of the Board of the Shareholders' General Meeting as set out in the notice of the meeting, in order to ensure an equivalent level of security and authenticity.

It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person replacing him, to verify compliance with written voting requirements, and those written votes which do not fulfil such requirements, will not be accepted and will be treated as null and void.

12.4 Voting by electronic means

Shareholders have the right to vote electronically and the manner by which such right can be exercised is set out in the notice convening the Shareholders' General Meeting. A template for requesting the technical information necessary for exercising the shareholders' right to vote by electronic means is also available at https://www.sonae.pt/en/investors/general-meetings/.

13. Maximum percentage of voting rights that may be exercised by a single shareholder or by a group of shareholders that are related to the latter as set forth in paragraph 1 of Article 20 of the Portuguese Securities Code

There is no limitation on the number of votes that may be held or exercised.

14. Deliberative Quorum

Under the terms of the Company's Articles of Association, the Shareholders' General Meeting may only adopt resolutions on the first occasion that it is convened, if shareholders holding more than 50% of the Company's share capital are present or represented.

If that quorum is not met and the meeting is reconvened, resolutions may be adopted by the Shareholders' General Meeting regardless of the number of shareholders present or represented and of the percentage of share capital held.

The rules regarding the deliberative quorum comply with the Portuguese Companies Act.

II – Management and Supervision

a) Composition

15. Identification of the adopted governance model

The Company follows a one-tier governance model, where the management structure lies with the Board of Directors, and the supervisory structure includes a Statutory Audit Board and a Statutory External Auditor.

The Board of Directors is responsible for ensuring the management of the Company's business, exercising all management acts pertaining to the Company's corporate purpose, setting strategic guidelines and appointing and generally supervising the activity of the Executive Committee and of its specialised committees.

The Board of Directors' assessment is that the corporate governance model adopted is adequate to the performance of the governing bodies' duties, ensuring, in a well-balanced manner, their respective functional independence and interaction. Additionally, the specialised committees assigned to matters of particular relevance, optimise the Board of Directors' performance, ensuring the effectiveness of its decision-making process.

16. Rules for nominating and replacing Board Members

The members of the Board of Directors, under the terms of the Portuguese law and the Company's Articles of Association, are elected to the Board of Directors, in accordance with the proposal approved at the Shareholders' General Meeting.

Under the terms set forth in the Company's Articles of Association, one director may be individually elected if there are proposals submitted by shareholders who, either by themselves or together with other shareholders, hold shares representing between ten and twenty percent of the share capital. The same shareholder cannot propose more than one list. Each proposal should identify at least two eligible persons. If there are several proposals submitted by different shareholders or groups of shareholders, voting will take place on all lists.

The Company's Articles of Association establish, in accordance with the applicable law, that the Board of Directors may co-opt a substitute in case of the death, resignation, temporary or permanent incapacity, or lack of availability of any member, as long as the vacating Board member has not been elected under the above described minority rule (in which case a new similar election shall take place). Such appointment is, nonetheless, subject to ratification by the shareholders at the next Shareholders' General Meeting.

As part of the Board of Directors' power to co-opt, the Board Nomination and Remuneration Committee is responsible for proposing potential candidates with the suitable profile for Board roles.

The definitive absence, for whatever reason, of a replacement director individually elected according to the abovementioned special minority rules, determines that a new election must take place at the Shareholders' General Meeting.

The Board of Directors is responsible for the election of its Chairman.

The Proposal for the Selection and Assessment Policy for Membership of the statutory governing bodies was approved at the Shareholders' Extraordinary General Meeting held on 16th December 2015, in compliance with Articles 30 to 32 of the General Regime of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" - RGICSF). Such policy shall remain in force for as long as the

Company remains within the scope of the RGICSF, which results from indirectly holding the majority of the voting rights of the financial entity Sonaegest-Sociedade Gestora de Fundos de Investimento, SA.

The abovementioned policy is available at the Company's website, https://www.sonae.pt/en/investors/general-meetings/, referred to as Proposal number two of the Shareholders' Extraordinary General Meeting held on 16th December 2015.

17. Composition of the Board of Directors

Under the terms of the Company's Articles of Association, the Board of Directors can be composed of an odd or even number of members, between three and eleven, elected by the shareholders at a Shareholders' General Meeting, and the Chairman of the Board of Directors holds a casting vote.

During 2016, the composition of the Board of Directors was as follows:

Board of Directors
Duarte Paulo Teixeira de Azevedo
Ângelo Gabriel Ribeirinho dos Santos Paupério
José Manuel Neves Adelino
Andrew Eustace Clavering Campbell
Christine Cross
Tsega Gebreyes
Marcelo Faria de Lima
Dag Johan Skattum
Margaret Lorraine Trainer

The members of the Board of Directors were initially appointed as follows:

Appointment to the Board of Directors	First appointment	End of current mandate
Duarte Paulo Teixeira de Azevedo	2000	2018
Ângelo Gabriel Ribeirinho dos Santos Paupério	2000	2018
José Manuel Neves Adelino	2007	2018
Andrew Eustace Clavering Campbell	2015	2018
Christine Cross	2009	2018
Tsega Gebreyes	2015	2018
Marcelo Faria de Lima	2015	2018
Dag Johan Skattum	2015	2018
Margaret Lorraine Trainer	2015	2018

18. Distinction between executive and non-executive members of the Board of Directors

Board of Directors	
Duarte Paulo Teixeira de Azevedo	Chair of the Board of Directors and Co-CEO
Ângelo Gabriel Ribeirinho dos Santos Paupério	Co-CEO
José Manuel Neves Adelino	Senior Independent Non-Executive Director
Andrew Eustace Clavering Campbell	Independent Non-Executive Director
Christine Cross	Independent Non-Executive Director
Tsega Gebreyes	Independent Non-Executive Director
Marcelo Faria de Lima	Independent Non-Executive Director
Dag Johan Skattum	Independent Non-Executive Director
Margaret Lorraine Trainer	Independent Non-Executive Director

In the composition of the Board of Directors, a balance is maintained between the number of Executive Directors and the number of Non-Executive Directors. All of the present seven Non-Executive Board Members are independent, in accordance with the independence criteria set out in paragraph 18.1 of Appendix I to the CMVM Regulation no. 4/2013 and CMVM Recommendation II.1.7 (2013).

Considering that the Chairman of the Board of Directors also carries out executive duties, under the provisions of paragraph 2 of Article 1 and Article 13 of the Internal Regulation of the Board of Directors (available at the Company's website http://www.sonae.pt/en/investors/corporate-governance/), the director José Manuel Neves Adelino was appointed as Senior Independent Non-Executive Director, upon resolution of the Board taken in the meeting held on 4th May 2015. In that capacity, this Director has to carry out the following duties:

- coordinate, in accordance with Corporate Governance best practices, the effective performance of the Non-Executive Directors' duties, whether within the Board of Directors or within the Board's specialised committees, in order to guarantee strengthened conditions for the independent and informed exercise of such directors' duties;

- ensure the existence of a continuous flow of information, necessary for the fulfilment of the legal and statutory duties inherent to the Non-Executive Directors' activities, through the adoption and timely compliance of transparent information-sharing procedures by the Executive Committee;

- supervise compliance of an information disclosure process which ensures a time-efficient access of the remaining governing bodies and committees to the necessary information for the execution of their legal and statutory duties, with the particular disclosure of all convening notices, minutes and documentation supporting the decision-making process;

- ensure the execution of scope and mission of the Ethics Committee, since the Senior Independent Non-Executive Director also chairs the Ethics Committee.

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

The *curricula* of the members of the Board of Directors are disclosed in Appendix I of this Report.

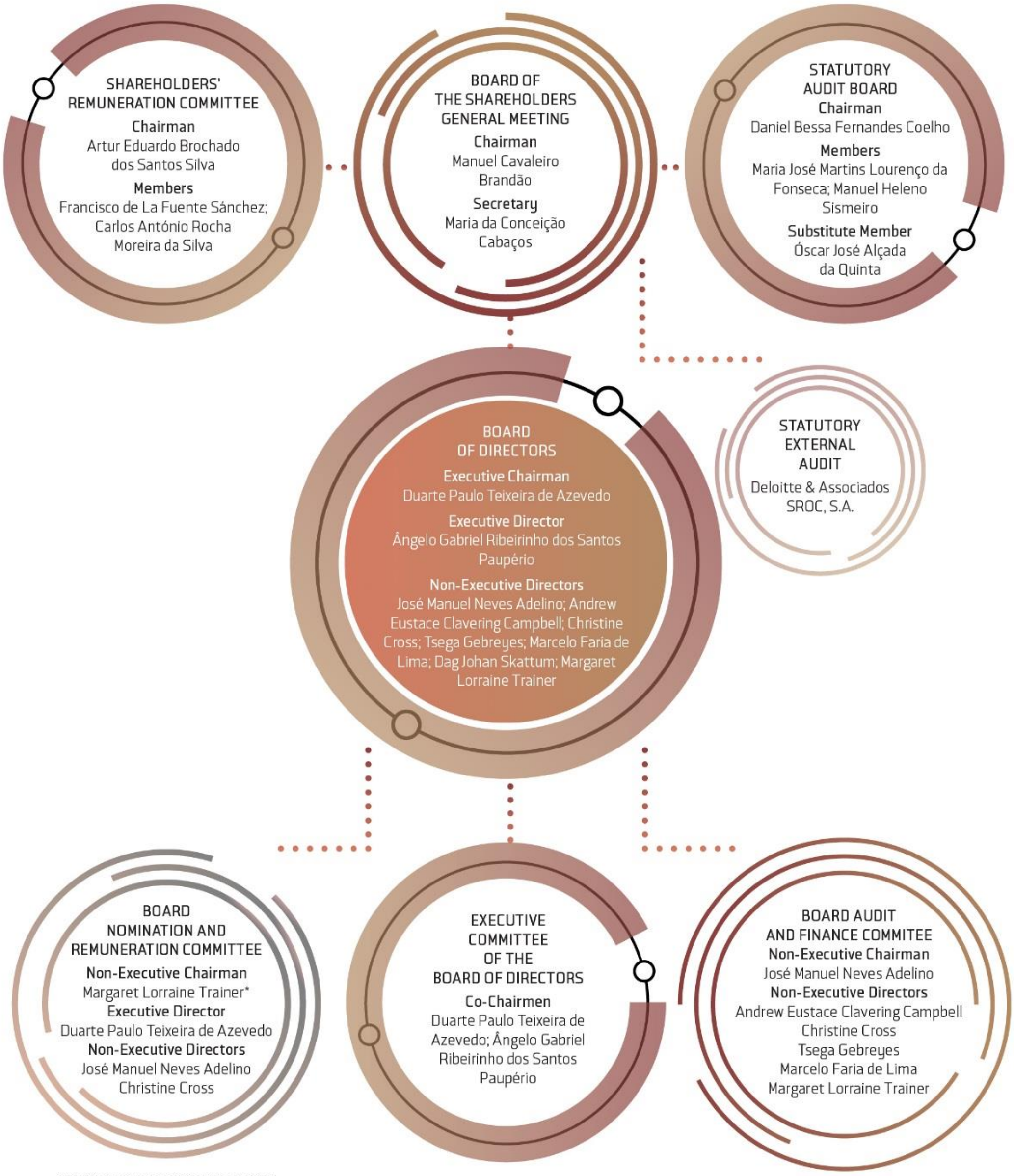
20. Usual and significant family, business and commercial relationships between members of the Board of Directors and shareholders with attributed qualified shareholdings

The Chairman of the Board of Directors and Co-CEO, Duarte Paulo Teixeira de Azevedo, is a shareholder and member of the Board of Directors of Efanor Investimentos, SGPS, SA, the legal entity holding the majority of the voting rights of the Company. He is the son of Belmiro Mendes de Azevedo, to whom is indirectly attributed the control of the share capital and voting rights of Efanor Investimentos, SGPS, SA.

To the best of the Company's knowledge, there are no other significant or usual family, business and commercial relationships between shareholders with attributed qualified shareholdings higher than 2% of the voting rights, and the members of the Board of Directors.

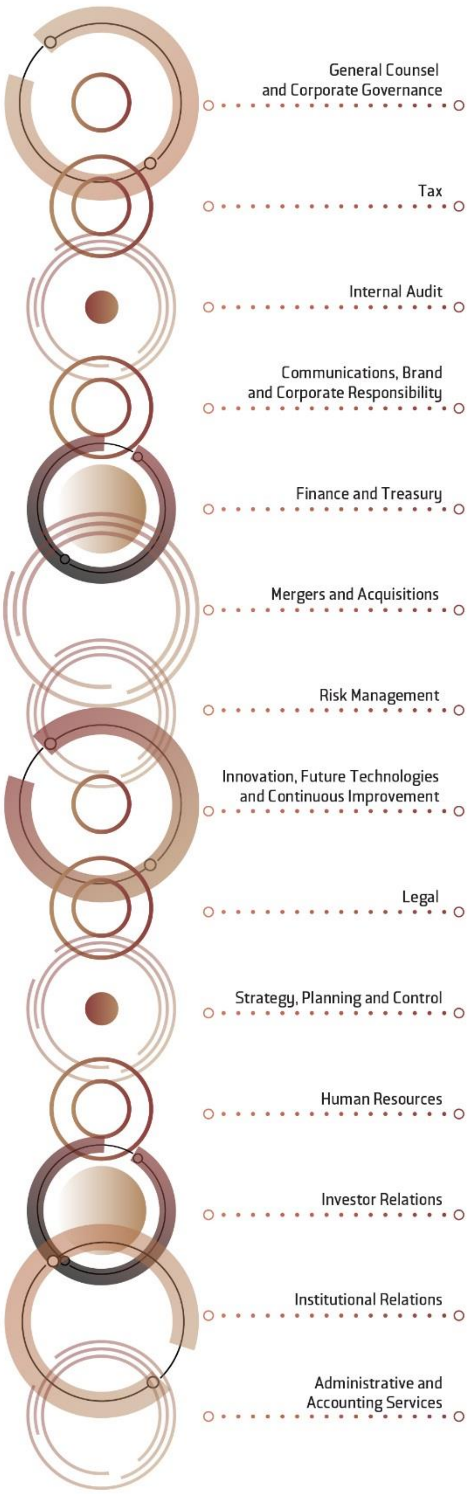
21. Division of powers between the different boards, committees and/or departments within the Company, including the delegation of powers, particularly with regards to the delegation of the Company's daily management

Competencies are divided among the various statutory governing bodies, in accordance with the following terms:



*Note: Margaret Lorraine Trainer was appointed Chairman of this Committee following a resolution of the Board of Directors on 18th November 2016

The corporate structure is supported by the following functional areas:



General Counsel and Corporate Governance

Main responsibilities:

(i) Provide legal advice to Sonae's business activity;

(ii) Manage the relations with Euronext Lisbon, the Portuguese Securities Market Commission (CMVM) and with the shareholders in relation to legal matters;

(iii) Manage the legal aspects of Corporate Governance and monitor the best corporate governance practice compliance;

(iv) Coordinate and share legal knowledge in order to align the Company's position with that of other Sonae companies.

Tax

Main responsibilities:

(i) Develop, provide training for and share tax skills;

(ii) Take part in defining tax strategy and objectives, in particular by giving support to the international expansion of the businesses;

(iii) Provide tax support to the Mergers and Acquisitions activity as well as to restructuring operations;

(iv) Manage Institutional Relations, namely the proactive management of tax matters relating to the business units;

(v) Optimise tax efficiency, namely by:

a. Controlling and monitoring tax procedures among all business units;

b. Ensuring compliance with all tax requirements by all business units;

c. Controlling all group Companies' fiscal consolidation.

(vi) Manage the price transfer dossier;

(vii) Monitor all open litigation with the tax authorities;

(viii) Provide tax consultancy to the businesses by analysing several tax matters.

Internal Audit

Main responsibilities:

(i) Perform internal audits (business relevant processes, food safety and information systems) of Sonae's corporate centre and Retail, Commercial Centres, Investment Management and Financial Services;

(ii) Provide operational support to Sonae's Audit Co-ordination Committee.

Communications, Brand and Corporate Responsibility

Main responsibilities:

(i) Manage the institutional image of Sonae and its brand;

(ii) Manage Sonae's External Communications, namely the Company's online presence and relationship with the media – coordinate messages and lines of communication as well as crisis management;

(iii) Manage Sonae's Internal Communications;

(iv) Manage the Corporate Responsibility Department, including sustainability strategy development, volunteering actions development and patronage relationships management.

Finance and Treasury

Main responsibilities:

(i) Optimisation of the Company's financial function and retail business through the proposal, implementation and control of appropriate risk policies;

(ii) Conduct of all financing operations of the Company and of the retail business;

(iii) Negotiation and contracting of banking products and services for the Company and for the retail businesses;

(iv) Treasury management and means of payment and receipt of the Company and the retail businesses;

(v) Management of the various financial risks of the Company and of the retail businesses;

(vi) Development of credit risk policies suitable to the characteristics of Sonae's various businesses;

(vii) Provide support to the different functional areas in the allocation of capital and financial risk management;

(viii) Provide support on mergers, acquisitions, and divestment;

(ix) Provide support to Sonae's businesses in the execution of transactions in monetary, interest rate or foreign exchange markets;

(x) Support the work of Sonae's Corporate Finance and Treasury Committee;

(xi) Preparation of financial reporting, and monitoring of the main financial risks.

Mergers and Acquisitions

Main responsibilities:

(i) Core businesses and corporate M&A planning and execution across the Sonae Group;

(ii) Identification, assessment, due diligence, negotiations and closing of acquisitions, divestitures, and joint ventures across the Sonae Group;

(iii) Reinforcing Sonae's business networking with industry players and key M&A players.

Risk Management

Main responsibilities:

(i) Promote a culture of risk awareness throughout the organisation;

(ii) Develop the risk management policy and keep it up to date;

(iii) Develop, implement, review and maintain risk management processes and methodologies;

(iv) Coordinate risk management activities and report its results;

(v) Identifying critical risks and monitoring the development and implementation of risk indicators and risk reduction measures;

(vi) Developing procedures for assessing risks, particularly contingency and business succession planning;

(vii) Support Sonae's Risk Management Consultation Group.

Innovation, Future Technologies and Continuous Improvement

Main responsibilities:

To enhance business performances, and provide world-class purchasing and consumer experiences in Sonae's retail companies, by means of:

(i) Innovation – to facilitate, amplify and accelerate the flow of innovation through the active and extensive participation of employees and through close and open cooperation with partners;

(ii) Future Technologies – to identify, assess and experiment emerging technologies and their corresponding "case studies" in the scope of our retail activities, in order to issue recommendations regarding their implementation;

(iii) Continuous Improvement – to implement and foster the culture and practice of continuous improvement, under the framework of our IOW (Improving our Work) model, within the Corporate Centre and Sonae RP.

(iv) Granted Projects – identify, evaluate, and explore opportunities of project financing through incentives, subsides and sponsorships and, whenever approved, manage the articulation with other consortia members and assure the obligations emerging from the financing conceded.

Legal

Main responsibilities:

(i) Monitor, control and ensure the legality of food and non-food retail and wholesale business activities, including the health and welfare, restaurant, franchising and real estate asset areas;

(ii) Prepare and/or analyse contracts that maximise safety and reduce legal risks and potential costs;

(iii) Corrective and preventive management of all issues relating to intellectual property used by the different businesses such as patents, models/industrial designs, brands, logotypes, marketing slogans, software and domains management;

(iv) Provide legal support, on a daily basis, to stores/shopping centres/ commercial galleries, namely when they are subject to inspections and visits carried out by government and other official entities (such as the ASAE, Municipalities, Infarmed, GNR, PSP, among others), as well as to resolve conflicts with customers;

(v) Coordinate and provide legal support related to supervisory procedures, regulation and auditing processes, among others, carried out by the Portuguese Competition Authority, Health Regulatory Authority, Electricity Regulatory Authority, regarding the retail and wholesale businesses activities;

(vi) Drafting of all corporate acts (minutes, powers of attorney, shareholders' general meetings, etc), contracts and/or public deeds, all registry and notary acts required by the businesses;

(vii) Translation/retroversion and legalisation of all the commercial, real estate, corporate or civil acts;

(viii) Manage all legal actions and corporate retail processes in pre-litigation and litigation phases;

(ix) Rendering assistance regarding the various licenses/permits/authorisations required by the businesses;

(x) Supervising the privacy policies, personal data protection issues and supervising the compliance of the several databases with the applicable law and regulatory procedures, whether personal data is collected within sales conducted in retail stores or online;

(xi) Follow up on Portuguese and European legislative developments, relevant to the food and non-food retail, wholesale, and real estate businesses;

(xii) Legal monitoring of the management of retail customer complaints both in retail stores and shopping centres/ commercial galleries of retail real estate operations;

(xiii) Provide legal advice to domestic and international retail and to retail real estate operations (which involves, namely, mergers, spin-offs, acquisitions, dissolutions, liquidations, franchising and other similar operations), either at the initial stage of such new national and international operations, either at its continuous monitoring which includes, among other, the interaction and coordination of the works with the local lawyers;

Group Strategy, Planning and Control

Main responsibilities:

(i) Support the development of the corporate and business units' strategy;

(ii) Promote, lead, and execute the annual strategic planning cycle;

(iii) Lead and monitor Sonae's annual budgeting process, and report on budget execution;

(iv) Challenge the businesses and corporate areas on their objectives in order to constantly improve and optimise Sonae's efficiency, performance and results;

(v) Prepare management information on individual businesses, and at a consolidated level, on a monthly, quarterly, and annual basis, analysing deviations to budget and proposing correctives measures;

(vi) Provide support to decisions about capital allocation to existing businesses and to new business opportunities (responsibility for analysing invested capital and its respective return);

(vii) Guarantee the sharing of the latest trends, best practices and information between the different businesses and corporate areas;

(viii) Monitor, interpret and share relevant macroeconomic insight and forecasts with the several businesses.

Human Resources

Main responsibilities:

(i) Manage Sonae's top management human resources: Chairman of Sonae's Human Resources Consultative Group; support the top management human resources of the Executive Committee;

(ii) Supervise Sonae's human resources management department, the main duties of which are to:

a. Define and implement human resources strategy, planning and talent management;

b. Support Sonae's top management to define human resources policies at various levels;

c. Ensure the working of processes concerning recruitment, selection, training, performance/development management, people administration management, Sonae's employees salary processing and Sonae's Human Resources budgeting and reporting;

d. Manage the areas of Medicine, Hygiene, and Safety at Work;

e. Provide the procedural and legal labour law framework for the businesses;

f. Provide support to projects, offices, and international businesses;

g. Represent the Company in contacts with official entities and associations connected with this area;

h. Provide HR services to other Sonae's business units.

Investor Relations

Main responsibilities:

(i) Manage the relationship between Sonae and the financial community through the continuous preparation and disclosure of relevant and up to date information about the Company;

(ii) Support the Executive Committee and the Board Directors, providing them with relevant information about the capital market;

(iii) Support External Communication, contributing towards providing a consistent corporate message to the capital markets.

Institutional Relations

Main Responsibilities:

(i) Support the management of Sonae's institutional relations with the government, European institutions, public entities, and non-governmental entities;

(ii) Represent Sonae in Associations, Forums, and events (in Portugal and abroad) and manage requests for information from these institutions.

Administrative and Accounting Services

Main responsibilities:

(i) Efficiently and effectively manage of all administrative processes of the Company and its retail businesses units;

(ii) Effectively manage the administrative procedures relating to Accounts Payable, Accounts Receivable, Cash and Banks, Inventory and Tangible and Intangible Assets;

(iii) Ensure the effective control of the processes, transactions, accuracy, and timely reporting of financial, tax and management information;

(iv) Book all accounting transactions and prepare the individual and consolidated financial statements of Sonae companies.

The Company has also created the following knowledge sharing and specialised committees:

Corporate Finance and Treasury Committee

Sonae's Corporate Finance and Treasury Committee is chaired by Ângelo Paupério (Co-CEO), being composed of the directors responsible for corporate finance from each of Sonae's main business areas, as well as the managers of the Company's corporate centre functional team, who are relevant to the subjects on each meeting's agenda. The Committee meets monthly to review and coordinate financial risk management policies, banking relationships and other matters related to corporate finance and treasury.

Audit Co-ordination Committee

Sonae's Audit Co-ordination Committee assists the Executive Committee in defining policies, reviewing, and coordinating the activities of internal audit, and reviewing the internal control processes and systems. This committee, which meets quarterly, is chaired by Ângelo Paupério (Co-CEO), and includes Board members and Internal Audit Managers responsible for this role in the Company and in its business areas, the Board and Corporate Governance Officer and the Group Chief Risk Officer.

Sonae's Risk Management Consultation Group

Sonae's Risk Management Consultation Group assists the Executive Committee in defining risk management policies, having a duty to propose methodologies, standards, and tools, aligned with best practice and international standards, to follow up and coordinate risk management activities, and to promote risk management expertise and knowledge sharing amongst Sonae companies. This Group, which meets quarterly, is chaired by Luis Filipe Reis (advisor to the Executive Committee) and includes the Board members responsible for corporate finance and the Risk Managers responsible for this role in the Company and in its main business areas, the Board and Corporate Governance Officer, the Group Chief Internal Auditor and the Group Insurance Manager.

Other than Sonae's Risk Management Consultation Group, there are also the following specific specialist advisory groups, with competencies in the following areas:

- **FINOV**, a forum dedicated to innovation, with the purpose of stimulating and supporting an innovation driven culture at Sonae, capable of sustaining high levels of value creation;
- **Sustainability Forum**, with the purpose of sharing sustainability knowledge and best practices, increasing awareness across Sonae and identifying relevant common issues to encourage synergies and cohesion in the management of the various challenges in this area;
- **Planning and Control Methodologies Forum**, with the purpose of promoting and discussing the implementation of best control methodologies across the Company;
- **Legal Forum**, with the purpose of sharing experience and knowledge among legal teams, promoting the wide discussion of essential legal issues and a common approach to legal interpretations and procedures;
- **Human Resources Forum**, with the purpose of promoting and discussing the implementation of best human resources policies across the Company;
- **Marketing and Communication Forum**, with the purpose of coordinating negotiations with Media companies, as well as promoting the sharing of best practices in Marketing at specific seminars;
- **Engineering, Construction and Safety Forum**, with the purpose of promoting and discussing the implementation of best practices in engineering and construction activities across the Company, with a special focus on matters and issues related to health and safety;
- **Negotiation Forum,** with the purpose of presenting, analysing and discussing negotiation strategies, identifying opportunities for joint negotiations and sharing experiences and knowledge.

Each of these informal bodies meets several times during the year and often organises seminars, workshops, and internal training courses.

b) Functioning

22. Internal Regulation of the Board of Directors

The Internal Regulation of the Board of Directors is available for consultation at the Company's website - https://www.sonae.pt/en/investors/government-of-society/.

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

The Board of Directors meets at least four times a year, as required by the Company's Articles of Association and its Internal Regulation, and whenever the Chairman or two Board members call a meeting. The quorum for any Board meeting requires that the majority of the Board Members are present or represented by proxy.

Decisions are taken by a majority of the votes cast. When the Board of Directors is composed of an even number of members and there is a tied vote, the Chairman has a casting vote.

The Board of Directors receives information about the items on the agenda for the meeting at least fifteen days beforehand, and receives supporting documents for any given meeting with at least three business days in advance.

Minutes are recorded in a minute book.

During 2016, 7 (seven) Board meetings were held. All the members of the Board of Directors had an attendance rate of 100% to the Board meetings, except for the director Marcelo Faria de Lima, who had an attendance rate of 85.7%.

24. Competent Bodies of the Company to appraise the performance of Executive Directors

The Shareholders' Remuneration Committee, appointed by the Shareholders' General Meeting, is the committee responsible for approving the remuneration of the Board members and of other statutory governing bodies, on behalf of the shareholders, under the terms specified in the remuneration policy approved by shareholders at a Shareholders' General Meeting.

The Board Nomination and Remuneration Committee (BNRC) supports the Shareholders' Remuneration Committee in carrying out its duties in relation to the assessment of the performance of the Executive Directors and the remuneration of the statutory governing bodies of the Company. In the execution of this duty, the BNRC and the Shareholders' Remuneration Committee may also be supported by international external consultants of recognised competency. The independence of such consultants is ensured by the fact that they are not bound in any way to the Board of Directors, to the Company nor to the Group, as well as by their broad experience and market recognition.

25. Predetermined criteria for evaluating the performance of Executive Directors

The performance evaluation of Executive Directors is based on predetermined criteria, consisting of objective performance indicators established for each appraisal period, which are aligned with the Group strategy for growth and business performance under a medium and long-term perspective.

Such indicators consist in business, economic and financial KPIs (Key Performance Indicators) and are divided into company, department and individual KPIs.

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

In turn, the department business KPIs are similar in nature to the previous ones, assessing the performance of the Executive Director in the business areas.

The personal KPIs, which may include both subjective and objective indicators, are determined by the attainment of individual goals and commitments assumed by the respective Executive Director.

26. Availability of the members of the Board of Directors

Information on other positions simultaneous held by members of the Board of Directors in other entities, whether or not in Sonae Group, as well as information on other relevant activities exercised during 2016, is disclosed in Appendix I to the present Report.

c) Committees within the Board of Directors

27. Identification of Committees created by the Board of Directors

The Board of Directors has created three Committees: the Executive Committee, the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee.

The internal regulation of these Committees is part of the Board's Internal Regulation available for consultation at the Company's website - https://www.sonae.pt/en/investors/government-of-society/.

Additionally, the Board of Directors has, during its previous mandate, appointed an Ethics Committee with specific competencies in promoting the Sonae Code of Ethics and Conduct, which is available for consultation at the Company's website https://www.sonae.pt/en/investors/government-of-society/.

27.1 Role and Duties of the Executive Committee

The Executive Committee has all the necessary powers to manage the Company on a day-to-day basis, under the terms of the delegation of powers and competencies granted by the Board of Directors.

The following matters were excluded from the terms of delegation by the Board of Directors and are considered to be matters exclusively of the competence of the Board of Directors:

(i) to appoint the Chairman of the Board of Directors;

(ii) to co-opt a substitute for a member of the Board of Directors;

(iii) to request the convening of the Shareholders' General Meetings;

(iv) to approve, under the terms set forth by the applicable law, the Annual Report and Financial Statements;

(v) to grant any personal or asset secured guarantees;

(vi) to decide on any change to the Company's registered office or to approve any share capital increases;

(vii) to decide on mergers, de-mergers or modifications to the corporate structure of the Company;

(viii) to approve the annual portfolio management strategy;

(ix) to approve the Company's annual budget and the financial of the Group's Business plan and any significant changes thereto.

28. Composition of the Executive Committee

The Executive Committee is composed of members from the Board of Directors, as follows:

Management Team
Duarte Paulo Teixeira de Azevedo, Co-CEO
Ângelo Gabriel Ribeirinho dos Santos Paupério, Co-CEO

28.1 Operating Rules of the Executive Committee

The Executive Committee meets at least once every month and additionally whenever any of its members convenes a meeting by writing, with the minimum antecedence of three days prior to the date of the meeting. The quorum for any Executive Committee meeting requires that all its members are present or represented by proxy. The Executive Committee receives information about items on the agenda for the meeting at least 7 (seven) days in advance of the meeting, and receives supporting documents for any given meeting at least 2 (two) days in advance.

The Executive Committee presents a summary in Portuguese and English of the main issues it has discussed and the decisions taken, which is included among the documents distributed to Board members at each Board of Directors meeting.

The Executive Committee can set up internal committees, which will operate dependently to the Executive Committee, to monitor particular matters.

Whenever deemed convenient, the Executive Committee may submit to the consideration of the Board of Directors any matter within its competencies.

The decisions taken by the Executive Committee, and the announcement of the meetings to be held, are communicated to the remaining members of the statutory governing bodies, including the Senior Independent Non-Executive Director and to the Chairman of the Statutory Audit Board.

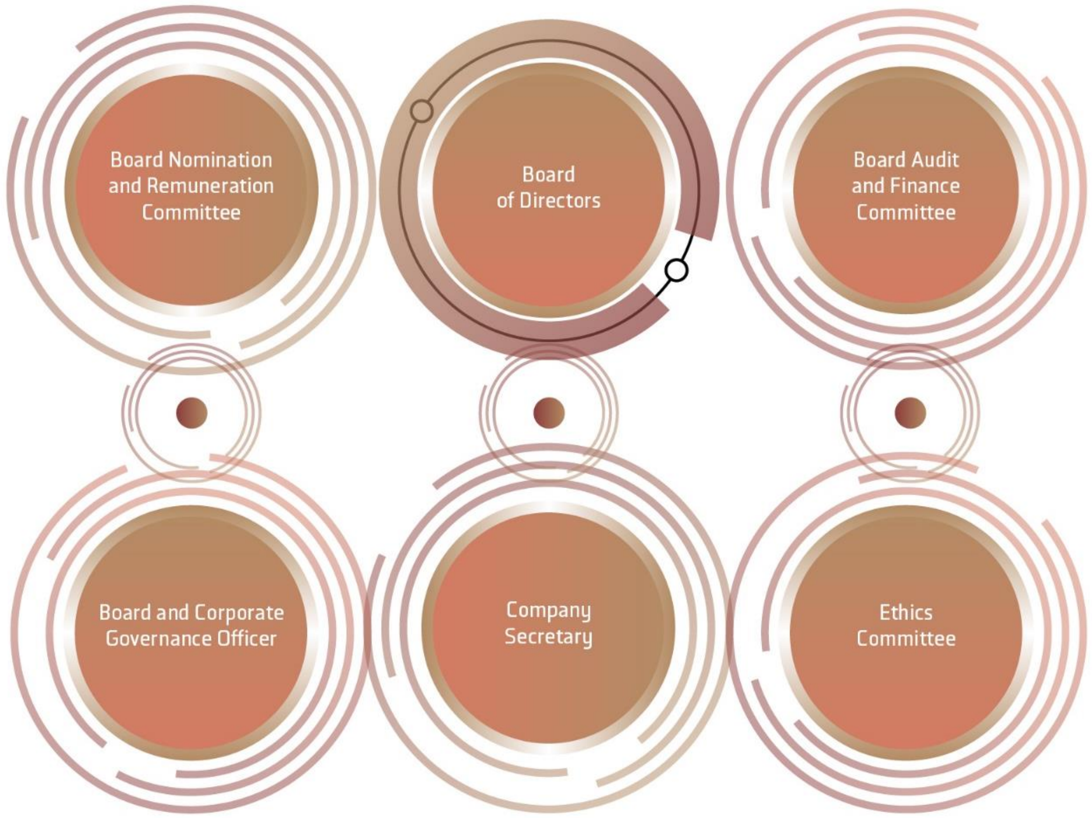
Whilst carrying out its general duty of ensuring access to fully adequate information regarding the correct assessment of its own overall performance, the Executive Committee must deliver periodic reports on its activity to the remaining members of the statutory governing bodies. The Committee must provide answers to their inquiries, in a timely and thoroughly manner, as well as implementing procedures aimed at facilitating the exercise of legal and statutory competencies attributed to such statutory governing bodies.

The members of the Executive Committee must consult the Board of Directors before accepting executive duties in Companies that are not part of Sonae Group, with the exception granted to those that are authorised by the Shareholders' General Meeting, in compliance with the principles adopted by the Company regarding the prevention of conflicts of interest.

Minutes are recorded in the respective minutes book.

During 2016, 19 (nineteen) Executive Committee's meetings were held with an overall attendance rate of 100%.

29. Board Committees and Other Advisors to the Board



Board Audit and Finance Committee ("BAFC")

Role

The BAFC is a committee appointed by the Board of Directors, composed of Independent Non-Executive Directors, and its terms of reference are set out in the Board's Internal Regulation.

The BAFC is responsible for providing support to the Board of Directors and monitoring and evaluating the activity of the Executive Committee in carrying out its management responsibilities, not overstepping the Statutory Audit Board's duties and responsibilities as an auditing body.

The BAFC regularly reports to the Board of Directors about its work, the conclusions that it has reached and proposes plans of action with the goal of proactively ensuring internal control and the functioning of the Company's risk management system.

The duties of the BAFC, as a committee of the Board of Directors, are to:

(i) Review the Company's annual and interim financial statements and earnings announcements to the market, and report its findings to the Board of Directors, giving the necessary support to the financial statements approval process;

(ii) Advise the Board on its reports to shareholders and financial markets to be included in the Company's Annual and Half-Year Financial Statements, as well as in the preparation of the quarterly earnings announcements;

(iii) Advise the Board - including the evaluation of suggestions made by the Statutory Audit Board - on the adequacy and quality of information provided by the Executive Committee, and the systems and standards of internal business control applied by the Company;

(iv) Monitor Internal Audit activity, in conjunction with plans validated by the Statutory Audit Board, reach conclusions, and put these forward for consideration to the Board of Directors;

(v) Assess operational procedures in order to ensure that internal control, effective management of risks, the timely distribution of information and the reliability of the process of preparing and disclosing financial information are monitored;

(vi) Ensure the smooth flow of information to and from the Statutory Audit Board and process any requests made by the Statutory Audit Board to the Board of Directors;

(vii) Ensure that the Corporate Governance policies adopted by the Company are complied with, and that financial reporting standards and practices are adhered to;

(viii) Monitor formal and informal key financial indicators reported about the Company, including reports published by rating agencies;

(ix) Give its opinion about significantly relevant transactions made by the Company with related parties.

Composition

The BAFC is composed of six members appointed by the Board of Directors. All members are Independent Non-Executive Directors. The composition of the Board Audit and Finance Committee during 2016 was as follows:

Board Audit and Finance Committee	
José Manuel Neves Adelino	Chair – Independent Non-Executive
Andrew Eustace Clavering Campbell	Independent Non-Executive
Christine Cross	Independent Non-Executive

Tsega Gebreyes	Independent Non-Executive
Marcelo Faria de Lima	Independent Non-Executive
Margaret Lorraine Trainer	Independent Non-Executive

Operating Rules

The BAFC meets at least five times a year and additionally whenever its Chairman, the Board of Directors or the Executive Committee deem necessary.

Minutes of all BAFC meetings are prepared and distributed to other Board members.

During 2016, 5 (five) meetings of the BAFC were held with an overall attendance rate of 93%.

Board Nomination and Remuneration Committee ("BNRC")

Role

The BNRC operates according to the Internal Regulation of the Board of Directors, and is responsible for:

(i) Identifying potential candidates for appointment to the Board of Directors (in particular when the Board decides to co-opt a Board member) and provide oversight of succession planning, contingency planning and talent management in general for Board members and other senior management positions;

(ii) Giving feedback, to the Board of Directors, on the proposed remuneration and compensation policy of the members of the Board of Directors prepared by the Executive Committee and to be subsequently submitted to the Board of Directors for review, before the Board submits a final proposal to the Shareholders' Remuneration Committee for its approval and subsequent inclusion in the agenda of a Shareholders' Annual General Meeting to obtain the approval of shareholders;

(iii) Analysing, as required by the approved internal remuneration processes and policies, the proposals for the remuneration for the members of the Board of Directors, based on the respective performance appraisal, which are then subject to the approval of the Shareholders' Remuneration Committee as the body responsible for approving such proposals. All proposals must be in line with the Company's Remuneration and Compensation Policy approved at the Shareholders' General Meeting;

(iv) Supervising the remuneration decisions taken by the Executive Committee for the group senior executives and senior executives who report directly to the Executive Committee;

(v) Advising the Board of Directors on advance disclosures made by any of the members of the Board of Directors in relation to accepting Outside Directorships and Other Significant Roles or Activities, as required by the Company´s approved Independence and Conflicts of Interest Policy.

The BNRC shares with the Shareholders' Remuneration Committee access to specialist third party services from suitable entities recognised in the market as being competent and independent.

Composition

The BNRC is composed of the Chairman of the Board of Directors, and three Independent Non-Executive Directors, also appointed from among the Board of Directors. During the year of 2016, its composition was as follows:

Board Nomination and Remuneration Committee	
Margaret Lorraine Trainer*	Chair – Independent Non-Executive
Duarte Paulo Teixeira de Azevedo	Non-Independent Executive
José Manuel Neves Adelino	Independent Non-Executive
Christine Cross	Independent Non-Executive

** Margaret Lorraine Trainer was appointed Chairman of this Committee following a resolution of the Board of Directors on 18th November 2016.*

Operating Rules

The BNRC meets at least once a year and additionally whenever its Chairman or the Board of Directors deem necessary. In addition to the formal meetings, BNRC members keep in touch through various forms of long distance communication. Minutes are kept of all meetings of this Committee.

During 2016, 2 (two) meetings of the BNRC were held, with an overall attendance rate of 100%.

Ethics Committee

The Company's Board of Directors approved in 2013 a new version of the Sonae Code of Ethics and Conduct. The Sonae Code of Ethics and Conduct is a document that, in accordance with Sonae's principles and values, establishes rules of conduct as well as the ethical and moral principles and practices to be complied with by the Board of Directors, other statutory governing bodies and employees, while carrying out their duties in all Group business units, and extends to their relationships with clients, suppliers and other stakeholders. It also applies to third-party entities, contracted by or acting on behalf of Sonae, whenever the Company may be held accountable for their actions.

The Sonae Code of Ethics and Conduct is available at https://www.sonae.pt/en/investors/government-of-society/ and has the fundamental objectives of:

(a) Establishing principles that guide the activities of the Sonae Group of companies, and setting rules of ethical and moral nature that are expected to guide the behaviour of all of its employees and governing bodies. It includes promoting the adoption of ethical and moral principles and practices by our partners;
(b) Promoting and encouraging the adoption of the guiding principles and rules of conduct defined in the Sonae Code of Ethics and Conduct, which reflect the Company's values, namely with regards to the relationships between employees, statutory governing bodies, Sonae, and its remaining stakeholders;
(c) Consolidating Sonae's institutional image, which is characterised by Determination, Dynamism, Enthusiasm, Creativity, and Openness.

In addition to the Sonae Code of Ethics and Conduct, internal regulations covering independence and conflicts of interest and related party transactions remain in force.

Employees are also made aware internally of the Sonae Code of Ethics and Conduct, which appears in periodic communications within the Sonae companies. During 2016, as in previous years, the Company promoted e-learning internal training courses concerning business ethics, covering whistleblowing policies and procedures, clarifying staff responsibilities as well as those of the Company's management bodies, and presenting practical examples of situations involving: conflicts of interest, privacy, information confidentiality and integrity, staff relationships and those with the suppliers and business partners. During 2016, these e-learning training courses were made available to new employees and new members of the Company's management bodies.

Following the approval of the Code of Ethics and Conduct in 2013, Sonae's Board of Directors appointed an Ethics Committee with the following main tasks:

- Assure the existence of means to disseminate the Code of Ethics and Conduct to its main target audience;

- Consider and answer questions sent by the members of the statutory governing bodies of the Group' companies, as well as those sent by employees, partners or third parties which fall within its scope, making recommendations it deems appropriate to the nature of each case;

- Check the existence of internal mechanisms to report irregularities, making sure they comply with the law, particularly in terms of confidentiality, the handling of information and the non-existence of reprisals for participants;

- Propose to the Board of Directors, after consulting with Sonae's Executive Committee, the approval of changes to the Sonae Code of Ethics and Conduct, whenever considered appropriate;

- Issue clarifications regarding the interpretation of provisions in the Sonae Code of Ethics and Conduct, on its own initiative, or after being requested to do so, by members of the Governing Bodies or employees;

- Receive, evaluate and forward reports of irregularities, received on a non-anonymous basis by the Ethics Committee, to the respective governing bodies, whenever they consider such irregularities as violations of the rules in the Sonae Code of Ethics and Conduct;

- Forward to the Statutory Internal Auditor any reports that might indicate alleged irregularities, under the terms established in article 420, paragraph 1, subparagraph j) of the Portuguese Companies Act;

- Regulate its operation and regularly report its activities to the Board of Directors, and the entities it is legally bound to report to, according to legislation or the corporate governance model adopted.

Any report of irregularities must be sent, on a non-anonymous basis, to the email address of the Ethics Committee: comissaoetica@sonae.pt

The Ombudsman has the responsibility of receiving and forwarding reports involving employees, clients or suppliers and other services providers to the relevant bodies.

Other than communicating with the companies involved, the Ombudsman delivers a half-year summary of all irregularities to the Statutory Audit Board.

Reports addressed to the Ombudsman can be sent to his email address: provedoria@sonae.pt.

Composition

Ethics Committee	
José Manuel Neves Adelino Chair	Non-Executive Independent Director
José Côrte-Real	Head of Human Resources
José Luís Amorim	Ombudsman
Luzia Gomes Ferreira	Head of General Counsel and Corporate Governance
David Graham Shenton Bain Secretary	Board and Corporate Governance Officer

Operating Rules

The Ethics Committee meets at least twice every year and whenever its Chairman or two of its members convene a meeting. In addition to formal meetings, and if deemed necessary, the Ethics Committee' members keep in touch through various forms of long distance communication. Minutes are kept of all the Committee's meetings.

During 2016, 2 (two) meetings of the Ethics Committee were held, with an overall attendance rate of 100%.

Board and Corporate Governance Officer ("BCGO")

Main duties of the BCGO:

(i) Ensure the smooth running of the Board of Directors and Board Committees;

(ii) Participate in Board Meetings and relevant Board Committee Meetings and, when appointed, serve as a member;

(iii) Facilitate the acquisition of information by all Board and Committee members;

(iv) Support the Board in defining its role, objectives and operating procedures;

(v) Take a leading role in organising Board evaluations and assessments;

(vi) Keep under close review all Legislative, Regulatory and Corporate Governance issues;

(vii) Support and challenge the Board of Directors to achieve the highest standards in Corporate Governance;

(viii) Support the proceedings adopted by the Board of Directors to ensure that the stakeholders and the minority shareholders' interests are taken into account by the Board when important business decisions are being taken;

(ix) Support the procedure to nominate and appoint Directors and assist in the induction of new Directors;

(x) Act as a primary point of contact and source of advice and guidance for, particularly, Non-Executive Directors regarding the Company and its activities;

(xi) Facilitate and support the independent Non-Executive Directors to assert their independence;

(xii) Ensure compliance with the CMVM Recommendations for Portuguese listed companies;

(xiii) Participate in making arrangements for and managing the whole process of Shareholders' General Meetings;

(xiv) Participate in the arrangement of insurance cover for members of the statutory governing bodies;

(xv) Participate, on behalf of the Company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

BCGO reports to the Board of Directors through its Chairman as well as, when appropriate, through the Senior Independent Non-Executive Director.

Company Secretary

The Company Secretary is responsible for:

(i) Keeping the formal minute books and attendance lists at the Shareholders' General Meetings;

(ii) Forwarding the legal documentation to convene the Shareholders' General Meetings;

(iii) Supervising the preparation of supporting documentation for the Shareholders' General Meetings and the meetings of the Board of Directors and preparing the respective formal minutes;

(iv) Providing feedback, pursuant to the applicable legal provisions, to Shareholders' requests for information;

(v) Legally registry any act or resolutions of the Company's statutory governing bodies.

29.1 Activity developed by the Committees created by the Board of Directors

Non-Executive Directors bring an independent perspective to the continuous monitoring of the Executive Committee, exercising an important influence in the decision-making process and in the development of strategy and policy, both within the Board of Directors, as well as in the specialised committees of the Board of which they are members (BAFC and BNRC).

During 2016, the Executive Committee managed the Company on a day-to-day basis, monitoring the business activity and enhancing strategic decision-making in accordance with the decisions of the Board of Directors and under the terms of the delegation of powers to the Executive Committee.

The Executive Committee reports to the Board of Directors and remaining governing bodies on the work performed during the financial year, providing information on the most significant decisions taken and the main actions implemented in the fulfilment of its competencies and duties.

The Ethics Committee has carried out its duties and continued to pursue its mission of disseminating the Sonae Code of Ethics and Conduct, issuing recommendations to answer questions posed by members of the governing bodies, and reporting its activity to the Board of Directors.

III – Audit

a) Composition during 2016 financial year

Statutory Audit Board
Daniel Bessa Fernandes Coelho Chair
Maria José Martins Lourenço da Fonseca
Manuel Heleno Sismeiro
Óscar José Alçada da Quinta Substitute

30. Identification of the Supervisory Bodies

The Statutory Audit Board (SAB) and the Statutory External Auditor are, under the governance model currently adopted, the auditing bodies of the Company.

31. Composition

In accordance with the Company's Articles of Association, the Statutory Audit Board (SAB) shall be composed of an odd or even number of members, with a minimum number of three members and a maximum number of five members, elected for a four-year mandate. One or two substitute members may be appointed if the SAB is made up of three or more members, respectively.

The Statutory Audit Board members are elected at the Shareholders' General Meeting.

If the Shareholders' General Meeting fails to elect the members of the Statutory Audit Board, the Board of Directors must, and any shareholder may, petition the courts for the necessary appointment.

If the Shareholders' General Meeting does not designate the Chairman of the Statutory Audit Board, the Chairman shall be appointed by the members of the Statutory Audit Board.

If the Chairman leaves office prior to the end of the mandate for which he was elected, the other members must choose a substitute to exercise these duties until the end of the current mandate.

The members of the Statutory Audit Board who are temporarily unavailable, or who have resigned, shall be replaced by the substitute member.

Substitute members who replace members who have resigned, shall remain in office until the next Shareholders' Annual General Meeting, at which time the vacant positions shall be filled.

In the event of it not being possible to fill in a vacancy left by a member, due to a lack of an elected substitute member, the vacant positions, both of the member and of the substitute member, shall be filled by means of a new election.

The Chairman and the substitute member of the Statutory Audit Board were first elected on 3rd May 2007 and were later re-elected at the Company's Shareholders' Annual General Meeting, held on 27th April 2011, having concluded their mandate in 2014.

At the Shareholders' Annual General Meeting held on 30th April 2015, the Chairman and the substitute member of the Statutory Audit Board were re-elected for a third mandate within the present four-year term of 2015-2018.

The remaining members of the Statutory Audit Board were elected at the Shareholders' Annual General Meeting held on the 30th April 2015, for a first four-year mandate of 2015-2018.

32. Independence

All members of the Statutory Audit Board are independent as required by article 414 paragraph 5 and are not in breach of any of the criteria for incompatibility as set out in article 414 A, paragraph 1, both of the Portuguese Companies Act. The Statutory Audit Board has carried out an assessment of the independence of its members, by obtaining an update on the written information previously provided on an individual basis.

33. Professional qualifications and curricular references of the members of the Statutory Audit Board

The qualifications, experience and responsibilities of the members of the Statutory Audit Board are disclosed in Appendix I of this Report.

b) Functioning

34. Internal Regulation of the Statutory Audit Board

The Internal Regulation of the Statutory Audit Board is available at the Company's website, https://www.sonae.pt/en/investors/government-of-society/.

35. Statutory Audit Board Meetings

Decisions are taken by simple majority, the Chairman having a casting vote if the Statutory Audit Board is composed of an even number of members.

The Statutory Audit Board meets at least four times a year and every time the Chairman or two of its members convene a meeting. In addition to the formal meetings, and if necessary, the members of the Statutory Audit Board maintain contact trough long distance communications.

During 2016, 12 (twelve) meetings were held, with an overall attendance rate of 100%. Minutes of all meetings of the Statutory Audit Board were recorded.

36. Availability of the Statutory Audit Board members

Information on other positions currently held by members of the Statutory Audit Board in other entities, whether or not in Sonae Group, as well as information on other relevant activities exercised during the present mandate, are disclosed in Appendix I to this Report.

c) Duties and Competencies

37. Role of the Statutory Audit Board in the hiring of additional services from the External Auditor

The Statutory Audit Board is responsible for the approval of non-audit services from the External Auditor.

To that effect, the Statutory Audit Board establishes, in the first meeting of each year, a work plan and timetable, comprising among other subjects, the coordination of tasks with the External Auditor including:

- Approval of the annual work plan of the External Auditor;
- Follow-up of work performed and review of conclusions of the audit work and of interim and annual statutory audits;
- Overseeing the independence of the External Auditor;
- Decision on the approval of the provision of non-audit services, in compliance with 2013 CMVM Recommendation IV.2 and with Law no. 140/2015 of 7th September;
- External Auditor's annual activity assessment in compliance with 2013 CMVM Recommendation II.2.3.

In the assessment of criteria that supports the hiring of additional work from the External Auditor, the Statutory Audit Board confirmed the existence of the following safeguards:

- the hiring of non-audit services has not affected the independence of the External Auditor;

- the non-audit services have represented a balanced consideration vis-à-vis the services provided;

- the non-audit services, duly framed, did not constituted forbidden services pursuant to no.8 of article 77 of the Law no. 140/2015;

- the non-audit services were provided with high quality and autonomy, as well as with independence from the ones executed under the audit process;

- the quality system used by Deloitte (internal control), according to the information provided to the Company, monitors the potential risks of a loss of independence and possible conflicts of interest with Sonae, while also ensuring that the quality of the services provided are in compliance with the rules of ethics and independence.

38. Other duties carried out by the Statutory Supervising Bodies

38.1 Statutory Audit Board

The Statutory Audit Board is the Company's supervisory body and its duties include, amongst others:

(i) Supervising the management of the Company;

(ii) Ensuring that the law, the Company's Articles of Association and internal procedures are observed;

(iii) Verifying the regularity of all books, accounting registers and supporting documents;

(iv) Verifying, whenever deemed convenient, and in the manner deemed appropriate, the extension of cash and of stock of any kind of goods or other values that belong to the Company or that were received by the Company as a guarantee, deposit or otherwise;

(v) Verifying the accuracy of the financial statements, monitoring the process of preparation and disclosure of financial information and presenting recommendations aimed at ensuring their integrity;

(vi) Verifying if the accounting policies and the valuation criteria adopted by the Company provide a correct evaluation of its assets and results;

(vii) Drawing up an annual report for shareholders on the supervision of the Company, which shall include a description of audit work carried out, possible restrictions encountered in the course of that work, and issuing a statement of opinion on the annual report, accounts and proposals presented by the management;

(viii) Convening the Shareholders' General Meeting, whenever the Chairman of the Board of the Shareholders' General Meeting fails to do this in circumstances when it was necessary;

(ix) Supervising the efficiency of the risk management system, the internal control system and the internal audit function;

(x) Receiving notification of irregularities presented by shareholders, Company's employees or others;

(xi) Appointing and hire services from experts to help one or more of its members in the exercise of their duties. The hiring and fees of these experts should take in consideration the importance of the underlying matters and the financial situation of the Company;

(xii) Acting as the primary interface of the Company with the External Auditor and the Statutory External Auditor, and proposing the appointment or replacement of the External Auditor and the Statutory External Auditor, as well as their remuneration to the Shareholders' General Meeting, as well as the review of their performance, while ensuring that the right conditions exist within the Company for the appropriate carry out their work, being the first point of contact and the first to receive audit reports, without prejudice of the duties and competencies of the Board of Directors on this subject;

(xiii) Supervising the auditing of the Company's financial statements;

(xiv) Supervising the existence and maintenance of the Statutory External Auditor's and the External Auditor's independence;

(xv) Approving any audit or non-audit services to be provided by the External Auditor and approving the respective remuneration.;

(xvi) Issuing a specific and well-sustained report that supports the decision of non-replacement of the External Auditor, giving due consideration to the degree of independence of the auditor under these circumstances and the advantages and costs of replacing them;

(xvii) Supervising the activity carried out by the internal audit;

(xviii) Giving a prior opinion about transactions involving significant business conducted between the Company and shareholders holding qualified shareholdings, or entities with which these are related, in the terms set forth in article 20 of the Portuguese Securities Code, and according to procedures and criteria to be defined by the Board;

(xix) The supervisory governing body is subject to compliance with the competencies and duties established by Law no. 148/2015, of 9th September, which approves the Legal Framework of Auditing Supervision, transposing into national law the Directive 2014/56/EC of the European Parliament and of the Council, of 16th April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, ensuring the execution into national law of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16th April 2014, on specific requirements regarding statutory audit of public interest entities, namely those under article 3 of the preamble decree and article 24 of the Legal Framework of Auditing Supervision;

(xx) Comply with any other attributions defined by the applicable law or the Company's Articles of Association.

In order to carry out its duties, the Statutory Audit Board has a meeting at the beginning of each financial year to plan out the year's work. This plan includes:

A - Monitoring the business activity of the Company and the interaction with the Executive Committee and the Board of Directors through the Board Audit and Finance Committee, in particular:

- Assessing how the internal control and risk management systems are working;

- Assessing the financial statements and the disclosure of financial information;
- Issuing opinions and recommendations.

B - Supervising the activity of Internal Audit and Risk Management, covering:

- Annual activity plan;
- Receiving periodic reports on their activity;
- Evaluating results and conclusions reached;
- Checking and evaluating the existence of possible irregularities that have been forwarded to them;
- Issuing guidelines, as and when deemed appropriate.

C- Information on irregularities (whistleblowing):

Follow up on the work of the Ombudsman, on a half yearly basis, approving procedures for the receiving and handling of complaints and/or communication of irregularities and critically evaluating the manner in which complaints are managed and resolved.

The Statutory Audit Board is also responsible for receiving irregularities in strict accordance with article 420, paragraph 1, subparagraph j), of the Portuguese Companies Act, whether directly addressed to it, or reported to the Ethics Committee or another governing body.

38.2 Statutory External Auditor

The Statutory External Auditor is the statutory supervisory body responsible for legally certifying the Company's financial statements. Its main responsibilities are:

(i) Verifying the accuracy of all books of account, accounting transactions and supporting documents;

(ii) Whenever it deems convenient and by the means that it considers to be appropriate, verifying the accuracy of cash and stocks of any kind, of the assets or securities belonging to the Company or received by it by way of guarantee, deposit or other purpose;

(iii) Verifying the accuracy of the financial statements, and expressing an opinion on them in the Accounts Legal Certification and in the Statutory Auditor Board's Report;

(iv) Verifying whether the accounting policies and valuation criteria used lead to a fair valuation of the assets and results of the Company;

(v) Carrying out any examinations and checks necessary to the audit and legal certification of the accounts and carry out all procedures required by law;

(vi) Verifying the application of remuneration policies and systems, and the effectiveness and working of internal control procedures, reporting any weaknesses to the Statutory Audit Board in accordance with, and within the limits of its legal and procedural duties;

(vii) Attesting if the Company's Corporate Governance Report includes the information referred to in article 245-A of the Portuguese Securities Code.

Since the 1st January 2016, the duties and services provided by the Statutory External Auditor have been in strict compliance with the new Statute of the Portuguese Institute of the Statutory Auditors, under the terms established by Law no. 140/2015, of 7th September.

IV – Statutory External Auditor[1]

39. Identification

The Company's Statutory External Auditor is Deloitte & Associados, SROC, S. A., represented by the statutory auditor António Marques Dias, who was replaced by the statutory auditor Nuno Miguel dos Santos Figueiredo, by reference to the year ended on 31st December 2016.

40. Permanence in Functions

The Statutory External Auditor, Deloitte & Associados, SROC, SA, has completed a third four-year mandate in 2014, and was re-elected for a new mandate, based on a proposal by the Statutory Audit Board, presented to and approved by the Shareholders' Annual General Meeting held on 30th April 2015.

The proposal for the re-election of Deloitte & Associados, SROC, SA for a new mandate, which was presented by the Statutory Audit Board (SAB) to the Shareholders' General Meeting, was in line with recommended practice, and was supported by an analysis made by the SAB covering the preservation of the independence of the Statutory External Auditor and the disadvantages of appointing another replacement Statutory External Auditor.

Follows the transcription of the proposal presented by the Statutory Audit Board at the Shareholders' Annual General Meeting, held on 30th April 2015, available for consultation at the Company's website http://www.sonae.pt/en/investors/shareholders-general-meetings/shareholders/:

"Aiming at the exercise of its responsibility towards the proposal for the nomination of the Statutory External Auditor to the Shareholders' General Meeting, the Statutory Audit Board performed a detailed analysis, having concluded that the competence, reputation, and experience of the actual Statutory External Auditor, and the independency with which it has been exercising its attributions, support the option of its continuation, seeing that continuation in office does not affect its independency, nor does it generate costs of replacement arising from the loss of its historical record of knowledge and from its importance for the efficiency of the audit and review, as long as the independence and impartiality of action is assured, as it is the case.

[1] Referred to as "Statutory Auditor" pursuant to Regulation (EU) no. 537/2014, of the European Parliament and the Council of 16th April 2014.

Additionally, the representing partner of the Statutory External Auditor Company in exercising, took up his assignment in the year of 2011, under a policy of rotation, which becomes effective according with the best practices of compliance, assumed by this Statutory Audit Board, namely the implementation of the Recommendation IV.3 of the Portuguese Securities Commission (CMVM) Corporate Governance Code.

In preparing this proposal, the Statutory Internal Auditor considered the publication of the EU Regulation no. 537/2014, which determines a limit of 10 ten years regarding the duration of the Statutory External Auditor mandate, having the Member States the possibility to reduce such period, and additionally establishes a transitorily regime that, in the Company's case, makes the rotation of the External Auditor mandatory, only, in the year of 2023.

Considering all the factors in equation, it was unanimously deliberated by the Statutory Audit Board, to propose to the Board of Directors the re-election, towards a new mandate, of the current Statutory External Auditor, being the Statutory Audit Board convinced that its permanence exercising its attributions does not eliminate or condition the integrity and independency with which it has been exercising them."

The renewal of the mandate described above also applies to subsidiaries of the Company.

41. Other services provided to the Company

Deloitte & Associados, SROC, S.A is the Company's External Auditor and provides, under the supervision of the Statutory Audit Board, compliance and assurance services.

V – External Auditor[2]

42. Identification

The Company's External Auditor is, in compliance with the article 8 of the Portuguese Securities Code, Deloitte & Associados, SROC, SA, represented by António Marques Dias, registered with the no. 231 at the Securities Market Commission. The Company was notified of the replacement of the partner representing the External Auditor, now represented by Nuno Miguel dos Santos Figueiredo registered with no. 1272 at the Securities Market Commission.

43. Permanence in Functions

The External Auditor has completed a third four-year mandate in 2014, and was re-elected for a new mandate in 2015, based on a proposal presented by the Statutory Audit Board. The representing partner was replaced by reference to the year ended on 31st December 2016.

[2] Referred to as "Auditor" pursuant to Regulation (EU) no. 537/2014, of the European Parliament and the Council of 16th April 2014.

The Statutory Audit Board has grounded its decision of proposing the renewal of the External Auditor's mandate, on the motivation previously exposed in paragraph 40, which is set forth herein.

The above described permanence period in functions also applies to Sonae Group companies.

44. Policy and frequency of rotation of the External Auditor

The Statutory Audit Board has adopted the recommended principle on the rotation of the External Auditor. Hence, the non-rotation of the External Auditor, after two four-year mandates may only exceptionally occur if, after careful assessment, the Statutory Audit Board has concluded that the non-replacement of the External Auditor does not affect its independence, the benefits outweigh the costs of such replacement and all the conditions set forth by paragraphs 4 and 5 of article 54 of the Law no. 140/2015 of 7th September are fulfilled.

Deloitte & Associados, SROC, SA was re-elected for a new mandate at the 2015 Shareholders' Annual General Meeting and has changed, by reference to the year ended on 31st December 2016, the representing partner responsible for the Company's statutory audit execution.

Since the 1st January 2016, the term of the mandate is subject to the rules established in article 54 of the Law no. 140/2015, of 7th September, without prejudice to the maintenance of duties carried out by the External Auditor until the end of the current mandate.

45. Statutory Governing Body responsible for the External Auditor's assessment

The Statutory Audit Board oversees the performance of the External Auditor and the work developed during each exercise, considers and approves the additional work to be provided and, annually, prepares an overall appraisal of the External Auditor, which includes an assessment of their independence.

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

Non-audit services were provided by the External Auditor to the Company, and to Sonae Group companies, in accordance with the previously defined policy, specifically approved by the Statutory Audit Board, which recognised that the hiring of additional services did not affect the independence of the External Auditor, and were in the general interests of the Company, given the expertise of the service provider, the quality of the services provided in the areas concerned and the provider's knowledge of the Company and the Group.

As an additional safeguard, the following measures were taken:

- The hiring of non-audit services did not affect the independence of the External Auditor;
- The non-audit services have represented a balanced consideration vis-à-vis the services provided;
- The non-audit services, duly framed, did not constituted forbidden services pursuant to no.8 of article 77 of the Law no. 140/2015;

- The non-audit services were provided with high quality and autonomy, as well as with independence from the ones executed under the audit process;
- The total annual fees paid in Portugal by Sonae to the External Auditor, represent less than 15% of their overall fees in Portugal.
- The quality system used by Deloitte (internal control), according to the information provided to the Company, monitors the potential risks of a loss of independence and possible conflicts of interest with Sonae, while also ensuring that the quality of the services provided are in compliance with the rules of ethics and independence.

The Statutory External Auditor sent to the Statutory Audit Board, under the provisions of paragraph 6 of Article 24 of Law no. 148/2015, of 9th September, which approves the Legal Framework of Auditing Supervision, a statement of independence, in which the services rendered by it or by other entities and the precautionary measures taken are described. These measures are duly considered by the Statutory Audit Board, whose responsibility it is to give an opinion on their adequacy.

47. Remuneration of the External Auditor

The remuneration paid to the Statutory External Auditor and to the External Auditor, Deloitte & Associados, SROC, SA, by proposal of the Statutory Audit Board, and to other individuals and entities within the Deloitte network, supported by the Company and/or by corporate entities in a control relation with the latter, including co-controlled companies audited by Deloitte, are as follows, analysed by type of service:

Remuneration paid by the Company	**2015***		**2016***	
Statutory Audit and Accounts Certification	29,641	100%	34,384	100%
Total	29,641	100%	34,384	100%

**Amounts in euros.*

Remuneration paid by the Group's Companies	**2015***		**2016***	
Statutory Audit and Accounts Certification	1,249,563	59%	1,196,922	61%
Other Compliance and Assurance Services	657,879	30%	600,180	30%
Tax Consultancy Services	118,717	6%	-	0%
Other services	99,655	5%	180,500	9%
Total	2,125,814	100%	1,977,602	100%

**Amounts in euros.*

C. Internal Organisation

I – Articles of Association

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

Amendments to the Company's Articles of Association follow the terms set out in the Portuguese Companies Act, requiring a majority of two thirds of the votes cast for such a resolution to be approved at a Shareholders' General Meeting.

For a Shareholders' General Meeting to be held, in the first occasion it is convened, the Company's Articles of Association require that a minimum of 50% of the issued share capital should be present or represented at the meeting.

II – Reporting irregularities (whistleblowing)

49. Policy on reporting Irregularities

Sonae's values and principles are widely spread and deeply rooted in its business culture, and form the basis of its actions. These are founded upon principles of awareness and absolute respect for the rules of good conduct in the management of conflicts of interest and duties of diligence and confidentiality in dealings with third parties. The Company's values and principles can be consulted at - https://www.sonae.pt/en/investors/government-of-society/.

All reports of irregularities can be directly addressed, in writing, to the Statutory Audit Board to the following address: Lugar do Espido, Via Norte, 4470-157 Maia, as provided at the Company's website – http://www.sonae.pt/en/contacts/.

III – Internal Control and Risk Management

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

Risk Management is deeply rooted in Sonae's culture and is one of its key Corporate Governance practices. It forms part of all management processes and is the responsibility of all employees of Sonae, at all levels of the organisation.

The main goal of Risk Management is to create value by managing and controlling opportunities and threats that can affect business objectives and the going concern of Sonae's businesses. Risk Management, alongside with Environmental Management and Social Responsibility, are pillars of sustainable development in the sense that better understanding and more effective management of risks contribute to the sustainable development of businesses.

Risk Management is the responsibility of all Sonae's managers and employees, and is supported by the Risk Management, Internal Audit and Strategy, Planning and Control Departments, at all levels of the organisation, and through specialsed teams, which report directly to their respective Boards of Directors.

The Risk Management department's mission is to help companies reach their objectives via a systematic and structured approach in identifying and managing risks and opportunities.

The Internal Audit department identifies and evaluates the effectiveness and efficiency of management and control of business processes and information systems. The Internal Audit department is supervised by the Statutory Audit Board.

The Strategy, Planning and Control department promotes and supports the integration of risk management into the management and planning control processes of the Company's businesses.

Financial and accounting information reliability and integrity risks are also evaluated and reported upon by the External Audit activity.

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

The Statutory Audit Board monitors the internal control and risk management systems, supervises its activity plan, receives periodic reports on the work performed, assesses the results and conclusions drawn and gives guidelines as it deems necessary.

The External Auditor verifies the effectiveness and functioning of internal control procedures in accordance with the work plan appointed by the Statutory Audit Board, to which it reports the conclusions drawn.

The Board of Directors, through the Board Audit and Finance Committee, monitors the Internal Audit and Risk Management activities.

52. Other Functional Areas with Risk Control Competencies

Each one of the Group's functional structures takes responsibility in controlling and monitoring risks related with their duties, namely the Strategy, Planning and Control, Legal Advisory and Corporate Governance, Finance, Tax, Legal, Human Resources, Communication, Brand and Corporate Responsibility, Institutional Relations, Investor Relations, Administrative Services and Innovation, Future Technology and Continuous Improvement departments.

53. Identification and Classification of Main Risks

Economic Risks

Macro-economic Influences:

The current uncertain economic environment impacts Sonae's businesses. Several initiatives have been launched to mitigate this risk, which include inter alia internationalization of main businesses, stricter cost control measures, launching of innovative and alternative offers, and adapting to the economic context by launching promotions and products tailored to the changing consumer needs.

Competition:

The main competition risks are the entrance of new competitors, mergers and acquisitions opportunities, the repositioning of current competitors or the actions they might take to reposition themselves to win new markets and gain market share (price conditions, promotional activity, new businesses, innovation). The inability to be competitive in areas such as pricing, product range, quality and service can have a negative impact on the financial results of the Group. In order to minimize this risk, Sonae constantly benchmarks competitor's actions and invests in improved or new formats, businesses and products/services in order to always offer its customers innovative proposals.

Customers:

One of the fundamental risk factors is the possibility of changes in consumer behaviour, especially as a consequence of economic and social factors. Customers frequently change their expectations and preferences, which imply a continuous adaptation and optimization of business concepts and offers.

In order to anticipate consumer needs and market trends, Group companies analyse information about consumer behaviour on a regular basis with more than 100,000 customers interviewed per year. The introduction of new products, concepts and technologies is always tested using pilot schemes before being implemented globally. The Group also invests in the refurbishment of stores and of shopping centres and in launching IT services (including transactional sites) to ensure that they retain their attractiveness for customers and cope with the pace of technological innovation challenges.

Brand:

Sonae and its affiliated companies own several high value brands, and they are one of its main assets.

The risks associated with brands come from the negative impacts arising from extraordinary events affecting image and reputation. The Group periodically monitors brand image value, their attributes and their reputation through customer opinion surveys, research by specialist entities and market studies. The Group also performs continuous follow-up of brand reputation, namely through press analysis, opinion articles issued by the media and in blogs. Sonae's brands are regularly granted national and international awards, which recognize excellence in specific products/services, business processes and innovation achievements.

Tangible asset risks:

In 2016, preventive and safety audits were conducted in different locations of the business units. In the main business units, tests and simulations were made to emergency and preventive systems and plans, usually in the presence of civil protection services, security forces and fire brigades. The development and implementation of security standards, and related monitoring and self-assessment procedures (Control Risk Self-Assessment) also continued.

People safety risks:

Sonae considers Safety and Health as an essential part of the sustainable development of its businesses. It motivates its staff and is a differentiating driver of our success. Aware of the importance that the preservation of lives and assets has as a fundamental pillar of sustainability and business growth, Sonae developed Social Responsibility actions through a strong commitment in the prevention of work accidents, eliminating and/or minimizing their causes and promoting permanent attention to Safety and Health.

Evaluating risks and designing, together with business units, actions to minimize them is a continuous process, particularly through training programs, close ties with staff in their working environment, performance of safety walks, audits and drills.

Aware of the importance that the preservation of lives and assets has as a fundamental pillar of sustainability and business growth, Sonae developed Social Responsibility actions through a strong commitment in the prevention of work accidents, eliminating and/or minimizing their causes and promoting permanent attention to Safety and Health.

Retail businesses are committed to implement a zero accidents culture and aim to ensure that health and safety of its staff and customers is never put at risk. The main priority is to act strategically and with focus.

The Health and Safety department of Sonae Retail Business Units focus its activities with particular emphasis on accidents and professional illnesses prevention and on staff well-being improvement. Its main objective is to implement a Safety Culture change and to enhance health and safety as a corporate strategic value. It fosters visible leadership in health and safety at work through various activities, in particular workshops with Sonae MC's top management, setting up working groups to develop health and safety initiatives and integrating health and safety into day to day operations.

Continuing the work done in previous years, the following initiatives have been implemented to strengthen our Safety Culture:

- Safety Prevention Observation (SPO) Programme – This programme aims at raising the awareness of unsafe behaviour and promoting safe behaviour at work, by identifying and observing these behaviour patterns and communicating lessons learnt to all staff. In 2016, 45,300 SPO's have been performed;
- Health and Safety at work Leadership Training for Directors and Managers – All business units Directors and 2,200 managers have undergone this training programme;
- Staff Annual Health Check – Staff are observed by a doctor on an annual basis, to comply with legal regulations but also to listen to their worries about health and safety at work. These medical appointments are attended by most staff. Results are reviewed and shared with business units to help implementation of preventive measures, improve working conditions and improve staff well-being;

- Ergonomic studies – Aware of the importance of ergonomic working spaces and practices to the companies, as it contributes to optimise the relationship between staff, equipment and working spaces, balancing demanding tasks and equipment with personal characteristics and behaviour, Retail businesses have implemented Ergonomic studies in its Continente, Continente Modelo and Continente Bom Dia stores. These studies aim at improving staff health, safety and well-being as well as to prevent injuries;
- Health and Safety at work Campaigns – These campaigns are launched on a yearly basis with the objectives of raising health and safety awareness, to reduce absence and injuries, to raise levels of satisfaction and well-being and to motivate staff to adhere to prevention and best practices at work;
- Safety Alerts – Proactive information sharing on health and safety throughout all business units raises awareness to health and safety risks and to preventive measures to mitigate those risks. Information is shared via email, on a monthly basis, and used to support on the job awareness and training activities.

All these actions contributed significantly to improve Health and Safety at Work and led to very positive results in 2016, with a reduction of 2% in the frequency index and of 10% in severity index of accidents, at the Retail businesses from 2015.

"Zero accidents" is the objective to which Sonae Sierra aspires through the implementation of its corporate Safety, Health and Environment Management System.

The set-up of Sonae Sierra's Safety and Health culture began with the PERSONÆ Project in 2004, whose final output was a cross-organizational Safety and Health culture within Sonae Sierra. This required implementing processes and actions, strictly aligned with the corporate Safety and Health policy and objectives, aimed at minimizing and controlling all people related risks that arise from Sonae Sierra activities in all Shopping Centres in operation and in all Development Projects. In total, within the PERSONÆ project, 5 million euros were invested and the project involved more than 70,000 people among Sonae Sierra employees and tenants in Portugal, Spain, Italy, Germany, Greece and Brazil. This project, concluded in 2008, has evolved into Sonae Sierra's Safety, Health and Environment Management System, which continues to hail the same high standards and commitment levels to minimize people related risks.

This effort was recognised through Sonae Sierra's corporate OHSAS 18001 certification in 2008, which was the first ever awarded in Europe to a Shopping Centre company. OHSAS 18001 certifications were additionally attained for all new development projects since 2009 and the 37 Shopping Centres currently in operation are individually certified with OHSAS 18001.

Regarding additional external recognition, in 2011 Sonae Sierra was a Dupont Safety Awards finalist, for its exemplary performance and dedication to build safer Shopping Centres for children. Sonae Sierra was also distinguished in that year at the "European Risk Management Awards" in the "Most Innovative Use of IT or other Technology" category, for its Inspections System in the Safety and Health area. In 2009, Sonae Sierra has also been granted the European Risk Management Award for "Best Training Program" and, in 2007, the Dupont Safety Award for Visible Management Commitment.

In 2016 Sonae Sierra has reduced the number of serious accidents (medical treatment, lost-workday/life disruption and fatality/permanent disability cases) by 6% in its shopping centres. Although there was an increase in the number of incidents with visitors (most common causes are slip trip and falls and incidents in escalators/travellators) there was a more significant decrease in the number of incidents with tenants and service suppliers.

Regarding workforce, the number of work accidents with lost workdays (per million hours worked) decreased by 21%, due to a significant commitment to the prevention of in itinere incidents. The severity of this type of incident has also reduced around 38% in 2016.

There was also a 40% decrease in the number of service suppliers' accidents with lost workdays (per million hours worked) mainly as a result of an action plan implemented in Portugal and Brazil.

Regarding Sonae Sierra construction sites, despite the 2 incidents resulting in one or more lost work days occurred with construction contractors, we believe that 2016 was a year in which Sonae Sierra achieved a good performance in terms of health and safety.

Business continuity management:

In Sonae Core businesses, projects and programmes continued to be developed in order to guarantee the continuity of operations and information systems, through defining, revising and implementing procedures and processes to prepare for crisis and catastrophic scenarios, particularly through developing emergency, contingency and recovery plans for business and information systems.

Environmental risks:

In the area of environmental risks, several environmental certifications have been obtained, audits were performed and improvement actions were implemented as part of Environmental Management Systems processes in the Group's sub-holdings.

Sonae Investimentos has been awarded certification for its corporate Environmental Management System in 2007 according to the ISO 14001 standard by Lloyds Register Quality Assurance. In 2010, the EMS was adapted to the new Sonae Retail organization, and again has been certified. This program, among others factors, enables day-to-day environmental risks of the company´s business to be managed.

In addition, and during 2016, Sonae Retail has continued its program of environmental certification of operational units, adding 12 new Continente Hypermarkets and 4 Worten units. At the end of 2016, Sonae Retail holds, in Portugal, 68 certifications (38 Continente, 8 Continente Modelo, 2 Continente Bom Dia, 13 Worten and 6 Warehouses, plus the Meat Processing Centre), as well as 3 Worten units in Spain. These certified operational units act as environmental flagships for all other units.

Sonae Sierra's Safety, Health and Environment Management System covers these risks for all Sonae Sierra's activities, including procurement, construction and the operation of Shopping Centres.

In 2016, 93% of Sonae Sierra Shopping Centres were individually granted ISO 14001 certification, setting the grounds for the following corporate achievements, in the period 2002 to 2016:

- Electricity consumption fell 46%;
- Recycling rates increased from 19% to 65% of total waste generated;
- Water efficiency improved 21%.

During the development phase of Shopping Centres, 26 of Sonae Sierra's construction projects were granted individual ISO 14001 certification for their outstanding environmental practices during construction.

Sonae Sierra's performance in the Global Real Estate Sustainability Benchmark (GRESB) has been strong since its outset, and in 2016 we maintained our position among the leaders in the benchmark. The Sierra Fund was ranked 4th in the non-listed European retail sector and 6th in European retail overall; the Sierra Portugal Fund was placed 7th and 11th in these respective categories, and Iberia Coop 10th and 15th.

Change Project Risks:

Risks associated with critical business processes and major change projects, especially the introduction of new processes and major changes to information systems, were assessed and monitored, both as part of Risk Management work as well as Internal Audit activity.

Insurable risks:

In relation to the transfer of insurable risks (technical and operational), the objective of rationalizing the financial transfer of these types of risk continued, either by searching to establish a tailored insurance capital structure for the capital sums at risk, based on the constant changes in the businesses involved, or by reaching even greater critical mass for the kinds of risks involved. Insurance coverage and retention levels have also been optimised in accordance with the needs of each business, ensuring internally effective insurance management worldwide, using Brokers Link, Sonae's worldwide insurance brokerage network, coordinated by MDS, Sonae´s insurance consultants.

Food safety risks:

In Sonae MC, a programme of food safety audits was implemented and consolidated in stores, cafeterias, warehouses and production centres, leading to reporting of main conclusions and recommendations for corrective actions.

This audit programme has the goal of checking systematically compliance with food safety regulations and internal procedures.

In 2016, 1130 food safety audits were performed.

Information, Information Systems and Communication Risks

Sonae´s businesses Information Systems are characterised as being broad ranging, distributed and heterogeneous. From the information security point of view, several risk reduction actions have been developed to ensure confidentiality, availability and integrity of information, including: implementing high availability systems and network infrastructure redundancy; controlling the quality of flows between applications; managing accesses and profiles; and strengthening mechanisms for data network perimeter protection.

During 2016, several information systems security and personal data protection awareness-training sessions were undertaken, with the presence of staff at all levels and of all functions. Additionally, we have started a programme to adapt to the new General Data Protection Regulation, approved in May 2016.

During 2016, information systems audits were carried out, in several domains that support main business processes with the objective of identifying and correcting potential vulnerabilities that can have a negative impact in the business and in the protection of information. In addition, information systems management and governance audits were also undertaken, using *framework Cobit V5* as a reference.

Financial Risks

The Group is exposed to a variety of financial risks (detailed and analysed in the Notes to the Consolidated Financial Statements of Sonae) that may impact on its equity value. Synthetically, we can group such risks by their nature:

1) Interest Rate Risks;
2) Exchange Rate Risks;
3) Liquidity Risks;
4) Credit Risks;
5) Counterparty Risks;

In abstract, a financial risk shall be understood as a possibility of obtaining different results from the ones expected, and with a material impact in the Group. Sonae seeks, as much as possible, to control this volatility in order to protect its equity value.

Considering the multiple nature of the various businesses of the Group there isn't an individual policy for the management of these risks. There are generic principles that arise from the practices of good management, being, however, privileged an individual approach, well adapted to the characteristics of each business unit.

The Group's approach to financial risk management is conservative and prudent. Sonae does not assume any speculative positions, and therefore all operations carried out within the scope of financial risk management are solely for the purpose of controlling the risks to which the Group is already exposed.

Due to the nature of its business, the Group is particularly active in covering the exchange rate risk that arises essentially from the international sourcing activity. These transactions are generally performed by the hiring of derivative financial instruments, with Sonae's reporting banks with whom previously ISDA contracts have been signed in accordance with international standards. Although with a smaller incidence, in the management of interest rate risk, whenever coverages are made, the proceedings are the same.

A substantial part of the Group's resources is collected from relational banks and, occasionally on the capital markets and, accordingly, Sonae is, inevitably, exposed to its intrinsic volatility. In order to manage the risk, the Group has financing global policies that recommends that the Group's needs are refinanced over a period of 18 months, plus predetermined prudential buffers, thus reducing the impact of a sudden disruption of the capital markets, in the activity of the Group. Additionally, Sonae seeks to have a diversity of counterparties to reduce the impact that any specific events, in any bank or country, may have in the Group's ability to access funds at the intended amounts and conditions.

Coverage of the client's risks is an area that has been gaining expression over the past years, considering the growth of the sales channels of the various business units. Although this risk is small, in consolidated terms, the expansion of the wholesale and franchising activities of the business units has forced Sonae to give particular attention to the management of such risks, either throughout the creation of policies suitable to the characteristics and nature of the different businesses, defining counterparts risk' limits, either throughout credit insurance, bank guarantees and stand-by letters of credit, among other similar instruments. Additionally, the Group has created individualised credit committees per business with a multidisciplinary participation so that the risk of defaults by client is mitigated and monitored systematically and in a timely manner.

The financial risk management policy is determined by each board of directors of each company within the Group, with the support of the Holding's central structure, being the risks identified and monitored in each of the Financial and Treasury departments of the businesses. This ensures a consistent and aggregated approach to the various risks that, at the end, impact on the Group.

Exposure to risks is also monitored by the Corporate Finance and Treasury Committee, where a consolidated risk analysis is reviewed and reported on a monthly basis, and guidelines on risk management policies are analysed and reviewed regularly.

The implemented system ensures that, in each moment, appropriate policies to manage financial risks are adopted, to avoid that such risks impair the achievement of the strategic objectives of the Sonae Group.

Legal, Tax and Regulatory Risks

Sonae and its businesses have the support of legal and tax departments permanently dedicated to the respective activities and under management's supervision, and exercising their competencies in interaction with other functions and departments, in order to pre-emptively ensure the protection of Sonae's and its businesses interests in compliance with their legal obligations and best corporate governance practices.

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

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

The Company's more relevant pending litigation is identified in the notes to the Sonae consolidated financial statements.

Sonae and its businesses are obliged to comply with national and international laws and regulations for each market in which they operate, aiming to ensure: consumer safety and protection, employees' rights, environmental protection and compliance with local and country planning regulations, compliance with sector regulations and the maintenance of open and competitive markets. Due to this fact, Sonae is naturally exposed to the risk of changes in law and regulations that may impact business as usual and consequently affect or impede the achievement of its strategic objectives.

The Sonae Group acts in constant collaboration with the authorities in order to comply with laws and regulations. Such collaboration takes in some cases the form of comments on public consultation launched by national or international authorities. Moreover, the growing international presence of Sonae's companies involves specific risks related to the different nature of local legal frameworks.

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

Risk Management is integrated into Sonae's entire planning process, as a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge. Its goal is to identify, evaluate and manage uncertainties and threats that Sonae's business units face in the pursuit of their business objectives and value creation.

Sonae's management and monitoring of its main risks are achieved through different approaches, including:

(i) As part of strategic planning, risks of the existing business portfolio, as well as those of new businesses and of relevant projects, are identified and evaluated, and strategies to manage those risks are defined;

(ii) At the operational level business risks, and planned actions to manage those risks, are identified and evaluated, and are in included and monitored in business unit and functional unit parts;

(iii) For risks that cross business unit boundaries, such as large-scale organisational changes and contingency and business continuity plans, structural risk management programmes are developed involving all those responsible for the relevant units and functions;

(iv) As far as risks to tangible assets and people are concerned, audits are carried out at the main business units. Preventive and corrective actions are implemented for the risks identified. The financial cover of insurable risks is reassessed on a regular basis;

(v) Financial risk management is carried out and monitored as part of the activity of the Company's and its businesses. Their work is reported to, coordinated with, and reviewed by the Corporate Finance and Treasury Committee and the Audit and Finance Committee of the Board of Directors;

(vi) Management of legal risks is carried out and monitored by the legal and tax departments.

The risk management process is supported by a consistent and systematic methodology, based on international standards, including the following:

(i) Defining and grouping risks (risk dictionary, definition, business risk matrix and a common language);

(ii) Systematically identifying the risks that can potentially affect the organisation (risk sources);

(iii) Evaluating the level of importance and managing the prioritisation of risks as a function of their impact on the objectives of the business, and the likelihood of the risks occurring;

(iv) Identifying the causes for the most important risks;

(v) Evaluating strategic risk management options (e.g. accept, avoid, treat, and transfer);

(vi) Developing and implementing a risk management action plan to be integrated into the management and planning procedures of the units and functions of Sonae's businesses;

(vii) Monitoring how risks evolve and report on progress made in the implementation of action plans.

Internal audit and risk management training and development

With regard to the Internal Audit function, in 2016 Sonae continued to support employee training for those who voluntarily put themselves forward for international certification programmes promoted by the IIA (The Institute of Internal Auditors) - Certified Internal Auditor (CIA) and Certification in Control Self-Assessment (CCSA). At the end of 2016, 26 certifications existed as follows:

1	CIA	Certified Internal Auditor (IIA - The Institute of Internal Auditors)
2	CCSA	Certification in Control Self-Assessment (IIA - The Institute of Internal Auditors)
3	CISA	Certified Information Systems Auditor (ISACA - Information System Audit and Control Association)
4	ISO 27001	Lead Auditor Certification
5	CISM	Certified Information Security Management (ISACA - Information System Audit and Control Association)
6	CRMA	Certification in Risk Management Assurance
7	CRISC	Certified in Risk and Information Systems Control (ISACA - Information System Audit and Control Association)
8	CEH	Certified Ethical Hacker
9	SNCP	Security Certified Network Professional
10	Cobit 5	(ISACA - Information System Audit and Control Association)
11	Other Certifications	

Additionally, one of our food safety auditors detains the EN ISO 22000:2005 and NP EN ISO 19011:2012 Certifications.

2. The importance of continuous training, and the existence within the Group of people with knowledge and skills to train others (some of whom teach regularly outside the Group) were the basis for the establishment of the Internal Audit Academy, which has the following guidelines: definition of functional job descriptions; listing of core skills required for each function (technical and behavioural) and the training strategy for each function. Between 2013 and 2016, 29 training sessions were carried out, involving multidisciplinary teams and a total of 3,810 hours.

Sonae is one of the organisations with the most certified employees in internal audit and risk management in Portugal. In 2017, Sonae will continue to support this important training programme, and the international development and qualification of its internal audit and risk management staff, in line with international best practices.

Actions undertaken in 2016

In 2016, the annual Enterprise Wide Risk Management activities focused mostly on monitoring the implementation of action plans and the assessment of their impact in risk perception.

This process, across the entire Group, is supported by an internally developed application tool, which is based on the COSO International Standard.

The Risk Management Department continued to support management of risks in main organizational projects, as well as in the design of crisis management and business continuity plans. Regarding this subject, a crisis management application was developed to support the crisis management process.

Physical safety, customer safety and security audit programmes were also implemented and fire prevention training events were held.

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

The existence of an effective internal control environment, particularly with regard to financial reporting, is a commitment of the Sonae Board of Directors; identifying and improving the critical processes in terms of preparing and reporting financial information, keeping in mind the objectives of transparency, consistency, simplicity, reliability and materiality. The objective of the internal control system is to obtain reasonable assurance relating to the preparation of financial statements, complying with accounting principles and adopted policies, and warranting the quality of financial reporting.

The accuracy of financial information is assured by the clear segregation of duties between the preparers and its users, and the execution of several control procedures during the process of preparing and disclosing financial information.

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

- The process of reporting financial information is documented, the risks and key controls are identified. The criteria used in the process of preparing and reporting financial information are established and periodically reviewed;
- There are three types of control: High-level controls (entity level controls), information system controls and process controls. Those include a group of procedures related to the execution, supervision, and monitoring and improvement of processes, with the main objective of preparing the financial reporting of the Company;
- Accounting principles used are disclosed in the notes to the financial statements and are fundamental bases of the internal control system;
- The business plans and budgets, and procedures and records of Group companies allow a reasonable assurance that the transactions executed are properly approved by management, and recorded in compliance with accounting principles, also ensuring that the Company maintains proper record of its assets with their existence reconciled with the accounting records;
- Financial information is reviewed regularly, by the management of each business unit and by the persons in charge of the profit centres, ensuring continuous monitoring and related budget control;
- During the process of preparing and reviewing financial information, detailed schedules are established and shared with the areas involved, and all documents are reviewed in detail, including the review of principles used, verifying the accuracy of the information and its consistence with principles and policies defined and followed in previous periods;
- With regard to the separate entities, accounting records and financial statements are prepared by the different functions of administrative and accounting services, which warrant the recording of business

processes transactions and the recording of balances of assets, liabilities and equity captions. Financial statements are prepared by certified accountants of each company, and reviewed by the Planning and Control and Tax departments;

- Consolidated financial statements are prepared quarterly by the departments of the administrative services (consolidation team) of each sub-holding and holding corporate centre. This process represents an additional control of the reliability of financial information, as regards the consistent application of accounting principles, cut-off procedures and control of related parties transactions and balances;
- The Management Report is prepared by the Investors Relations department and contributed to, and reviewed by, several business and support departments. The Corporate Governance Report is prepared by the General Counsel and Corporate Governance department;
- The Group financial statements are prepared under the supervision of the Executive Committee. The documents that constitute the Annual Report and Accounts are sent for review and approval by the Sonae Board of Directors. Once approved, the documents are sent to the External Auditor who issues the accounts legal certification and its report;
- The process of preparing separate and consolidated financial information and the Management Report is also supervised by the Statutory Audit Board and by the Board Audit and Finance Committee of the Board of Directors. These bodies meet quarterly to review the individual and consolidated financial statements and the management report. The Statutory External Auditor presents the main conclusions of the work carried out regarding the yearly financial information, directly to the Statutory Audit Board and to the Board Audit and Finance Committee;
- All the persons involved in analysis of company financial information are included in the list of persons with access to inside information, and are informed about the nature of their obligations, as well as possible sanctions resulting from the inappropriate use of such information;
- Internal rules applicable to the disclosure of financial information aim to warrant that information is disclosed to the market in a timely manner, in order to prevent information asymmetry.
- Among the risks that may materially affect the financial and accounting report, the following are worth highlighting:
    - Accounting estimates – major accounting estimates are described in the Appendix to the financial statements. Estimates are based on information available during the preparation of the financial statements and in the best knowledge and experience of past and present events;
    - Balances and transactions with related parties – balances and transactions with related parties are disclosed in the notes to the financial statements. These transactions are related mainly to the operational activities of the Group, and to the granting and obtaining of loans under arm's length conditions;
- In the Appendix to the financial statements additional information is disclosed regarding the abovementioned risks among others, as well as how they were mitigated.
- Sonae adopts several principles related to continuous improvement of the system of internal control of financial risks, including:

- Improvement in the documentation of controls – following action taken in previous years, Sonae continued to improve the documentation and systematization of risks and internal control system related to the preparation of financial information in 2016.This includes the identification of risk causes (inherent risk), the identification of processes of higher material importance, the documentation of controls, and the analysis of residual risk after the execution and implementation of the potential control improvements;
- Compliance analysis – the Legal department and the Corporate Governance Officer, working together with the Administrative Services, Investor Relations, Internal Audit and Risk Management departments, and, if necessary, other departments, coordinate the periodic analysis of compliance with legal requirements and regulations regarding governance processes and corresponding financial information that are reported on the Management Report and on the Corporate Governance Report.

IV – Investor relations

56. Investor Relations

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

In strict compliance with law and regulations, the Company keeps its shareholders and the market informed on all relevant facts concerning its activities, minimising delays between their occurrence and disclosure. The Company has fulfilled this commitment to the market over many years.

Investors Relations regularly prepares presentations to the financial community. Earning announcements covering the quarterly, half year and annual results, as well as important announcements disclosing or clarifying any relevant event that could influence the share price, are issued to the market. On request, Investor Relations provides clarification about the Company's activities, by answering questions sent by email or by taking phone calls.

In addition to the existence of the Investors Relations team, all information is made publicly available on the Internet via the Portuguese Securities Market Commission site (www.cmvm.pt) and on the Company's own website (http://www.sonae.pt/en/investors/releases-to-the-market/). Additionally, at the website http://www.sonae.pt/en/investors general information is provided about Sonae, as required by article 3 of the CMVM Regulation no. 4/2013, but also other relevant information, including:

- Institutional and other presentations of Sonae to the financial community;
- Quarterly, half yearly and annual results for the last five years;
- Sustainability Reports;
- Corporate Governance Reports;

- Names of managers in the investor relations team, as well as their contact details;
- The Company's share performance on the Portuguese Stock Exchange;
- Notices of Shareholders' Annual General Meetings;
- Annual financial calendars, including Shareholders' General Meetings and the dates of disclosure of annual, half-yearly and quarterly results.

To further enhance effective communication with the capital market and guarantee the quality of information provided, the Investor Relations team organises road shows covering the most important financial centres of Europe and United States, and participates in a number of conferences. A large number of investors and analysts also have the opportunity to talk to senior management in one-on-one meetings or conference calls.

Any interested party may contact Investor Relations via the following means:

Patrícia Vieira Pinto
Investor Relations Manager
Tel: (+351) 22 010 47 94
Fax: (+351) 22 948 77 22
Email: investor.relations@sonae.pt / pavpinto@sonae.pt
Address: Lugar do Espido Via Norte 4471-909 Maia Portugal
Site: https://www.sonae.pt/en/

The Company believes that the procedures described above ensure continuous contact with the market, respecting the principles of equal treatment of all shareholders and equal access to information for investors.

57. Legal representative for Capital Market Relations

The legal representative for Capital Market Relations is Luzia Leonor Borges e Gomes Ferreira, with the following contacts:
Tel: +351 220104706
Fax: +351 229487722
Email: investor.relations@sonae.pt
Address: Lugar do Espido, Via Norte, 4471-909 Maia Portugal

58. Information Requests

During 2016, Investor Relations received 332 information requests.

The average response time was of 2 business days. Notwithstanding, that the complexity of the matter may determine an extended response time in some cases.

V – Website

59. Address

Company's website: http://www.sonae.pt/en/.

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

Website: https://www.sonae.pt/en/investors/government-of-society/.

61. Location for the provision of the Articles of Association, Bodies and Committees' Regulations

Website: https://www.sonae.pt/en/investors/government-of-society/.

62. Location for the provision of information about the identity of the statutory governing bodies, the representative for market relations, the Investor Relations, respective functions and contact details

Website: https://www.sonae.pt/en/investors/government-of-society/ and at http://www.sonae.pt/en/contacts.

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

Accounting Documents - https://www.sonae.pt/en/investors/general-meetings/ and https://www.sonae.pt/en/investors/financial-information/financial-data/.

Calendar of corporate events- http://www.sonae.pt/en/investors/financial-calendar/.

64. Location for the provision of the notices for Shareholders' General Meetings and all related information

Website: https://www.sonae.pt/en/investors/general-meetings/.

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

Website: https://www.sonae.pt/en/investors/general-meetings/.

D. Remuneration

I – Power to establish

66. Responsibility for approving the remuneration of the Company's statutory governing bodies, Executive Directors and persons discharging managerial responsibilities ("dirigentes")

The Shareholders' Remuneration Committee is responsible for approving the remuneration of Board members, members of the other statutory governing bodies and persons discharging managerial responsibilities, on behalf of shareholders, under the terms specified in the compensation policy approved by the shareholders at the Shareholders' General Meeting.

The Board Nomination and Remuneration Committee, mainly composed of Independent Non-Executive Directors, described in sections 15 to 29, supports the Shareholders' Remuneration Committee in carrying out its duties.

II – Remuneration committee

67. Composition of the remuneration committee, identification of other individuals and entities hired to provide support and advisors' statement of independence

The Shareholders' Remuneration Committee is composed of three members, elected at the Shareholders' General Meeting for a four-year mandate from 2015 to 2018. During 2016, the Shareholders' Remuneration Committee composition was as follows:

Shareholders' Remuneration Committee
Artur Eduardo Brochado dos Santos Silva, Chair
Francisco de La Fuente Sánchez
Carlos António Rocha Moreira da Silva

All members of the Shareholders' Remuneration Committee are independent from the Board of Directors and are not connected to any other interests group.

The Shareholders' Remuneration Committee obtains annual benchmarking studies on remuneration levels and practices prepared by the internationally renowned consultants Hay Group and Mercer, in order to ensure that the statutory governing bodies' remuneration policy, to be submitted for the approval of the Shareholders' Annual General Meeting, is in line with the market comparable companies. The Shareholders' Remuneration Committed did not contract any third party consultants during 2016.

68. Knowledge and experience of the members of the remuneration committee

The experience and professional qualifications of the members of the Shareholders' Remuneration Committee allows them to carry out their duties in a rigorous and competent manner, each of them having the appropriate skills to carry out their duties. Their qualifications can be consulted at https://www.sonae.pt/en/investors/government-of-society/.

During 2016, 1 (one) meeting of the Shareholders' Remuneration Committee was held, with an overall attendance rate of 100%.

III – Remuneration Structure

69. Description of the remuneration policy of the Board of Directors and other statutory governing bodies, as provided for in article 2 of Law no. 28/2009, of 19th June

69.1 Principles

Sonae's remuneration policy is structured in order to find a balance between the performance of Executive Directors in relation to goals established for them, and the Company's positioning in the market and comparable situations. Proposals for the remuneration of members of the statutory governing bodies are prepared taking into account:

- Overall market comparisons;
- Practices of comparable companies, including other business areas of Sonae that are in comparable situations;
- Each Executive Director's responsibilities and assessments made of their recent performance.

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

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

The remuneration policy applicable to Sonae's statutory governing bodies is approved in advance by the shareholders at the Shareholders' General Meeting. The body responsible for presenting the Remuneration proposal and approving the remuneration of both executive and non-executive members of the Board of Directors and members of the other statutory governing bodies of the Company, is the Shareholders'

Remuneration Committee, fully composed of independent members. The Committee's members are also elected and their remuneration is decided upon by the Shareholders' General Meeting.

The Board Nomination and Remuneration Committee gives support to the Shareholders' Remuneration Committee in the determination of the Executive Directors' remuneration, by presenting remuneration proposals based upon the relevant data requested by the Shareholders' Remuneration Committee.

As part of the Company's principles of corporate governance, guidelines have been established for remuneration policy.

The Remuneration and Compensation Policy currently in operation was approved at the Shareholders' Annual General Meeting held on 29th April 2016, and is based on the following principles, consistent with the policy previously adopted.

Remuneration Policy Features:

Competitiveness:

- In determining the Remuneration and Compensation Policy of the statutory governing bodies of the Company, the main goal is to attract talent with high level of performance that can deliver a valuable and material contribution to the sustainability of the Company's business. The Policy is defined by benchmarking against the global market and with the practices of comparable companies, based on information furnished by the main annual surveys performed for Portugal and other European markets, in particular those prepared by Mercer and Hay Group.
- Accordingly, the remuneration parameters for members of the statutory governing bodies are determined and periodically revised in line with the remuneration practices of national and internationally comparable companies, with the aim of aligning with the market practice the potential maximum amount of remuneration, both individually as well as in aggregated terms, to be paid to the members of the statutory governing bodies. When making such analysis, the remuneration of the members of the statutory governing bodies shall take into consideration, namely, alongside other factors, the profile and the background of the member, the nature and the description of the role and the competencies of the statutory governing body and of the individual member, as well as the degree of direct correlation between individual performance and business performance.
- For the assessment of the market practice reference values, it is considered the average compensation for Europe's top tier executives. The companies that are considered to be comparable companies are those with securities traded at Euronext Lisbon regulated market.

Orientation for performance:

- The Policy establishes the attribution of bonus calculated considering the level of success of the Company. The variable component of the remuneration is structured in a way to establish a connection between the bonus attributed and the level of performance both individual and collective. In the case that the predefined objectives, measured by business and individual KPIs are not accomplished, the amount of short and medium incentives awarded will be totally or partially reduced.

Alignment with the interests of shareholders:

- Part of the variable bonus (the Medium Term Performance Bonus) of the Executive Directors is designed to enhance the sense of connection between the Executive Directors and the Company, aligning their interests with the interests of shareholders and increasing their awareness of their importance to the overall success of the organisation. The MTPB plans remain open for a 4 year period, covering the performance year and the 3 year deferral period that follows attribution. During the deferral period, the initial value awarded under the plans are subject to share price performance until they vest and are also adjusted to reflect the level of achievement of defined medium-term KPIs.

Transparency:

- Every aspect of the remuneration structure is clear and openly published, either internal as well as externally, through the publicity of the documentation in the Company's website. This communication process contributes to promote equity and independency.

Reasonableness:

- The Policy intends to ensure a balance between Sonae's interests, the market position, the members of the governing bodies' expectations and motivations, as well as focusing on talent retention.
- The Remuneration and Compensation Policy of the statutory governing bodies and of other persons discharging managerial responsibilities adheres to European Community directives, to Portuguese national law and to the recommendations of the Portuguese Securities Market Commission (CMVM).
- The Remuneration and Compensation Policy currently in operation was approved at the Shareholders' Annual General Meeting that took place on 29th April 2016, continuing the policy consistently followed previously, and is based on the following principles:
    - No compensation payments to board directors or members of statutory governing bodies related to the cessation of their duties, whether their resignation occurs according to their original mandate or whether it is anticipated for whatever reason, without prejudice to the obligation of the Company to comply with any relevant legislation in force in this area;
    - Non-existence of any specific system of benefits, in particular relating to retirement, in favour of members of the Board of Directors, supervisory bodies and other persons discharging managerial responsibilities;
    - When applying the Remuneration and Compensation Policy, consideration is given to roles and responsibilities performed in subsidiaries.

69.2 Competitiveness of the Remuneration Policy

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

Who are our benchmark/peer group companies?

- At Sonae, remuneration policy is determined by comparison with the overall market and the practices of comparable companies. This information is obtained from the main remuneration surveys carried out independently for Portugal and the principal European markets. Currently, the market surveys conducted by Mercer and the Hay Group are used as references.
- The average value for top managers in Europe is used to determine the figures for the overall market. The companies that make up the pool of comparable companies are those included in the Portuguese stock market index, the PSI-20.

69.3 Risk Control in relation to remunerations

Sonae reviews its remuneration policy annually as part of its risk management process in order to ensure that it is entirely consistent with its desired risk profile. During 2016, no problems relating to payment practice were found that posed significant risks to Sonae.

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

Sonae has in place internal control procedures concerning remuneration policy, which target the identification of potential risks.

Firstly, the remuneration structure is designed in such a way as to discourage excessive risk-taking behaviour to the extent that remuneration is linked to the evaluation of performance. The existence of objective KPI constitutes an efficient control mechanism.

Secondly, Sonae does not allow contracts to be signed that would minimise the importance of the MTPB plan. This policy includes forbidding any transaction that might eliminate or mitigate the risk of share price variations.

69.4 Remuneration Policy Approval Process

The Board Nomination and Remuneration Committee submits remuneration proposals for the members of the Board of Directors to the Shareholders' Remuneration Committee, in accordance with the approved internal procedure.

Month	Remuneration Cycle
January	Reception of market surveys and benchmarking of remuneration trends and expectations using external benchmarking studies.
March	Board Nominations and Remuneration Committee (BNRC) Meeting in mid-March: Closing of prior year and preparation for the current year, reviewing: -Annual Appraisal Process;

	-Remuneration Policy Proposal; -Proposals for the award of variable remuneration for previous year, including the deferred component; -Proposals for fixed remuneration for the current year; -Proposals for variable remuneration target values for performance in the current year. Shareholders' Remuneration Committee (SRC) Meeting later in March, after the BNRC has met: Closing prior year and preparing current year, approving or deciding the following: -Proposals for the award of variable remuneration for the previous year, including the deferred component; -Proposals for fixed remuneration for the current year; - Proposals for variable remuneration target values for performance in the current year.
April	Shareholders' Annual General Meeting in late April: Shareholders vote on Remuneration Policy proposed by the SRC.
May	SRC Meeting in early May: Only if Board membership or responsibility changed at the Shareholders' Annual General Meeting.
June to October	BNRC Reporting: Update on current year KPIs (if necessary). SRC Meeting: Only if there are any Board membership or responsibility changes.
November	BNRC Meeting: -Progress on current year KPIs (if required); -Review status of Medium Term Variable Remuneration plans and shares retained; -Review of Talent Management, and Contingency and Succession Planning; -Review Nomination Process (if required); -Review BNRC Terms of Reference and Annual Plan for next year; -Review Compensation Policy, including MTIP. SRC Meeting: Only if there are any Board membership or responsibility changes.
December	BNRC Reporting: Update on current year KPIs (if required); SRC Meeting: Only if there are any Board membership changes.

70. Remuneration of the members of the Board of Directors

70.1 Executive Directors

The remuneration of Executive Directors is determined according to the level of responsibility of the member of the Board of Directors involved and is subject to annual review.

Above and beyond the fixed remuneration, Executive Directors are also entitled to a variable remuneration, in accordance with Sonae's Remuneration Policy.

Variable remuneration is awarded in the first quarter following the year to which it relates and linked to performance in the prior year, and aims to motivate and compensate Executive Board Directors for achieving predefined objectives. It is divided into two equal parts:

a) Short Term Performance Bonus (STPB) paid in cash in the first half of the year following the year to which it relates. It may, however, upon the decision of the Shareholders Remuneration Committee, be paid, within the same deadline, in shares, subject to the terms and conditions set forth below for the Medium Term Performance Bonus – see section 71 for further details;

b) Medium Term Performance Bonus (MTPB), paid after a deferral period of 3 years and on the year that follows - see sections 71, 72 and 73 for further details.

The various components of the annual remuneration – fixed and variable - are summarised in the following table:

	Components	Description	Objective	Market Positioning
Fixed	Base salary	Annual salary (in Portugal the annual fixed salary is paid in 14 monthly amounts)	Appropriate to the hierarchical level and responsibility of the director	Median
Variable	Short Term Performance Bonus (STPB)	Performance bonus paid in the first quarter of the following year, after calculation of the financial results for the performance year	Aims to ensure the competitiveness of the remuneration package and link remuneration to Company objective	Third Quartile
	Medium Term Performance Bonus (MTPB)	Compensation deferred for three years, the amount awarded is linked to the share price	Aims to link remuneration to medium to long-term performance and provide alignment with shareholders	Third Quartile

The obligation to pay in cash the bonus incentive may be fulfilled as permitted by law and by the Company's articles of association.

Currently, no scheme involves the award of share purchase options.

70.2 Non-Executive Directors

The remuneration of Non-Executive members of the Board of Directors is exclusively composed of fixed values determined by reference to market values, accordingly with the following principles: (i) attribution of a Fixed Remuneration; (ii) attribution of an annual responsibility allowance. No variable bonus of any kind is paid to Non-Executive Directors.

This remuneration is paid quarterly in arreas.

71. Variable Remuneration of the Executive Directors

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

The variable component is determined by evaluating a number of performance indicators concerning the different businesses, namely economic and finance indicators – "Key Performance Indicators of Business

Activity" (Business KPIs). The KPIs and their specific importance in determining the effective remuneration ensure the alignment of the Executive Directors with the strategic objectives defined and the fulfilment of the legal requirements applied to the activity of the Company.

The amount of each bonus has a minimum of 0% and a maximum limit of 140% of the predefined bonus objective.

72. Deferred payment of the remuneration's variable component

The payment of at least 50% (fifty percent) of the remuneration's variable component is deferred after a 3 (three) year period, in a total of 4 years, under the terms described in the previous section 70.1 (Medium Term Performance Bonus).

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

1. Main features of the Medium Term Performance Bonus (MTPB)

MTPB is one of the components of Sonae's remuneration policy. This component distinguishes itself from the remaining since it is restricted and voluntary, and its attribution is subject to the eligibility criteria hereby described.

MTPB allows the beneficiaries to share with shareholders the value generated through their involvement in the strategy and management of Sonae's businesses in the just measure of the results of their annual assessment of performance.

2. MTPB Scheme

MTPB aligns the interest of Executive Directors with the organisation's objectives, reinforcing their compromise and strengthening their view over the importance of their performance for Sonae, and expressed in Sonae share market capitalisation.

3. Eligibility

Sonae and Sonae companies' Executive Directors are eligible for attribution of MTPB. Employees may also be eligible for attribution of the MTPB pursuant to the remuneration policy approved by the Board of Directors specifically for employees.

Eligible Members	Reference value for medium term bonus plan (% total target variable remuneration)
Sonae Executive Directors	At least 50%
Sonae Business Units Executive Directors	At least 50%
Employees	To be defined by each Company's Board of Directors

4. **Duration of the MTPB plan**

The MTPB plan contemplates a four-year period, which includes the relevant year and a three-year deferral period (the *"performance year"*). As from the third consecutive plan, it will occur in each moment the overlapping of three three-year plans.

5. **Valuation of the of MTPB plan**

The MTPB is based on the attributed value, and is subject to the following variation factors: (i) the representative share price; (ii) dividend corrective action or share capital variation; and (iii) the degree of achievement of medium term KPIs.

The share price of the Company on the Portuguese stock exchange is used to establish the value of MTPB, using as a reference the most favourable price, equal to the closing price on the first business day after the Shareholders' General Meeting, or the average price (using for this average the closing price for the 30 days prior to the date of the Shareholders' General Meeting).

If, subsequently to being awarded the right to this kind of remuneration and before exercising this right, dividends are distributed, changes are made to the nominal value of shares, the Company's share capital is changed or any other change is made to the Company's capital structure, then the number of MTPB shares will be adjusted to an equivalent number, taking into account the impact of these changes.

During the deferral period, the amount of the bonus, converted into shares, may additionally be adjusted to match the success degree in achieving medium terms KPIs, in order to ensure the continued alignment with the business medium terms sustainability objectives.

In line with the policy for enhancing the alignment of Executive Directors with the company's medium term interests, the Shareholders' Remuneration Commission may, in its absolute discretion, graduate the discount percentage to be granted to the Executive Directors for the acquisition of Company's shares, by determining that Executive Directors contribute to the acquisition in an amount corresponding, at the maximum, to 5% of the share market price at the transfer date. The remaining employees to whom such right has been conferred, may acquire shares under the terms defined by each Company's Board of Directors.

6. **Delivery by the Company**

At the moment of the exercise of the share acquisition right under MTPB, the Company reserves itself the right of delivering, in substitution of the shares, the cash equivalent amount to the share market value at the date of the exercise of the right.

7. **MTPB plan vesting**

The MTPB plan contemplates a four-year period, which includes the relevant year and a three-year deferral period.

8. Termination of the MTPB plan

The right to acquire shares attributed under the MTPB plan expires when the beneficiary no longer works with Sonae before the end of the vesting period, without prejudice to the provisions set forth in the following paragraphs.

The right to receive payment may however remain in case of permanent disability or decease, with the due amount being paid to the member of the Board of Directors or to his/her heirs at the normal time for payment at the vesting period.

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

In order to ensure the effectiveness and transparency of the objectives of the Remuneration and Compensation Policy, it was determined that the Executive Directors:

- shall not sign contracts with the Company or with third parties that would have the effect of mitigating the risks inherent in the variable nature of the remuneration that the Company has established for them;

- shall not dispose of, during the period of their mandate, nor will dispose of during any new mandate, shares in the Company, which they have acquired the right through the award of variable remuneration up to a maximum of two times the value of their total annual remuneration, with the exception of those that have to be disposed of to pay any taxes resulting from profits made on these same shares.

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

The Company did not establish any variable remuneration in options.

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

Main parameters and reasoning about variable remuneration are detailed in the above paragraph 71.

76. Main characteristics of complementary pension or early retirement schemes for the Directors approved at the Shareholders' General Meeting

The Company does not have any complementary pension or early retirement schemes for Directors, nor does it attribute any relevant non-pecuniary benefits.

IV – Disclosure of Remuneration

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

Directors' remuneration, awarded by the Company during the years 2015 and 2016, is summarised in the tables below:

INDIVIDUAL DETAIL	**2015***				**2016***			
EXECUTIVE DIRECTORS	**Fixed Remuneration**	**STPB**	**MTPB**	**TOTAL**	**Fixed Remuneration**	**STPB**	**MTPB**	**TOTAL**
DUARTE PAULO TEIXEIRA DE AZEVEDO (1)	**357,300**	**264,600**	**264,600**	**886,500**	**241,800**	**190,500**	**190,500**	**622,800**
ÂNGELO GABRIEL RIBEIRINHO DOS SANTOS PAUPÉRIO (2)	**276,800**	**190,500**	**190,500**	**657,800**	**276,800**	**203,900**	**203,900**	**684,600**
Sub-total	**634,100**	**455,100**	**455,100**	**1,544,300**	**518,600**	**394,400**	**394,400**	**1,307,400**
NON-EXECUTIVE DIRECTORS								
JOSÉ MANUEL NEVES ADELINO	**58,030**	**-**	**-**	**58,030**	**66,900**	**-**	**-**	**66,900**
ANDREW EUSTACE CLAVERING CAMPBELL (3)	**31,900**	**-**	**-**	**31,900**	**46,500**	**-**	**-**	**46,500**
CHRISTINE CROSS	**45,807**	**-**	**-**	**45,807**	**48,500**	**-**	**-**	**48,500**
TSEGA GEBREYES (3)	**35,233**	**-**	**-**	**35,233**	**51,500**	**-**	**-**	**51,500**
MARCELO FARIA DE LIMA (3)	**35,133**	**-**	**-**	**35,133**	**51,400**	**-**	**-**	**51,400**
DAG JOHAN SKATTUM (4)	**-**	**-**	**-**	**-**	**47,100**	**-**	**-**	**47,100**
MARGARET LORRAINE TRAINER (4)	**-**	**-**	**-**	**-**	**49,100**	**-**	**-**	**49,100**
BELMIRO MENDES DE AZEVEDO (5)	**144,977**	**-**	**-**	**144,977**	**-**	**-**	**-**	**-**
ÁLVARO CARMONA E COSTA PORTELA (5)	**10,993**	**-**	**-**	**10,993**	**-**	**-**	**-**	**-**
BERND HUBERT JOACHIM BOTHE (5)	**12,273**	**-**	**-**	**12,273**	**-**	**-**	**-**	**-**
JOSÉ ÁLVARO CUERVO GARCIA (5)	**12,273**	**-**	**-**	**12,273**	**-**	**-**	**-**	**-**
MICHEL MARIE BON (5)	**13,207**	**-**	**-**	**13,207**	**-**	**-**	**-**	**-**
Sub-Total	**399,826**			**399,826**	**361,000**	**-**	**-**	**361,000**
TOTAL	**1,033,926**	**455,100**	**455,100**	**1,944,126**	**879,600**	**394,400**	**394,400**	**1,668,400**

** Amounts in Euros.*
(1) Remuneration for 2015 and 2016 was reduced proportionally to reflect anticipated time commitment at Sonae during these years.
(2) Also received remuneration from subsidiaries of the Company, as reported in section 78.
(3) Member appointed at the Shareholders' Annual General Meeting held on 30th April 2015, being remunerated since 1st May 2015.
(4) Member appointed at the Shareholders' Extraordinary General Meeting held on 16th December 2015, being remunerated since 1st January 2016.
(5) Member who left office following the Shareholders' Annual General Meeting held on 30th April 2015, having been remunerated until that date.

Open MTPB plans attributed to the Executive Directors:

EXECUTIVE DIRECTORS	PLAN (PERFORMANCE YEAR)	AWARD DATE	VESTING DATE	AMOUNT VESTED AND PAID OFF IN 2016*	OPEN PLANS VALUE AT AWARD DATE* **	OPEN PLANS VALUE AT 31 DECEMBER 2016* **
Duarte Paulo Teixeira de Azevedo	2012	March 13	March 16	612,980	0	0
	2013	March 14	March 17		496,100	340,425
	2014	March 15	March 18		389,400	216,932
	2015	March 16	March 19		264,600	175,663
			Total	**612,980**	**1,150,100**	**733,020**
Ângelo Gabriel Ribeirinho dos Santos Paupério	2012	March 13	March 16	511,534	0	0
	2013	March 14	March 17		408,100	289,559
	2014	March 15	March 18		313,900	196,471
	2015	March 16	March 19		333,100	254,957
			Total	**511,534**	**1,055,100**	**740,986**
			TOTAL	**1,124,514**	**2,205,200**	**1,474,006**

** Amounts in Euros.*

*** Calculated considering the share market closing price of 2016 last trading day.*

78. Any amounts paid by other controlled or group companies, or those under shared control

Directors' remuneration, awarded by the Company during the year 2015 and 2016, is summarised in the table below:

INDIVIDUAL DETAIL	**2015***				**2016***			
EXECUTIVE DIRECTORS	**Fixed Remuneration**	**STPB**	**MTPB**	**TOTAL**	**Fixed Remuneration**	**STPB**	**MTPB**	**TOTAL**
DUARTE PAULO TEIXEIRA DE AZEVEDO	-	-	-	-	-	-	-	-
ÂNGELO GABRIEL RIBEIRINHO DOS SANTOS PAUPÉRIO	183,900	142,600	142,600	469,100	183,900	136,200	136,200	456,300
Sub-total	183,900	142,600	142,600	469,100	183,900	136,200	136,200	456,300
NON-EXECUTIVE DIRECTORS								
JOSÉ MANUEL NEVES ADELINO	-	-	-	-	-	-	-	-

ANDREW EUSTACE CLAVERING CAMPBELL (2)	-	-	-	-	-	-	-	-
CHRISTINE CROSS	-	-	-	-	-	-	-	-
TSEGA GEBREYES (2)	-	-	-	-	-	-	-	-
MARCELO FARIA DE LIMA (2)	-	-	-	-	-	-	-	-
DAG JOHAN SKATTUM (3)	-	-	-	-	-	-	-	-
MARGARET LORRAINE TRAINER (3)	-	-	-	-	-	-	-	-
BELMIRO MENDES DE AZEVEDO (1)	-	-	-	-	-	-	-	-
ÁLVARO CARMONA E COSTA PORTELA (1)	-	-	-	-	-	-	-	-
ÁLVARO CUERVO GARCIA (1)	-	-	-	-	-	-	-	-
MICHEL MARIE BON (1)	-	-	-	-	-	-	-	-
BERND HUBERT JOACHIM BOTHE (1)	-	-	-	-	-	-	-	-
Sub-Total								
TOTAL	**183,900**	**142,600**	**142,600**	**469,100**	**183,900**	**136,200**	**136,200**	**456,300**

** Amounts in Euros.*
(1) Member that left office at the Shareholders' Annual General Meeting, held on 30th April 2015.
(2) Member appointed at the Shareholders' Annual General Meeting held on 30th April 2015.
(3) Member appointed at the Shareholders' Extraordinary General Meeting held on 16th December 2015.

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

The variable remuneration of the Executive Directors was determined in accordance with the performance assessment and the remuneration policy approved in the Shareholders' General Meeting held on 29th April 2016, as detailed in section 71 above and in the remuneration table in section 77 above.

The remuneration paid in the form of profit sharing is included in the Short Term Performance Bonus (STPB), disclosed in section 77 above.

80. Compensation paid or owed to former Executive Directors as a result of loss of office

During 2016, no compensation was paid or owed to former Executive Directors in relation to loss of office.

81. Remuneration of the Statutory Audit Board

The remuneration of the members of the Statutory Audit Board is made up of fixed annual fees, based on the Company's financial situation and market practice, and does not include any variable remuneration.
The amount of fixed annual remuneration for members of this body in 2016 was as follows:

Member of the Statutory Audit Board	2015*	2016*
A- Members of the Statutory Audit Board during the mandate 2011-2014 and who left office at the Shareholders' Annual General Meeting held on 30th April 2015		
Arlindo Dias Duarte Silva**	2,000	
Jorge Manuel Felizes Morgado**	2,000	

B- Members elected for the mandate of 2015-2018		
Daniel Bessa Fernandes Coelho***	12,567	13,900
Manuel Heleno Sismeiro****	8,400	10,900
Maria José Martins Lourenço da Fonseca****	8,400	10,900
Óscar José Alçada da Quinta***		
Total	**33,367**	**35,700**

** Amounts in euros.*
*** Member who left office at the Shareholders' Annual General Meeting of 30th April 2015, having been remunerated until that date.*
**** Member who held office during the mandate of 2011-2014, being re-elected by resolution approved at the Shareholders' Annual General Meeting held on 30th April 2015.*
***** Member elected for the mandate of 2015-2018, following a resolution approved at the Shareholders' Annual General Meeting held on 30th April 2015, being remunerated since 1st May 2015.*

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

The remuneration of the members of the Board of the Shareholders' General Meeting is made up of a fixed fee, as follows:

Board of the Shareholders' General Meeting	2015*	2016*
Manuel Eugénio Pimentel Cavaleiro Brandão	7,500	7,500
Maria Conceição Henriques Fernandes Cabaços	2,500	2,500
Total	**10,000**	**10,000**

** Amounts in euros.*

V – Agreements with remuneration implications

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

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

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

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

VI – Share Attribution Plans or Stock Options

85. Identification of the plan and recipients

The share attribution plan includes the medium-term variable remuneration and the main recipients are the Executive Directors, in terms detailed in section 73 above, as well as employees of group companies, in accordance to terms and conditions defined by the respective Boards of Directors.

86. Plan Features

A thorough description of the share attribution plan is detailed in sections 71, 72 and 73 above.

The remuneration policy for the statutory governing bodies as well as the current share attribution plan, were approved at the Company's Shareholders' Annual General Meeting, held on 29th April 2016, as per the terms of the proposal presented by the Shareholders' Remuneration Committee, in compliance with article 2, Law no. 28/2009 of 19 June and 2013 CMVM Recommendation II.3.4.

The remuneration policy under proposal of the Shareholders' Remuneration Committee, approved the non-transfer of shares accessed by the Company's Executive Directors via MTPB, in accordance with the 2013 CMVM Recommendation III.6.

Information on resolutions taken at the Shareholders' Annual General Meeting can be found in https://www.sonae.pt/en/investors/general-meetings/.

The movements in the open MTPB plans of the Company's Executive Board Directors, during 2016, can be summarised as follows:

	Total		
	Aggregated number of plans	**Number of Shares**	**Euros**
Outstanding at 31.12.2015:	6	1,693,650	1,774,945
Movements in the year:	**0**	**-507,239**	**-738,020**
Awarded	2	469,176	455,100
Vested	-2	-769,166	-751,168
Cancelled/Lapsed/Adjustments(1)	0	-207,249	-441,953
Outstanding at 31.12.2016:	6	1,186,411	1,036,924

(1) Changes in the number of shares due to dividends paid and to the effects of Medium Term KPIs. Changes to the values are for the same reason, as well as from the effect of changes in the Sonae share price.
The present chart does not include information regarding share plans that may be attributed by Sonaecom or Sonae Sierra to their Directors.

Summary of the MTPB Plans of the Company's Executive Board Directors, including the MTPB Plans of Sonae Business Units' executive directors, by reference to the year ended on 31st December 2016:

Sonae SGPS Share Plan Outstanding during 2016	Vesting Period			At 31 December de 2016	
	Share Price at Award Date	Award Date	Vesting Date	Aggregate number of participants	Number of Shares
2013 Plan	0.701	March 2013	March 2016	20	0
2014 Plan	1.343	March 2014	March 2017	19	1,754,640
2015 Plan	1.278	March 2015	March 2018	19	1,186,259
2016 Plan	0.97	March 2016	March 2019	20	1,756,517

The present chart does not include information regarding share plans that may be attributed by Sonaecom or Sonae Sierra to their Directors.

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

No option rights to acquire shares were granted.

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

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

E. Relevant Transactions with Related Parties

I – Mechanism of control procedures

89. Mechanisms for monitoring transactions with related parties

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

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

90. Transactions subjected to control during 2016

As stated in section 10 above, there were not, during 2016, any significant relations, of a commercial nature or otherwise, between qualified shareholders and the Company. The executed transactions, without any significant relevance, fall within the Company's scope of activity, were executed on arm's length conditions and side-by-side with other equivalent transactions executed with national and international parties, as described in the Appendix to the Consolidated Financial Statements' according to the information provided in section 92. The Company did not execute any transaction with any member of the management or audit bodies during 2016.

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

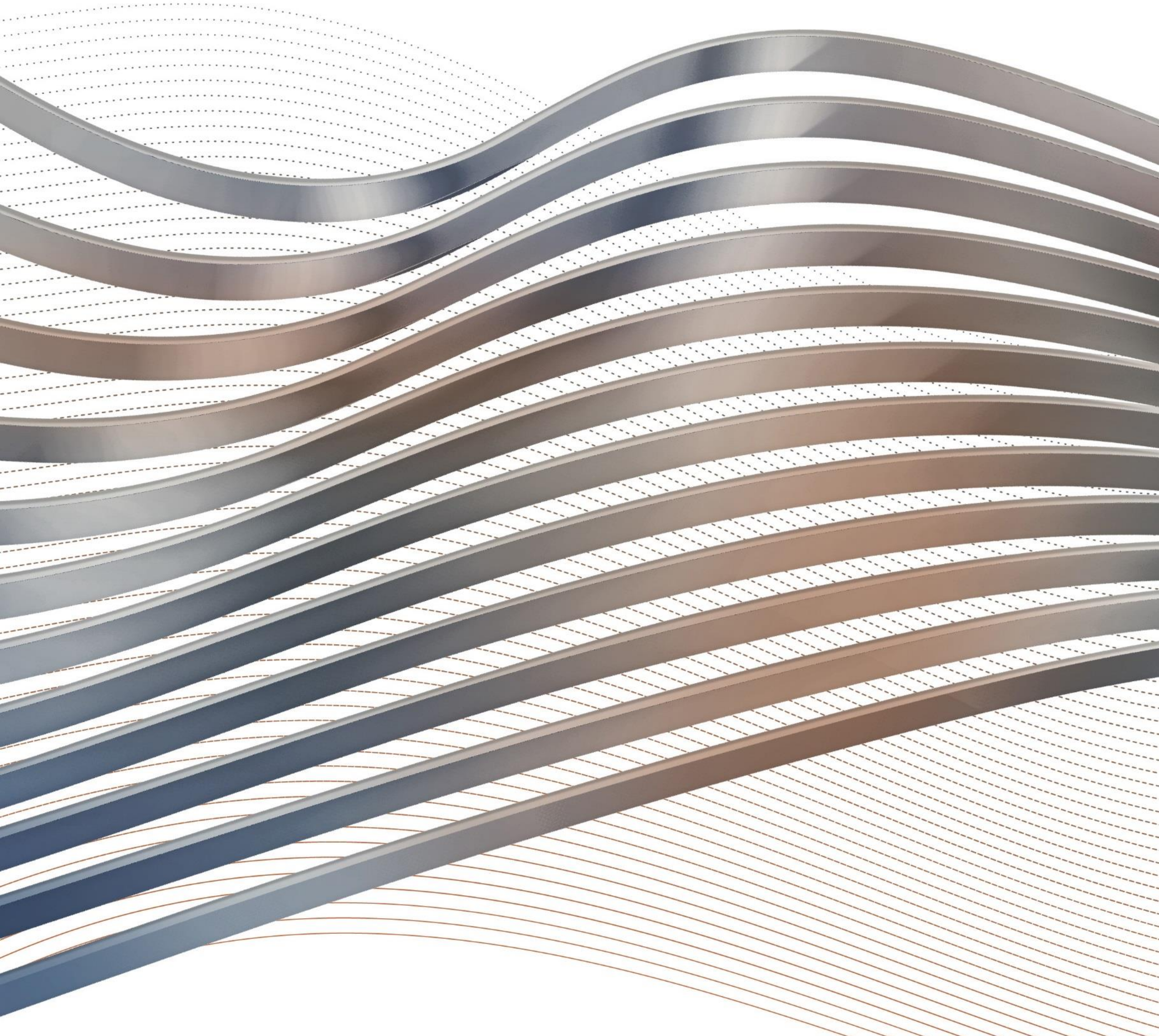
Transactions of a value exceeding 100 million euros with owners of qualified shares or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, are subject to a formal prior opinion by the Board Audit and Finance Committee and the Statutory Audit Board.

In addition, all transactions with related parties in excess of 10 million euros, are also reported to these two entities every six months by the secretary of the Executive Committee.

II – Elements related to transactions

92. Information on transactions with related parties

Information on transactions with related parties, in accordance with IAS 24, can be found in note 43 of the 2016 Consolidated Financial Statements' Appendix.



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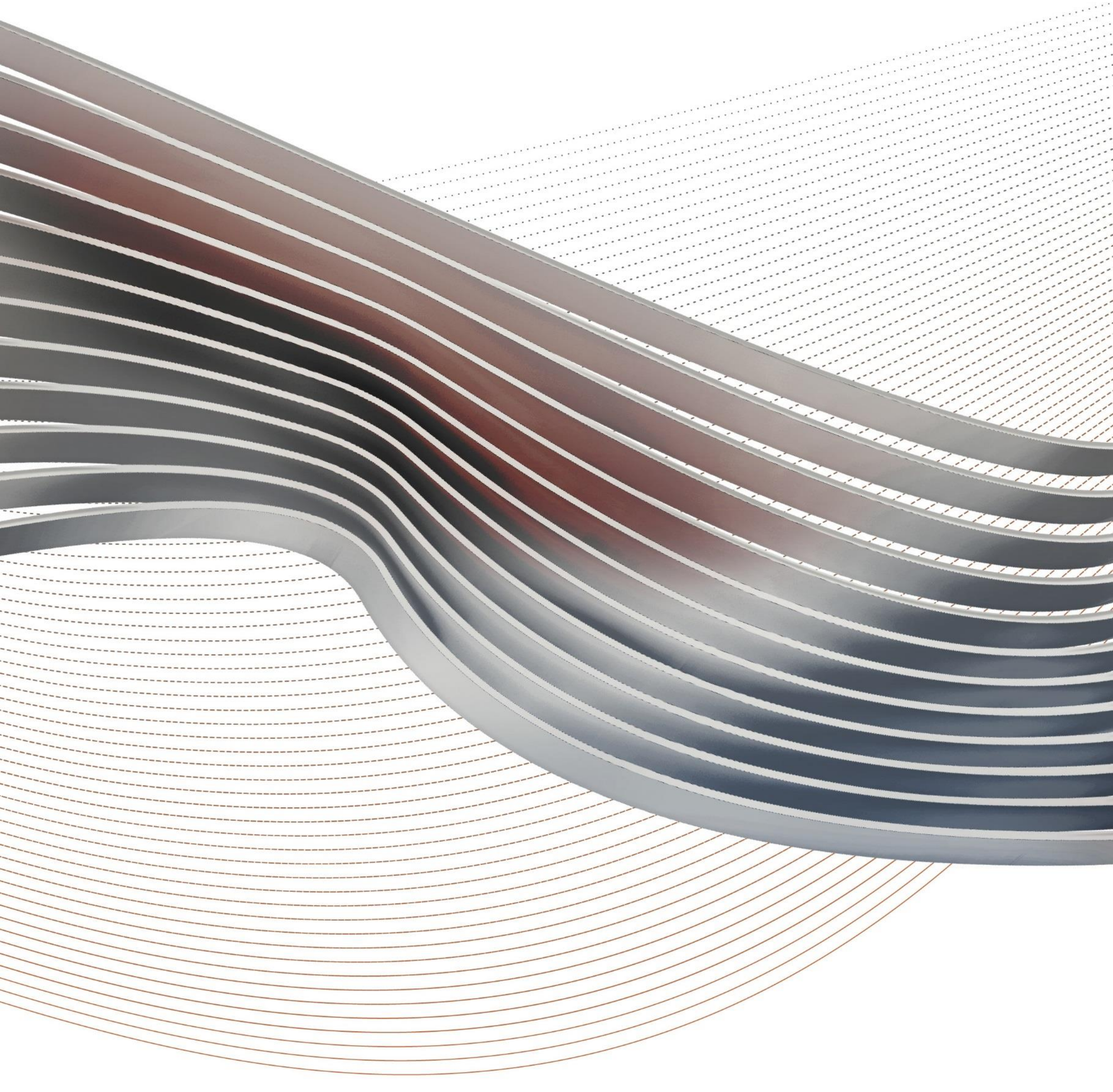
PART II

STATEMENT OF COMPLIANCE



1. Identification of the adopted Corporate Governance Code

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

The Report should be read as an integral part of the Annual Management Report and the Individual and Consolidated Financial Statements for the financial year of 2015.

The requirements for the provision of information as per article 3 of Law no. 28/2009, of 19th June, articles 447 and 448 of the Portuguese Companies Act, article 245-A of the Portuguese Securities Code and of CMVM Regulation no. 5/2008, have also been fulfilled.

Per the duration of the financial year to which this Report relates, the Company continued to adopt and apply CMVM Recommendations on Corporate Governance as disclosed in July 2013.

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

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

2. Analysis of compliance with the adopted Corporate Governance Code

I - Voting and corporate control

I.1 *Companies shall encourage shareholders to attend and vote at general meetings, namely by not setting an excessively large number of shares required for having the right to one vote, and by implementing the means necessary to exercise the voting right by post and electronically.*

RECOMMENDATION FULLY ADOPTED

The Company encourages its shareholders to participate in General Meetings, in particular by assigning to each share one vote, not limiting the number of votes that may be held or exercised by each shareholder and by making available to shareholders the means necessary to exercise written voting or voting by electronic means.

Additionally, the Company publishes on its website, from the date of notice for convening each Shareholders' General Meeting, standard documentation for attending the Shareholders' General Meeting, thereby facilitating the shareholders' compliance with the applicable legal attendance requirements. To this effect, the Company also makes available a specific email address to answer shareholders' enquiries. The Company allocates, as well, a work team especially dedicated to providing assistance to the Chairman of the Shareholders' General Meeting and to shareholders overall.

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

RECOMMENDATION FULLY ADOPTED

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

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

RECOMMENDATION FULLY ADOPTED

No such mechanisms have been adopted or established.

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

RECOMMENDATION NOT APPLICABLE

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

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

RECOMMENDATION FULLY ADOPTED

The Company does not unilaterally adopt policies that have the effect provided in any of the restrictions listed in this recommendation. The contracts concluded by the Company reflect the defence of its social interest in order to achieve long terms business sustainability considering market conditions.

II - Supervision, management and audit

II.1 SUPERVISION AND MANAGEMENT

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

RECOMMENDATION FULLY ADOPTED

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

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

RECOMMENDATION FULLY ADOPTED

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

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

RECOMMENDATION NOT APPLICABLE

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

II.1.4 *Unless the company is of a reduced size, and depending on the adopted model, the Board of Directors and the General and Supervisory Board shall create the necessary committees in order to:*

a) Ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as of its own overall performance. And further yet, the performance of all existing Committees;

b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies measures to be implemented with a view to their improvement.

RECOMMENDATION FULLY ADOPTED

The Board of Directors has set up two specialised committees, as to ensure the effectiveness and the quality of the work performed. The committees currently in existence are the Board Audit and Finance Committee and the Board Nomination and Remuneration Committee and their respective competencies are detailed in this Report (please refer to section 29).

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

RECOMMENDATION FULLY ADOPTED

The Board of Directors has established internal risk control systems with appropriate components (please refer to sections 50-55).

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

RECOMMENDATION FULLY ADOPTED

The Board of Directors has a total number of nine members, seven of which are non-executive members (please refer to section 18).

II.1.7 *The non-executive members of the management body shall include a number of independent members as appropriate, taking into account the adopted corporate governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and the members of the Audit Committee shall be assessed under the terms of the legislation in force. The other members of the Board of Directors are considered independent, if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, namely due to:*

a. Having been an employee of the company or of a company holding a controlling or group relationship with the latter, within the last three years;

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

c. Being paid by the company or by a company with the latter in a control or group relationship, other than the remuneration paid for the exercise of Board member functions;

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

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

RECOMMENDATION FULLY ADOPTED

The Board of Directors is composed of seven independent Non-Executive Directors who meet the independence criteria set out in this recommendation (please refer to section 18).

The maintenance of the independence degree is periodically assessed, and independent directors are requested to promptly report any event that might compromise the loss of said quality.

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

RECOMMENDATION FULLY ADOPTED

The Executive Committee periodically makes available to the Board of Directors the content of all resolutions taken, during the year. The Executive Directors provide all the clarifications necessary to the exercise of the duties of the Non-Executive Directors, as well as to the members of the others statutory governing bodies, when required to do so, or by its own initiative.

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

RECOMMENDATION FULLY ADOPTED

All information regarding the meetings held is provided to all the members of the Board of Directors and to the Chairman of the Statutory Audit Board.

Furthermore, considering that the Chairman of the Board is also Co-Chairman of the Executive Committee, the Board of Directors has appointed a Senior Independent Non-Executive Director who, under the terms of the Board of Directors' Internal Regulation and in accordance with the Corporate Governance best practices, ensures, in a timely and suitable manner, the proper flow of information for the exercise of the legal and statutory role of all the remaining governing bodies and committees, facilitating, in a non-restrictive way, the necessary resources for the access to all the convening notices, minutes and documentation of the relevant decision-making process.

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

RECOMMENDATION FULLY ADOPTED

The Chairman of the Board of Directors performs an executive role as the Co-CEO. To reinforce the existence of conditions for an independent and informed performance of the Non-Executive Directors' role and upon resolution of the Board of Directors taken in the meeting held on 4th May 2015, the director José Manuel Neves Adelino was appointed Senior Independent Non-Executive Director. Under the provisions of paragraph 2 of Article 1 and Article 13 of the Internal Regulation of the Board of Directors (available for consultation at the Company's website https://www.sonae.pt/en/investors/government-of-society/), the Senior Independent Non-Executive Director has the responsibility to coordinate the work of the Non-Executive Directors', both at Board level as well at Board's specialised committees, in order to guarantee the existence of the necessary conditions to underpin an independent and informed performance of their non-executive role, and also to ensure the continuous flow of information for the proper fulfilment of their legal and statutory duties.

II.2 AUDIT

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

RECOMMENDATION FULLY ADOPTED

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

The assessment of independence terms, in accordance with legal criteria, is carried out at the time of the election and, subsequently, internally reassessed on an annual basis. Each member of the Statutory Audit Board is also requested to promptly inform the Company when a supervening circumstance determines the loss of independence.

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

RECOMMENDATION FULLY ADOPTED

The Statutory Audit Board is responsible for proposing the appointment and dismissal of the Statutory External Auditor and of the External Auditor, approving the remuneration, and overseeing the work performed and verifying their independence. The Statutory Audit Board is also primordially responsible for receiving the Statutory External Auditor and the External Auditor's reports and for direct interaction, pursuant to Statutory Audit Board's competencies and its respective Regulation, available at the Company's website, https://www.sonae.pt/en/investors/government-of-society/ .

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

RECOMMENDATION FULLY ADOPTED

The Statutory Audit Board's annual report and opinion include an assessment of the work performed by the Statutory External Auditor.

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

RECOMMENDATION FULLY ADOPTED

The Board of Directors proactively ensures the working of the internal control and risk management systems. The Statutory Audit Board evaluates the effectiveness of these systems, proposing measures to optimise their performance, as deemed necessary, and giving its opinion on these systems in its annual report and opinion, as attached to the Company's Annual Management Report and accounts. Details are available at https://www.sonae.pt/en/investors/general-meetings/ .

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

RECOMMENDATION FULLY ADOPTED

The Statutory Audit Board establishes, together with the internal audit department, a plan of action, supervises its activities, receives periodic reports on the work performed, assesses the results and conclusions drawn, checks for possible irregularities, and gives guidelines as it deems necessary (please refer to section 38).

II.3 REMUNERATION APPROVAL

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

RECOMMENDATION FULLY ADOPTED

The three appointed members of the Shareholders' Remuneration Committee are independent and act in that capacity, thus fulfilling the necessary conditions for the body's independent performance and decision-making process of that body. All the members of the Shareholders' Remuneration Committee have relevant and sufficient knowledge and experience in the field of remuneration policies.

II.3.2 *Any natural or legal person that provides or has provided services in the last three years to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related to them through an employment or provisions of services contract.*

RECOMMENDATION FULLY ADOPTED

It is the Shareholders' Remuneration Committee policy to hire internationally recognised consultants to provide support in the carrying out of its duties. The independence of such consultants is ensured by the fact that they are not in any way related to the Board of Directors, to the Company or to the Group, and by their self-evident broad experience and recognised market (please refer to section 67).

II.3.3 *The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law No. 28/2009 of 19th June, shall contain, in addition to the content therein stated, adequate information on:*

a) Identification and explanation of the criteria for determining the remuneration granted to the members of the governing bodies;

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

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

RECOMMENDATION FULLY ADOPTED

The statement on the Company's remuneration policy was presented to the Shareholders' Annual General Meeting of 29th April 2016 and includes the information referred to in this recommendation. Payments for the dismissal or termination of appointment of directors are not, subject to the applicable legal provisions, enforceable.

The statement on the remuneration policy is available at https://www.sonae.pt/en/investors/general-meetings/ .

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

RECOMMENDATION FULLY ADOPTED

The medium term variable remuneration plan, including its implementation, was approved at the Shareholders' Annual General Meeting, held on 29th April 2016 and is available at https://www.sonae.pt/en/investors/general-meetings/ .

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

RECOMMENDATION NOT APPLICABLE

The approved remuneration policy does not establish any system of retirement benefits.

III - Remuneration

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

RECOMMENDATION FULLY ADOPTED

The remuneration of the members of the Board of Directors who perform executive duties is based on the performance of those directors, measured according to pre-established criteria and is built to align their activities with the Company's sustainability and shareholder interests. Excessive risk taking is discouraged.

The Company's Remuneration Policy, approved at the Shareholders' Annual General Meeting held on 29th April 2016, is available on the Company's website at https://www.sonae.pt/en/investors/general-meetings/ and is further described in sections 69-76 of this Report.

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

RECOMMENDATION FULLY ADOPTED

The remuneration of non-executive members of the Board of Directors consists solely of a fixed amount, without any connection with the Company performance or its value.

The Company's remuneration policy was approved at the Shareholders' Annual General Meeting, held on 29th April 2016, and is available on the Company's website at https://www.sonae.pt/en/investors/general-meetings/ and is further described in sections 69-76 of this Report.

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

RECOMMENDATION FULLY ADOPTED

The remuneration components are disclosed in the Company's remuneration policy, which was approved at the Shareholders' Annual General Meeting held on 29th April 2016, and is available on the Company's website at https://www.sonae.pt/en/investors/general-meetings/ and is further described in sections 69-76 of this Report.

The remuneration policy provides a solid relationship between the fixed and variable component of the remuneration which is suitable to the Company and group profile, as annually approved and confirmed at the Shareholders General Meeting.

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

RECOMMENDATION FULLY ADOPTED

The remuneration policy, proposed by the Shareholders' Remuneration Committee and approved at the Shareholders' Annual General Meeting, held on 29th April 2016 (available at https://www.sonae.pt/en/investors/general-meetings/), respects the deferral period contained in this recommendation and its vesting value is dependent on the Company's performance during said period, as detailed in sections 69-76 of this Report.

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

RECOMMENDATION FULLY ADOPTED

The remuneration policy, proposed by the Shareholders' Remuneration Committee, and approved at the Shareholders' General Meeting held on 29th April 2016, as in previous years, addresses the principle defined in this recommendation (please refer to sections 69-76 of this Report). It is available for consultation on the Company's website: https://www.sonae.pt/en/investors/general-meetings/ .

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

RECOMMENDATION FULLY ADOPTED

The remuneration policy approved at the Shareholders' General Meeting held on 29th April 2016 enshrined the principle set forth in this recommendation (please refer to sections 69-76 of this Report and https://www.sonae.pt/en/investors/general-meetings/).

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

RECOMMENDATION NOT APPLICABLE

The approved remuneration policy does not include the allocations of options.

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

RECOMMENDATION FULLY ADOPTED

The Company fully complies with this recommendation in its policy (please refer to sections 69-76 of this Report).

IV - Auditing

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

RECOMMENDATION FULLY ADOPTED

The Statutory External Auditor discloses the activities carried out during 2016 financial year in its annual audit report, which is subject to approval at the Shareholders´ Annual General Meeting, and is available at https://www.sonae.pt/en/investors/general-meetings/ .

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

RECOMMENDATION FULLY ADOPTED

The services provided by the Statutory External Auditor were approved by the Statutory Audit Board safeguarding the guarantee of the independence of the Statutory External Auditor (please refer to section 47).

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

RECOMMENDATION FULLY ADOPTED

The Statutory External Auditor was re-elected at the Shareholders' Annual General Meeting held on 30th April 2015, based on a proposal by the Statutory Audit Board which was grounded on the recommended principles. Said proposal is available at https://www.sonae.pt/en/investors/general-meetings/ and on sections 40 and 43 of this Report.

V - Conflicts of interests and transactions with related parties

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

RECOMMENDATION FULLY ADOPTED

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

V.2 *Significant business conducted between the company and shareholders with qualified shareholdings, or entities with which these are related, in accordance with paragraph 1 of article 20 of the Securities Code, should be subject to prior comment and opinion by the audit board. This entity must establish the necessary criteria to define the relevant level of significance of the business involved and the scope of its involvement.*

RECOMMENDATION FULLY ADOPTED

Sonae has approved, and has in place, a formal internal procedure that involves obtaining an opinion from the Statutory Audit Board and from the Board Audit and Finance Committee prior to the Executive Committee doing business with qualified shareholders or with entities with which they are related to, according to the terms of article 20 of the Portuguese Securities Code, in cases where the transaction involved is greater than 100 million euros. In addition, for all transactions with the abovementioned parties in excess of 10 million euros, reports are submitted to these two entities every six months.

VI - Information

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

RECOMMENDATION FULLY ADOPTED

All of the information indicated above is available both in the English and the Portuguese version at the Company's website - http://www.sonae.pt/en/investors/

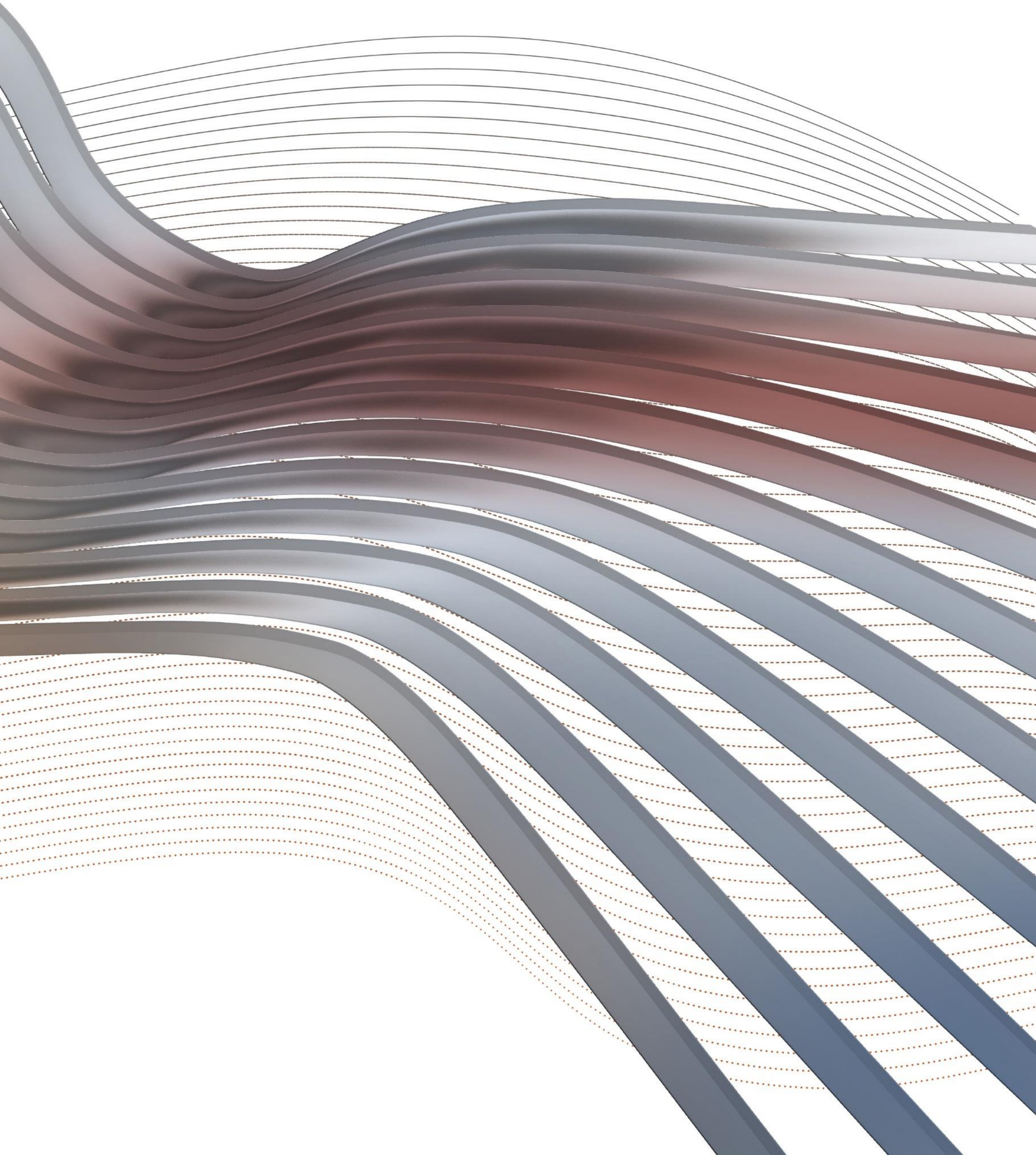
VI.2 *Companies shall ensure the existence of an investor support and market liaison office, capable of responding to investors' requests in a timely manner. A record of the submitted requests and their processing shall be kept.*

RECOMMENDATION FULLY ADOPTED

The Company has an Investor Relations Department that provides regular and relevant information to the investors and financial community, and keeps an updated record of all relevant interactions which might optimise the quality of its performance.

SONAE

APPENDIX I



1 - Board of Directors

1.1 Professional qualifications and curricular references

DUARTE PAULO TEIXEIRA DE AZEVEDO

Date of Birth

31st December 1965

Education

1986	Degree in Chemical Engineering – Federal Polytechnic School of Lausanne
1989	Master in Business Administration – Porto Business School

Executive Education

1994	Executive Retailing Program – Babson College
1996	Strategic Uses of Information Technology Program – Stanford Business School
2002	Breakthrough Program for Senior Executives – IMD Lausanne
2008	Proteus Programme – London Business School
2012	Corporate Level Strategy – Harvard Business School

Professional Experience

	Group Sonae
1988-1990	Analyst and Project manager of new investments at Sonae Tecnologias de Informação
1990-1993	Organisational Development Project Manager and New businesses Commercial Manager for Portugal at Sonae Indústria (Wood Based Panels)
1993-1996	Head of Strategic Planning and Control and Organisational Development of Sonae Investimentos – SGPS, SA (currently Sonae - SGPS, SA)
1996-1998	Executive Board Director of Modelo Continente Hipermercados (Merchandising, IT and Marketing Retail)
1998-2000	CEO of Optimus - Telecomunicações, SA (Mobile Operator)
1998-Abril 2007	Executive Director of Sonae - SGPS, SA
2000-2007	CEO of Sonaecom, SGPS, SA
2002-2007	Chairman of the Supervisory Board of Público Comunicação Social, SA
2003-2007	Chairman of the Supervisory Board of Glunz, AG
2004-2007	Chairman of the Board of Directors of Tableros de Fibras, SA (Tafisa)
2007-2014	Chairman of the Board of Directors of Sonaecom, SGPS, SA
2007-April 2015	CEO of Sonae – SGPS, SA
2007 – March 2015	Vice-Chairman of the Board of Directors of Sonae Industria, SGPS, SA
2008-2014	Chairman of the Board of Directors of MDS, SGPS, SA
2009-2013	Chairman of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, SA
2010-2013	Chairman of the Board of Directors of Sonae RP – Retail Properties, SA
2010-2016	Chairman of the Board of Directors of Sonae – Specialized Retail, SGPS, SA (Merger Sonae MC – Modelo Continente, SGPS, SA)
Since April 2015	Chairman of the Board of Directors and Co-CEO of Sonae - SGPS, SA
	Other Entities

1989-1990	Member of APGEI (Portuguese Association of Industrial Engineering and Management)
2001-2002	Chairman of Apritel – Associação dos Operadores de Telecomunicações (Association of Electronic Telecommunication Companies)
2001-2008	Member of the Supervisory Board of Porto Business School
2003	Co-author of the book "Reformar Portugal " (Reforming Portugal)
2004-2009	Member of the Advisory Board "Compromisso Portugal", movimento independente para implementação da reforma política
2004-2011	Member of the Supervisory Board of IPCG – Instituto Português do Corporate Governance
2006-2013	Member of the Board of Founding Members of Casa da Música
2008-2009	Member of the Supervisory Board of AEP – Portuguese Entrepreneurship Association
2009-2014	Member of the Board of Curators of AEP - Portuguese Entrepreneurship Association
2009-2015	Chairman of the Board of Curators of Oporto University
2012-2015	Director of Cotec
Since 2008	Member of the European Round Table of Industrialists (ERT)
Since 2012	Member of the Board of Curators of Fundação Belmiro de Azevedo
Since 2013	Member of International Advisory Board of Allianz SE
Since 2015	Member of Consejo Iberoamericano para la Productividad y la Competitividad
Since 2016	Chairman of the Board of Directors of Sonae Arauco, SA

ÂNGELO GABRIEL RIBEIRINHO DOS SANTOS PAUPÉRIO

Date of Birth

14th September 1959

Education

1982	Graduate in Civil Engineering - FEUP
1988-1989	Master in Business Administration- MBA (Porto Business School)

Professional Experience

1982-1984	Structural Design Project Manager at Tecnopor (Civil Engineering)
1984-1989	Manager at EDP (Energy)
1989-1991	Leader of the Television Project Team at Sonae Tecnologias de Informação
1991-1994	Head of Planning and Control at Sonae Investimentos - SGPS, SA (currently Sonae - SGPS, SA)
1994-1996	Director of several businesses within Sonae Distribuição SGPS, SA (currently Sonae Investimentos - SGPS, SA) (Retail)
1996-2007	CFO of Sonae Distribuição SGPS, SA (currently Sonae Investimentos - SGPS, SA) and Director of Modelo Continente, SGPS, SA and several of its affiliates (Retail)
1996-2007	Executive Vice Chairman and CFO of Sonae - SGPS, SA, Executive Director of Sonae Capital, SGPS, SA and Chairman of the Finance Committee of Sonae - SGPS, SA
2004-2009	Director of MDS – Corretor de Seguros, SA
2005-2016	Executive Member of the Board of Directors of Sonae Investments BV
2006-2016	Executive Member of the Board of Directors of Sontel BV
2007-April 2015	Vice-CEO of Sonae – SGPS, SA
2010-2016	Vice-Chairman of the Board of Directors of Sonae – Specialized Retail, SGPS, SA (Merger Sonae MC – Modelo Continente, SGPS, SA)
2010-2016	Chairman of the Board of Directors of Sonae RP – Retail Properties, SA

2010-2016	Chairman of the Board of Directors of MDS Auto, Mediação de Seguros, SA
2011-2015	Member of the Board of Governors of Porto Business School
2012-2016	Chairman of the Board of Directors of Sonaecom – Serviços Partilhados, SA
2013-2016	Chairman of the Board of Directors of Sonae RE, SA
2013-2016	Chairman of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, SA
Since 2007	Member of the Board of Directors of MDS, SGPS, SA (Chairman of the Board of Directors since October 2014)
Since 2007	Executive Chairman of the Board of Directors of Sonaecom, SGPS, SA
Since 2007	Member of the Board of Directors of Sonae Sierra, SGPS, SA
Since 2007	Member of the Board of Directors of Sonae Investimentos, SGPS, SA
Since April 2015	Co-CEO of Sonae - SGPS, SA

JOSÉ MANUEL NEVES ADELINO

Date of Birth

19th March 1954

Education

1976	Degree in Finance, Universidade Técnica de Lisboa
1981	DBA, Finance, Kent State University

Professional Experience

1978-1981	Teaching Fellow, Kent State University
1981-1986	Member of the Directive Council, Faculty of Economics, Universidade Nova de Lisboa
1981-2012	Professor, Faculty of Economics, Universidade Nova de Lisboa
1986-1989	Assistant Professor, Portuguese Catholic University
1987-1989	Assistant Professor, Bentley College
1988	Assistant Professor, ISEE
1990-1996	Dean, MBA Program and Executive Program, Faculty of Economics, Universidade Nova de Lisboa
1992-1994	Member of the Board of Directors, BPA
1994-2002	Member of the Management Board of the Deposit Guarantee Fund
1999-2002	Dean, Faculty of Economics, Universidade Nova de Lisboa
1999-2004	Member of the Global Advisory Board of Sonae - SGPS, SA
2003-2006	Member of the Board, Chairman of the Audit Committee of EDP
2003-2006	Strategy Advisory Board of PT
2003-2007	Member of the Remuneration Committee of Sonae - SGPS, SA
2003-2010	Member of the Investment Committee of Fundo Caravela
2008-2014	Member of the Statutory Audit Board at Banco BPI
2010-2014	Member of the Bord of Directors of Cimpor
2012-2014	Finance and Investment Director - Calouste Gulbenkian Foundation

ANDREW EUSTACE CLAVERING CAMPBELL

Date of Birth

3rd August 1950

Education

1969-1973	MA in Economics – Edinburgh University
1976-1978	MBA – Harvard Business School

Professional Experience

1978-1984	Mckinsey & Co, Consultant
1984-1987	Professor at the London Business School
Since 1987	Director of Ashridge Strategic Management Centre Part of Ashridge Business School
Since 2014	Director of Campbell Associates Consulting Ltd

CHRISTINE CROSS

Date of Birth

13th June 1951

Education

1973	B.Ed. (Distinction), Food Science and Nutrition, Newcastle University
1983	MSc in Food Science (Distinction), University of Reading
1990	Degree in Management Studies – Open University (OU)

Professional Experience

1975-1978	Edinburgh University - Lecturer in Food and Nutrition
1979-1985	Bath SPA University College – Senior Lecturer
1985-1989	Bath SPA University College – Principal Lecturer and Dean of BSc (Hons) Programme
1989-2003	**Tesco PLC**
1989-1990	Head of Consumer Services
1990-1994	Divisional Director, Technical Services
1994-1997	Commercial Director
1998-2002	World Non Food Retail Procurement Director
2002-2003	Group Business Development Director
1997-2003	Visiting Professor, University of Ulster, Consumer Studies
2002-2005	Non-Executive Director George Wimpey, plc
2003-2011	Non-Executive Director (Member of the Nomination and Remuneration Committee) of Sobeys Inc, Canada
2005-2006	Non-Executive Director Fairmont Hotels Inc
2005-2014	Non-Executive Director (Member of the Audit, Remuneration and Nomination Committee) Next plc
2006-2013	Retail Advisor of Apax Private Equity
2006-2014	Retail Advisor of Warburg Pincus Private Equity
2007-2009	Visiting Professor, University of Hull Business School

2008-2009	Non-Executive Director of Premier Foods plc
2009-2016	Non-Executive Director of Plantasien (Apax PE)
2010-2013	Chief Retail Advisor, PwC
2012-2015	Non-Executive Director (PPC Chair), Woolworths (Australia) plc
2014-2015	Board Advisor of Javelin ecommerce
Since 2003	Director of Christine Cross Ltd (retail independent consultancy firm)
Since December 2012	Non-Executive Directors of Kathmandu (New Zealand) plc
Since August 2013	Board Advisor of MHJL
Since January 2014	Non-Executive Director at Brambles (Australia) plc
Since October 2014	Non-Executive Director at Fenwick (UK)
Since May 2015	Board Advisor of River Island
Since March 2016	Non-Executive Director at Hilton Food Group

TSEGA GEBREYES

Date of Birth

14th December 1969

Education

1986-1990	Rhodes College Awarded Dual-Degree Received highest honors distinction for major in economics and cum laude for major in International Studies Received Summa Cum Laude distinction for a senior thesis Elected president of Economics Honor Society and member of International Studies Honor Society Appointed Editor of Economics Journal and elected President of Investment Group, a student managed fund Received Sophomore Woman of the Year award and the Ralph C. Hon Leadership award Elected member of two leadership honor societies Appointed member of college’s Board of Trustees Elected Student Government class representative and appointed President of New York area Alumni Club
1994-1996	Harvard Uniersity Graduate School of Business Administration, Boston, USA Candidate for Master in Business Administration degree, June 1996 Project team leader for Volunteer Consulting Organization, client: National Foundation for Teaching Entrepreneurship. Elected section student Career Representative Project team member for European Business Conference Member of Finance Club and Venture Capital Club

Professional Experience

1990-1994	Citicorp Securites, INC Capital Markets: Associate

	Received special appointment to core team of six professionals who structured investment grade, tradable securities from a $1 billion fund of non-investment grade, airline industry related, financial assets Co-designed and built extensive financial models to value each class of cash flow. Analysed alternatives and developed a method for measuring return volatility and correlation with other financial instruments. Persuaded rating agency to assign investment grade rating to a large portion of the fund Jointly marketed non-investment grade portion of the fund to principal and hedge funds. Identified investor concerns, developed alternative solutions, selected best alternative and convinced investors and project team members of its merit Researched, analysed and integrated legal, tax, accounting and investor restrictions across several country jurisdictions to develop an optimal fund structure. Jointly-persuaded senior management to underwrite $1B of assets Executed due diligence and independently valued debt and equity instruments purchased for inclusion in the fund
1995-1996	Mckinsey & Company, INC. Business Strategy Associate Member of team that explored diversification strategy for a major English food retail chain. Designed economic analysis of proposition and estimated market potential. Authored and presented findings to senior client managers. Evaluated product/market fit for major U.K. clothing retail chain. Performed market research, analysed store operations and identified drivers of success
1996-2000	New Africa Opportunity Fund, LLP (re-named Zeypher Opportunity Fund, LLP) Partner OPIC-backed private equity fund focused on making investments in SADC region in Africa Founding partner Responsible for identifying, analyzing and selecting investments within the Northern SADC countries Reviewed and selected investments in wide range of industries with primary focus on telecommunication, media, financial institutions, services and fast moving consumer goods sectors Jointly marketed the Fund to investors to close $120 million fund from US investors; raised $40 million in equity to underpin the OPIC guarantee of $80 million Established a regional office in Kenya to support activities Provided support to the various portfolio companies as a Board director and through managing fundraising activities, identifying strategic partners and recruiting talent
2000-2007 2001	Celtel International BV/Zain Director Mobile Commerce and New Product Development Developed mobile commerce business strategy and manage business operations and service deployment Deployed payment processing business with 30% enterprise value increase on organization Managed private equity placement efforts during 2000-1Q 2001 Implemented first African mobile payment operation for Celtel Worked on design of global roll out plan for Pan-African expansion
2003	Chief Business Development and Mergers & Acquisitions Officer Member of executive management team reporting to Board Participated in setting strategy and reviewing overall performance as a member of executive management team Served on Boards of subsidiary companies to support general corporate governance Responsible for identifying and acquiring businesses in new countries Responsible for identifying new lines of business and areas of new growth within existing countries Lead negotiations, analysis and relationship development to create entry into new area of expansion
2005	Chief Strategy and Development officer Member of executive management team reporting to Board Continued previous responsibilities in addition to taking oversight for strategy and communications Completed a number of acquisitions and investments in mobile companies across Africa, including $1.2 billion in Nigeria; $ 100 million in Madagascar; $250 million in Kenya; $40 million in Tanzania Led M&A sale of Celtel to MTC which resulted in $3.4 billion to shareholders
2007	Senior Group Advisor Provided business development support and advice. Sat on various boards representing companies, including: Celtel Kenya Board Member, Chair, Audit Committee

	Celtel Ghana advisor Celtel Nigeria Board Member, Audit Committee
2007-Present	Satya Capital Limited Founding Director, Managing Partner Investment Group focused on private equity opportunities in Africa Established business with responsibility for full range of activities ranging from legal & office set-up to recruitment of other partners and Investment Professionals Defined investment strategy, recruited Board and sector advisors and Investors Raised $200 million seed funding and planning to raise additional $400-600 million

MARCELO FARIA DE LIMA

Date of Birth

1st December 1961

Education

1981-1985	Pontifical Catholic University of Rio de Janeiro, Rio de Janeiro, Brazil, Degree in Economics

Professional Experience

1988-1989	Professor, Pontifical Catholic University of Rio de Janeiro, Rio de Janeiro, Brazil
1989-1996	Commercial Banker of ABN AMRO Bank, São Paulo, Brazil/ Chicago, United States
1996-1998	Vice-Chairman of Banco Garantia, São Paulo, Brazil Investments Bank
1998-2000	Manager of Donaldson, Lufkin & Jenrette, São Paulo, Brazil Investments Bank
2000	Co-founder and CEO of Areautil, São Paulo, Brazil Internet gateway for property business
2000-2003	Co-founder and CEO of EugênioWG, São Paulo, Brazil Advertising Agency
2002-2005	Member of the Board of Directors of Neovia Telefomunicações SA, São Paulo, Brazil Wi-Fi Company/ WiMax at São Paulo State
2007-2016	Vice-Chairman of the Board of Directors of Produquímica Indústria e Comércio SA, São Paulo, Brazil Leadership company in the solutions production in micronutrient for agriculture and animal food, which also produces ingredients for the treatment of water for industrial processes, with annual income of over R$ 800 million
2009-2016	Member of the Board of Directors of C1 Financial Inc., Saint Petersburg, Florida, United States Public company, duly registered in the Securities and Exchange Commission of the United States, being its shares negotiated at NYSE under the ticker BNK. Commercial Bank acting in Florida, United States, with total assets in an amount higher than US$ 1.500 million
Since February 2003	Shareholder and Co-founder of Artesia Gestão de Recursos SA, São Paulo, Brazil Company authorised by CVM – Securities and Exchange Commission of Brazil for the professional exercise of the Management of the Securities Investors Portfolio
Since January 2004	Chairman of the Board of Directors of Metalfrio Solutions SA, São Paulo, Brazil Public company, with shares negotiated in BM&FBovespa under the ticker FRIO3, it is a Brazilian multinational company, and one of the world's largest manufacturers of commercial refrigeration equipment Plug-In type, operating in Brazil, United States of America, Mexico, Denmark, Turkey, Russia, Ukraine, Indonesia and India, with annual income of over R$ 800 million
Since January 2008	Vice-Chairman of the Board of Directors of Restoque Comércio e Confecções de Roupas SA, São Paulo, Brazil Public company, with shares negotiated at BM&FBovespa under the ticker LLIS3, it is one of the largest retail companies in the high pattern apparel and accessories sector, cosmetics and decoration articles, in Brazil, with annual income of over R$ 1.000 million

Since March 2008	Chairman of the Board of Directors of Klimasan Klima Sanayi ve Ticaret A.Ş. Izmir, Turkey Public company, duly registered in Turkey's Capital Markets Board, being its shares negotiated at Istanbul Stock Exchange under the ticker KLMSN. Company controlled by Metalfrio Solutions SA, Klimasan operates in the commercial refrigeration sector, Plug-In type
Since November 2013	Member of the Board of Directors of TRX Investimentos Imobiliários S.A., São Paulo, Brazil Company that invests, develops, finances, and manages, owned or third parties', property assets, with assets under management with a total amount of approximately R$ 4.000 million

DAG JOHAN SKATTUM

Date of Birth

19th April 1961

Education

1980	Gjovik, Norway, High School, Science
1984	Allegheny College, Meadville, PA (USA), Bachelor of Arts
1986	Simon School of Business, University of Rochester, Rochester, NY (USA), MBA

Professional Experience

1986-2007	J.P.Morgan Various roles, including head of North American M&A and European M&A
2007-2013	Partner London office of TPG
2013-2014	Consulting business of Abingdon Partners LLC
2013-2014	Managing Director of One Thousand & Voices
2000 - Present	Allegheny College Trusted advisor to prior and current President of the college Co-chair capital campaign
2011 - Present	Right to Play Member of the Board of Directors (Toronto, Canada HQ) Member of the Board of Directors at the UK and the US Chairman of the Human Ressources Committee Chair of CEO succession committee (office not held until the term of the mandate) and Chairman of the CEO's Integration Committee Trusted advisor to CEO and Founder (on going)
2012 - Present	Myelona Institute, Little Tock, Arkansas Vice Chairman of the Board of Directors Co-chaired CEO succession committee of the board Trusted advisor to prior and current director of cancer institute (on going)
2014 - Present	Nabors Industries Member of the Board of Directors recruited for expertise in corporate finance and strategy (on going)
January 2015 Present	Vice-Chairman of J.P.Morgan Limited

MARGARET LORRAINE TRAINER

Date of Birth

13th March 1952

Education

1970-1971	Diplome Superieur, Sorbonne Paris
1971-1975	M.A.(2i) French, St Andrews University

Professional Experience

1975-1990 1975-1986 1986-1988 1988-1989 1989-1990	Citibank NA H.R. roles of both specialist and generalist natures Chief of Staff to Head of UK Treasury A non-HR role including assignments in capital hedging, risk assessment, speech writing, and foreign exchange and funding limits management Head of HR UK and N. Europe, London Head of HR for EMEA based in Frankfurt
1990-1994	London Stock Exchange Head of Human Resources and member of the Executive Board, responsible for formulating strategy and leading the Exchange from being a trade association to an organisation using current commercial practices
1994-2000	Coutts Natwest Group Head of Human Resources and Organisation Development responsible for all HR activities in International Private Banking
2001-2006	De Beers LV Ltd Member of the start up team for this joint venture created in 2001 between LVMH and De Beers to launch a global retail diamond jewellery business, advising on organisation and people strategy
2005-2013	Aegis PLC Non Executive Director and Chairman of Remuneration Committee (since 2010)
2006-2008	Manchester Square Partners Working with the founding partners to support them in developing a search-based business mentoring practice at and around board level
2008-2015	Sonae - SGPS, SA Advice to Chairman Providing board level succession planning services, and director development
2013-2015	Colt SA Non-Executive Director and from 2014 Chairman of Remuneration Committee. Member of the Nomination Committee. Fidelity purchased all the independent shareholdings and independent directors stood down
2010-Present	Jupiter Fund Managment PLC Non-Executive Director and member of the Audit Committee and the Nomination Committee. Senior Independent Director and Chairman of Remuneration Committee
2013-Present	Essentra PLC Non-executive Director and, from 2014, Chairman of the Remuneration Committee. Member of the Audit Committee and the Nomination Committee

1.2 Positions held in other entities

DUARTE PAULO TEIXEIRA DE AZEVEDO

Offices held in other companies within Sonae:

Chairman of the Board of Directors of Sonae Sonae Investimentos, SGPS, SA
Chairman of the Board of Directors of Sonae MC – Modelo Continente, SGPS, SA
Chairman of the Board of Directors of Sonae Center Serviços II, SA
Chairman of the Board of Directors of Sonae Sierra, SGPS, SA

Offices held in other entities outside Sonae:

Chairman of the Board of Directors of Sonae Indústria, SGPS, SA

Chairman of the Board of Directors of Sonae Arauco, SA
Chairman of the Board of Directors of Sonae Capital, SGPS, SA
Chairman of the Board of Directors of Migracom, SA
Member of the Board of Directors of Efanor Investimentos, SGPS, SA
Member of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, SA
Member of the Board of Curators of Fundação Belmiro de Azevedo
Member of the European Round Table of Industrialists (ERT)
Member of International Advisory Board of Allianz SE
Member of Consejo Iberoamericano para la Productividad y la Competitividad

ÂNGELO GABRIEL RIBEIRINHO DOS SANTOS PAUPÉRIO

Offices held in other companies within Sonae:

Chairman of the Board of Directors and Executive Director of Sonaecom, SGPS, SA
Chairman of the Board of Directors of Sonae Investment Management – Software and Technology, SA
Chairman of the Board of Directors of Público - Comunicação Social, SA
Member of the Board of Directors of ZOPT, SGPS,SA
Member of the Board of Directors of NOS, SGPS,SA
Chairman of the Board of Directors of Sonae Financial Services, SA
Chairman of the Board of Directors of SFS – Serviços de Gestão e Marketing, SA
Vice-Chairman of the Board of Directors of Sonae MC - Modelo Continente, SGPS, SA
Member of the Board of Directors of Sonae Investimentos, SGPS, SA
Member of the Board of Directors of Sonae Center Serviços II, SA
Chairman of the Board of Directors of MDS, SGPS, SA
Member of the Board of Directors of Sonae Sierra, SGPS, SA

Offices held in other entities outside Sonae:

Member of the Board of Governors of Universidade Católica Portuguesa
Chairman of the Board of Directors of APGEI (Portuguese Association of Engineering and Management)
Member of the Board of Directors of Love Letters – Galeria de Arte, SA

JOSÉ MANUEL NEVES ADELINO

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Member of the Board of Directors of the Calouste Gulbenkian Foundation
Academic Offices held:
Professor of Finance, Faculty of Economics, Universidade Nova de Lisboa (retired)
Visiting Professor, Bentley College

ANDREW EUSTACE CLAVERING CAMPBELL

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Director of Ashridge Strategic Management Centre Part of Ashridge Business School

Director of Campbell Associates Consulting Ltd

CHRISTINE CROSS

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Director of Christine Cross Ltd

Non Executive Director Kathmandu (New Zealand) plc

Non Executive Director Brambles (Australia) plc

Non Executive Director Fenwick (UK)

Non Executive Director of Hilton Food Group

Board Advisor of MHJL

Board Advisor of River Island

TSEGA GEBREYES

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Founding Director, Managing Partner of Satya Capital Limited

Director of ISON Group

Trustee of MM Trust

Director of SES, SA

Director of TYMM Partners

MARCELO FARIA DE LIMA

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Shareholder and Co-founder of Artesia Gestão de Recursos SA

Member of the Board of Directors of Artesia Capital Management Ltd

Director of Amber Internacional LLC

Director of CBM Holding Qualified Family, LP

Director of CBM Holding Subsidiary, LP

Chairman of Colfax Participações, SA

Director of EDG – Estilo, Design e Gestão, SA

Chairman of the Board of Directors of Klimasan Klima Sanayi ve Ticaret AŞ

Director of Lima & Smith Ltda

Chairman of the Board of Directors of Metalfrio Servicios SA de CV

Member of the Board of Directors of Metalfrio Solutions AS

Chairman of the Board of Directors of Metalfrio Solutions SA

Chairman of the Board of Directors of Metalfrio Solutions SA de CV

Chairman of the Board of Directors of Metalfrio Solutions Sogutma Sanayi Ve Ticaret AS

Director of Nova Bahia Empreendimentos

Director of Peach Tree LLC

Member of the Board of Directors of PDQ Investments Ltd

Vice-Chairman of the Board of Directors of Restoque Comércio e Confecções de Roupas SA

Director of Rio Parateí. Empreendimentos e Participações SA

Chairman of Rio Verde Consultoria e Participações Ltda

Chairman of Serra do Acaraí Empreendimentos e Participações SA

Director of Tira-Chapéu Empreendimentos Ltda

Director of Turquoise Capital CV

Director of Turquoise Capital LP

Member of the Board of Directors of TRX Holding Investimentos e Participações SA

Member of the Board of Directors of TRX Investimentos Imobiliários SA

DAG JOHAN SKATTUM

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Allegheny College
Trusted advisor to prior and current President of the college

Right to Play Member of the Board of Directors (Toronto, Canada HQ) Member of the Board of Directors at the UK and the US Chairman of the Human Ressources committee Chair of CEO succession committee (not completed) and Chairman of the CEO's Integration Committee Trusted advisor to CEO and Founder (on going)
Myelona Institute, Little Tock, Arkansas Vice Chairman of the Board of Directors Co-chaired CEO succession committee of the board Trusted advisor to prior and current director of cancer institute (on going)
Member of the Board of Directors of Nabors Industries
Vice-Chairman of J.P. Morgan Limited
Vice-Chairman of J.P. Morgan Securities PLC

MARGARET LORRAINE TRAINER

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Non-Executive Director and member of Audit Committee and Nomination Committee, as well as Senior Independent Director and Chairman of Remuneration Committee of Jupiter Fund Managment PLC
Non-executive Director, Chair of Remuneration Committee and Member of Audit and Nomination Committees of Essentra PLC

2 - Statutory Audit Board

2.1 Professional qualifications and curricular references

DANIEL BESSA FERNANDES COELHO

Date of Birth

6 May 1948

Education

1970	Degree in Economics – University of Oporto
1986	Phd in Economics – Universidade Técnica de Lisboa

Professional Experience

1970-2009	Lecturer at the University of Oporto:
1970-1999 1988-2000 1989-2002 2000-2008 2008-2009 2009-2009	- Faculty of Economics - ISEE (Institute for Entrepreneurship Studies) - Faculty of Engineering - EGP (currently Porto Business School) - EGP – University of Porto Business School (currently Porto Business School) - Faculty of Economics
1978-1979	Dean of the Faculty of Economics of the University of Oporto
1983-2017	Economists - Liberal professional
1989-1990	Chairman of the Founding Committee of the School of Technology and Management of the Polytechnic Institute of Viana do Castelo
1990-1995	Vice-Dean for the Financial Management Guidance of the University of Oporto
1995-1996	Minister of Economy of the Portuguese Government
1996-2006	Non-Executive Director of CELBI - Celulose Beira Industrial
1997-1999	Non-Executive Director of INPARSA – Indústrias e Participações, SGPS, SA
1997-2007	Chairman of the Statutory Audit Board of SPGM - Investment Company
1997-2008	Executive Director of Finibanco, SA
1999-2002	Chairman of the Board of the Shareholder's General Meeting of APDL –Management of Douro and Leixões Ports
2000-2012	Chairman of the Advisory Board of IGFCSS – Portuguese Institute for Welfare Funds Management
2001-2003	Advisory member of the Consulting council of Electric and Telephone Conducters Industries F. Cunha Barros, SA
2001-2011	Executive Dierctor of Finibanco Holding, SGPS, SA
2003-2017	Member of the Board of Directors of Bial Foundation
2004-2013	Non-Executive Director of Efacec Capital, SGPS, SA
2007-2010	Member of the Advisory Board of Microprocessador, SA
2007-2011	Member of the Board of Directors of the Agency for Investment and External Commerce of Portugal - AICEP, E.P.E.
2008-2016	Member of the Investment Committee Member of PVCI – Poruguese Venture Capital Initiative, entity created by FEI – European Investment Fund
2009-2016	Managing Director of COTEC Portugal, Business Association for Innovation
2011-2012	Member of the Supervisory Board of Banco Comercial Português, SA

MARIA JOSÉ MARTINS LOURENÇO DA FONSECA

Date of Birth

4 September 1957

Education

1984	Degree in Economics at Faculdade de Economia da Universidade de Porto - *Doutor António José Sarmento* Prize
1987	Post graduate Program in European Studies at European Studies Center, Universidade Católica Portuguesa (Centro Regional do Porto)
1992	Participation in Young Managers Programme at INSEAD – European Institute of Business Administration, Fontainebleau
2002	Master in Business and Administrations, with specialisationin Accounting and Management Control at Faculdade de Economia da Universidade do Porto
2015	PhD in Business and Administrations, with specialisation in Accounting and Management Control at Faculdade de Economia da Universidade do Porto

Professional Experience

1984-1985	Invited Assistant at Faculdade de Economia da Universidade do Porto
1985-1996	Enter in BPI – Banco Português de Investimentos, S.A., as technician in the Department of Economic Studies and Planing (1985/90) having subsequently exercised the role of Senior Analyst at the Corporate Banking Department (1990/92), and vice-manager at the Corporate Banking Department (1992/96)
1991-1999	Invited Assistant at Faculdade de Economia da Universidade do Porto, in the Accounting area
1996-2006	Cooperation with the Portuguese Institute of Statutory Auditors (OROC), as trainer for the External Auditor Preparatory Course
Since 1996	Lecture at Católica Porto Business School (Universidade Católica Portuguesa), in the Accounting area. Responsible for the International Accounting course, in the MSc in Auditing and Taxation.
2002-2008	Cooperation with the Certified Public Accountant Association (OTOC), in the field of professional formation
2008-2009	Cooperation with the Portuguese Institute of Statutory Auditors (OROC), in the field of professional formation
Since 2008	Consulting activity through the Centro de Estudos de Gestão e Economia Aplicada (CEGEA) of Católica Porto Business School (Universidade Católica Portuguesa)
2015	Member of the Selection Board for the Oral Tests for External Auditor (ROC)
2015-2016	Cooperation with the Portuguese Institute of Statutory Auditors (OROC), as a trainer for the External Auditor Preparatory Course

MANUEL HELENO SISMEIRO

Date of Birth

5 January 1945

Education

1964	Accountant, ICL, Lisbon
1971	Graduation in Finance, ISCEF, Lisbon

Professional Experience

1965-1966	Industrial and Commercial School of Leiria: Accounting and Commercial Calculus teacher in the general Commerce course
1970-1971	Banc of Agriculture: performed functions at the Organization and Methods division
1971-1981	Instituto Superior de Economia, Lisboa: assistant of Mathematics, Statistics, Econometry and Operational Investigation
1974-1975	Arthur Young & Co: already qualified and registered as Statutory Auditor and audit assistant
1974-1976	University Catholic of Lisbon: assistant (first year) and regent (second year) of Accountancy in the Business Administration course
1980-2008	Banco Borges & Irmão: performed functions at the Economic Studies Department and at the Control Department of associated companies
1977-1980	CTT – Correios e Telecomunicações de Portugal: Responsible for the Warehouse Management and Control division. Responsible for stock management of central warehouses and of a project aimed at implementing a computer tool for stock management and control
1980-2008	Partner of Coopers & Lybrand and of Bernardes, Sismeiro & Associados, since 1998 PricewaterhouseCoopers - auditors and statutory auditors. Responsible for the audit and statutory audit in several industries. More important companies: Sonae (group); Amorim (group); Unicer (group); Sogrape (group); Barros (group); TMG (group); Lactogal (group); Aveleda (group); RAR (group); Cires; Ford; REN Responsible for the management of the Oporto office of the mentioned companies - 1982 at 2008 Manager of the Audit department in the period 1998-2002 and member of the management board of PricewaterhouseCoopers, in the same period
2014	Chairman of theStatutory Audit Board of Sonae Investimentos, SGPS, SA
Since July 2008	Consultant, namely or internal audit and internal control
Since 2014	Chairman of the Statutory Audit Board of OCP Portugal – Produtos Farmacêuticos, SA
Since 2015	Chairman of the Statutory Audit Board of Sonae Indústria, SGPS, SA
Since 2015	Member of the Statutory Audit Board of Sonae Capital, SGPS, SA
Since 2015	Chairman of the Shareholder's General Meeting Segafredo Zanetti (Portugal) – Comercialização e Distribuição de Café, SA

2.2 Positions held in other entities

DANIEL BESSA FERNANDES COELHO

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Chairman of Statutory Audit Board at Galp Energia, SGPS, SA

Chairman of Statutory Audit Board at Bial – Portela e Companhia, SA

Non-Executive Director of Amorim Turismo, SGPS, SA

Non-Executive Director of AEGI – Amorim Entertainment e Gaming International, SGPS, SA

Non-Executive Director of Sociedade Figueira Praia, SA

MARIA JOSÉ MARTINS LOURENÇO DA FONSECA

Offices held in other companies within Sonae:

Member of the Statutory Audit Committee of Sonae Investimentos, SGPS, SA
Member of the Statutory Audit Committee of Sonaecom, SGPS, SA

Offices held in other entities outside Sonae:

Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)

MANUEL HELENO SISMEIRO

Offices held in other companies within Sonae:

None

Offices held in other entities outside Sonae:

Chairman of the Statutory Audit Board of Sonae Indústria, SGPS, SA
Member of the Statutory Audit Board of Sonae Capital, SGPS, SA
Chairman of the Statutory Audit Board of OCP Portugal - Produtos Farmacêuticos, SA
Chairman of the Shareholder's General Meeting of Segafredo Zanetti (Portugal)–Comercialização e Distribuição de Café, SA

Qualified holdings

Shares held and voting rights attributable to shareholders owning 2% or more of the share capital of the Sonae - SGPS, SA, calculated according to article 20 of the Portuguese Securities Code, as required by article 8 paragraph 1, subparagrah b), of the Portuguese Securities Market Comissiolation no. 05/2008:

Shareholder	No. of shares	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, SA (I)			
Directly	200,100,000	10.0050%	10.0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, SA)	849,533,095	42.4767%	42.4767%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	14,901	0.0007%	0.0007%
By Maria Cláudia Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, SA)	319,150	0.0160%	0.0160%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae, SGPS, SA and Efanor Investimentos, SGPS, SA)	805,730	0.0403%	0.0403%
By Migracom, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Duarte Paulo Teixeira de Azevedo)	2,464,337	0.1232%	0.1232%
By Linhacom, SGPS, SA (company controlled by Efanor Investimentos, SGPS, SA's Director Maria Cláudia Teixeira de Azevedo)	439,314	0.0220%	0.0220%
Total attributable to Efanor Investimentos, SGPS, SA	**1,053,676,527**	**52.6838%**	**52.6838%**
Banco BPI, SA	132.851,868	6.6426%	6.6426%
Banco Português de Investimento, SA	365,199	0.0183%	0.0183%
Fundos de Pensões do Banco BPI	40,071,372	2.0036%	2.0036%
BPI Vida - Companhia de Seguros de Vida, SA	4,751,416	0.2376%	0.2376%
Total attributable to Banco BPI, SA (II)	**178,039,855**	**8.9020%**	**8.9020%**
Fundação Berardo, Instituição Particular de Solidariedade Social	49,849,514	2.4925%	2.4925%
Total attributable to Fundação Berardo, Instituição Particular de Solidariedade Social	**49,849,514**	**2.4925%**	**2.4925%**

Source: communications received by the Company regarding qualified shareholdings up to 31th December 2016

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

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

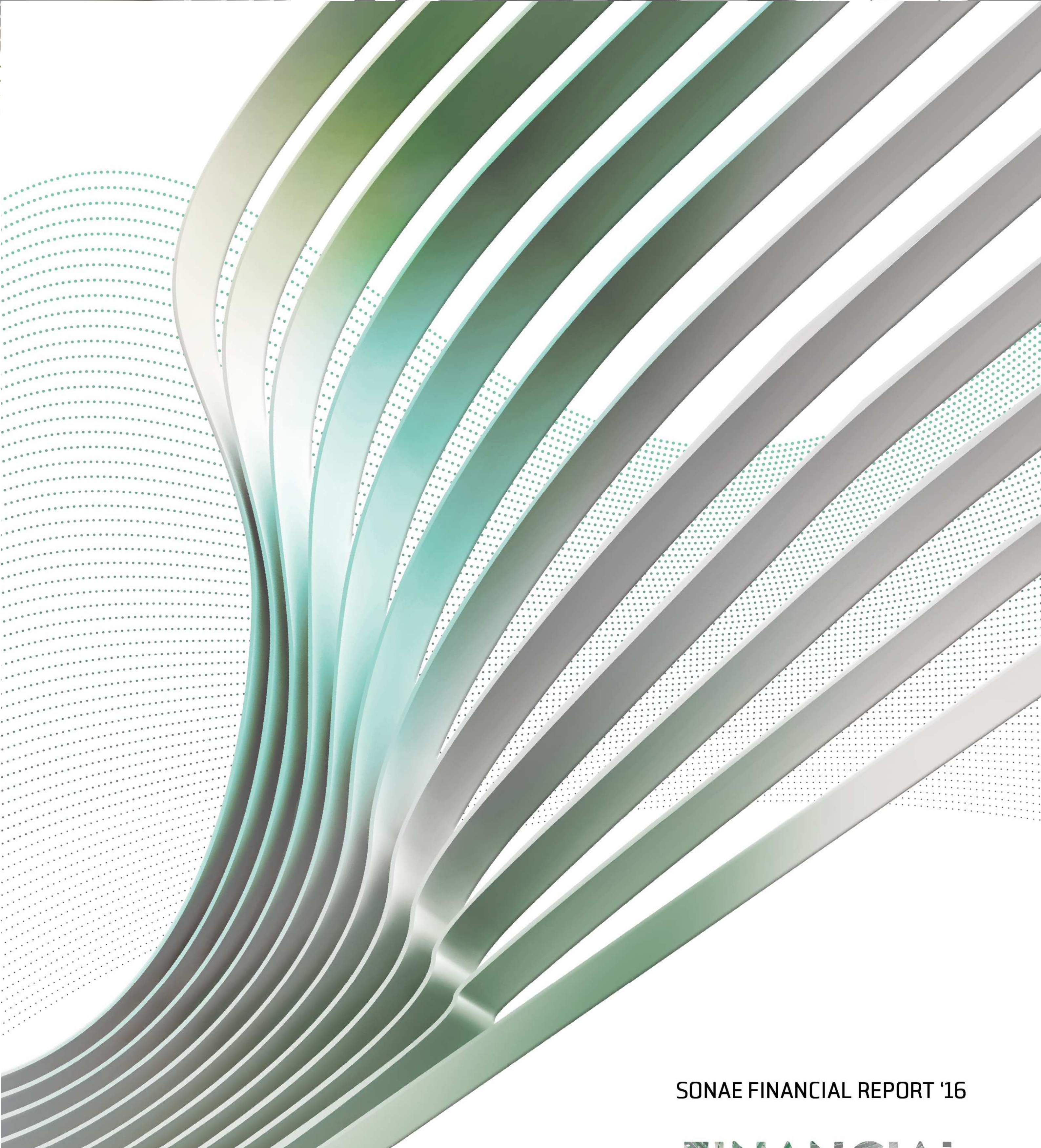
(I) Belmiro Mendes de Azevedo is, according to subparagraph b) of paragraph 1 of article 20 and paragraph 1 of article 21, both of the Portuguese Securities Code, the "ultimate beneficial owner", as he is the controlling shareholder of Efanor Investimentos, SGPS, SA and the latter wholly owns Pareuro BV

(II) total number of voting rights attributed to Banco BPI, SA as per article 20 of the Portuguese Securities Code

Article 448 of the Portuguese Companies Act

Number of shares held by shareholders owning more than 10%, 33% and 50% of the Sonae - SGPS, SA share capital:

	Number of shares held as of 31.December.2016
Efanor Investimentos, SGPS, SA	
Sonae - SGPS, SA	200,100,000
Pareuro, BV	Dominated
Pareuro, BV	
Sonae - SGPS, SA	849,533,095



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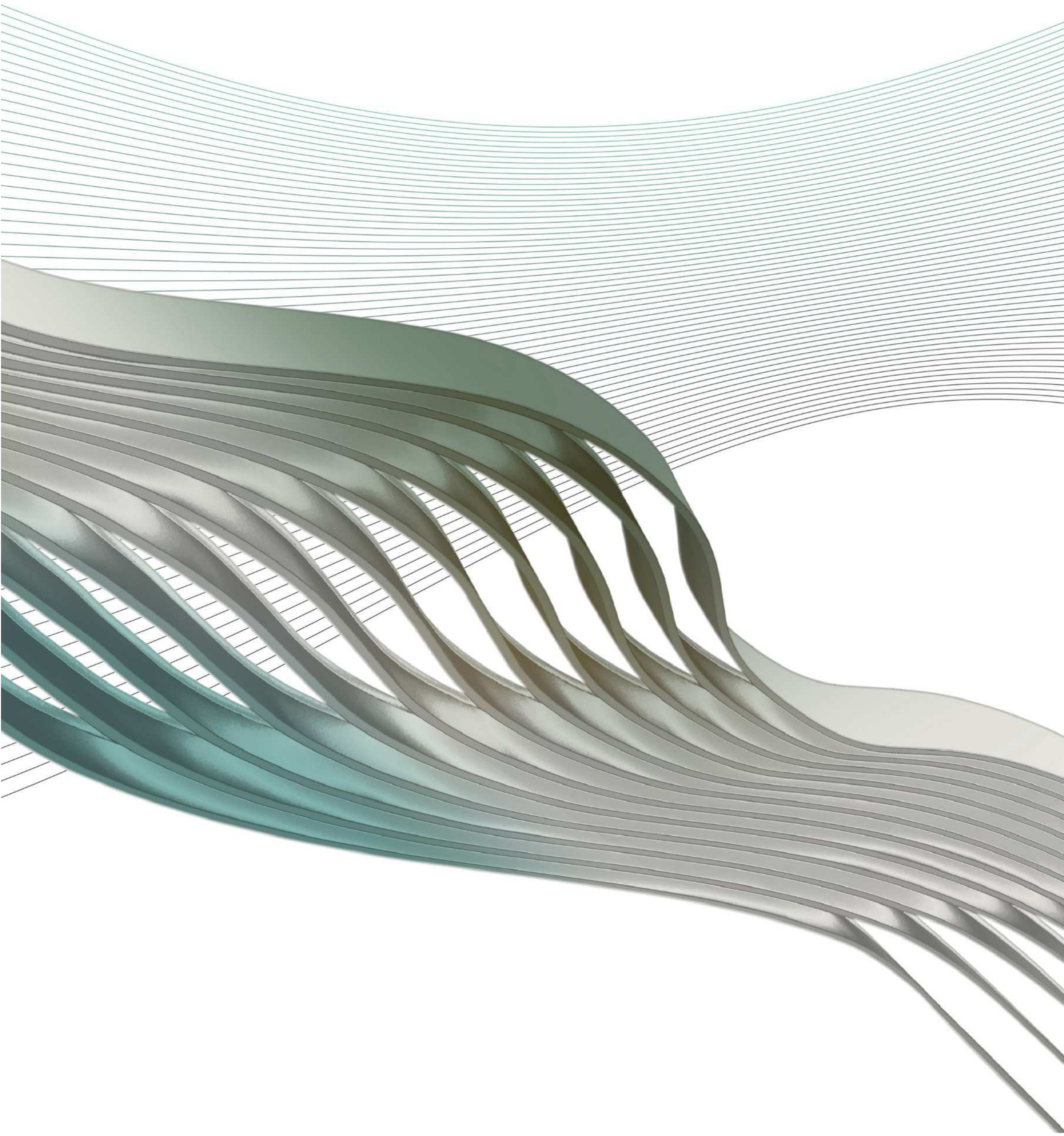
CONSOLIDATED FINANCIAL STATEMENTS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2016 AND 2015

(Amounts expressed in euro)

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

ASSETS	Notes	31 Dec 2016	31 Dec 2015 Restated Note 4
NON-CURRENT ASSETS:			
Tangible assets	8	1,612,469,478	1,543,114,788
Intangible assets	9	373,509,488	269,141,349
Investment properties		879,263	919,609
Goodwill	10	653,752,668	605,583,709
Investments in joint ventures and associates	11	1,362,270,890	1,214,889,100
Other investments	7 and 12	20,784,450	29,549,661
Deferred tax assets	19	61,360,744	64,094,618
Other non-current assets	7 and 13	19,226,166	31,610,627
Total Non-Current Assets		4,104,253,147	3,758,903,461
			-
CURRENT ASSETS:			-
Inventories	14	696,297,968	634,764,894
Trade account receivables	7 and 15	116,003,860	96,177,303
Other debtors	7 and 16	83,961,449	78,506,544
Taxes recoverable	17	70,525,818	78,953,427
Other current assets	18	76,911,316	88,000,741
Investments	7 and 12	4,369,022	82,430,974
Cash and cash equivalents	7 and 20	340,920,458	282,751,583
Total Current Assets		1,388,989,891	1,341,585,466
Non-current assets held for sale	21	19,522,549	131,044,138
TOTAL ASSETS		**5,512,765,587**	**5,231,533,065**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	22	2,000,000,000	2,000,000,000
Own shares	22	(114,738,086)	(123,493,932)
Legal reserve		244,211,592	244,211,592
Reserves and retained earnings		(450,881,147)	(637,533,495)
Profit/(Loss) for the period attributable to the equity holders of the Parent Company		215,073,949	175,306,228
Equity attributable to the equity holders of the Parent Company		1,893,666,308	1,658,490,393
Equity attributable to non-controlling interests	23	170,771,866	136,303,721
TOTAL EQUITY		2,064,438,174	1,794,794,114
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Loans	7 and 24	507,884,174	566,306,612
Bonds	7 and 24	695,803,279	697,562,099
Obligation under finance leases	7, 24 and 25	1,463,520	3,231,481
Other loans	7 and 24	4,676,660	5,764,682
Other non-current liabilities	7 and 27	21,557,388	36,028,880
Deferred tax liabilities	19	114,370,917	78,832,522
Provisions	32	25,848,118	39,710,058
Total Non-Current Liabilities		1,371,604,056	1,427,436,334
CURRENT LIABILITIES:			
Loans	7 and 24	350,365,080	258,655,767
Bonds	7 and 24	7,998,517	49,962,081
Obligation under finance leases	7, 24 and 25	1,079,629	3,691,782
Other loans	7 and 24	1,769,184	1,953,298
Trade creditors	7 and 29	1,136,655,247	1,161,697,200
Other creditors	7 and 30	200,640,232	199,513,809
Taxes and contributions payable	17	91,929,635	92,269,879
Other current liabilities	31	271,000,382	238,474,811
Provisions	32	3,558,708	3,083,990
Total Current Liabilities		2,064,996,614	2,009,302,617
Non-current liabilities held for sale	21	11,726,743	-
TOTAL LIABILITIES		3,448,327,413	3,436,738,951
TOTAL EQUITY AND LIABILITIES		**5,512,765,587**	**5,231,533,065**

The accompanying notes are part of these consolidated financial statements.

The Board of Directors

CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 2015

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

(Amounts expressed in euro)	Notes	31 Dec 2016	31 Dec 2015
Sales	6 and 35	5,159,067,410	4,825,931,588
Services rendered	6 and 35	217,070,093	188,311,035
Income or expense relating to investments	36	1,089,450	(6,366,703)
Gains and losses on investments recorded at fair value through results	12 and 37	(15,681,846)	22,135,189
Financial income	37	15,927,784	19,337,242
Other income	38	772,917,934	683,825,179
Cost of goods sold and materials consumed	14	(4,261,074,939)	(3,955,037,096)
(Increase)/Decrease in Production	14	1,273,422	(46,783)
External supplies and services	39	(720,362,710)	(654,546,532)
Staff costs	40	(731,640,839)	(665,354,195)
Depreciation and amortisation	8 and 9	(183,106,719)	(173,003,291)
Provisions and impairment losses	32	(17,300,593)	(13,074,208)
Financial expense	37	(52,659,808)	(73,668,281)
Other expenses	41	(75,052,269)	(89,278,783)
Share of results of joint ventures and associated companies	11.3	138,842,109	88,531,189
Profit/(Loss) before taxation from continuing operations		249,308,479	197,695,550
Taxation	42	(26,904,791)	(20,919,599)
Profit/(Loss) after taxation from continuing operations		222,403,688	176,775,951
Profit/(Loss) from discontinued operations after taxation		(409,391)	-
Consolidated profit/(Loss) for the period		221,994,297	176,775,951
Attributable to equity holders of the Parent Company:			
Continuing operations		215,278,645	175,306,228
Discontinued operations		(204,696)	-
		215,073,949	175,306,228
Attributable to non-controlling interests			
Continuing operations		7,125,044	1,469,723
Discontinued operations		(204,696)	-
	23	6,920,348	1,469,723
Profit/(Loss) per share			
From continuing operations			
Basic	44	0.118182	0.097429
Diluted	44	0.110308	0.090784
From discontinued operations			
Basic	44	(0.000108)	-
Diluted	44	(0.000101)	-

The accompanying notes are part of these consolidated financial statements.

The Board of Directors

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2016 AND 2015

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

(Amounts expressed in euro)	Notes	31 Dec 2016	31 Dec 2015
Net Profit / (Loss) for the period		221,994,297	176,775,951
Items that maybe reclassified subsequently to profirt or loss:			
Exchange differences arising on translation of foreign operations		5,127,738	(5,082,830)
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	11.3 and 43	9,313,997	(51,195,018)
Changes in hedge and fair value reserves		2,174,375	(1,499,185)
Deferred taxes related with other components of comprehensive income		(440,149)	365,245
Others		(144,364)	109,304
		16,031,597	(57,302,484)
Items that maybe reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale assets	12	-	2,247,800
		16,031,597	(55,054,684)
Total comprehensive income for the period		238,025,894	121,721,267
Attributable to:			
Equity holders of parent company		231,135,043	123,215,319
Non controlling interests		6,890,851	(1,494,052)

The accompanying notes are part of these consolidated financial statements.

The Board of Directors

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2016 AND 2015

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

					Reserves and Retained Earnings									
(Amounts expressed in euro)	Notes	Share Capital	Own Shares	Legal Reserve	Currency Translation Reserve	Investments Fair Value Reserve	Hedging Reserve	Option Premium Convertible Bonds Note 24	Other Reserves and Retained Earnings	Total	Net Profit/(Loss)	Total	Non controlling Interests (Note 23)	Total Equity
		Attributable to Equity Holders of Parent Company												
Balance as at 1 January 2015		2,000,000,000	(136,273,735)	196,260,390	3,375,818	(1,124,124)	1,366,866	22,313,000	(557,725,640)	(531,794,080)	143,838,207	1,672,030,782	160,200,533	1,832,231,315
Total compreensive income for the period		-	-	-	(2,240,017)	1,124,124	(1,093,916)	-	(49,881,100)	(52,090,909)	175,306,228	123,215,319	(1,494,052)	121,721,267
		-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of consolidated net profit of 2014		-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings		-	-	47,951,202	-	-	-	-	95,887,005	95,887,005	(143,838,207)	-	-	-
Dividends distributed		-	-	-	-	-	-	-	(68,258,971)	(68,258,971)	-	(68,258,971)	(1,569,568)	(69,828,539)
Reserves distributed		-	-	-	-	-	-	-	(72,420,965)	(72,420,965)	-	(72,420,965)	-	(72,420,965)
Income distribution		-	-	-	-	-	-	-	-	-	-	-	(1,031,352)	(1,031,352)
Acquisition of own shares		-	(139,401)	-	-	-	-	-	-	-	-	(139,401)	-	(139,401)
Obligation fulfield by share attribution to employees	28	-	9,365,882	-	-	-	-	-	(5,380,063)	(5,380,063)	-	3,985,819	(4,655)	3,981,164
Partial cancellation of Cash Settled Equity Swap	22	-	3,553,322	-	-	-	-	-	760,722	760,722	-	4,314,044	-	4,314,044
Change percentage in subsidiaries	23	-	-	-	-	-	-	-	(4,186,728)	(4,186,728)	-	(4,186,728)	(28,557,533)	(32,744,261)
Capital increase	23	-	-	-	-	-	-	-	-	-	-	-	8,763,414	8,763,414
Others		-	-	-	-	-	-	-	(49,506)	(49,506)	-	(49,506)	(3,066)	(52,572)
Balance as at 31 December 2015		2,000,000,000	(123,493,932)	244,211,592	1,135,801	-	272,950	22,313,000	(661,255,246)	(637,533,495)	175,306,228	1,658,490,393	136,303,721	1,794,794,114
Balance as at 1 January 2016		2,000,000,000	(123,493,932)	244,211,592	1,135,801	-	272,950	22,313,000	(661,255,246)	(637,533,495)	175,306,228	1,658,490,393	136,303,721	1,794,794,114
Total compreensive income for the period		-	-	-	2,710,088	-	1,675,455	-	11,675,551	16,061,094	215,073,949	231,135,043	6,890,851	238,025,894
Appropriation of consolidated net profit of 2015														
Transfer to retained earnings		-	-	-	-	-	-	-	175,306,228	175,306,228	(175,306,228)	-	-	-
Dividends distributed	23	-	-	-	-	-	-	-	-	-	-	-	(2,730,711)	(2,730,711)
Obligation fulfield by share attribution to employees	28	-	101,864	-	-	-	-	-	(1,660,734)	(1,660,734)	-	(1,558,870)	(4,021)	(1,562,891)
Partial cancellation of Cash Settled Equity Swap	22	-	8,653,982	-	-	-	-	-	(374,625)	(374,625)	-	8,279,357	-	8,279,357
Change percentage in subsidiaries	23	-	-	-	-	-	-	-	(2,608,287)	(2,608,287)	-	(2,608,287)	2,647,778	39,491
Aquisitions of affiliated companies	5.1	-	-	-	-	-	-	-	-	-	-	-	27,329,248	27,329,248
Others		-	-	-	-	-	-	-	(71,328)	(71,328)	-	(71,328)	335,000	263,672
Balance as at 31 December 2016		**2,000,000,000**	**(114,738,086)**	**244,211,592**	**3,845,889**	**-**	**1,948,405**	**22,313,000**	**(478,988,441)**	**(450,881,147)**	**215,073,949**	**1,893,666,308**	**170,771,866**	**2,064,438,174**

The accompanying notes are part of these consolidated financial statements.

The Board of Directors

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2016 AND 2015

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

(Amounts expressed in euro)	Notes	31 Dec 2016	31 Dec 2015
OPERATING ACTIVITIES			
Cash receipts from trade debtors		5,375,547,549	5,013,539,109
Cash paid to trade creditors		(4,436,017,090)	(4,054,184,888)
Cash paid to employees		(730,180,943)	(671,314,787)
Cash flow generated by operations		209,349,516	288,039,434
Income taxes (paid) / received		(9,076,201)	(33,892,523)
Other cash receipts and (payments) relating to operating activities		9,460,752	(6,746,260)
Net cash flow from operating activities (1)		209,734,067	247,400,651
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	45	1,416,954	-
Tangible assets	8	229,402,787	184,933,799
Intangible assets		473,927	186,131
Interests and similar income		1,872,916	8,815,606
Loans granted		1,665	64,417,098
Dividends	11.3 and 16	45,075,666	17,806,327
Disposal of investments at fair value	11.3	82,840,847	-
Others		26,167,985	13,130,359
		387,252,747	289,289,320
Cash Payments arising from:			
Investments	45	(106,433,473)	(31,550,174)
Tangible assets and investment properties		(240,096,139)	(172,207,335)
Intangible assets		(36,609,285)	(38,568,231)
Loans granted		-	(49,092,000)
Others		(37,294,767)	(1,241,818)
		(420,433,664)	(292,659,558)
Net cash used in investment activities (2)		(33,180,917)	(3,370,238)
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained		8,353,738,435	3,740,823,091
Capital increases, additional paid in capital and share premiums	45	2,844,114	30,174,078
Capital increase		296,000	-
Others		808,896	-
		8,357,687,445	3,770,997,169
Cash Payments arising from:			
Loans obtained		(8,435,775,090)	(4,026,948,010)
Investments	45	(584,004)	(82,957,645)
Interests and similar charges		(41,255,281)	(66,697,109)
Dividends and distributed reserves		(2,687,953)	(152,941,623)
Purchase of own shares		-	(139,401)
Others		(1,471,231)	(2,299,493)
		(8,481,773,559)	(4,331,983,281)
Net cash used in financing activities (3)		(124,086,114)	(560,986,112)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		52,467,036	(316,955,699)
Effect of foreign exchange rate		(582,728)	1,175,450
Cash and cash equivalents at the beginning of the period	20	270,140,463	588,271,612
Cash and cash equivalents at the end of the period	**20**	**323,190,227**	**270,140,463**

The accompanying notes are part of these financial statements.

The Board of Directors

SONAE, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

(*Amounts stated in euro*)

1 INTRODUCTION

SONAE, SGPS, SA (“Sonae Holding”) has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal, and is the parent company of a group of companies, as detailed in Notes 50 and 51 the Sonae Group ("Sonae"). Sonae’s operations and operating segments are described in Note 5.

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable to economic periods beginning on 1 January 2016, issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union as at the consolidated financial statements issuance date.

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

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

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

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

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

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

Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions some of which become mandatory during the year 2016:

With mandatory application during the year 2016:	Effective date (for financial years beginning on/after)
IAS 19 (amendment) - Employee benefits (clarifies under what circumstances employee contributions to post-employment benefit plans constitute a reduction in cost with short-term benefits)	01 Feb 2015
Annual Improvements to IFRS (cycle 2010-2012)	01 Feb 2015
Annual Improvements to IFRS (cycle 2012-2014)	01 Jan 2016
IFRS 11 (amendment) - Joint agreements (introduces the mandatory application of IFRS 3 when the joint operation acquired constitutes a business activity in accordance with IFRS 3)	01 Jan 2016
IAS 1 (Amendment) – Presentation of Financial Statements	01 Jan 2016
IAS 16 and IAS 38 (Amendments) – (Clarification of Acceptable Methods of Depreciation and Amortisation)	01 Jan 2016
IAS 16 (Amendments) – Tangible Assets and IAS 41 (Amendments) – Bearer Plants	01 Jan 2016
IAS 27 (amendment) - Application of the equity method in the separate financial statements (introduces the possibility of application of the equity method in subsidiaries, joint arrangements and associates in separate financial statement)	01 Jan 2016
IFRS 10 (amendment) - Consolidated financial statements, IFRS 12 (amendment) - Disclosures about shareholdings in other entities and IAS 28 (amendment) - Investments in associates and jointly controlled entities (contemplate the clarification of several aspects related to the application of the exception of consolidation by investment entities)	01 Jan 2016

These standards were applied for the first time by the Group in 2016, however, there were no significant impacts on these financial statements. Most of the above mentioned standards are not applicable to the Group.

The following standards, interpretations, amendments and revisions were endorsed by the European Union and are mandatory in future financial years:

With mandatory application after 2016:	Effective date (for financial years beginning on/after)
IFRS 9 - Financial instruments (introduces new requirements regarding the classification and measurement of financial assets and liabilities, the methodology for calculating impairment and for the application of hedge accounting rules)	01 jan 2018
IFRS 15 - Revenue from contracts with customers (introduces a principles-based revenue recognition framework based on a template to be applied to all contracts with customers)	01 jan 2018

The Group did not proceed to the early adoption of any of these standards on the financial statements for the year ended on the 31 December 2016, since their application is not yet mandatory. There is no estimated significant impact on the accounts resulting from their application.

The following standards, interpretations, amendments and revisions were not endorsed by the European Union up to the approval date of these financial statements:

With mandatory application after 2016:	Effective date (for financial years beginning on/after)
IFRS 14 – (Regulatory Deferral Accounts)	01 Jan 2016
IFRS 16 – Leases (recognition and measurement principles)	01 Jan 2019
IFRS 10 and IAS 28 (amendment) - (eliminate the conflict between the standards, related to the sale or contribution of assets between the investor and the associated or between the investor and the joint venture)	Undefined
IAS 12 (amendment) - Income taxes (clarifies the conditions for recognition and measurement of tax assets resulting from unrealized losses)	01 Jan 2017
IAS 7 (amendment) - Statement of cash flows (introducing additional disclosures related to cash flows from financing activities)	01 Jan 2017
IFRS 15 (amendment) - Revenue from contracts with customers (various clarifications are introduced in the standard to eliminate the possibility of divergent interpretations of various topics)	01 Jan 2018

IFRS 2 (amendment) - Share-based payments (various clarifications are included in the standard relating to the recording of cash-settled share-based payment transactions, (ii) recording changes to share-based payment transactions (of net settled to equity settlement), (iii) the classification of transactions with net settlement characteristics.	01 Jan 2018
IFRS 4 (amendment) - Insurance contracts (provides guidance on the application of IFRS 4 in together with IFRS 9)	01 Jan 2018
IAS 40 (amendment) - Investment properties (clarifies that the change in classification from or to investment property should only be made when there is evidence of a change in the use of the asset)	01 Jan 2018
Annual Improvements to IFRS (cycle 2014-2016)	01 Jan 2017 and 01 Jan 2018
IFRIC 22 - Transactions in foreign currency and advances (establishes the date of the initial recognition of the advance or deferred income as the date of the transaction for determining the exchange rate of the recognition of the revenue)	01 Jan 2018

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2016 due to the fact that their application is not mandatory, lying in the process of analyzing expected effects of those standards that, with exception of IFRS 9, IFRS 15 and IFRS 16 are not expected to reflect significant impacts.

2.2 Consolidation Principles

The consolidation methods adopted by Sonae are as follows:

a) Investments in Sonae companies

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

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

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

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

Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated statement of financial position and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 50.

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

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

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

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

b) Investments in jointly controlled companies and associated companies

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

In situations where the investment or financial interest and the contract concluded between the parties allows the entity holds joint control directly on the active or detention rights obligations inherent liabilities related to this agreement, it is considered that such joint agreement does not correspond to a joint venture but rather a jointly controlled operation. As at 31 December 2016 and 2015 the Group not held jointly controlled operations.

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

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

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

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

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

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

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

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

Investments in jointly controlled and associated companies are disclosed in Note 51.

c) Goodwill

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

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

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

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

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

Impairment losses related with goodwill will not be reversed.

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

d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the financial statements of foreign companies are translated to euro using exchange rates at date of the statement of financial position. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under "Translation Reserves" in "Other Reserves and Retained Earnings". Exchange rate differences that were originated prior to 1 January 2004 (date of transition to IFRS) were written-off through "Retained Earnings".

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the statement of financial position date.

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

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

	31 Dec 2016		31 Dec 2015	
	End of exercice	Average of exercise	End of exercice	Average of exercise
US Dollar	0.94868	0.90407	0.91853	0.90177
Swiss Franc	0.93119	0.91745	0.92293	0.93717
Pound Sterling	1.16798	1.22385	1.36249	1.37800
Brazilian Real	0.29150	0.26105	0.23193	0.27451
Australian Dollar	0.68512	0.67257	0.67128	0.67815
Mexican Peso	0.04593	0.04846	0.05287	0.05693
Turkish Lira	0.26975	0.29955	0.31481	0.33228
Mozambican Metical	0.01327	0.01489	-	-
Angolan Kwanza	0.00567	0.00545	0.00679	0.00757
Polish Zloty	0.22674	0.22924	0.23453	0.23915

2.3 Tangible assets

Tangible assets acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition or production cost, or revalued acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Tangible assets acquired after that date is recorded at acquisition cost, net of depreciation and accumulated impairment losses.

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

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

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

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

Maintenance and repair costs relating to tangible assets are recorded directly as expenses in the year they are incurred.

Tangible assets in progress represent fixed assets still under construction-development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or become ready for use.

Gains or losses on sale or disposal of tangible assets are calculated as the difference between the selling price and the carrying amount of the asset at the date of its sale-disposal. These are recorded in the income statement under either “Other income” or “Other expenses”.

2.4 Investment properties

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

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

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

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

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

2.5 Intangible assets

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

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

Expenditure on development is recognized as an intangible asset if Sonae demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software is recorded as an expense in the period in which they are incurred. Only costs directly attributable to projects for which the generation of future economic benefits for Sonae is probable are capitalized as intangible assets. According to this assumption, the costs are initially accounted for as expenses, being capitalized as intangible assets by mean of "Own work capitalized" (Note 38)

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

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

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

2.6 Accounting for leases

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

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

Whether a lease is classified as finance or an operating lease depends on the substance of the transaction rather than the form of the contract.

a) Accounting for leases where Sonae is the lessee

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

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

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

b) Accounting for leases where Sonae is the lessor

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

c) The accounting treatment of Sale and Leaseback operations

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

2.7 Non-current assets and liabilities held for sale

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

2.8 Government grants and other public entities

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

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

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

2.9 Impairment of non-current assets, except for Goodwill

Assets are assessed for impairment at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement under Provisions and impairment losses.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

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

Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the income statement as Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

2.10 Financial expenses relating to loans obtained

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

Financial expenses related to loans obtained directly attributable to the acquisition, construction or production of tangible and intangible assets, real estate projects classified as inventories or investment properties are capitalised as part of the cost of the qualifying asset. Financial expenses related to loans obtained are capitalised from the beginning of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the borrowing costs that qualify for capitalisation.

2.11 Inventories

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

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

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

2.12 Provisions

Provisions are recognised when, and only when, Sonae has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

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

2.13 Financial instruments

Sonae classifies the financial instruments in the categories presented and conciliated with the consolidated balance sheet disclosed in Note 6.

a) Investments

Investments are classified into the following categories:

– Held to maturity

– Investments measured at fair value through profit or loss

– Available-for-sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the balance sheet date. Investments classified as held to maturity have defined maturities and Sonae has the intention and ability to hold them until the maturity date.

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

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

All purchases and sales of investments are recognised on the trade date, independently of the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration paid for them, including transaction costs apart from investment measured at fair value through results, in which the investments are initially recognised at fair value and transaction costs are recognised in the income statement.

Available-for-sale investments and investments measured at fair value through profit or loss are subsequently carried at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price at the balance sheet date. Investments in equity instruments not listed and whose fair value cannot be reliably measured, are stated at cost less impairment losses.

Gains or losses arising from a change in fair value of available-for-sale investments are recognised directly in equity, under "Investments Fair value reserve", included in "Reserves and retained earnings" until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss for the period. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

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

Changes in the fair value of investments measured at fair value through profit or loss are included in the consolidated income statement for the period under "Gains and losses on investments recorded at fair value through profit or loss" in the consolidated income statement.

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

b) Loans and accounts receivable

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

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

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

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the balance sheet date, when they are classified as non-current assets. Loans and receivables are included in the captions presented in Note 6.

c) Trade accounts receivable and other accounts receivable

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

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

– significant financial difficulty of the issuer or counterparty;

– default or delinquency in interest or principal payments;

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

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

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

d) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

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

e) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in caption "Financial income" and "Financial expenses" in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.10. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

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

f) Loans convertible into shares

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

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

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

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

g) Trade accounts payable and other creditors

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

h) Confirming

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

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

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

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

i) Derivatives

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

Derivatives classified as cash flow hedging instruments are used by the Sonae mainly to hedge interest risks on loans obtained and exchange rate. Conditions established for these cash flow hedging instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. The inefficiencies, if any, are accounted under “Financial income” or “Financial expenses” in the consolidated income statement.

Sonae’s criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- The hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;
- The effectiveness of the hedge can be reliably measured;
- There is adequate documentation of the hedging relationships at the inception of the hedge;
- The transaction being hedged is highly probable.

Cash flow hedge instruments used by the Sonae to hedge the exposure to changes in interest and exchange rates of its loans are initially accounted for at cost, if any, which corresponds to its fair value, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption “Hedging reserves”, and then recognized in the income statement over the same period in which the hedged instrument affects profit or loss.

The accounting of hedging derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption Hedging reserve are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction or stay in equity if there is a high probability that the hedge transaction will occur. Subsequent changes in the revaluations are recorded in the income statement.

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

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

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

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

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

j) Own shares

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

k) Cash and cash equivalents

Amounts included under the caption "Cash and cash equivalents" correspond to cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption "Other loans".

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

l) Shared based-payments

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

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

When the settlement is made in cash, the value of these responsibilities are determined on the grant date (usually in April of each year) and subsequently remeasured at the end of each reporting period, based on the number of shares or options granted and the corresponding fair value at the closing date. These obligations are stated as staff costs and other current and non-current liabilities on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates.

2.14 Contingent assets and liabilities

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

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

2.15 Income tax and other tax

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

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

Deferred taxes are calculated using the statement of financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each statement of financial position date a review is made of the deferred tax assets recognized, being reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases, the corresponding deferred tax is recorded in equity.

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

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

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

2.16 Accrual basis and revenue recognition

Revenue from the sale of goods is recognized in the income statement when the risks and benefits have been transferred to the buyer and the amount of the revenue can be measured reasonably. Sales are recognized net of sales taxes and discounts and other expenses arising from the sale, and are measured as the fair value of the amount received or receivable.

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

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

The income related to the commissions generated by the insurance mediation activity is recorded at the moment of the premium payment by the policyholder. No premium is accounted before it has been received. In that moment, Sonae posts a liability related with the obligation to transfer the insurance premium net of commissions, to the respective insurance company.

In cases where the premium is directly paid to the insurance company, Sonae records its commission in the moment in which is informed of the premium payment by the policyholder to the insurance company.

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

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

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

"Other current assets" and "Other current liabilities" include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognized in the income statement.

2.17 Balances and transactions expressed in foreign currencies

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

At each statement of financial position date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the statement of financial position, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

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

2.18 Subsequent events

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

2.19 Judgements and estimates

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

a) Useful lives of the tangible and intangible assets;

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

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

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

e) Recoverability of deferred tax assets;

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

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

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

2.20 Insurance and reinsurance contracts

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

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

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

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

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

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

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

2.21 Information by segment

Information regarding operating segments identified is included in Note 6.

2.22 Legal reserves, other reserves and retained earnings

Legal reserves:

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

Hedging reserve:

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

Currency translation reserve:

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

Fair value reserve:

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

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

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

2.23 Option premium embedded in convertible bonds

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

3 FINANCIAL RISK MANAGEMENT

3.1 Introduction

The ultimate purpose of financial risk management is to support Sonae in the achievement of its strategy, reducing unwanted financial risk and volatility and mitigate any negative impacts in the income statement arising from such risks. Sonae's attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae does not apply into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

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

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

3.2 Credit Risk

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

3.2.1) Credit risk arising from Financial Instruments

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

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

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

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

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

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

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

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

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

- Retail

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

- Sonae IM

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

In the remaining business of investment management the credit risk in the context of the current operating activity is controlled through a system of collecting qualitative and financial information provided by recognized entities that supply information of risks, which allow to evaluate the viability of the of customers in fulfilling their obligations, aimed at reducing the risk of concession credit.

- Sonae Sierra – Joint venture

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

- NOS – Joint venture

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

- Sonae Holding

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

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

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

3.3 Liquidity risk

Sonae has the need, regularly, to raise external funds to finance its activities and investing plans. It holds a long term diversified portfolio, essentially made of, loan´s and structured facilities, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2016, the total gross debt (excluding shareholders loans) was 1,571 million euro (on 31 December 2015 was 1,587 million euro) excluding the contributions of Sonae Sierra and NOS operating segments measured by the equity method.

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

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

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

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

- Diversification of financing sources and counterparties;

- Ensuring an adequate average debt maturity, adjusted by the amount of committed long term facilities and cash equivalents by issuing long term debt and avoiding excessive concentration of scheduled repayments. At the end of 2016, Sonae´s average debt maturity was approximately 4.4 years (2015: 4.2 years) excluding the contributions of joint ventures Sonae Sierra and NOS which consolidated by the equity method;

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

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

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

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

Sonae maintains a liquidity reserve in the form of credit lines together with the banks with which there are activities. This is to ensure the ability to meet its commitments without having to refinance itself in unfavorable terms. In 31 December 2016, the consolidated loan amount maturing in 2017 is of 361 million euro (313 million euro maturing in 2016) and in 31 December 2016 Sonae had 109 million euro available in consolidated credit lines (123 million euro in 2015) with commitment less than or equal to one year and 439 million euro (341 million euro in 2015) with a commitment greater than one year.

Additionally, Sonae held, as at 31 December 2016, cash and cash equivalents and current investments amounting to 341 million euro (283 million euro as at 31 December 2015).

Consequentially, Sonae expects to meet all its obligations by means of its operating cash flows and its financial assets as well as from drawing existing available credit lines, if needed.

3.4 Interest rate risks

3.4.1) Policies

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

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

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

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

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

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

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

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

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

- Retail

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

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

- Sonae IM

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

In the remaining business of investment management exposure to interest rate arises essentially from short-term bank loans or loans payable to shareholders, which bears interests at Euribor market rates. The impact of this volatility on income or equity is mitigated by the following factors: (i) controlled financial leverage with conservative use of bank lending; (ii) probable correlation between the market interest rate levels and economic growth, the latter having a positive effect on other lines of the operating segment results (namely operational), thus partially offsetting the increased financial costs ("natural hedge").

- Sonae Sierra – Joint venture

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

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

- NOS – Joint venture

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

- Sonae Holding and others

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

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

Sonaecom's Board of Directors approves the terms and conditions of the funding with a significant impact on Sonaecom, based on an analysis of the debt structure, the inherent risks and the different options in the market, particularly as regards the type of interest rate (fixed / variable). Under this policy, the Executive Committee is responsible for decisions regarding the contracting of occasional interest rate hedging derivative financial instruments, through monitoring the conditions and alternatives that exist in the market.

3.4.2.) Sensitivity analysis

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

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

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

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

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

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

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

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

Under these assumptions, if euro interest rate of denominated financial instruments had been 75 basis points higher, the consolidated net profit before tax of Sonae for the period ended as at 31 December 2016 would decrease by approximately 8.8 million euro, (7 million euro decrease as at 31 December 2015).

3.5 Exchange rate risk

3.5.1) Policies

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

- Retail

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

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

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

- Sonae IM

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

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

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

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

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

For the remaining of this business segment the impact on the financial statements of changes in exchange rate is immaterial, since most part of the transactions is denominated in euro.

- Sonae Sierra – Joint venture

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

- NOS – Joint venture

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

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

- Sonae Holding

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

3.5.2) Exposure and sensitivity analysis

As at 31 December 2016 and 2015 Sonae amounts of assets and liabilities (in euro) denominated in a currency different from the subsidiary functional currency where the following:

	Assets		Liabilities	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Euro	-	-	1,402,138	5,655,979
Brazilian Real	-	-	1,038,401	327,020
British Pound	1,024,603	1,256,083	660,464	117,870
US Dollar	11,781,708	13,646,832	24,789,881	25,242,695
Other Currencies	923,257	614,588	81,146	421,214

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

3.6 Price and capital market risks

Sonae is exposed to equity price risk arising from equity investments, held for strategic rather than for trading purposes as the group does not actively trade these investments, which are disclosed in Note 10.

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

In 2007, Sonae entered into a Total Return Swap (TRS) with Sonae Holding shares as underlying. As explained in Note 22, the Total Return Swap precluded the derecognition of those own shares, and as such, a change in the Sonae Holding share price will have an impact on the cash flows by means of TRS cash settlements. If Sonae price had been 1% higher/lower, Sonae would have receivables/payments of 877 thousand euro (at 31 December 2015 Sonae would not have additional receivables/payments).

3.7 Capital risk

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

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

Sonae presented in 2016 an average gearing (countable) of 0.7 x (0.8 x in 2015). The average gearing at market values in 2016 was 0.8 x (0.6 x in 2015).

4 RESTATEMENT OF FINANCIAL STATEMENT

The Losan Group is a multinational group with its the parent company based in Spain. It specializes in the wholesale business of children's wear. This acquisition was aimed to improve skills in the supply chain and to strengthen international capacity expansion of Sonae through wholesale channels. These companies were incorporated in the consolidated financial statements as at 31 December 2015, date from which Sonae began to exercise control over its activities.

Given the proximity of the acquisition to the end of the year 2015, only in 2016 was it possible to complete the fair value allocation exercise and Goodwill calculation. The impact of the restatement in the statement of financial position of the Group as at 31 December 2015 can be analysed as follows:

	31 Dec 2015		
Amounts in thousands of euros	Before the restatement	Adjustments to fair value Note 5.4	After the restatement
Assets			
Tangible and intagible assets	1,787,565	24,691	1,812,256
Goodwill	624,544	(18,960)	605,584
Investments	1,244,439	-	1,244,439
Deferred tax assets	63,870	225	64,095
Other non-current assets	32,530	-	32,530
Non-current assets	3,752,948	5,956	3,758,904
Current assets			-
Inventories	634,765	-	634,765
Trade account receivables	96,577	(400)	96,177
Other debtors	244,043	1,417	245,460
Investments	82,431	-	82,431
Cash and cash equivalents	282,752	-	282,752
Current assets	1,340,568	1,017	1,341,585
Non-current assets held for sale	131,044	-	131,044
Total assets	5,224,560	6,973	5,231,533
Liabilities			
Borrowings	1,272,864	-	1,272,864
Other non-current liabilities	36,029	-	36,029
Deferred tax liabilities	72,760	6,073	78,833
Provisions	38,810	900	39,710
Non-current liabilities	1,420,463	6,973	1,427,436
Borrowings	314,263	-	314,263
Trade creditors and other current liabilities	1,695,040	-	1,695,040
Total current liabilities	2,009,303	-	2,009,303
Total liabilities	3,429,766	6,973	3,436,739
Shareholders' funds excluding non-controlling interests	1,658,490	-	1,658,490
Non-controlling interests	136,304	-	136,304
Total shareholders' funds	1,794,794	-	1,794,794
Total shareholders' funds and liabilities	5,224,560	6,973	5,231,533

5 CHANGES IN CONSOLIDATION PERIMETER

5.1 Major acquisitions of subsidiaries occurred in the period ended at 31 December 2016

The acquisitions of companies included in the consolidation by the integral method can be analyzed as follows:

	Company	Head Office	Percentage of share capital held At acquisition date Direct a)	Total b)
	Sonae SR - Sports & Fashion			
	Salsa Group			
1)	IVN - Serviços Partilhados, SA	Vila Nova de Famalicão (Portugal)	50.00%	50.00%
	Irmãos Vila Nova, SA	Vila Nova de Famalicão (Portugal)	100.00%	50.00%
	Irmãos Vila Nova III - Imobiliária, SA	Vila Nova de Famalicão (Portugal)	100.00%	50.00%
	IVN Asia Limited	Hong Kong (China)	100.00%	50.00%
	Salsa DE GmbH	Dusseldorf (Germany)	100.00%	50.00%
	Salsa Distribution USA LLC	New York (USA)	100.00%	50.00%
	Salsa France, S.A.R.L.	Paris (France)	99.99%	50.00%
	Salsa Luxembourg, Sàrl	Luxembourg	100.00%	50.00%
	SLS Salsa - Comércio e Difusão de Vestuário, S.A.	Vila Nova de Famalicão (Portugal)	100.00%	50.00%
	SLS Salsa España - Comercio y Difusión de Vestuario, S.A.U.	Pontevedra (Spain)	100.00%	50.00%
	Sonae IM			
	Sysvalue-Consult.,Int. e seg. em S.I.,SA	Mexico City (Mexico)	100.00%	89.97%
	Iberosegur-Soc. Ibérica Med. Seguros,Lda	Porto (Portugal)	100.00%	50.01%
	Inovretail, Lda	Maia (Portugal)	100.00%	89.97%
	Moneris Serviços de Gestão, SA	Lisbon (Portugal)	60.00%	30.01%

a) Considers the interest held directly by a subsidiary of the Group;

b) Corresponds to the percentage of interest held directly or indirectly attributable to the parent company´s shareholders, excluding non-controlled interests.

1) Parent company of Salsa group.

The effects of these acquisitions on the consolidated financial statements can be analyzed as follows:

	Sonae SR - Sports & Fashion				Sonae IM			
	Salsa Group				Others			
Amounts in euro	Financial Position before aquisition	Adjustments to fair value	Fair value	31 Dec 2016	Financial Position before aquisition	Adjustments to fair value	Fair value	31 Dec 2016
Net acquired assets								
Tangible assets (Note 8)	12,635,220	15,791,326	28,426,546	29,617,543	13,445	-	13,445	10,102
Intangible assets (Note 9)	2,477,267	86,470,000	88,947,267	86,891,888	554,218	982,257	1,536,475	1,114,183
Inventories (Note 14)	20,768,752	-	20,768,752	23,209,980	-	-	-	-
Deferred tax assets (Note 19)	1,691,120	1,267,477	2,958,597	2,832,354	9	-	9	-
Other assets	17,073,717	172,540	17,246,257	16,265,111	1,112,049	-	1,112,049	550,727
Cash and cash equivalents	7,501,069	-	7,501,069	3,487,787	214,190	-	214,190	81,334
Loans	(57,408,768)	-	(57,408,768)	(47,868,478)	(372,865)	-	(372,865)	-
Deferred tax liabilities (Note 19)	-	(21,417,032)	(21,417,032)	(21,029,053)	-	(115,718)	(115,718)	(115,718)
Other liabilities	(26,463,665)	(6,035,603)	(32,499,268)	(32,953,247)	(1,114,319)	-	(1,114,319)	(868,731)
Total net acquired assets	(21,725,288)	76,248,708	54,523,420	60,453,885	406,727	866,539	1,273,266	771,897
Goodwill (Note 10)			43,364,414				1,907,814	
Non-controlling interests (Note 23)			27,261,711				67,536	
Indemnity assets (Note 13)			2,463,875				-	
Acquisition cost			73,090,000				3,113,546	
Effective cash paid			73,090,000				1,519,920	
Outstanding amounts			-				1,593,624	
			73,090,000				3,113,544	
Net cash flow resulting from the acquisition (Note 46)								
Effective cash paid			(73,090,000)				(1,519,920)	
Cash and cash equivalents acquired			7,501,069				214,190	
			(65,588,931)				(1,305,730)	

	Sonae SR - Sports & Fashion		Sonae IM	
	Salsa Group		Others	
Amounts in euro	Since acquisition date	12 months	Since acquisition date	12 months
Sales and services	61,438,993	116,628,114	357,263	1,703,459
Other income	1,784,677	4,862,315	350,340	184,530
Cost of sales	(24,310,385)	(50,608,043)	(79,508)	(434,294)
External supplies and services	(13,786,487)	(26,621,230)	(190,138)	(661,601)
Staff costs	(10,784,173)	(22,188,418)	(425,543)	(967,549)
Depreciation and amortisation	(3,924,059)	(3,713,742)	(81,480)	(162,470)
Other expenses and losses	(649,009)	(2,755,299)	(22,597)	(86,207)
Net financial income	(748,061)	(3,770,954)	(6,426)	140,513
Profit/loss before taxation	9,021,496	11,832,743	(98,089)	(283,619)
Taxation	(2,681,646)	(3,286,303)	(14,279)	(16,631)
Net Income	6,339,850	8,546,440	(112,368)	(300,250)
Profit/loss from discontinuing operations after taxation	(409,391)	(409,391)	-	-
Net Income	5,930,459	8,137,049	(112,368)	(300,250)

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

This acquisition fits in Sonae's strategic pillars, namely the international expansion, the diversification of investment styles and the reinforcement of the assets and competencies base. Salsa will continue to rely on the current management team and in line with the terms of the agreement, their results will be included in Sonae by the full consolidation method considering that the Group controls the relevant activities of Salsa, being reported in the segment of "Sports and Fashion" of Sonae SR.

Following the acquisition of these companies, a preliminary assessment was made regarding the fair value of the assets acquired and the liabilities assumed.

The fair value was determined through various valuation methodologies for each type of asset or liability, based on the best information available. The main adjustments to fair value made under this process were:

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

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

(iii) Real estate assets (+15.8 million euro) were valued based on a preliminary external valuation of the mentioned assets, which had been obtained prior to the acquisition, being a new valuation process under way that is not yet completed; and

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

For the other remaining assets and liabilities, until this date, there were no significant differences identified between the fair value and the corresponding book value. As usually happens in business combinations, also in this operation, a part of the acquisition cost there could not be assigned, in reporting terms, to the fair value of identifiable assets and liabilities, being that component recognized as goodwill. However, the purchase price allocation is preliminary and may be subject to change until the end of the period of one year from the date of acquisition, as permitted by IFRS3 - Business Combinations.

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

5.2 Major acquisitions of associated companies occurred in the period ended at 31 December 2016

The acquisitions of companies included in the consolidation under the equity method can be analyzed as follows:

		Percentage of share capital held	
		At acquisition date	
Company	Head Office	Direct	Total
Sonae MC			
S2 Mozambique, SA	Maputo (Mozambique)	30.00%	30.00%
Sonae IM			
Filhet Allard España Correduria de Seguros S.L.	Madrid (Spain)	35.00%	17.50%
Armilar Venture Partners - Sociedade de Capital de Risco, SA	Lisbon (Portugal)	35.00%	31.49%
Fundo de Capital de Risco Armilar Venture Partners II	Lisbon (Portugal)	50.21%	45.17%
Fundo de Capital de Risco Armilar Venture Partners III	Lisbon (Portugal)	41.99%	37.78%
Fundo de Capital de Risco Espirito Santo Ventures Inovação e Internacionalização	Lisbon (Portugal)	37.54%	33.77%

Armilar, Armilar II, Armilar III e ESVIINT

Following the announcement made on the 5th of August 2016, Sonae IM together with a group of investors celebrated a contract with NOVO BANCO, S.A. and his subsidiary, ES TECH VENTURES, SGPS, S.A, for the acquisition to Novo Banco, of participation units in three venture capital funds: Espirito Santo Ventures Innovation and Internationalization ('ESVIINT'); Espírito Santo Ventures II (currently called to Ventures Capital Fund Armilar Venture Partners II, 'Armilar II') and Venture Capital Fund Espírito Santo Ventures III (currently called to Ventures Capital Fund Armilar Venture Partners III, 'Armilar III') and the total capital of Espírito Santo Ventures - Sociedade de Capital de Risco (currently called Armilar Venture Partners – Sociedade de Capital de Risco. S.A. 'Armilar'), held by its subsidiar ES TECH VENTURES, SGPS, S.A.. After approval by Banco de Portugal, the transaction was completed on 13 December 2016.

Armilar II, Armilar III and ESVIINT have the purpose of investing their assets in minority interests, in companies with high potential for growth and appreciation, and which have technological base or innovate business concept subjacent their activity, being privileged projects in phase of start-up, early-stage and expansion in Portugal and internationally. The management of the funds, according to the applicable legislation, is the responsibility of the management company. The management company has autonomy in relation to the management and investment policies of the funds, and this is not a competence of the holders of units.

The participation of the subsidiary Sonae IM in the management company is 35%, not exercising control over it, and in accordance with the context and specificity of the transaction, a fair value of 1 euro was assumed. As described, under this operation, the acquired participations were classified as "Investments in associated companies" (Note 11).

The allocation of the purchase price of the 3 funds can be detailed as follows:

	31 Dec 2016		
Amounts in euro	Amilar II	Amilar III	ESVIINT
Net acquired assets			
Investments	80,587,398	69,452,246	18,585,117
Other current assets	1,172,000	2,682,053	109,180
Cash and cash equivalents	1,761,897	613,065	92
Loans	(8,965,340)	(7,111,940)	-
Trade creditors	(1,479,656)	(1,533,153)	(23,767)
Other debts	(2,535,468)	(1,771,881)	(328,446)
Total net acquired assets	70,540,831	62,330,390	18,342,176
% Acquired	50.21%	41.99%	37.54%
Total net acquired assets	35,416,004	26,173,814	6,885,820
Acquisition price	16,330,035	13,028,803	2,390,500
Negative Goodwill (Note 11)	19,085,969	13,145,011	4,495,320

The negative goodwill generated on this acquisition resulted in deferred tax liabilities amounting to 8.3 million euro (Note 19).

Given that the funds recognize investments in subsidiaries at fair value, the initial allocation of the purchase price was made based on the amount of equity of the preliminary financial statements of the funds as at 31 December 2016, not approved which represent the best estimate at the fair value date of the acquired participations.

At the date of this report, these financial statements are not approved, and the group does not have at its disposal all the necessary information to assess the fair value attributed to funds subsidiaries companies and to complete the valuation of the net assets acquired.

The accounting was provisionally determined and subject to change until the date of conclusion of the 12-month period from the date of acquisition, as defined in the IFRS 3 - Business Combinations.

Within the scope of this transaction, the debt of Armilar II and Armilar III funds was also acquired from Espírito Santo Ventures – Sociedade de Capital de Risco (currently called "Armilar Venture Partners"), in the amount of 1,503,660 euro and 1,274,357 euro, respectively, recorded in the caption "Other non-current assets" (note 13).

5.3 Major disposal companies occurred in the period ended at 31 December 2016

As at 31 December 2016, the Group sold its subsidiary Imoconti - Sociedade Imobiliária, SA to a related entity of the Sonae Sierra group. The effects of this sale on the consolidated financial statements can be analyzed as follows:

	Sonae RP	
Amounts in euro	At disposal data	31 Dec 2015
Net assets disposals		
Tangible assets (Note 8)	15,960,059	17,114,189
Other assets	21,260	19,411
Cash and cash equivalents	22,792	802
Deferred tax liabilities (Note 19)	(1,282,258)	(1,322,934)
Other liabilities	(6,532,171)	(8,284,509)
Total of net assets disposals	8,189,682	7,526,959
Shareholder's loans, treasury operations and interests	6,046,123	
Gain in disposal (Note 36)	6,773,227	
Selling price	21,009,032	
Effective cash received	-	
Amounts receivable (Note 16)	21,009,032	
	21,009,032	

	Sonae RP	
Amounts in euro	At disposal data	31 Dec 2015
Sales and services	-	-
Other income	1,580,669	2,380,637
Other expenses and losses	(543,842)	(644,311)
Net financial income	(178,361)	(231,201)
Profit/loss before taxation	858,466	1,505,125
Taxation	(195,563)	(341,372)
Net Income	662,903	1,163,753

5.4 Fair value allocation to assets acquired and liabilities assumed on Losan´s Group acquisition in 2015

The Losan Group is a multinational group with its parent company based in Spain. It specializes in the wholesale business of children's wear. This acquisition aimed to improve skills in the supply chain and strengthen international capacity expansion of Sonae through wholesale channels. These companies were incorporated in the consolidated as at 31 December 2015 period from which Sonae began to exercise control over their activities.

As at 31 December 2015, due to the proximity of the date of acquisition, it was not possible for the Group to finalize the fair value of the net assets acquired, which was concluded during the year as follows, and goodwill was reduced by approximately 19 million euro and can be analysed as follows:

	Retail			
	Losan Group			
Amounts in euro	Financial Position before aquisition	Adjustments to fair value	Fair value	31 Dec 2015
Net acquired assets				
Tangible assets	4,281,581	-	4,281,581	4,281,581
Intangible assets (Note 9)	734,881	24,691,000	25,425,881	734,881
Inventories (Note 14)	13,451,587	-	13,451,587	13,451,587
Deferred tax assets (Note 19)	309,948	225,000	534,948	309,948
Other assets	15,681,488	(400,000)	15,281,488	15,681,488
Cash and cash equivalents	12,006,623	-	12,006,623	12,006,623
Loans	(8,145,659)	-	(8,145,659)	(8,145,659)
Deferred tax liabilities (Note 19)	(359,764)	(6,072,750)	(6,432,514)	(359,764)
Other liabilities	(14,765,358)	(900,000)	(15,665,358)	(14,765,358)
Total net acquired assets	23,195,327	17,543,250	40,738,577	23,195,327
Goodwill			95,495	19,055,699
Acquisition cost			40,834,072	42,251,026
Effective cash paid in 2015			42,251,026	42,251,026
Price adjustment (Note 46)			(1,416,954)	-
			40,834,072	42,251,026
Net cash flow resulting from the acquisition (Note 46)				
Effective cash paid			(40,834,072)	(42,251,026)
Cash and cash equivalents acquired			12,006,623	12,006,623
			(28,827,449)	(30,244,403)

The fair value of the net assets acquired was determined through various valuation methodologies for each type of asset or liability, based on the best information available. The main adjustments to fair value made under this process were:

(i) wholesale customer portfolio (+13.1 million euro), valued based on the discounted cash-flow methodology, using discount rates based on the weighted average cost of the segment's capital (11%), where Companies are included and considering an average retention rate of customers (84% based on historical data). These portfolios will be amortized on a straight-line basis based on the estimated average retention period of customers (10 years);

(ii) Losan brand (+11.6 million euros), valued based on the released royalty methodology and for which no defined life was identified; and

(iii) Contingent liabilities relating to present liabilities amounting to 0.9 million euro;

6 INFORMATION BY SEGMENTS

Sonae has in its portfolio four main segments: the retail units, Sonae IM and the two major partnerships in the areas of Shopping Centres (Sonae Sierra) and Telecommunications (NOS). The following business segments were identified:

In retail, the group has three segments:

- Sonae MC is our food retail unit, operating 41 Continente hypermarkets, 130 Continente Modelo supermarkets, 77 convenience stores Bom Dia, 260 stores operated under franchise Meu Super and 198 parapharmacy Well´s;

- Sonae SR is the specialized retail unit with two large divisions:

    - Worten that is included in the top 3 of Iberian electronic players, counting on a portfolio of 235 physical stores in Iberia;

    - Sports&Fashion directly operating 363 own stores of sports and clothing products, combined with a franchise network and also includes the recent acquisitions of Salsa and Losan.

- Sonae RP is our retail real estate unit which actively manages properties of Sonae, composed mainly of stores operating under the brand Continente and under other brands of Sonae SR.

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

In addition to the operating segments above mentioned Sonae still has two major partnerships Sonae Sierra (shopping centres) and Zopt (which has control over NOS in telecommunications).

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

Sonae operates in 89 countries, including operations, third-party services, representation offices, franchising and partnerships.

The list of Group companies and their businesses are detailed in Notes 50 and 51.

6.1 Financial information by business segment

The main operating segment information as at 31 December 2016 and 2015 can be detailed as follows:

31 Dec 2016	Turnover	Depreciation and amortisation	Provisions and impairment losses	EBIT	Financial results (2)	Income tax (2)
Sonae MC	3,686,808,069	90,891,772	1,662,669	112,149,103	-	-
Sonae SR						
Worten	910,303,455	25,294,017	2,815,681	(9,152,360)	-	-
Sports & Fashion	527,299,167	25,127,268	1,396,866	(25,702,036)	-	-
Sonae RP	91,962,156	23,739,373	6,536,987	119,945,354	-	-
Retail	5,216,372,847	165,052,430	12,412,203	197,240,061	(56,571,685)	31,466,626
Sonae IM	258,150,125	14,958,675	4,740,576	(12,187,596)	(2,143,191)	(21,949,527)
Other, eliminations and adjustments (1)	(98,385,469)	3,095,614	6,406	28,024,117	12,619,909	9,124,274
Total consolidated	5,376,137,503	183,106,719	17,159,185	213,076,582	(46,094,967)	18,641,373

31 Dec 2015	Turnover	Depreciation and amortisation	Provisions and impairment losses	EBIT	Financial results (2)	Income tax (2)
Sonae MC	3,490,025,696	85,806,855	1,939,973	119,760,878	-	-
Sonae SR						
Worten	891,470,876	23,750,199	2,245,532	(12,852,706)	-	-
Sports & Fashion	402,834,310	21,133,375	703,900	(44,094,679)	-	-
Sonae RP	121,266,202	27,487,028	-	121,207,518	-	-
Retail	4,905,597,084	158,177,457	4,889,405	184,021,011	(53,670,088)	19,880,913
Sonae IM	248,979,341	14,770,909	1,678,916	(4,579,149)	(1,612,492)	2,055,292
Other, eliminations and adjustments (1)	(140,333,801)	54,925	-	26,345,809	(1,629,189)	(1,016,606)
Total consolidated	5,014,242,624	173,003,291	6,568,321	205,787,671	(56,911,769)	20,919,599

	31 Dec 2016			31 Dec 2015		
	Investment (CAPEX)	Invested capital	Total net debt (2)	Investment (CAPEX)	Invested capital	Total net debt (2)
Sonae MC	167,010,365	629,840,098	-	113,771,108	533,730,705	-
Sonae SR						
Worten	39,439,683	(53,506,754)	-	39,313,761	(18,148,441)	-
Sports & Fashion	112,943,592	372,337,388	-	71,997,061	189,556,528	-
Sonae RP	62,354,568	930,735,887	-	60,418,121	1,046,536,798	-
Unidades de Retalho	381,748,208	1,879,406,619	683,533,046	285,500,051	1,751,675,590	643,978,322
Sonae IM	51,813,972	219,747,878	49,011,868	11,317,601	132,664,890	39,546,259
Other, eliminations and adjustments (1)	3,050,497	1,180,286,753	482,458,145	3,016,966	1,203,292,497	609,314,264
Total consolidated	436,612,677	3,279,441,250	1,215,003,059	299,834,618	3,087,632,977	1,292,838,845

1) Includes Sonae separate financial statements;

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

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

Turnover	31 Dec 2016 Inter-segment	31 Dec 2015 Inter-segment
Sonae MC	(1,999,094)	(1,983,822)
Sonae SR	-	-
Worten	(4,526,457)	(4,018,262)
Sports & Fashion	(29,091,974)	(29,120,431)
Sonae RP	(81,736,023)	(112,270,462)
Sonae IM	(13,686,480)	(14,928,074)
Other, eliminations and adjustments	(160,000)	(160,000)
Total consolidated	(131,200,028)	(162,481,051)

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

	Turnover		EBIT	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Inter-segment intra-groups	(131,200,028)	(162,481,051)	-	-
Contributions of entities not included in the segments	32,814,559	22,147,250	(10,085,948)	(22,646,540)
Equity Method	-	-	43,754,559	48,195,730
Others	-	-	(5,644,493)	796,619
Other, eliminations and adjustments	(98,385,469)	(140,333,801)	28,024,118	26,345,809

	Investment		Invested capital	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Inter-segment intra-groups and contributions of entities non-individualized entities as segments	3,050,496	3,016,966	(43,753,616)	(25,111,790)
Investments in joint ventures and associated companies	-	-	1,293,795,248	1,214,889,100
Other investments	-	-	17,966,231	105,042,967
Cash settled equity swap (3)	-	-	(87,721,109)	(103,720,530)
Dividends available	-	-	-	12,192,750
	3,050,496	3,016,966	1,180,286,754	1,203,292,497

3) Financial Instrument reported in Note 22.

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

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

	31 Dec 2016		31 Dec 2015	
Destination market	Non-current assets	Sales and services rendered	Non-current assets	Sales and services rendered
Portugal	3,979,439,556	4,825,039,745	3,691,581,995	4,543,057,011
Spain	116,275,357	356,428,492	134,679,867	338,037,728
France	-	55,626,405	-	41,757,068
United Kingdom	-	3,757,817	-	3,792,569
Germany	-	4,586,905	-	2,866,129
Italy	-	12,498,905	-	488,730
Brazil	23,458,355	29,220,921	22,571,204	32,544,002
Mexico	1,228,297	6,344,768	594,344	2,415,051
Rest of the world	3,374,131	82,633,545	34,564,392	49,284,335
	4,123,775,696	5,376,137,503	3,883,991,802	5,014,242,623

Glossary:

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

Net debt = Bonds + bank loans + other loans + shareholder loans + financial leases - cash, bank deposits, current investments, excluding the participation of 2.14% in NOS, and other long term financial applications;

Other eliminations and adjustments = Intra-groups + consolidation adjustments + contributions from other companies not included in the disclosed segments as they do not fit in any reportable segment, ie in addition to Sonae SGPS, the companies identified as "Other" in Note 50 are included;

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

6.2 Sonae Sierra financial information

Assets, Liabilities, Income, Expenses and Losses amounts related to joint ventures are disclosed in Note 11. However, taking into account the relevance of Sonae Sierra's financial statements and since it is being consolidated using the equity method are the most relevant situations the following (amounts disclosed are not proportional to the percentage of detention of 50%).

a) Investment properties

During the year ended at 31 December 2016 and 2015, movements in investment properties are as follows:

	Investment properties				
			under development		
Amounts in thousands of euro	In Operation	"Fit Out"	at cost	Advances	Total
Opening balance as at 1 January 2015 - Restated	864,480	1,927	23,492	1,725	891,624
Increases	4,389	-	21,727	-	26,116
Receivables	-	612	-	-	612
Fit-out receivables	-	(333)	-	-	(333)
Variation in fair value on the investment properties between years:					
- Gains	96,253	243	-	-	96,496
- Losses	-	(147)	-	-	(147)
Mouvements for assets available for sale	(273,337)	(163)	-	-	(273,500)
Currency translation differences	-	-	(473)	-	(473)
Opening balance as at 1 January 2016 - Restated	691,785	2,139	44,746	1,725	740,395
Increases	6,079	(125)	2,559	-	8,513
Impairments and write-off	-	-	(7,285)	-	(7,285)
Sales	-	-	(427)	-	(427)
Fit-out receivables	-	(834)	-	-	(834)
Variation in fair value on the investment properties	-	-	-	-	-
between years:	-	-	-	-	-
- Gains	69,290	402	-	-	69,692
- Losses	(4,349)	-	-	-	(4,349)
Currency translation differences	-	-	28	-	28
Closing balance as at December 2016	762,805	1,582	39,621	1,725	805,733

Increases in investment properties under development as cost, in the amounts of 2,559 thousand euro and 21,727 thousand euro in the years ended 31 December 2016 and 2015, respectively, relates to a project in Germany which estimated opening date is 2019.

The amount of 273,500 thousand euro recorded in "Transfer to assets available for sale" refers to assets that were classified as held for sale at the end of 2015.

At 31 December 2016 and 2015 investment properties in operation and the information about the fair value assessment are as follows:

	31 Dec 2016			31 Dec 2015 Restated		
	10 years "discount rate"	Yields	thousands of euro Level 3	10 years "discount rate"	Yields	thousands of euro Level 3
Portugal / Spain	7.50% to 10,85%	5.75% to 9.10%	650,260	8.00% to 11.41%	6.25% to 9.50%	584,037
Other European countries	8.50% to 10,30%	6.75% to 8.50%	112,545	9.05% to 10.30%	7.30% to 8.50%	107,748
			762,805			691,785

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

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

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

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

In terms of fair value hierarchy as defined in IFRS 13 investment properties of Sonae Sierra which are valued at fair value are all within Level 3.

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

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

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

b) Acquisition and disposal of companies

Major disposals of companies in 2016 were as follows:

During 2016, Sierra B.V. and one of its subsidiaries, Luz del Lajo B.V., sold 100% of the shares of Estação Viana- Centro Comecial, S.A. ("Estação Viana"), Project Sierra 8 B.V. which owns 100% of the Algarveshopping- Centro Comercial, S.A. ("Algarveshopping") and Luz del Tajo Centro Comercial S.A. ("Luz del Tajo") to Iberia Shopping Centre Venture Cooperatief UA ("Iberia Coop") by the amount of 184,601 thousand euro. These transactions generated a net gain of 37,164 thousand euro (net of expenses incurred in these transactions of 3,869 thousand euro). These companies were classified as held for sale in 2015.

In December 2016, Sierra Investments Holding B.V. sold 100% of the shares of Project Guia, S.A. ("Project Guia") to Iberia Shopping Centre Venture Cooperatief UA ("Iberia Coop") by the amount of 951 thousand euro. This transaction generated a loss of 63 thousand.

As the Group owns 10% of Iberia Coop, these companies sold are now classified as associates and measured using the equity method.

c) Goodwill

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

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

6.3 Zopt financial information

The consolidated financial statements of ZOPT (joint venture that controls NOS) and NOS as at 31 December 2016 and 2015, incorporated into the financial statements of Sonae through ZOPT by the equity method (Note 11).

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

The consolidated financial statements of NOS as at 31 December 2016 and 2015, incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method can be summarized as follows:

Amounts in thousands of euros	31 Dec 2016	31 Dec 2015
Assets		
Tangible assets	1,158,181	1,167,538
Intangible assets	1,158,779	1,178,559
Deferred tax assets	117,302	122,539
Other non-current assets	18,740	41,496
Non-current assets	2,453,002	2,510,132
Trade account receivables	348,926	347,837
Cash and cash equivalents	2,313	9,948
Other current assets	178,400	108,577
Current assets	529,639	466,362
Total assets	2,982,641	2,976,494
Liabilities		
Borrowings	972,003	979,422
Provisions	146,287	139,484
Other non-current liabilities	50,406	31,837
Non-current liabilities	1,168,696	1,150,743
Borrowings	224,692	178,022
Trade creditors	238,828	327,485
Other current liabilities	297,327	256,722
Total current liabilities	760,847	762,229
Total liabilities	1,929,543	1,912,972
Shareholders' funds excluding non-controlling interests	1,044,057	1,054,092
Non-controlling interests	9,041	9,430
Total shareholders' funds	1,053,098	1,063,522
Total shareholders' funds and liabilities	2,982,641	2,976,494

Amounts in thousands of euros	31 Dec 2016	31 Dec 2015
Total revenue	1,514,969	1,444,305
Costs and losses		
Direct costs and External supplies and services	(642,190)	(656,555)
Depreciation and amortisation	(391,555)	(339,294)
Other operating costs	(338,452)	(301,681)
	(1,372,197)	(1,297,530)
Financial results	(30,549)	(32,145)
Income taxation	(22,226)	(32,138)
Consolidated net income/(loss) for the year	89,997	82,492
Attributed to non-controlling interests	(385)	(228)
Attributed to shareholders'of parent company	90,382	82,720

7 FINANCIAL INSTRUMENTS BY CLASS

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

Financial assets	Notes	Loans and accounts receivable	Assets at fair value through the income statment	Available for sale	Derivates (Note 26)	Sub-total	Assets not convered by IFRS 7	Total
As at 31 December 2016								
Non-current assets								
Other investments	12	9,966,231	-	10,818,219	-	20,784,450	-	20,784,450
Other non-current assets	13	18,640,416	-	-	-	18,640,416	585,750	19,226,166
		28,606,647	-	10,818,219	-	39,424,866	585,750	40,010,616
Current assets		-	-	-	-	-	-	-
Trade receivables	15	116,003,860	-	-	-	116,003,860	-	116,003,860
Other debitors	16	83,961,449	-	-	-	83,961,449	-	83,961,449
Investments	12	161,050	-	-	4,207,972	4,369,022	-	4,369,022
Cash and cash equivalent	20	340,920,458	-	-	-	340,920,458	-	340,920,458
		541,046,817	-	-	4,207,972	545,254,789	-	545,254,789
		569,653,464	-	10,818,219	4,207,972	584,679,655	585,750	585,265,405
As at 31 December 2015 Restated								
Non-current assets								
Other investments	12	9,996,932	-	19,552,729	-	29,549,661	-	29,549,661
Other non-current assets	13	12,463,292	-	-	-	12,463,292	19,147,335	31,610,627
		22,460,224	-	19,552,729	-	42,012,953	19,147,335	61,160,288
Current assets								
Trade receivables	15	96,177,303	-	-	-	96,177,303	-	96,177,303
Other debitors	16	68,521,667	-	-	-	68,521,667	9,984,877	78,506,544
Investments	12	128,080	79,796,807	-	2,506,087	82,430,974	-	82,430,974
Cash and cash equivalent	20	282,751,583	-	-	-	282,751,583	-	282,751,583
		447,578,633	79,796,807	-	2,506,087	529,881,527	9,984,877	539,866,404
		470,038,857	79,796,807	19,552,729	2,506,087	571,894,480	29,132,212	601,026,692

Financial liabilities	Notes	Derivates (Note 26)	Financial liabilities recorded at amortised cost	Sub-total	Liabilities not covered by IFRS 7	Total
As at 31 December 2016						
Non-current liabilities						
Bank loans	24	-	507,884,174	507,884,174	-	507,884,174
Bonds	24	-	695,803,279	695,803,279	-	695,803,279
Obligations under finance leases	24 and 25	-	1,463,520	1,463,520	-	1,463,520
Other loans	24	-	4,676,660	4,676,660	-	4,676,660
Other non-current liabilities	27	-	2,542,407	2,542,407	19,014,981	21,557,388
		-	1,212,370,040	1,212,370,040	19,014,981	1,231,385,021
Current liabilities						
Bank loans	24	-	350,365,080	350,365,080	-	350,365,080
Bonds	24	-	7,998,517	7,998,517	-	7,998,517
Obligations under finance leases	24 and 25	-	1,079,629	1,079,629	-	1,079,629
Other loans	24	358,117	1,411,067	1,769,184	-	1,769,184
Trade creditors	29	-	1,136,655,247	1,136,655,247	-	1,136,655,247
Other creditors	30	-	200,640,232	200,640,232	-	200,640,232
		358,117	1,698,149,772	1,698,507,889	-	1,698,507,889
		358,117	2,910,519,812	2,910,877,929	19,014,981	2,929,892,910
As at 31 December 2015 Restated						
Non-current liabilities						
Bank loans	24	-	566,306,612	566,306,612	-	566,306,612
Bonds	24	-	697,562,099	697,562,099	-	697,562,099
Obligations under finance leases	24 and 25	-	3,231,481	3,231,481	-	3,231,481
Other loans	24	-	5,764,682	5,764,682	-	5,764,682
Other non-current liabilities	27	-	5,481,467	5,481,467	30,547,413	36,028,880
		-	1,278,346,341	1,278,346,341	30,547,413	1,308,893,754
Current liabilities						
Bank loans	24	-	258,655,767	258,655,767	-	258,655,767
Bonds	24	-	49,962,081	49,962,081	-	49,962,081
Obligations under finance leases	24 and 25	-	3,691,782	3,691,782	-	3,691,782
Other loans	24	860,503	1,092,795	1,953,298	-	1,953,298
Trade creditors	29	-	1,161,697,200	1,161,697,200	-	1,161,697,200
Other creditors	30	-	199,513,809	199,513,809	-	199,513,809
		860,503	1,674,613,434	1,675,473,937	-	1,675,473,937
		860,503	2,952,959,775	2,953,820,278	30,547,413	2,984,367,691

Financial Instruments recognized at fair value

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

	31 Dec 2016			31 Dec 2015 Restated		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Investments	-	-	8,000,000	79,796,807	-	15,249,229
Derivatives	-	4,207,972	-	-	2,506,087	-
	-	4,207,972	8,000,000	79,796,807	2,506,087	15,249,229
Financial liabilities measured at fair value						
Derivatives	-	358,117	-	-	860,503	-
	-	358,117	-	-	860,503	-

8 TANGIBLE ASSETS

During the periods ended as at 31 December 2016 and 2015, the movements in tangible assets as well as accumulated depreciation and impairment losses are made up as follows:

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Tangible assets in progress	Total tangible assets
Gross costs:							
Opening balance as at 1 January 2015	1,668,538,078	1,286,938,925	22,505,451	121,438,766	40,325,250	27,306,513	3,167,052,983
Investment	7,575,725	1,947,749	60,340	1,036,837	28,021	155,389,676	166,038,348
Acquisitions of subsidiaries	5,088,587	1,274,558	401,035	2,099,195	933,097	-	9,796,472
Disposals	(171,141,961)	(74,262,342)	(1,475,015)	(9,248,179)	(1,829,783)	(9,287,537)	(267,244,817)
Exchange rate effect	(343,103)	(118,071)	(88,116)	(677,368)	(3,033)	(1,357)	(1,231,048)
Transfers	(169,686,894)	115,995,429	1,582,589	14,980,205	3,513,549	(149,152,440)	(182,767,562)
Opening balance as at 1 January 2016	1,340,030,432	1,331,776,248	22,986,284	129,629,456	42,967,101	24,254,855	2,891,644,376
Investment	19,651,941	5,104,021	358,337	1,122,012	753,393	239,302,839	266,292,543
Acquisitions of subsidiaries (Note 5.1)	38,596,783	12,121,189	1,851,477	4,655,788	1,474,657	54,012	58,753,906
Disposals	(32,046,800)	(59,029,925)	(1,297,318)	(6,217,287)	(1,387,274)	(1,419,331)	(101,397,935)
Disposals of subsidiaries (Note 5.3)	(23,843,817)	(2,667,983)	-	(35,456)	-	-	(26,547,256)
Exchange rate effect	154,035	109,918	43,287	476,279	(3,195)	21,068	801,392
Transfers	28,550,401	150,827,286	1,886,202	15,674,609	2,947,941	(231,228,950)	(31,342,511)
Closing balance as at 31 December 2016	1,371,092,975	1,438,240,754	25,828,269	145,305,401	46,752,623	30,984,493	3,058,204,515
Accumulated depreciation and impairment losses							
Opening balance as at 1 January 2015	432,793,307	783,680,414	18,382,649	95,222,909	35,025,823	-	1,365,105,102
Depreciation of period	23,807,895	104,278,761	1,179,174	10,229,281	2,469,045	-	141,964,156
Impairment losses of the period (Note 32)	-	1,198,626	(3,369)	68,526	5,392	-	1,269,175
Acquisitions of subsidiaries	1,923,295	1,154,741	362,563	1,438,103	591,458	-	5,470,160
Disposals	(37,525,897)	(61,420,408)	(1,404,618)	(8,699,390)	(1,774,506)	-	(110,824,819)
Exchange rate effect	(308,298)	(57,423)	(52,348)	(492,214)	(1,308)	-	(911,591)
Transfers	(53,327,632)	(728,587)	58,933	22,350	432,341	-	(53,542,595)
Opening balance as at 1 January 2016	367,362,670	828,106,124	18,522,984	97,789,565	36,748,245	-	1,348,529,588
Depreciation of the period	21,341,732	106,583,600	1,425,676	11,805,832	2,902,388	-	144,059,228
Impairment losses of the period (Note 32)	6,572,324	2,177,208	4,177	94,270	5,869	110,824	8,964,672
Acquisitions of subsidiaries (Note 5.1)	16,217,062	7,761,499	1,240,310	4,146,189	948,855	-	30,313,915
Disposals	(5,308,206)	(48,900,527)	(1,234,329)	(5,839,121)	(1,312,196)	-	(62,594,379)
Disposals of subsidiaries (Note 5.3)	(7,883,758)	(2,667,983)	-	(35,456)	-	-	(10,587,197)
Exchange rate effect	148,899	44,163	22,226	343,234	(1,804)	-	556,718
Transfers	(476,933)	(11,606,204)	(168,493)	(967,009)	(288,869)	-	(13,507,508)
Closing balance as at 31 December 2016	397,973,790	881,497,880	19,812,551	107,337,504	39,002,488	110,824	1,445,735,037
Carrying amount							
As at 31 December 2015 Restated	972,667,762	503,670,124	4,463,300	31,839,891	6,218,856	24,254,855	1,543,114,788
As at 31 December 2016	973,119,185	556,742,874	6,015,718	37,967,897	7,750,135	30,873,669	1,612,469,478

The investment includes the acquisition of assets of approximately 238 million euro (164 million euro in 2015), associated with the opening and remodeling of stores of Sonae retail operating segments.

Disposal in the years 2016 and 2015 can be analyzed as follow:

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

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Tangible assets in progress	Total tangible assets
Gross assets:							
Disposals	(7,211,982)	(66,727,064)	(1,475,015)	(9,248,179)	(1,829,783)	(9,287,537)	(95,779,560)
Sale and Leaseback	(163,929,979)	(7,535,278)	-	-	-	-	(171,465,257)
Closing balance as at 31 December 2015	(171,141,961)	(74,262,342)	(1,475,015)	(9,248,179)	(1,829,783)	(9,287,537)	(267,244,817)
Accumulated depreciation and impairment losses							
Disposals	(7,021,353)	(54,554,708)	(1,404,618)	(8,699,390)	(1,774,506)	-	(73,454,575)
Sale and Leaseback	(32,179,103)	(6,865,700)	-	-	-	-	(39,044,803)
Closing balance as at 31 December 2015	(39,200,456)	(61,420,408)	(1,404,618)	(8,699,390)	(1,774,506)	-	(112,499,378)
Carrying amount							
Disposals	(190,629)	(12,172,356)	(70,397)	(548,789)	(55,277)	(9,287,537)	(22,324,985)
Sale and Leaseback	(131,750,876)	(669,578)	-	-	-	-	(132,420,454)

During the period, several sale and leaseback transactions were accounted for by the Group (see Note 35 - Operating Leases). The accounting values of the disposed assets, approximately, 158 million euro (132.4 million euro in 31 December 2015), 27 million euro are disclosed as disposals of the year and the rest are recorded as non-current assets held for sale (In 31 December 2015 the entire amount was recorded as disposal) (Note 21). The disposed assets correspond to 16 real estate food retail assets located in Portugal (15 assets in 31 December 2015) and 3 Worten stores in Spain. These operations resulted in a cash inflow of 230 million euro (184.7 million euro in 31 December 2015) and generated a net capital gain (Note 31) of approximately, 63.1 million euro (42.3 million euro in 31 December 2015) (Note 38).

Tangible assets held by Imoconti, a subsidiary disposed in the year (Note 5.3), were leased under similar conditions to the assets included in the Sale and Leaseback operations above mentioned. These assets represented 16 million euro at the date of disposal, resulting in a cash inflow of 21 million euro and a capital gain of 6.9 million euro (Note 36).

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

In disposal also included about 8.4 million euro related to the restructuring process of the new store concepts, of Sonae SR, mainly in Spain, resulting in the use of impairment losses in the amount of 4.5 million euro.

Transfer includes in 31 December 2016 the net amount of 16.4 million euro of assets transferred to "Non-current assets held for sale" related to Sohimeat, due to the loss of control of this company in January 2017 (Note 21). Transfers include in 31 December 2015 the net amount of 131 million euro of net assets transferred to "Non-current assets held for sale" during the period, relating to real estate assets of the Food Retail Segment and Worten Spain retail stores, whose sale took place in 2016 (Note 21).

Most real estate assets from Sonae RP (Note6), as at 31 December 2016 and 2015, which are recorded at acquisition cost deducted of amortization and impairment charges, were evaluated by independent appraisers (Jones Lang LaSalle). These evaluations were performed using the income method, using yields between 6.75% and 9.00 % (7.25% and 9.25 % in 2015), where the fair value of the property is in "Level 3" hierarchy - according to the classification given by IFRS 13. Such assessments support the value of the assets as at 31 December 2016. There were no impairments recorded during the period. During the year, an impairment loss of 6.5 million euro was recorded on a property held by the Group as a result of the valuation produced by Cushman & Wakefield and which took into account the latest changes to the municipal master plan applicable to that property.

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

	31 Dec 2016	31 Dec 2015 Restated
Refurbishment and expansion of stores in the retail businesses located in Portugal	25,828,922	17,356,382
Refurbishment and expansion of stores in the retail businesses located in Spain	1,610,531	1,030,144
Projects "Continente" stores for which advance payments were made	1,693,500	2,968,500
Others	1,740,717	2,899,830
	30,873,670	24,254,856

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

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Total tangible assets
Impairment losses						
Opening balance as at 1 January 2016 Restated	99,853,204	33,179,777	34,330	408,450	88,602	133,564,363
Impairment losses of the period (Note 32)	6,572,324	2,177,208	4,177	94,270	116,693	8,964,672
Disposals (Note 32)	(15,988,825)	(7,289,344)	(601)	(131,102)	(18,942)	(23,428,814)
Closing balance as at 31 December 2016	90,436,703	28,067,641	37,906	371,618	186,353	119,100,221

9 INTANGIBLE ASSETS

In the years ended at 31 December 2016 and 2015, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

	Patents and other similar rights	Software	Other intangible assets	Intangible assets in progress	Total intangible assets
Gross assets:					
Opening balance as at 1 January 2015	116,610,221	283,205,409	47,774,431	37,819,101	485,409,162
Investment	86,237	1,983,007	325,319	45,010,421	47,404,984
Fair value of assets acquired (Note 5.4)	11,559,000	-	13,132,000	-	24,691,000
Acquisitions of subsidiaries	18,486	3,741,493	-	582,266	4,342,245
Disposals	(69,930)	(1,076,304)	-	(378,569)	(1,524,803)
Exchange rate effect	551,178	(573,953)	(6,463,658)	111,199	(6,375,234)
Transfers	596,172	52,186,223	(55,813)	(53,026,617)	(300,035)
Opening balance as at 1 January 2016 Restated	129,351,364	339,465,875	54,712,279	30,117,801	553,647,319
Investment	186,707	3,177,999	189,448	50,672,876	54,227,030
Acquisitions of subsidiaries (Note 5.1)	51,321,434	4,142,482	38,747,581	92,784	94,304,281
Disposals	(251,104)	(1,326,871)	(200,717)	(347,806)	(2,126,498)
Exchange rate effect	166,298	855,199	4,715,923	(12,671)	5,724,749
Transfers	238,491	49,294,911	(390,362)	(52,461,994)	(3,318,954)
Closing balance as at 31 December 2016	181,013,190	395,609,595	97,774,152	28,060,990	702,457,927
Accumulated depreciation and impairment losses					
Opening balance as at 1 January 2015	37,123,054	190,009,426	27,316,794	-	254,449,274
Depreciation of the period	1,724,308	27,196,104	2,094,835	-	31,015,247
Acquisitions of subsidiaries	11,921	3,145,404	-	-	3,157,325
Disposals	(68,519)	(753,849)	-	-	(822,368)
Exchange rate effect	471,136	(580,390)	(3,193,574)	-	(3,302,828)
Transfers	(444,179)	453,499	-	-	9,320
Opening balance as at 1 January 2016 Restated	38,817,721	219,470,194	26,218,055	-	284,505,970
Depreciation of the period	1,998,273	33,329,270	3,705,787	-	39,033,330
Impairment losses of the period (Note 32)	-	1,141,737	-	-	1,141,737
Acquisitions of subsidiaries (Note 5.1)	29,514	2,391,489	1,399,536	-	3,820,539
Disposals	(251,104)	(1,138,959)	(200,717)	-	(1,590,780)
Exchange rate effect	169,355	635,564	2,716,631	-	3,521,550
Transfers	(47)	(1,236,268)	(247,592)	-	(1,483,907)
Closing balance as at 31 December 2016	40,763,712	254,593,027	33,591,700	-	328,948,439
Carrying amount					
As at 31 December de 2015 Restated	90,533,643	119,995,681	28,494,224	30,117,801	269,141,349
As at 31 December de 2016	140,249,478	141,016,568	64,182,452	28,060,990	373,509,488

As at 31 December 2016 the Investment related to intangible assets in progress includes 50 million euro related to IT projects and development software (45 million at 31 December 2015). Within that amount it is included 14.6 million euro of capitalizations of personnel costs related to own work (about 12.3 million euro in 31 December 2015) (Note 38).

The caption intangible assets in progress includes a 3.7 million euro asset related to an E-Commerce project, a 2.1 million euro related to the warehouses Management Platform project and a 1.4 million euro related to the electronic logistics management platform project.

Additionally, the caption "Patents and other similar rights" include the acquisition cost of a group of brands with undefined useful lives among which the "Continente" brand, acquired in previous years, amounting to

75,000,000 euro (the same amount as in 2015) and the Salsa and Losan brands valued in the acquisition process in 2016 (Notes 5.1 and 5.4).

Sonae performs annual impairment tests over the brands, and obtains periodically for this purpose an independent assessment of Continente brand made by independent appraisers (Interbrand). In 31 December 2016 the external evaluation realized in the beginning of 2016 was internally updated and its value completely supports the accounting value of the asset as at 31 December 2016, not being recorded any impairment in the year.

10 GOODWILL

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

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

- Sonae IM – In this segment the Goodwill is mainly related to: (i) technology business; (ii) Insurance business including values generated previous to the date of the adoption of IFRS and supported by the value of the customer portfolio (Portugal) as well as with the subsequent business combination acquired in Brazil.

As at 31 December 2016 and 2015, the caption "Goodwill" was made up as follows by insignia and country:

	31 Dec 2016				
Insígnia	Portugal	Spain Note 5.4	Brazil	Other countries	Total
Sonae MC	478,307,362	-	-	-	478,307,362
Sonae SR					
Worten	65,283,532	-	-	-	65,283,532
Sports and Fashion	63,058,745	95,497			63,154,242
Sonae RP	2,651,846	-	-	-	2,651,846
Sonae IM					
Technology	2,686,758	-	7,090	11,533,124	14,226,972
MDS	8,363,810	-	21,764,904	-	30,128,714
	620,352,053	95,497	21,771,994	11,533,124	653,752,668

	31 Dec 2015 Restated				
Insígnia	Portugal	Spain Note 5.4	Brazil	Other countries	Total
Sonae MC	478,207,362	-	-	-	478,207,362
Sonae SR					
Worten	65,283,532	-	-	-	65,283,532
Sports and Fashion	19,694,331	95,497	-	-	19,789,828
Sonae RP	2,906,853	-	-	-	2,906,853
Sonae IM					
Technology	778,944	-	7,090	11,820,276	12,606,310
MDS	9,096,498	-	17,693,326	-	26,789,824
	575,967,520	95,497	17,700,416	11,820,276	605,583,709

During the year ended in 31 December 2016 and 2015, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

	31 Dec 2016	31 Dec 2015 Restated
Gross value:		
Opening balance	620,657,733	625,358,011
Goodwill generated in the period (Note 5.1)	45,272,228	20,620,177
Re-allocation of goodwill to the fair value of the assets acquired (Note 5.4)	-	(18,960,204)
Assets disposals	(795,226)	(409,081)
Currency translation	4,721,195	(5,951,170)
Other variations	100,000	-
Closing balance	669,955,930	620,657,733
Accumulated impairment		
Opening balance	15,074,024	14,767,547
Increases	1,677,383	396,829
Assets disposals	(540,273)	-
Currency translation	(7,872)	(90,352)
Closing balance	16,203,262	15,074,024
Carrying amount	653,752,668	605,583,709

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

During the periods ended at 31 December 2016 and 2015, Sonae made up analysis in order to test any impairment on goodwill. As a result of that analysis, recorded impairment losses as follows:

	31 Dec 2016	31 Dec 2015 Restated
Sonae IM		
Technology	369,402	-
MDS	1,307,981	396,829
	1,677,383	396,829

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

Retail

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

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

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

	31 Dec 2016			31 Dec 2015		
	Average capital cost	Growth rate in perpetuity	Compound growth rate sales	Average capital cost	Growth rate in perpetuity	Compound growth rate sales
Sonae MC	9% to 10%	<=2%	-0.6%	9% to 10%	<= 2%	-0.7%
Sonae SR						
Worten	9% to 11%	<=1%	1.9%	9% to 11%	<= 1%	3.1%
Sports and Fashion	9% to 11%	<=1%	6.9%	9% to 11%	<= 1%	5,8% a 6,5%
Sonae IM (excluding Technology and Insurance)	9% to 11%	<=1%	5.4%	9% to 10%	<= 1%	5.6%

Sonae IM

The main assumptions used in segment of Sonae IM are:

Technology

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

In technologies, in the information systems sector, the assumptions used are essentially based on the Group's several businesses and the growth of the several geographic areas where the Group operates. The average growth rate considered for the 5-year turnover was 9.1%. For the Multimedia sector, the average discount rate of the considered volume was around 2%. The discount rates used are based on the weighted average costs of capital, estimated based on the segments where the companies are included, as shown in the table below. In perpetuity, is considered growth rates between 1% and 3% in the information systems sector and 0% in the multimedia sector. In situations where the measurement of the existence or not of impairment is made based on the net selling price, similar transaction values and other proposals are used.

	31 Dec 2016			31 Dec 2015		
Tecnology	Basis of recoverable amount	Discount rates	Growth rate in perpetuaty	Basis of recoverable amount	Discount rates	Growth rate in perpetuaty
Information Systems	value of use	10,5%	1%-3%	value of use	10,5%	1,0%
Multimedia	value of use	9,0%	0%	value of use	9,0%	0%

For the sector of Information Systems, in digital security area (Cybersecurity), the growth rate used was 3%.

Insurance

Goodwill generated in Portugal was exclusively allocated to business insurance client portfolio, as consequence, the impairment analysis is made using the estimated profitability of the mentioned portfolio, being the main assumptions as follows:

	31 Dec 2016		31 Dec 2015	
	Portugal	Brazil	Portugal	Brazil
Sales increase rate during the projected period	3.4%	7.2%	4% to 6%	10% to 12%
Perpetuity growth rate	2.0%	4.0%	2%	4.0%
Discount rate used	8.98%	15.5%	7.5%	15.8%

The analyses of the impairment indices and the review of the impairment projections and tests of Sonae have not lead to the account of losses, during the year ended at 31 December 2016. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoverable value. Therefore, this results in unmaterial additional impairments.

11 JOINT VENTURES AND ASSOCIATED COMPANIES

11.1 Detail of book value of Investment in joint ventures and associates

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

	COMPANY	31 Dec 2016	31 Dec 2015 Restated
	Shopping Centres		
	Sonae Sierra SGPS, SA (consolidated)	605,762,434	499,327,197
	Telecommunications		
	ZOPT, SGPS, SA (consolidated)	676,799,309	710,450,710
	Sonae IM		
	Intelligente Big Data, S.L.	-	-
	SIRS - Sociedade Independente de Radiodifusão Sonora, SA	-	-
	Unipress - Centro Gráfico, Lda	588,925	580,205
	Investments in joint ventures	1,283,150,668	1,210,358,112
	Retail		
	APOR - Agência para a Modernização do Porto, S.A.	323,193	373,147
1)	MOVVO, S.A.	2,793,649	-
	Sempre a Postos - Produtos Alimentares e Utilidades, Lda	1,338,322	1,236,445
2)	S2 Mozambique, SA	1,406,710	-
3)	Ulabox, SL	3,817,381	2,879,651
	Sonae IM		
	Brokerslink Management AG	124,834	41,745
4)	Filhet Allard España Correduria de Seguros S.L.	840,494	-
5)	Armilar Venture Partners - Sociedade de Capital de Risco, SA	1	-
5)	Fundo de Capital de Risco Armilar Venture Partners II	35,416,004	-
5)	Fundo de Capital de Risco Armilar Venture Partners III	26,173,814	-
5)	Fundo de Capital de Risco Espirito Santo Ventures Inovação e	6,885,820	-
	Investment in associates companies	79,120,222	4,530,988
	Total	1,362,270,890	1,214,889,100

1) On May 27, 2016, the group proceeded to a capital increase in MOVVO. Now the Group holds significant influence on that subsidiary and therefore is consolidating by the equity method (Note 12);

2) Acquisition, on July 18, 2016, of 30%. Through this the Group now holds significant influence;

3) Capital increase mad up as at 14 April 2016 and 6 September 2016;

4) Acquisition, on 11 October 2016, of 35%. Through this the Group now holds significant influence;

5) Associated companies acquired in December 2016 (Nota 5.2).

IAS 28 contains the option to keep the investments at fair value in situations of investments in associates that are held through venture capital funds. The Group made this option in applying the equity method to Armilar I, Armilar II and ESVIINT funds, and maintained the fair value recognised by the funds in its subsidiaries.

The amount included in the consolidated statement related to the Armilar II, Armilar III and ESVIINT and Armilar refers to the negative goodwill calculated in the transaction, which was recorded with reference to 31 December 2016, and there is no calculation of the result for the year.

11.2 Financial indicators of participations

11.2.1 Joint Ventures

As at 31 December 2016 and 2015, summary financial information of joint ventures of the group can be analyzed as follows:

	31 Dec 2016		
Joint ventures	Sonae Sierra SGPS, SA (consolidated)	ZOPT, SGPS, SA (consolidated)	Others
Assets			
Investment properties	805,733,400	663,000	-
Tangible assets	2,009,354	1,205,070,385	821,056
Intangible assets	2,000,546	601,491,621	-
Goodwill	4,273,688	1,749,001,673	-
Investments in joint ventures and associates	1,169,527,759	194,168,879	-
Other non-current assets	94,653,928	139,012,122	97
Non-current assets	2,078,198,675	3,889,407,680	821,153
Cash and cash equivalents	149,628,277	7,094,383	61,807
Other current assets	87,289,259	527,340,846	1,587,807
Current assets	236,917,536	534,435,229	1,649,614
Total assets	2,315,116,211	4,423,842,909	2,470,767
Liabilities			
Borrowings	367,154,873	1,035,508,000	25,000
Other non-current liabilities	139,138,153	275,899,909	1,043,985
Non-current liabilities	506,293,026	1,311,407,909	1,068,985
Borrowings	52,995,528	224,692,000	26,262
Other current liabilities	87,932,125	537,188,000	445,143
Total current liabilities	140,927,653	761,880,000	471,405
Total liabilities	647,220,679	2,073,287,909	1,540,390
Equity attributable to the equity holders of the Parent Company	1,159,410,669	1,192,361,000	930,377
Non-controlling interests	508,484,863	1,158,194,000	-
Total equity	1,667,895,532	2,350,555,000	930,377
Total equity and liabilities	2,315,116,211	4,423,842,909	2,470,767

Joint ventures	31 Dec 2015		
	Sonae Sierra SGPS, SA (consolidated) Restated	ZOPT, SGPS, SA (consolidated)	Others
Assets			
Investment properties	740,394,905	697,557	-
Tangible assets	1,337,452	1,218,762,526	1,557,119
Intangible assets	2,705,989	639,261,319	13,213
Goodwill	4,273,686	1,749,506,673	-
Investments in joint ventures and associates	998,811,340	264,465,220	-
Other non-current assets	131,778,042	145,726,069	97
Non-current assets	1,879,301,414	4,018,419,364	1,570,429
Cash and cash equivalents	93,792,289	21,504,911	71,511
Other current assets	50,178,517	465,454,752	1,908,042
Current assets	143,970,806	486,959,663	1,979,553
Assets classified as available for sale	289,273,527	-	-
Total assets	2,312,545,747	4,505,379,027	3,549,982
Liabilities	-	-	-
Borrowings	295,050,783	979,421,660	1,698,657
Other non-current liabilities	125,747,459	257,648,405	5,306
Non-current liabilities	420,798,242	1,237,070,065	1,703,963
Borrowings	173,870,889	180,262,683	26,262
Other current liabilities	113,087,831	582,696,254	1,233,012
Total current liabilities	286,958,720	762,958,937	1,259,274
Liabilities directly associated with assets classified as available for sale	147,226,011	-	-
Total liabilities	854,982,973	2,000,029,002	2,963,237
Equity attributable to the equity holders of the Parent Company	938,240,752	1,258,356,499	586,745
Non-controlling interests	519,322,022	1,246,993,526	-
Total equity	1,457,562,774	2,505,350,025	586,745
Total equity and liabilities	2,312,545,747	4,505,379,027	3,549,982

In 2015, Sonae Sierra decided to reduce its exposure to some of its shopping center´s holding companies by presenting those assets and liabilities directly related to these companies as available for sale. During 2016, only part of these assets were disposed and for that reason the restatement of the 2015 accounts was made up, as required by IFRS 5 - Non-current assets held for sale and discontinued operations.

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

Joint ventures	31 Dec 2015 Sonae Sierra SGPS, SA (consolidated)	ZOPT, SGPS, SA (consolidated)	Others
Turnover	191,895,202	1,429,868,680	3,916,769
Other operating income	107,528,574	14,436,914	37,121
	299,423,776	1,444,305,594	3,953,890
External supplies and services	(94,180,375)	(183,816,507)	(1,258,141)
Amortisation	(1,129,315)	(387,505,327)	(762,549)
Other operating costs	(53,884,018)	(741,977,063)	(1,888,218)
	(149,193,708)	(1,313,298,897)	(3,908,908)
Financial income	6,461,053	-	372
Financial expense	(22,399,768)	(32,172,386)	(10,439)
Financial results	(15,938,715)	(32,172,386)	(10,067)
Results of joint ventures and associated companies	159,528,729	-	-
Income taxation	(33,726,326)	(27,024,745)	(14,302)
Consolidated net income/(loss) for the year	260,093,756	71,809,566	20,613
Attributable to:			
Equity holders of the Parent Company	141,745,133	35,951,643	20,613
Non-controlling interests	118,348,623	35,857,923	-
	260,093,756	71,809,566	20,613
Other comprehensive income for the period	(75,930,658)	(41,409,367)	-
Total comprehensive income for the period	184,163,098	30,400,199	20,613

11.2.2 Associates

As at 31 December 2016 and 2015, summary financial information of associated companies of the Group can be analyzed as follows:

	31 Dec 2016					
	Retail				Sonae IM	
Associates	Sempre a Postos	Ulabox	S2MOZAMB	Others	Funds	Others
Non-current assets	1,205,266	1,176,547	3,517,781	986,708	168,624,761	572,127
Current assets	10,371,548	1,662,970	1,838,977	3,316,322	6,338,287	1,632,456
Non-current liabilities	-	-	-	2,240,946	16,077,280	-
Current liabilities	6,223,527	531,941	667,722	977,842	7,672,371	1,179,340
Equity	5,353,287	2,307,576	4,689,036	1,084,242	151,213,397	1,025,243

	31 Dec 2015 Restated		
	Retail		
Associates	Sempre a Postos	Ulabox	Others
Non-current assets	1,778,633	1,923,349	18,619
Current assets	10,076,920	2,548,955	1,679,225
Non-current liabilities	8,594	-	-
Current liabilities	6,901,181	103,517	57,638
Equity	4,945,778	4,368,787	1,640,206

About 60% of the value of the financial holdings of Armilar II, Armilar III and ESVIINT correspond to the units held in Outsystems, SA, Feedzai, SA and SAF T PAY, Inc, which are valued in the accounts of the funds, at fair value according to the last market transaction (Level 1).

Associates	31 Dec 2016 Retail Sempre a Postos	Retail Ulabox	Retail S2MOZAMB	Retail Others	Sonae IM Funds	Sonae IM Others
Turnover	53,935,164	7,483,591	2,085,457	433,737	-	1,563,422
Other operating income	3,437,205	298,931	-	88,062	-	1,165
Operating costs	(54,995,713)	(11,900,557)	(2,750,597)	(4,450,287)	-	(1,501,729)
Financial results	9,534	-	29,875	(16,443)	-	7,971
Taxation	(566,900)	-	-	(40)	-	(24,800)
Consolidated net income/(loss) for the year	1,819,290	(4,118,035)	(635,265)	(3,944,971)	-	46,029
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	1,819,290	(4,118,035)	(635,265)	(3,944,971)	-	46,029

Associates	31 Dec 2015 Sempre a Postos	Ulabox	Others
Turnover	51,477,596	3,738,298	71,680
Other operating income	3,917,030	994,534	279
Operating costs	(53,556,308)	(7,065,594)	(301,497)
Financial results	13,681	(39,010)	33,263
Taxation	(440,218)	577,431	(32)
Consolidated net income/(loss) for the year	1,411,781	(1,794,341)	(196,307)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	1,411,781	(1,794,341)	(196,307)

11.3 Movements occurred in the period

During the year ended at 31 December 2016 and 2015, movements in investments in joint ventures and associates are as follows:

	31 Dec 2016 Proportion on equity	31 Dec 2016 Goodwill	31 Dec 2016 Total investment	31 Dec 2015 Restated Proportion on equity	31 Dec 2015 Restated Goodwill	31 Dec 2015 Restated Total investment
Joint ventures and associates companies						
Initial balance as at 1 January	638,605,623	571,752,489	1,210,358,112	621,439,679	579,547,428	1,200,987,107
Transfer to assets held for sale	-	-	-	7,794,938	(10,057,629)	(2,262,691)
Equity method						
Gains or losses in joint controlled and associated companies	109,015,083	(4,391,103)	104,623,980	88,591,530	-	88,591,530
Distributed dividends	(30,686,194)	-	(30,686,194)	(28,008,250)	-	(28,008,250)
Effect in equity capital and non-controlling interests	(73,064)	-	(73,064)	(51,212,274)	-	(51,212,274)
Impairment in joint ventures	-	(711,346)	(711,346)	-	2,262,690	2,262,690
Other effects in net income	(360,821)	-	(360,821)	-	-	-
	716,500,627	566,650,040	1,283,150,667	638,605,623	571,752,489	1,210,358,112
Investments in associates companies						
Initial balance as at 1 January	2,807,146	1,723,842	4,530,988	1,502,111	137,494	1,639,605
Capital increase in associated companies	4,697,727	(340,363)	4,357,364	-	-	-
Acquisitions during the period	31,897,505	481,659	32,379,164	1,644,681	1,586,348	3,231,029
Transfer of "Other non-current investments" and change method	1,102,140	2,149,921	3,252,061	-	-	-
Equity method						
Effect in gains or losses in joint controlled and associates companies	(1,796,826)	-	(1,796,826)	(60,341)	-	(60,341)
Write off badwill on aquisitions during the period (Note 5.2)	36,726,300	-	36,726,300	-	-	-
Distributed dividends	(352,946)	-	(352,946)	(296,562)	-	(296,562)
Effect in equity capital and non-controlling interests	24,118	-	24,118	17,257	-	17,257
	75,105,164	4,015,059	79,120,223	2,807,146	1,723,842	4,530,988
Total	791,605,791	570,665,099	1,362,270,890	641,412,769	573,476,331	1,214,889,100

The value of the "Effect of equity and non-controlling interests" includes:

- 32 million euro (40 million euro as at 31 December 2015) relating to currency translation reserve related to the devaluation of real in Brazil;

- 11 million negative euro (9.5 million euro as at 31 December 2015) relating to currency translation reserve related to financial participation in which NOS has in the Finstar in Angola; and

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

The amount of distributed dividends related to Investments in Joint Ventures includes Sonae Sierra's 12,355,520 euro (12,192,750 euro as at 31 December 2015) and 18,511,947 euro (15,815,500 euro as at 31 December 2015) of ZOPT.

As at 31 December 2016, for associate companies, the caption “Acquisitions during the period” mainly includes the interests in the capital of Armilar, Armilar II, Armilar III and ESVINT, which includes the negative goodwill of 36,726,301 (Note 5.2).

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

- Regarding the telecommunications Segment (ZOPT), the existence or not of impairment is determined taking into consideration the business plan approved by the Board of Directors, whose implicit average growth rate of operating margin grows until 4.8%, the discount rate used is 7.3% and growth rate in the perpetuity is 1.5% and the average of evaluations carried out by external analysts (researches); and

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

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial investments that Group holds in associated companies (Finstar, Mistar, Zap Media) operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The book value of these associates in the financial statements of ZOPT on 31 December 2015 amounts to approximately Euro 172.7 million, included in the caption "Other non-current assets"

The Group made impairment tests for those assets, which are denominated in the currencies of those countries, Kwanzas and Meticals, respectively, considering the business plans (internal valuation using the discounted cash flow method, compared to researches) approved by the Board of Directors for a five years period, which include average growth rates of revenue for that period of 13% (Angola) and 14%

(Mozambique). These revenue growth rates reflects: (i) the best estimate for the growth of the customer base, reflecting an expectation of new clients and churn estimated rates, when considered prudent, and (ii) an annual price increase which corresponds, over the period 2017 to 2021, to an average of 75% of the inflation rate, since, considering the nature of the activity carried out by the companies, especially in Angola and in line with the price increases in previous years, it is not expected that companies will be able to reflect in their prices the total inflation in the country.

The business plans also consider a growth rate in perpetuity of 7.7% (Angola) and 5.6% (Mozambique) and a discount rate ('wacc') in perpetuity of 17.5% (Angola) and 19.1% (Mozambique). The discount rate, over the period 2017 to 2021 ranged from a maximum of 31.5% to a minimum of 17.5% (in 2021), for Angola, and from a maximum of 30.9% to a minimum of 19.1% (2021) in Mozambique, in line with the most appropriate inflation forecasts (source: The Economist Intelligence Unit (EIU)).

The impairment tests carried out, based on the assumptions above, support the value of the assets, so no additional impairments were recorded. However, it should be taken into consideration that the current economic conditions of uncertainty in these markets, particularly in the foreign exchange market and the limitation of currency transfer, particularly in Angola, introduces an additional degree of variability to the assumptions, which could significantly impact the estimates considered, in terms of the rate of inflation and the ability to reflect the rate in price increases. In the sensitivity analyses were used intervals above the usual, in which variations of 2pp in WACC and 0.5 pp in the perpetuity growth rate allow us to conclude that in extreme situations, with a high inflation rate and a lower capacity of the company to reflect a higher price increase (scenarios of price repercussion between 50% and 100% of the inflation rate analyzed, being this the most critical variable with impacts in variation of 82% and 123% of the book value), the valuation would not support the assets' value, varying between 74% and 157% of the book value. Therefore, being the Board of Directors' conviction that the assumptions used in the business plans are the most prudent and appropriate, and that the situations of high inflation and lower capacity of the company to reflect a higher price increase correspond to extreme situations that are not expected, reason why they were not considered, it was not recorded any impairment in the assets.

Contingent liabilities related to joint ventures are disclosed in Note 47, as well as more detailed information about them.

12 OTHER INVESTMENTS

Other non-current investments, their head offices, percentage of share capital held and book value as at 31 December 2016 and 2015, are as follows:

			Percentage of share capital held					
			31 Dec 2016		31 Dec 2015		Statment of financial position	
	Company	Head Office	Direct	Total	Direct	Total	31 Dec 2016	31 Dec 2015
	Retail							
	Dispar - Distrib. de Participações, SGPS, SA	Lisbon	14.28%	14.28%	14.28%	14.28%	9,976	9,976
	Insco - Insular de Hipermerc., SA	Ponta Delgada	10.00%	10.00%	10.00%	10.00%	925,197	898,197
1)	MOVVO, SA	Porto	25.58%	25.58%	16.00%	16.00%	-	991,315
2)	Solferias- Operadores Turísticos, SA	Lisbon	-	-	11.11%	11.11%	-	133,162
	Sonae IM							
3)	Ed Broking LLP	London	6.68%	3.34%	9.72%	4.86%	8,000,000	15,249,229
	Lusa - Agên. de Notícias de Portugal, SA	Lisbon	1.38%	1.24%	1.38%	1.24%	75,069	75,069
	Other investments						11,774,208	12,192,713
	Total						20,784,450	29,549,661

1) On May 27, 2016, the group proceeded to a capital increase in MOVVO. Now the Group holds significant influence on that subsidiary and therefore is consolidating by the equity method (Note 11);

2) Investment disposed in the period;

3) Ex Cooper Gay Sweet &Crawford, Lda.

The financial investment in Ed Broking LLP was revalued to its fair value as at 31 December 2016 based on EBITDA multiples adjusted by the net debt value and sales multiples by region adjusted by the costs of the central structure after optimization. This valuation led to a reduction in the investment amounting 7.2 million euros corresponding to an impairment in the same amount (Notes 32 and 36) (3.8 million euros as at 31 December 2015). The valuation of this investment, in 2015, had been made using the same methodology. The disposal, of the company´s North American operation and the costs associated with the ongoing restructuring significantly affected the valuation of the company taking into account the valuation criteria used. Both valuations correspond to Level 3 of Fair Value, although the multiples used are market benchmarks.

As at 31 December 2016 the caption “Other investments” includes, among others, 9,966,231 euro (9,996,932 euro in 31 December 2015) related to deposited amounts on an Escrow Account which is applied in investment funds with superior rating, which is a guarantee for contractual liabilities assumed in the disposal of a Brazil Retail business and for which provisions were recorded in the applicable situations (Note 32 and 33).

As at 31 December 2016, with the exception of Ed Broking LLP and the above mentioned Escrow Account, these amounts represent financial investments of immaterial value in unlisted companies and in which the Group does not hold significant influence. Their cost of acquisition was considered to be a reasonable approximation to its fair value, adjusted, if applicable, by the identified impairments.

As at 31 December 2016 and 2015, the movements in "Other investments" made up as follows:

	31 Dec 2016		31 Dec 2015 Restated	
	Non current	Current	Non current	Current
Other investments:				
Fair value (net of impairment losses) as at 1 January	29,549,661	79,924,887	30,566,117	57,667,740
Acquisitions in the period	1,533,774	166,533	403,000	128,228
Disposals in the period	(1,061,109)	(64,187,435)	-	(6,270)
Increase/(decrease) in fair value	(7,273,998)	(15,742,935)	(1,419,456)	22,135,189
Transfers	(1,963,878)	-	-	-
Fair value (net of impairment losses) as at 31 December	20,784,450	161,050	29,549,661	79,924,887
Derivative financial instruments (Note 26)				
Fair value as at 1 January	-	2,506,087	-	3,995,221
Acquisitions in the period	-	2,393,451	-	-
Changes in perimeter	-	-	-	522,124
Increase/(decrease) in fair value	-	(691,566)	-	(2,011,258)
Fair value as at 31 December	-	4,207,972	-	2,506,087
	20,784,450	4,369,022	29,549,661	82,430,974

The amount of increase/(decrease) in fair value in the caption "Other non-current investments" is related to the measurement at fair value of the investment in Ed Broking LLP 7,272,998 euro (1,517,355 euro at 31 December 2015).

The fair value increase / (decrease) in the caption "Other current investments" is mainly associated to the fair value of NOS investment up to the disposal date in the amount of 15,681,846 euros (22,135,189 euro in 31 of December 2015) (Note 37). The fair value of this investment was determined based on the NOS market share price and the respective changes were recorded in the consolidated income statement (Note 11.3).

As at 31 December 2016, "Disposals in the period " in Other current investments correspond to the disposal of the direct participation of Sonaecom in NOS (2.14%) to ZOPT as described in note 11.3. For the determination of the fair value of NOS shares at the date of sale, it was used the share price of the day 14 of June of 2016 (5.822) for the 11,012,532 treasury shares at the moment of the disposal.

The Other non-current financial Investments are recorded at acquisition cost net of impairment losses. It is Sonae understanding that no reliable fair value estimate can be made as there is no market data available for these investments. The heading of "Other non-current Investments" includes 2,818,219 euro (3,185,404 euro in 31 December 2015) of investments recorded at the cost net of impairment losses for the same reasons.

The Other non-current Investments are net of impairment losses amounting to 370,685 euro (369,248 euro in 31 December 2015) (Note 32).

13 OTHER NON - CURRENT ASSETS

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

	31 Dec 2016			31 Dec 2015 Restated		
	Gross Value	Accumulated impairment losses (Note 32)	Carrying Amount	Gross Value	Accumulated impairment losses (Note 32)	Carrying Amount
Trade accounts receivable and other debtors						
Legal deposits	762,246	-	762,246	605,316	-	605,316
Cautions	5,043,273	-	5,043,273	4,633,112	-	4,633,112
Special regime for payment of tax and social security debts	7,247,481	-	7,247,481	6,240,960	-	6,240,960
Receivables from disposal of financial investments	40,000	-	40,000	527,618	-	527,618
Debt to receive related to Armilar Funds (Note 5.2)	2,778,017	-	2,778,017	-	-	-
Amount retained on acquisition of Salsa group (Note 5.1.)	2,463,875	-	2,463,875	-	-	-
Others	305,524	-	305,524	456,286	-	456,286
Total financial instruments (Note 9)	18,640,416	-	18,640,416	12,463,292	-	12,463,292
Reinsurer's’ share of technical provisions	412,943	-	412,943	19,103,740	-	19,103,740
Other non-current assets	172,807	-	172,807	43,595	-	43,595
	19,226,166	-	19,226,166	31,610,627	-	31,610,627

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

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

14 INVENTORIES

As at 31 December 2016 and 2015, “Inventories” are detailed as follows:

	31 Dec 2016	31 Dec 2015 Restated
Raw materials and consumables	3,164,832	1,511,622
Goods for resale	713,712,744	663,771,737
Finished and intermediate goods	11,308,942	332,646
Work in progress	1,334,436	245,455
	729,520,954	665,861,460
Accumulated adjustments in inventories	(33,222,986)	(31,096,566)
	696,297,968	634,764,894

Cost of goods sold as at 31 December 2016 and 2015 amounted to 4,261,074,939 euro and 3,955,037,096 euro, respectively, and may be detailed as follows:

	31 Dec 2016	31 Dec 2015 Restated
Opening balance	665,283,359	633,444,339
Acquisitions of subsidiaries (Note 5.1)	9,054,531	13,451,587
Purchases	4,315,914,488	3,982,733,338
Adjustments	(13,487,146)	(7,492,791)
Closing balance	716,877,576	665,283,359
	4,259,887,656	3,956,853,114
Adjustments in inventories	1,187,283	(1,816,018)
	4,261,074,939	3,955,037,096

As at 31 December 2016 and 2015, the caption Regularization of inventories refers essentially to regularizations resulting from offers to social solidarity institutions carried out by retail.

The Caption Increase/ decrease in Production, as at 31 December 2016 and 2015 amounted to 1,273,422 euro and -46,783 euro, respectively, and may be detailed as follows:

	31 Dec 2016	31 Dec 2015 Restated
Opening balance	578,100	618,982
Acquisitions of subsidiaries (Note 5.1)	11,714,221	-
Adjustments	(699,865)	(1,661)
Closing balance	12,643,378	578,100
	1,050,922	(39,221)
Adjustments in inventories	222,500	(7,562)
	1,273,422	(46,783)

15 TRADE ACCOUNTS RECEIVABLE

As at 31 December 2016 and 2015, "Trade accounts receivable" are detailed as follows:

	31 Dec 2016			31 Dec 2015 Restated		
Trade accounts receivable and doubtful accounts	Gross Value	Impairment losses (Note 32)	Carrying Amount	Gross Value	Impairment losses (Note 32)	Carrying Amount
Retail						
Sonae MC	33,022,912	(3,725,262)	29,297,650	37,993,222	(3,422,303)	34,570,919
Sonae SR						
Worten	6,410,376	(546,620)	5,863,756	223,804	(47,024)	176,780
Sports&Fashion	34,230,110	(3,204,853)	31,025,257	21,854,342	(978,359)	20,875,983
Sonae RP	182,547	(47,024)	135,523	-	-	-
Sonae IM	45,921,237	(2,748,521)	43,172,716	42,714,138	(2,672,126)	40,042,012
Sonae Holding	6,508,958	-	6,508,958	511,609	-	511,609
	126,276,140	(10,272,280)	116,003,860	103,297,115	(7,119,812)	96,177,303

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

As at 31 December 2016 there is no indication that the normal delivery periods will not be met in relation to amounts included in trade receivables that are not overdue, thus no impairment loss was recognized. As at 31 December 2016 and 2015, the ageing of the trade receivables are as follows:

	Trade Receivables			
31 Dec 2016	Retail	Sonae IM	Sonae Holding	Total
Not due	29,935,560	22,763,398	6,038,776	58,737,734
Due but not impaired				
0 - 30 days	9,886,812	6,735,325	84,242	16,706,379
30 - 90 days	23,597,586	3,128,370	86,800	26,812,756
+ 90 days	2,902,230	10,545,622	299,139	13,746,991
Total	36,386,628	20,409,317	470,181	57,266,126
Due and impaired				
0 - 90 days	66,795	710	-	67,505
90 - 180 days	186,056	142	-	186,198
180 - 360 days	474,258	56,867	-	531,125
+ 360 days	6,796,649	2,690,803	-	9,487,452
Total	7,523,758	2,748,522	-	10,272,280
	73,845,946	45,921,237	6,508,957	126,276,140

	Trade Receivables			
31 Dec 2015 Restated	Retail	Sonae IM	Sonae Holding	Total
Not due	11,728,646	19,616,370	3,594,539	34,939,555
Due but not impaired				
0 - 30 days	6,098,410	7,029,685	-	13,128,095
30 - 90 days	32,019,789	3,011,148	-	35,030,937
+ 90 days	2,451,186	10,227,530	-	12,678,716
Total	40,569,385	20,268,363	-	60,837,748
Due and impaired				
0 - 90 days	56,356	16,946	-	73,302
90 - 180 days	50,060	-	-	50,060
180 - 360 days	302,220	141,184	-	443,404
+ 360 days	4,039,051	2,513,995	-	6,553,046
Total	4,447,687	2,672,125	-	7,119,812
	56,745,718	42,556,858	3,594,539	102,897,115

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

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

16 OTHER DEBTORS

As at 31 December 2016 and 2015, Other debtors are detailed as follows:

	31 Dec 2016	31 Dec 2015 Restated
Granted loans to related companies	-	22,061
Other debtors		
Trade creditors - debtor balances	40,574,473	37,379,130
Disposal of financial investments	21,584,746	2,642,097
Dividends to be received of jointly controlled companies	-	12,192,750
Amounts receivable from insurers and policyholders	1,456,925	3,047,910
Disposal of tangible assets	2,310,866	2,304,243
Vouchers and gift cards	1,924,216	1,214,062
VAT recoverable on real estate assets and vouchers discounts	3,723,869	2,560,040
Advances to suppliers	1,122,073	852,495
Other current assets	18,863,035	17,872,924
	91,560,203	80,065,651
Accumulated impairment losses in receivables (Note 32)	(7,598,754)	(11,566,045)
Total of financial instruments (Note 7)	83,961,449	68,521,667
Other current assets	-	9,984,877
	83,961,449	78,506,544

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

The amount receivable to the disposal of financial investments includes the amount related to the disposal of the subsidiary Imoconti amounted to 21,009,032 euro (Note 5.3).

As at 31 December 2016 and 2015, the ageing of "Other debtors" can be analyzed as follows:

	Other Debtors	
	31 Dec 2016	31 Dec 2015 Restated
Not due	43,058,779	41,279,042
Due but not impaired		
0 - 30 days	12,702,256	13,452,794
30 - 90 days	24,005,051	19,866,278
+ 90 days	2,959,900	3,805,138
Total	39,667,207	37,124,210
Due and impaired		
0 - 90 days	127,013	682,978
90 - 180 days	5,672	380,238
180 - 360 days	855,916	1,042,992
+ 360 days	7,845,616	9,541,068
Total	8,834,217	11,647,276
	91,560,203	90,050,528

As at 31 December 2016 there is no indication that the debtors not due will not fulfil their obligations on normal conditions, thus no impairment loss was recognized.

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

17 TAXES RECOVERABLE AND TAXES AND CONTRIBUTIONS PAYABLE

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

	31 Dec 2016	31 Dec 2015 Restated
Debtors values		
Income taxation	43,808,036	43,523,620
VAT	24,879,216	33,518,626
Other taxes	1,838,566	1,911,181
	70,525,818	78,953,427
Creditors values		
Income taxation	21,037,710	24,919,444
VAT	51,029,599	49,308,109
Staff income taxes withheld	5,719,252	5,358,441
Social security contributions	13,251,151	11,806,258
Other taxes	891,923	877,627
	91,929,635	92,269,879

18 OTHER CURRENT ASSETS

As at 31 December 2016 and 2015, “Other current assets” is made up as follows:

	31 Dec 2016	31 Dec 2015 Restated
Invoices to be issued	11,429,811	10,390,059
Commercial discounts	35,591,922	47,174,036
Deferred costs - supplies and services	10,156,350	11,503,748
Deferred costs - rents	6,160,370	6,155,172
Insurance indemnities	1,509,212	16,462
Other current assets	12,063,651	12,761,264
	76,911,316	88,000,741

The caption "Commercial discounts" refers to promotional campaigns carried out in the retail operating segment stores and reimbursed by partners of Sonae (Note 38).

19 DEFERRED TAXES

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

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2016	31 Dec 2015 Restated	31 Dec 2016	31 dez 2015 Restated
Difference between fair value and acquisition cost	4,653,193	6,352,552	39,752,769	30,659,571
Temporary differences on tangible assets and intangible	1,811,359	1,622,953	62,768,314	43,830,296
Temporary difference of negative goodwill	-	-	8,263,418	-
Provisions and impairment losses not accepted for tax purposes	25,168,714	9,009,843	-	-
Write off of tangible and intangible assets	25,524	73,408	44,232	-
Valuation of hedging derivatives	86,933	242,174	626,051	364,824
Non taxed exchange differences	-	-	639,053	-
Revaluation of tangible assets	-	-	1,046,525	1,166,623
Tax losses carried forward	25,442,311	41,618,697	-	-
Reinvested capital gains/losses	-	-	329,611	547,219
Tax Benefits	1,037,115	2,222,202	-	-
Others	3,135,595	2,952,789	900,944	2,263,989
	61,360,744	64,094,618	114,370,917	78,832,522

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

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2016	31 Dec 2015 Restated	31 Dec 2016	31 dez 2015 Restated
Opening balance	64,094,618	89,951,943	78,832,522	94,392,315
Effects in net income:				
Difference between fair value and acquisition cost	(2,150,522)	(88,739)	(12,499,321)	(622,489)
Temporary differences on tangible assets and intangible	(153,655)	(193,272)	3,987,260	404,836
Temporary difference of negative goodwill (Note 5.2)	-	-	8,263,418	-
Provisions and impairment losses not accepted for tax purposes	(1,451,131)	(4,705,321)	-	-
Provisions and impairment losses transfer	16,568,897	-	16,568,897	-
Write-off of tangible and intangible assets	25,317	(1,745,288)	-	-
Revaluation of tangible assets	-	-	(109,814)	(119,141)
Tax losses carried forward	(17,582,833)	(21,818,382)	-	-
Write off of goodwill for fiscal purposes	-	-	-	(18,613,422)
Reinvested capital gains/(losses)	-	-	(217,608)	(662,714)
Changes in tax rates	(15,088)	(53,477)	(294,247)	(825,316)
Tax Benefits	(1,185,087)	(1,036,775)	-	-
Others	2,166,154	3,510,835	(1,568,915)	(213,402)
	(3,777,948)	(26,130,419)	14,129,670	(20,651,648)
Effects in equity:				
Valuation of hedging derivatives	(124,456)	66,572	324,909	(311,623)
Others	(1,623,275)	(328,426)	1,117,956	(1,029,036)
	(1,747,731)	(261,854)	1,442,865	(1,340,659)
Acquisitions of subsidiaries (Note 5.1 and 5.4)	2,958,597	534,948	21,532,750	6,432,514
Disposals of subsidiaries (Note 5.3)	-	-	(1,282,258)	-
Non-current assets held for sale (Note 21)	(166,792)	-	(284,632)	-
Closing Balance	61,360,744	64,094,618	114,370,917	78,832,522

As at 31 December 2016, the tax rate to be used in Portuguese companies, for the calculation of the deferred tax assets relating to tax losses is 21%. The tax rate to be used to calculate deferred taxes in temporary differences in Portuguese companies is 22.5% increased by the state surcharge in companies in which the expected reversal of those deferred taxes will occur when those rates will be applicable. For companies or branches located in other countries, rates applicable in each jurisdiction were used.

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

	31 Dec 2016			31 Dec 2015		
	Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use						
Generated in 2013	595,877	125,646	2018	-	-	2018
Generated in 2014	1,194,236	250,790	2026	1,194,236	250,790	2026
Generated in 2015	90,184	18,939	2027	230,791	48,466	2027
Generated in 2016	4,847,243	1,017,920	2028	-	-	
	6,727,540	1,413,295		1,425,027	299,256	
Without limited time use	73,577,733	18,428,924		151,590,107	37,927,462	
With a time limit different from the above mentioned	16,406,949	5,600,092		10,258,659	3,391,979	
	96,712,222	25,442,311		163,273,793	41,618,697	

As at 31 December 2016 and 2015, the deferred taxes to be recognized arising from tax losses were evaluated. Deferred tax assets have only been recorded to the extent that future taxable profits will arise which might be offset against available tax losses or against deductible temporary differences. This assessment was based on the business plans of Sonae's companies, which are periodically reviewed and updated. The main assumptions used in those business plans are described in Note 10.

As at 31 December 2016 deferred tax assets related to tax losses generated in current and previous years, by Modelo Continente Hipermercados, S.A. Spanish Branch of Retail operating segment, amount to 14.1 million euro (35.1 million euro as at 31 December 2015). The mentioned tax losses can be recovered within the Income Tax Group established in Spain, according to Spanish law. Modelo Continente Hipermercados, S.A. Spanish Branch, as at 31 December 2016 and 2015, was the dominant entity within the group of companies taxed in accordance with the Spanish regime for taxing groups of companies.

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

Main assumptions used in the business plans of the retail companies and other companies in Spain, included in consolidation, are a compound growth rate of 7.7% over a 10-year period (9.2% in 2015) and a growth rate in perpetuity less than or equal to 1%. From the analysis carried out and taking into consideration the changes in tax legislation in Spain regarding the use of tax losses and the recent court decisions regarding the possibility of maintaining goodwill's tax depreciation in Spain, we reverse deferred tax assets of 28,3 million euro.

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

As at 31 December 2016, there are reportable tax losses in the amount of 315.4 million euro (312.7 million euro as at 31 December 2015), whose deferred tax assets are not recorded for prudence purposes.

	31 Dec 2016			31 Dec 2015		
	Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use						
Generated in 2012	5,299,518	1,112,899	2017	8,379,732	1,759,744	2017
Generated in 2013	2,888,221	606,526	2018	3,957,748	831,127	2018
Generated in 2014	5,957,222	1,251,016	2026	5,856,149	1,229,791	2026
Generated in 2015	2,841,579	596,732	2027	2,629,640	552,224	2027
Generated in 2016	1,377,324	289,238	2028	-	-	2028
	18,363,864	3,856,411		20,823,269	4,372,886	
Without limited time use	310,309,574	79,418,492		189,969,957	48,704,159	
With a time limit different from the above mentioned	99,994,869	25,041,365		101,948,790	25,518,479	
	428,668,307	108,316,268		312,742,016	78,595,524	

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

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

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

In 2016, the Supreme Court gave a positive opinion to the Group's pretensions regarding tax amortization of Goodwill.

20 CASH AND CASH EQUIVALENTS

As at 31 December 2016 and 2015, Cash and cash equivalents are as follows:

	31 Dec 2016	31 Dec 2015 Restated
Cash at hand	9,105,344	9,325,162
Bank deposits	207,343,682	115,357,583
Treasury applications	124,471,432	158,068,838
Cash and cash equivalents on the statement of financial position	340,920,458	282,751,583
Bank overdrafts (Note 24)	(17,730,231)	(12,611,120)
Cash and cash equivalents in the statement of cash flows	323,190,227	270,140,463

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

The treasury applications are remunerated at an average interest rate of 0.664% during 2016 (0.59% in 2015), being distributed on that date by 5 financial institutions

21 NON-CURRENT ASSETS AND LIABILITIES AVAILABLE FOR SALE

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

Amounts in euro	31 Dec 2016
Tangible and intangible assets	17,057,018
Deferred tax assets (Note 19)	166,792
Inventories	1,850,977
Other current assets	445,762
Cash and cash equivalents	2,000
Non-current assets held for sale	19,522,549
Deferred tax liabilities (Note 19)	284,632
Trade creditors	2,802,583
Other current liabilities	8,639,528
Non-current liabilities held for sale	11,726,743

On 29 January 2016, Sonae undertook, in the Sonae RP segment, an agreement for the promise of sale and leaseback of 12 food retail real estate assets located in Portugal. This operation totaled 164 million euro and was finalized on 25 February 2016.

On March 1, 2016, Sonae performed a Sale and Leaseback transaction of three Worten stores in Spain, located in Madrid, Barcelona and Valencia. This transaction amounted to 26.8 million euro.

Considering that both transactions were in advanced negotiations as at 31 December 2015, we've transferred the carrying amount of the referred assets amounting to 131 million euro to "Non-current Assets held for sale" (Note 8).

22 SHARE CAPITAL

Capital Social

As at 31 December 2016, the share capital, which is fully subscribed and paid for, is made up of 2,000,000,000 ordinary shares, which do not have the right to a fixed dividend, with a nominal value of 1 euro each.

Cash Settled Equity Swap

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

On the same date, Sonae Investments, BV wholly owned by Sonae Holding entered into a derivative financial instrument - Cash Settled Equity Swap - over a total of 132.800.000 Sonae Holding shares, representative of 6.64% of its capital.

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

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

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

In November 2014, was made a renewal for an additional period of one year renewable automatically, keeping the remaining conditions unchanged. During the year of 2016 the Group requested the partial termination of the Cash Settled Equity Swap for 8,322,338 Sonae SGPS shares.

Considering the operations mentioned above, the liability recorded amounts to 87,721,109 euro (Note 30) (103,602,523 euro as at 31 December 2015) reflecting the market value of 110,341,017 Sonae Holding shares (118.663.355 shares as at 31 de December 2015).

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

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

The value to get established on the basis of dividends and reserves distributed by Sonae is credited in equity to offset the charge of the distribution. During the financial year of 2016 there was no distribution of dividends, in the year ended on December 31, 2015, the dividends on Sonae SGPS, SA shares amounted to 4,573,728 euro that was credited to equity.

Capital Structure

As at 31 December 2016, the following entities held more than 20% of the subscribed share capital:

Company	%
Efanor Investimentos, SGPS, SA and subsidiaries	52.48

23 NON-CONTROLING INTERESTS

As at 31 December 2016 and 2015, "Non-controlling interests" are detailed as follows:

	31 Dec 2016				
COMPANY	Equity	Profit/(Loss) for the period	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends attributable to non-controlling interests
Retail					
Real Estate Investment Funds	125,811,358	25,529,809	2,629,269	533,537	(610,230)
IVN - Serviços Partilhados, SA – Consolidated	60,453,882	5,930,459	30,226,941	2,965,230	-
Others	9,152,769	2,570,584	2,404,163	793,781	21
Sonae IM					
Sonaecom, SGPS, SA (consolidated)	1,017,143,618	52,755,605	102,914,088	5,124,109	(1,809,412)
MDS, SGPS, SA	20,506,341	(7,145,437)	11,630,167	(3,347,778)	(282,387)
Others	41,492,754	1,445,220	20,812,117	821,336	-
Others	2,713,521	435,461	155,121	30,133	(28,703)
Total	1,277,274,243	81,521,701	170,771,866	6,920,348	(2,730,711)

	31 Dec 2015 Restated				
COMPANY	Equity	Profit/(Loss) for the period	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends attributable to non-controlling interests
Retail					
Real Estate Investment Funds	129,481,158	22,506,516	2,691,601	727,499	(1,031,352)
Others	6,466,321	728,018	1,582,104	194,440	46
Sonae IM					
Sonaecom, SGPS, SA (consolidated)	1,003,586,540	34,567,046	99,303,284	2,035,502	(1,418,022)
MDS, SGPS, SA	23,077,858	(4,395,487)	12,599,188	(2,157,187)	(94,943)
Others	39,910,765	1,366,215	19,814,378	601,735	-
Others	2,609,417	826,905	313,166	67,734	(56,649)
Total	1,205,132,059	55,599,213	136,303,721	1,469,723	(2,600,920)

Movements in non-controlling interests during the periods ended as at 31 December 2016 and 2015 are as follows:

	31 Dec 2016							
	Retail			Sonae IM			Others	Total
	Real Estate Investment Funds	IVN - Serviços Partilhados, SA – Consolidated	Others	Sonaecom, SGPS, SA	MDS, SGPS, SA	Others	Others	Total
Opening balance as at 1 January	2,691,601	-	1,582,104	99,303,284	12,599,188	19,814,378	313,166	136,303,721
Distributed dividends	-	-	21	(1,809,412)	(282,387)	-	(28,703)	(2,120,481)
Distributed Investment Funds	(610,230)	-	-	-	-	-	-	(610,230)
Acquisition in subsidiary (Note 5.1)	-	27,261,711	-	-	67,537	-	-	27,329,248
Change in percentage of subsidiaries	14,361	-	-	2,514,646	(15,141)	133,912	-	2,647,778
Change in currency translation reserve	-	-	-	56,380	2,335,535	25,736	-	2,417,651
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	-	-	-	(2,313,099)	-	-	-	(2,313,099)
Delivery of shares to employees to settle the obligation	-	-	-	31,245	(16,953)	(14,989)	(3,324)	(4,021)
Increase of capital	-	-	-	39,000	296,000	-	-	335,000
Changes in hedging reserves	-	-	27,027	-	-	31,744	-	58,771
Others	-	-	1,230	(32,065)	(5,834)	-	(156,151)	(192,820)
Profit for the period attributable to non-controlling interests	533,537	2,965,230	793,781	5,124,109	(3,347,778)	821,336	30,133	6,920,348
Closing balance as at 31 December	2,629,269	30,226,941	2,404,163	102,914,088	11,630,167	20,812,117	155,121	170,771,866

	31 Dec 2015 Restated						
	Retail		Sonae IM			Others	Total
	Real Estate Investment Funds	Others	Sonaecom, SGPS, SA	MDS, SGPS, SA	Others	Others	Total
Opening balance as at 1 January	34,308,486	32,118	99,447,776	7,782,645	18,327,427	302,081	160,200,533
Distributed dividends	-	46	(1,418,022)	(94,943)	-	(56,649)	(1,569,568)
Distributed Investment Funds	(1,031,352)	-	-	-	-	-	(1,031,352)
Acquisition in subsidiary	-	140,624	-	76,068	-	-	216,692
Changes of increased shareholding by acquisitions	(31,313,014)	1,135,770	400,773	-	1,002,246	-	(28,774,225)
Change in currency translation reserve	-	-	11,176	(2,782,962)	(71,026)	-	(2,842,812)
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	-	-	(1,257,235)	-	-	-	(1,257,235)
Change in fair value of investments available for sale (Note 7)	-	-	-	1,123,676	-	-	1,123,676
Obligation fulfilled by share attribution to employees	-	(10,848)	103,590	(91,417)	(5,980)	-	(4,655)
Increase of capital	-	-	-	8,763,414	-	-	8,763,414
Changes in hedging reserves	-	-	-	-	(40,024)	-	(40,024)
Others	(18)	89,954	(20,276)	(20,106)	-	-	49,554
Profit for the period attributable to non-controlling interests	727,499	194,440	2,035,502	(2,157,187)	601,735	67,734	1,469,723
Closing balance as at 31 December	2,691,601	1,582,104	99,303,284	12,599,188	19,814,378	313,166	136,303,721

During the year ended at 31 December 2016, the Group acquired 50% of the share capital of IVN - Serviços Partilhados, SA, which owns the Salsa brand. This transaction generated an impact on non-controlling interests in the amount of 27.3 million euro.

As at 31 December 2015 were acquired 42.949 participation units of Fundo de Investimento Imobiliário Fechado Imosede by the amount of 34.1 million euro to a related entity.

As at 31 December 2016 and 2015, aggregate financial information of subsidiaries with non-controlling interests is as follows:

	31 Dec 2016							
	Retail			Sonae IM			Others	Total
	Real Estate Investment Funds	IVN - Serviços Partilhados, SA (consolidated)	Others	Sonaecom, SGPS, SA (consolidated)	MDS, SGPS, SA (consolidated)	Others	Others	
Total Non-Current Assets	126,179,640	120,393,539	15,576,385	792,852,930	51,156,904	33,000,472	1,508,979	1,140,668,849
Total Current Assets	2,078,376	41,911,123	19,957,275	291,110,185	15,432,124	32,820,394	3,324,314	406,633,791
Total Non-Current Liabilities	-	66,491,618	12,662,084	18,105,369	22,290,402	1,567,798	1,030,658	122,147,929
Total Current Liabilities	2,446,658	35,359,162	13,718,807	48,714,128	23,792,285	22,760,314	1,089,114	147,880,468
Equity	125,811,358	60,453,882	9,152,769	1,017,143,618	20,506,341	41,492,754	2,713,521	1,277,274,243

	31 Dec 2015 Restated						
	Retail		Sonae IM			Others	Total
	Real Estate Investment Funds	Others	Sonaecom, SGPS, SA (consolidated)	MDS, SGPS, SA (consolidated)	Others	Others	
Total Non-Current Assets	133,323,996	11,844,726	749,082,651	53,545,741	33,631,689	21,008,412	1,002,437,215
Total Current Assets	6,550,991	9,724,769	317,293,705	18,940,941	28,328,550	2,686,446	383,525,402
Total Non-Current Liabilities	615,165	6,301,046	13,241,024	25,711,189	3,671,207	20,424,752	69,964,383
Total Current Liabilities	9,778,664	8,802,128	49,548,792	23,697,635	18,378,267	660,689	110,866,175
Equity	129,481,158	6,466,321	1,003,586,540	23,077,858	39,910,765	2,609,417	1,205,132,059

	31 Dec 2016							
	Retail			Sonae IM			Others	Total
	Real Estate Investment Funds	IVN - Serviços Partilhados, SA (consolidated)	Others	Sonaecom, SGPS, SA (consolidated)	MDS, SGPS, SA (consolidated)	Others	Others	
Turnover	7,271	61,438,992	66,759,242	117,348,677	46,645,890	73,239,154	225,399	365,664,625
Other operating income	30,950,747	591,877	1,881,398	8,543,645	795,268	2,861,129	1,076,585	46,700,649
Operating expenses	(3,697,288)	(52,261,313)	(65,267,406)	(135,551,672)	(45,991,614)	(74,048,898)	(787,013)	(377,605,204)
Financial results	(26,139)	(748,060)	(677,604)	(7,080,738)	(1,381,359)	(150,605)	8,124	(10,056,381)
Gains or losses on joint and associated ventures	-	-	-	53,829,591	210,743	-	-	54,040,334
Investment results	-	-	59	1,771,968	(7,216,342)	-	-	(5,444,315)
Taxation	(1,704,782)	(2,681,646)	(125,105)	13,894,134	(208,023)	(455,560)	(87,634)	8,631,384
Consolidated profit/(Loss) for the period	25,529,809	6,339,850	2,570,584	52,755,605	(7,145,437)	1,445,220	435,461	81,931,092
Profit/(Loss) from discontinuing operations	-	(409,391)	-	-	-	-	-	(409,391)
Other comprehensive income for the period	-	-	(284,043)	(2,288,784)	2,329,701	57,480	156,149	(29,497)
Total comprehensive income for the period	25,529,809	5,930,459	2,286,541	50,466,821	(4,815,736)	1,502,700	591,610	81,492,204

	31 Dec 2015 Restated						
	Retail		Sonae IM			Others	Total
	Real Estate Investment Funds	Others	Sonaecom, SGPS, SA (consolidated)	MDS, SGPS, SA (consolidated)	Others	Others	
Turnover	18,740,471	62,904,340	142,832,610	45,545,815	72,032,603	1,210,287	343,266,126
Other operating income	11,475,198	1,299,071	7,489,093	1,039,865	3,322,915	610,783	25,236,925
Operating expenses	(4,617,231)	(62,650,787)	(136,487,184)	(48,766,152)	(73,846,196)	(949,296)	(327,316,846)
Financial results	8,286	(696,349)	3,783,578	1,316,978	(174,790)	45,146	4,282,849
Gains or losses on joint and associated ventures	-	-	17,718,964	-	-	-	17,718,964
Investment results	-	43	1,519,480	(3,766,196)	-	-	(2,246,673)
Taxation	(3,100,208)	(128,300)	(2,289,495)	234,203	31,683	(90,015)	(5,342,132)
Consolidated profit/(Loss) for the period	22,506,516	728,018	34,567,046	(4,395,487)	1,366,215	826,905	55,599,213
Other comprehensive income for the period	(19)	48,018	(1,286,335)	(1,656,325)	(69,114)	1	(2,963,774)
Total comprehensive income for the period	22,506,497	776,036	33,280,711	(6,051,812)	1,297,101	826,906	52,635,439

24 LOANS

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

	31 Dec 2016		31 Dec 2015 Restated	
	Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae, SGPS, SA - commercial paper	162,000,000	144,000,000	159,300,000	180,000,000
Sonae Investimentos, SGPS,SA - commercial paper	148,000,000	121,000,000	60,000,000	160,000,000
Sonae Investimentos affiliated /2014/2020	-	50,000,000	-	50,000,000
Sonae Investimentos affiliated /2015/2020	-	55,000,000	-	55,000,000
Sonae Investimentos affiliated /2015/2019	5,000,000	35,000,000	-	25,000,000
Sonae Holding affiliated /2014/2018	-	40,000,000	-	40,000,000
Sonae Holding affiliated /2014/2021	-	30,000,000	-	30,000,000
MDS, SGPS, SA - commercial paper	6,875,000	13,125,000	5,250,000	14,950,000
MDS SGPS, SA affiliated / 2011/2016	4,081,000	-	3,131,055	3,247,020
Others	6,678,849	20,540,714	18,363,592	8,631,589
	332,634,849	508,665,714	246,044,647	566,828,609
Bank overdrafts (Note 20)	17,730,231	-	12,611,120	-
Up-front fees beard with the issuance of borrowings	-	(781,540)	-	(521,997)
Bank loans	350,365,080	507,884,174	258,655,767	566,306,612
Bonds				
Bonds Sonae SGPS / 2014/2018	-	-	-	60,000,000
Bonds Sonae SGPS / 2014/2020	-	-	-	50,000,000
Bonds Sonae SGPS / 2015/2022	-	100,000,000	-	100,000,000
Bonds Sonae SGPS / 2016/2023	-	60,000,000	-	-
Bonds Sonae Investments BV / 2014/2019	-	198,892,884	-	194,535,791
Bonds Sonae Investimentos SGPS/ 2012/2017	-	-	50,000,000	95,000,000
Bonds Sonae Investimentos/ June 2013/2018	-	50,000,000	-	50,000,000
Bonds Sonae Investimentos / December 2015/2020	-	50,000,000	-	50,000,000
Bonds Sonae Investimentos/ May 2015/2020	-	75,000,000	-	75,000,000
Bonds Sonae Investimentos/ December 2015/2020	-	30,000,000	-	30,000,000
Bonds Sonae Investimentos/ June 2016/2021	-	95,000,000	-	-
Bonds Sonae Investimentos/ September 2016/2021	3,000,000	12,000,000	-	-
Bonds IVN 2016/2023	5,000,000	30,000,000	-	-
Up-front fees beard with the issuance of borrowings	(1,483)	(5,089,605)	(37,919)	(6,973,692)
Bonds	7,998,517	695,803,279	49,962,081	697,562,099
Other loans	1,411,067	4,676,660	1,092,795	5,764,682
Derivates (Note 26)	358,117	-	860,503	-
Other loans	1,769,184	4,676,660	1,953,298	5,764,682
Obligations under finance leases (Note 25)	1,079,629	1,463,520	3,691,782	3,231,481
	361,212,410	1,209,827,633	314,262,928	1,272,864,874

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

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

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

The bonds can be converted at the request of the bondholder when the Sonae SGPS, SA share price, in accordance with the technical data sheet, exceeds 1,656 euro per share. This price is subject to adjustments in accordance with the market practices, in particular when the dividend exceeds 0.0287 euro per share.

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

Bonds and bank loans bear an average interest rate of 1.32% (2.05% as at 31 December 2015). Most of the bonds and bank loans have variable interest rates indexed to Euribor.

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

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

	31 Dec 2016		31 Dec 2015 Restated	
	Capital	Interests	Capital	Interests
N+1 [a)]	360,854,294	19,864,500	313,440,344	29,983,095
N+2	134,813,933	17,251,598	225,888,798	23,804,943
N+3	263,494,503	13,667,802	193,792,207	19,056,285
N+4	334,769,210	10,026,308	331,879,992	11,253,904
N+5	286,814,675	5,171,670	377,426,614	7,563,322
After N+5	207,415,055	2,914,747	167,337,162	2,915,204
	1,588,161,670	68,896,625	1,609,765,117	94,576,753

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

The maturities above were estimated in accordance with the contractual terms of the loans, and taking into account Sonae's best estimated regarding their reimbursement date and include the amount to be paid in 2019 related to the convertible bond updated to the referred date and whose fair value of unamortized liabilities amounted to 11.6 million euros (17 million euros at 31 December 2015).

As at 31 December 2016 there are financial covenants included in borrowing agreements at market conditions, and which at the date of this report are in regular compliance.

As at 31 December 2016, Sonae has, as detailed below, cash and cash equivalents in the amount of 341 million euro (283 million euro in 2015) and available credit lines as follows:

	31 Dec 2016		31 Dec 2015 Restated	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Unused credit facilities				
Retail	52,769,017	348,000,000	60,806,401	340,000,000
Sonae IM	-	1,250,000	2,481,663	1,050,000
Sonae Holding	56,695,242	90,000,000	59,395,242	-
	109,464,259	439,250,000	122,683,306	341,050,000
Agreed credit facilities				
Retail	218,260,000	511,000,000	142,060,000	535,000,000
Sonae IM	6,625,000	14,625,000	7,505,648	17,250,000
Sonae Holding	218,695,242	184,000,000	143,695,242	180,000,000
	443,580,242	709,625,000	293,260,890	732,250,000

25 OBLIGATIONS UNDER FINANCE LEASES

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

Obligations under finance leases	Minimum finance lease payments		Present value of minimum finance lease payments	
Amounts under finance leases:	31 Dec 2016	31 Dec 2015 Restated	31 Dec 2016	31 Dec 2015 Restated
N+1	1,138,417	3,856,053	1,079,629	3,691,782
N+2	805,044	1,377,738	782,989	1,323,273
N+3	514,564	806,098	506,810	777,559
N+4	137,695	538,020	136,601	522,957
N+5	36,514	432,708	36,349	426,493
After N+5	771	181,697	771	181,199
	2,633,005	7,192,314	2,543,149	6,923,263
Future Interests	(89,856)	(269,051)		
	2,543,149	6,923,263		
Current obligations under finance leases			1,079,629	3,691,782
Non-current obligations under finance leases			1,463,520	3,231,481

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

As at 31 December 2016 and 2015, the fair value of finance leases is close to its carrying amount.

Obligations under finance leases are guaranteed by related assets.

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

Property leasing object	31 Dec 2016	31 Dec 2015 Restated
Lands and buildings	360,323	11,086,165
Plant and machinery	1,008,857	551,691
Vehicles	720,726	19,079
Fixture and Fittings	573,093	901,114
Total tangible assets	2,662,999	12,558,049
Software	378,670	359,947
Total intangible assets	378,670	359,947
	3,041,669	12,917,996

As at 31 December 2016, the acquisition cost of tangible and intangible assets amounted to 4,556,218 euro (30,110,337 euro as at 31 December 2015).

As at 31 December 2015, among the assets leased there are net assets amounting to 10,816,240 euro related to Worten stores in Spain that were transferred to the caption "Non-Current Assets Held for Sale" and disposed during 2016.

26 DERIVATIVES

Exchange rate derivatives

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

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

The fair value of exchange rate derivatives hedging instruments, calculated based on present market value of equivalent financial instruments of exchange rate, is 358.117 euro as liabilities (860,503 euro as at 31 December 2015) and 4.207.972 euro as assets (1,983,962 euro as at 31 December 2015).

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

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

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

Interest rate derivatives

Sonae does not have any interest rate hedging derivatives recorded as at 31 December 2016.

Interest rate and exchange rate derivatives

As at 31 December 2016 no contracts existed, related to interest rate and exchange rate derivatives simultaneously.

Fair value of derivatives

The fair value of derivatives is detailed as follows:

	Assets		Liabilities	
Hedging derivatives	31 Dec 2016	31 Dec 2015 Restated	31 Dec 2016	31 Dec 2015 Restated
Derivatives not qualified as hedging				
Exchange rate	4,207,972	1,983,962	358,117	860,503
Derivates qualified as pending				
Exchange rate	-	522,125	-	-
	4,207,972	2,506,087	358,117	860,503

27 OTHER NON-CURRENT LIABILITIES

As at 31 December 2016 and 2015 "Other non-current liabilities" are made up as follows:

	31 Dec 2016	31 Dec 2015 Restated
Shareholders loans	415,382	2,780,947
Fixed assets suppliers	406,872	604,822
Other non-current liabilities	1,720,153	2,095,698
Financial instruments (Note 7)	2,542,407	5,481,467
Deferral of the disposal of the extended warranties in the Sonae SR segment (Note 2.16)	15,101,455	28,196,895
Accruals and deferrals	3,913,526	2,350,518
Other non-current liabilities	21,557,388	36,028,880

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

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

28 SHARE-BASED PAYMENTS

In 2016 and in previous years, Sonae in accordance with the remuneration policy described in the corporate governance report granted deferred performance bonus to its directors and eligible employees. These are either based on shares to be acquired at nil cost or with discount, three years after they were attributed to the employee, or based on share options with the period price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year.

As at 31 December 2016, all Sonae Holding share plans responsibilities are accounted in the statement of financial position under "other reserves" and in the Profit and Loss statement under caption "staff costs". They are recognized at the shares fair value on the grant date, concerning the 2016, 2015 and 31 December 2014. Share-based payments costs are recognized on a straight line basis between the grant and the settlement date.

As at 31 December 2016 and 2015, the number of attributed shares related to the assumed responsibilities arising from share based payments, which have not yet vested, can be detailed as follows:

		Sonae SGPS		Number of shares	
Grant year	Vesting year	Number of participants	Share price on date of assignment	31 Dec 2016	31 Dec 2015
2013	2016	-	0.701	-	5,404,038
2014	2017	233	1.024	4,340,464	4,306,697
2015	2018	253	1.048	3,619,285	3,784,460
2016	2019	277	0.97	4,964,016	-
				12,923,765	13,495,195

During the period ending 31 December 2016 the movements on the above mentioned share based plans were the following:

	Sonae Shares	
	Aggregate number of participants	Number of shares
Balance as at 31 December 2015	625	13,495,195
Grant	293	5,444,776
Vesting	(100)	(5,554,138)
Canceled /extinct / corrected / transferred (1)	(55)	(462,068)
Closing balance as at 31 December 2016	763	12,923,765

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

As at 31 December 2016 and 2015, the fair value of total liabilities on the date of allocation arising from share based payments, which have not yet vested, may be summarized as follows:

		Fair value *	
		31 Dec 2016	31 Dec 2015
Grant year	Vesting year	Sonae SGPS	Sonae SGPS
2013	2016	-	5,663,432
2014	2017	4,210,250	3,008,946
2015	2018	2,340,471	1,322,038
2016	2019	1,605,032	-
	Total	8,155,753	9,994,416

* Share market value as of 31 December 2016 and 2015.

As at 31 December 2016 and 2015 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

	31 Dec 2016	31 Dec 2015
Recorded in staff costs in the current period	1,785,772	2,024,040
Recorded in previous years	6,825,062	6,312,164
	8,610,834	8,336,204
Recorded value in Other reserves	8,610,834	8,336,204
	8,610,834	8,336,204

29 TRADE CREDITORS

As at 31 December 2016 and 2015 Trade creditors are as follows:

		Payable to	
	31 Dec 2016	up to 90 days	more than 90 days
Trade creditors - current account			
Retail			
Sonae MC	659,474,549	659,474,549	-
Sonae SR			
Worten	309,637,742	309,637,742	-
Sports & Fashion	57,481,628	57,331,354	150,274
Sonae RP	79,059	55,417	23,642
Sonae IM	27,016,297	26,965,493	50,804
Sonae Holding	3,242,400	2,923,177	319,223
	1,056,931,675	1,056,387,732	543,943
Trade creditors - Invoice Accruals	79,723,572	79,723,572	-
	1,136,655,247	1,136,111,304	543,943

	31 Dec 2015 Restated	Payable to	
		up to 90 days	more than 90 days
Trade creditors - current account			
Retail			
Sonae MC	657,824,997	657,824,997	-
Sonae SR			
Worten	327,599,593	327,593,062	6,531
Sports & Fashion	43,748,550	43,748,407	143
Sonae RP	142,412	142,412	-
Sonae IM	28,946,024	28,921,793	24,231
Sonae Holding	5,696,186	5,607,159	89,027
	1,063,957,762	1,063,837,830	119,932
Trade creditors - Invoice Accruals	97,739,438	97,739,438	-
	1,161,697,200	1,161,577,268	119,932

As at 31 December 2016 and 2015 this caption includes amounts payable to suppliers resulting from Sonae operating activity. The Board of Directors believes that the fair value of these balances does not differ significantly from its book value and the effect of discounting these amounts is not material.

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

30 OTHER CREDITORS

As at 31 December 2016 and 2015, the caption “Other creditors” is detailed as follows:

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

	31 Dec 2015 Restated	Payable to		
		up to 90 days	90 to 180 days	more than 180 days
Fixed assets suppliers	44,750,697	42,948,045	486,180	1,316,472
Other debts	154,763,112	43,421,700	6,639,830	104,701,582
	199,513,809	86,369,745	7,126,010	106,018,054
Related undertakings	-	-	-	-
	199,513,809	86,369,745	7,126,010	106,018,054

The caption "Other debts" includes:

- 87,721,109 euro (103,602,523 euro as at 31 December 2015) relating to the fair value of the shares covered by Sonae Holding financial derivative referred to in Note 22;

- 8,344,127 euro (14,219,757 euro as at 31 December 2015) of attributed discounts not yet redeemed related to loyalty card "Cartão Cliente";

- 15,042,306 euro (14,365,559 euro as at 31 December 2015) related to vouchers, gift cards and discount tickets not yet redeemed;

- 3,992,919 euro (3,176,938 euro as at 31 December 2015) related to amounts payable to Sonae Distribuição Brasil. S.A. buyer as result of responsibilities assumed with that entity (Note 32);

- 4,430,926 euro (7,174,939 euro as at 31 December 2015) relating to amounts payable to insurance companies, insurance buyers and insurance agents; and

- 811,244 euro (386,111 euro as at 31 December 2015) relating to amounts payable associated to reinsurance operations.

As at 31 December 2016 and 2015, this caption includes payable amounts to other creditors and fixed assets suppliers that do not bear interest. The Board of Directors understands that the fair value of these payables is similar to its book value and the result of discounting these amounts is immaterial.

31 OTHER CURRENT LIABILITIES

As at 31 December 2016 and 2015, "Other current liabilities" are made up as follows:

	31 Dec 2016	31 Dec 2015 Restated
Holiday pay and bonus	122,568,080	111,077,895
Other external supplies and services	32,121,742	41,018,028
Deferred Revenue of warranty extension (Note 2.16)	45,073,283	24,471,084
Marketing expenses	11,807,052	14,159,475
Charges made on the sale of real estate (Notes 2.6.c) and 8)	17,558,769	10,031,166
Advance receipts from Trade Receivables	10,615,437	8,407,899
Rentals	8,092,102	6,773,465
Expenses on purchases	6,238,536	5,270,530
Interest payable	2,449,632	5,022,010
Insurance payable	632,982	1,745,005
Others	13,842,767	10,498,254
	271,000,382	238,474,811

32 PROVISIONS AND ACCUMULATED IMPAIRMENT LOSSES

Movements in Provisions and impairment losses over the period ended 31 December 2016 and 2015 are as follows:

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

Caption	Balance as at 31 Dec 2014 Restated	Increase	Decrease	Transfers and other mouvements	Balance as at 31 Dec 2015 Restated
Accumulated impairment losses on investments (Note 11 and 12)	6,301,835	1,613,342	(2,262,691)	(3,765,883)	1,886,603
Impairment losses on fixed tangible assets (Note 8)	143,623,367	1,269,175	(11,398,562)	70,383	133,564,363
Impairment losses on intangible assets	1,497,101	-	(77)	-	1,497,024
Accumulated impairment losses on trade account receivables (Note 15)	7,540,929	1,814,275	(2,635,392)	400,000	7,119,812
Accumulated impairment losses on other debtors (Note 16)	14,955,612	1,550,358	(4,939,925)	-	11,566,045
Non - current provisions	36,489,900	21,727,202	(15,607,913)	(2,899,131)	39,710,058
Current provisions	3,724,196	1,105,083	(1,745,289)	-	3,083,990
	214,132,940	29,079,435	(38,589,849)	(6,194,631)	198,427,895

As at 31 December 2016 and 2015 increases in Provisions and impairment losses are as follows:

	31 Dec 2016	31 Dec 2015
Provisions and impairment losses in the income statement	17,300,593	13,074,208
Provisions for severance payments	-	2,089,303
Impairment losses on "Other investments" (Note 12)	7,249,229	1,613,342
Technical reinsurance provisions	651,577	11,665,197
Currency translation	2,726,895	-
Others	908,673	637,385
	28,836,967	29,079,435

As at 31 December 2016 and 2015 the value of decreases in provisions and impairment losses can be detailed as follows:

	31 Dec 2016	31 Dec 2015
Provisions and impairment losses reversal (Note 38)	(11,229,959)	(11,112,665)
Direct use of impairments on accounts receivable	(3,516,197)	(3,331,669)
Compensation receivable from Walmart	-	(9,607,850)
Technical provisions on reinsurance	(20,053,711)	-
Direct use and reversals recorded in tangible assets	(7,448,463)	(10,695,475)
Direct use and reversals recorded in Non-Current Assets held for sale (Note 21)	(13,949,808)	-
Impairment reversal in financial investments	(81,256)	(2,262,691)
Others responsibilities	(366,465)	(1,579,499)
	(56,645,859)	(38,589,849)

As at 31 December 2016 and 2015, the Current and Non-Current provisions for other risks and charges can be analysed current and non-current details are as follows:

	31 Dec 2016	31 Dec 2015 Restated
Technical provisions on reinsurance (a)	1,061,465	20,463,598
Future liabilities relating to retail subsidiaries operations sold in Brazil	8,521,318	6,779,929
Clients guarantees (c)	1,449,195	3,363,334
Judicial claims	2,270,177	3,558,791
Contingent liabilities for subsidiaries acquired (Notes 5.1 and 5.4)	7,811,959	900,000
Others responsibilities	8,292,712	7,728,396
	29,406,826	42,794,048

(a) Amounts included in "Technical provisions on reinsurance" relate to a group´s company that operates in the non-life reinsurance industry in which the amount of the provision is related to provisions for outstanding claims. The amount to be recovered from the reinsurance companies is recorded in the captions "Reinsurer's share of technical provisions" (Note 13) and "Other Debtors" (Note 18);

(b) The caption non–current provisions includes 8,521,318 euro (6,779,929 euro as at 31 December 2015), relating to non-current contingencies assumed by the Company, when it sold its subsidiary Sonae Distribuição Brasil, S.A. in 2005. The evolution of the provision between years is associated with the evolution of the real against the euro. This provision is being used as the liabilities are materialized, being constituted based on the best estimate of the expenses to be incurred with such liabilities and that result from a significant set of processes of a civil and labor nature and of small value;

(c) The caption "Non-current provisions" and "Current provisions" includes as at 31 December 2016 the estimated liabilities incurred by the Group on the sale of own brand products in the stores of the Specialized Retail business segments in the amount of 1,449,195 euro (3,363,334 euro as at 31 December 2015 which amount also includes warranty extension programs granted for a period of one to three years after the end of the legal mandatory warranty.

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

33 CONTIGENT ASSETS AND LIABILITIES

As at 31 December 2016 and 2015, major contingents liabilities exposed are as follows:

- **Guarantees and sureties given**

	31 Dec 2016	31 Dec 2015
Guarantees given:		
on tax claims	1,153,774,789	1,083,444,776
on judicial claims	887,275	695,238
on municipal claims	8,048,110	8,268,603
contractual guaranties by proper compliance	21,516,088	17,445,799
others guarantees	9,261,512	4,824,720

a) Tax claims

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

- Some retail operating segment subsidiaries of the Company granted guarantees in favor of the Portuguese Tax Administration, associated with tax claims for additional VAT payment amounting to 556.7 million euro (520 million euro as at 31 December 2015) related to the period from 2004 to 2013, which the Company has presented, or has the intention of presenting, a tax appeal. The increase in the value of guarantees and securities provided in relation to the previous year, mainly result from additional tax assessments over 2012 and 2013. Portuguese tax authorities claim that the Company should have invoiced VAT related to promotional discounts invoiced to suppliers which depend on the purchases made by the Group during the year, as it considers that the discounts correspond to services rendered by the company. Tax authorities also claim that the company should not have deducted VAT from discount vouchers used by its non-corporate clients;

- The caption guarantees given on tax claims include guarantees granted, in the amount of 142.9 million euro (144.3 million euro as at 31 December 2015), in favor of Tax authorities regarding 2007 up to 2013. Concerning these guarantees, the most significant amount relates to an increase in equity arising on the disposal of own shares to a third party in 2007, as well as to the disregard of the reinvestment concerning capital gains in share disposal, and the fact that demerger operations must be disregarded for income tax purposes. The Company has presented an appeal against this additional tax claim, being the Board of Directors understanding, based on its advisors assessment, that such appeal will be favourable.

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

- Sureties in the amount of, approximately 50 million euro, following a tax appeal presented by the Company concerning additional tax assessments made by Tax authorities, relating to 31 December 2002, which refer to the non-acceptance by Tax authorities of tax losses arising on the sale and liquidation of a subsidiary of the Group;

- Fiscal lawsuit related to rent tax, concerning a subsidiary of the Company in Brazil, in the amount of, approximately, 19.1 million euro (65.6 million Brazilian real), which is being judged by a tax court, for which there were granted guarantees in the amount of 48.4 million euro (165.9 million Brazilian real). The difference between the value of the contingency and the value of the guarantee relates with the update of the related responsibility.

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

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

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

c) Other contingent liabilities

- Contingent liabilities related to discontinued activities in subsidiaries in Brazil

Following the disposal of a subsidiary in Brazil, Sonae guaranteed to the buyer of the subsidiary all the losses incurred by that company arising on unfavorably decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. As at 31 December 2016, the amount claimed by the Brazilian Tax Authorities, concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, plus the amounts already paid (28.5 million euro) related to programs for the Brazilian State of tax recovery, amount to near 32.4 million euro (31.4 million euro at 31 December 2015). Furthermore, there are other tax assessments totaling 60.8 million euro (44.5 million euro as at 31 December 2015) for which the Board of Directors, based on its lawyers' assessment, understands will not imply future losses to the former subsidiary.

- Contingent liabilities related to joint ventures are disclosed in Note 46.

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

34 OPERATIONAL LEASE

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognized as income during the period ended 31 December 2016 and 2015 amounted to 7,811,239 euro and 8,044,681 euro, respectively.

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

	31 Dec 2016	31 Dec 2015 Restated
Due in:		
N+1 automatically renewal	2,279,926	2,540,507
N+1	5,333,931	4,206,117
N+2	4,563,589	3,800,458
N+3	3,355,334	3,101,846
N+4	2,453,356	1,942,667
N+5	1,556,643	1,203,964
After N+5	5,179,130	3,617,576
	24,721,909	20,413,135

During the year ended at 31 December 2016, the amount of 135,864,890 euros (109,089,103 euros as of 31 December 2015) was recognized as cost of the year related to rents paid under operating lease agreements in which Sonae acts as lessee.

Additionally, at 31 December 2016 and 2015, Sonae had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2016	31 Dec 2015 Restated
Due in:		
N+1 automatically renewal	32,416,193	22,012,049
N+1	104,309,175	95,153,393
N+2	96,651,908	89,505,303
N+3	91,418,163	85,156,859
N+4	85,821,305	77,672,139
N+5	78,240,242	82,676,284
After N+5	654,336,715	675,098,903
	1,143,193,701	1,127,274,930

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

35 TURNOVER

As at 31 December 2016 and 2015, Turnover is made up as follows:

	31 Dec 2016	31 Dec 2015
Sale of goods	5,120,879,449	4,816,617,320
Sale of products	38,187,961	9,314,268
	5,159,067,410	4,825,931,588
Services rendered	217,070,093	188,311,035
Turnover (Note 6)	5,376,137,503	5,014,242,623

36 GAINS OR LOSSES ON INVESTMENTS

As at 31 December 2016 and 2015, Gain or losses Investment is made up as follows:

	31 Dec 2016	31 Dec 2015
Dividends	1,864,330	1,694,266
Imoconti disposal (Note 5.3)	6,773,227	-
Raso SGPS disposal	-	(4,263,823)
Others	(314,218)	-
Gains / (losses) on the sale of investments in subsidiaries, joint ventures and associates	6,459,009	(4,263,823)
Gains / (losses) on the sale of investments on available for sale	-	-
Others	15,340	(31,991)
Impairment of investments in assets available for sale (Notes 12 and 32)	(7,249,229)	(3,765,155)
Impairment reversal/(losses) on investments	(7,249,229)	(3,765,155)
Total income and (expenses) related to investments	1,089,450	(6,366,703)

37 NET FINANCIAL EXPENSES

As at 31 December 2016 and 2015, Net financial expenses are as follows:

	31 Dec 2016	31 Dec 2015
Expenses		
Interest payable		
related with bank loans and overdrafts	(10,815,112)	(13,621,585)
related with non convertible bonds	(15,992,293)	(32,764,404)
related with financial leases	(151,647)	(213,873)
others	(5,959,767)	(6,215,634)
	(32,918,819)	(52,815,496)
Foreign exchange losses	(8,322,338)	(8,537,491)
Losses on fair value of hedge derivatives	(326,290)	-
Up front fees and commissions related to loans	(8,704,662)	(10,456,472)
Others	(2,387,699)	(1,858,822)
	(52,659,808)	(73,668,281)
Income		
Interest receivable		
related with bank deposits	67,984	116,486
others	720,982	4,029,812
	788,966	4,146,298
Foreign exchange gains	4,725,585	8,157,789
Payments discounts received	37,706	90,737
Gains on disposal of treasury applications (Notes 11.3 and 12)	9,362,946	-
Other financial income	1,012,581	6,942,418
	15,927,784	19,337,242
Fair value adjustment of investments registered at fair value on the income statement (Note 12)	(15,681,846)	22,135,189
Net financial expenses	(52,413,870)	(32,195,850)

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

38 OTHER INCOME

As at 31 December 2016 and 2015, the caption “Other Income” is made up as follow:

	31 Dec 2016	31 Dec 2015
Supplementary income	632,776,290	555,390,084
Prompt payment discounts obtained	24,659,986	23,076,701
Foreign currency exchange gains	19,866,574	30,572,567
Own work capitalised (Note 9)	14,569,849	12,276,842
Gains on sales of assets	63,212,743	43,308,584
Provisions and impairment losses reversals (Note 32)	11,229,959	11,112,665
Insurance claims	202,159	890,711
Subsidies	752,282	431,540
Others	5,648,092	6,765,485
	772,917,934	683,825,179

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

Under the caption of "Gains on sales of assets" are included gains related to the operation of "Sale & Leaseback" amounting to 63.1 million euro (42.3 million euro as at 31 de December 2015) (Note 8).

39 EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2016 and 2015, External supplies and services are as follows:

	31 Dec 2016	31 Dec 2015
Rents	171,556,924	142,666,036
Publicity	107,739,895	108,893,120
Electricity	58,234,583	56,931,700
Transports	57,919,088	50,445,107
Services	81,959,619	69,669,969
Subcontracts	23,021,813	21,154,581
Maintenance	25,318,873	25,609,264
Costs with automatic payment terminals	11,877,994	10,826,709
Security	20,373,181	19,875,601
Cleaning up services	23,162,474	21,198,159
Consumables	13,441,395	13,695,024
Travel expenses	18,281,983	17,527,290
Commissions	17,455,304	9,065,282
Insurances	6,731,750	6,140,400
Communications	12,338,472	12,399,213
Home delivery	6,479,543	5,979,094
Others	64,469,819	62,469,983
	720,362,710	654,546,532

40 STAFF COSTS

As at 31 December 2016 and 2015, Staff costs are as follows:

	31 Dec 2016	31 Dec 2015
Salaries	575,987,377	522,311,584
Social security contributions	121,691,721	110,442,393
Insurance	11,646,451	10,955,309
Welfare	4,758,559	3,857,910
Other staff costs	17,556,731	17,786,999
	731,640,839	665,354,195

41 OTHER EXPENSES

As at 31 December 2016 and 2015, other expenses are as follows:

	31 Dec 2016	31 Dec 2015
Exchange differences	19,697,330	31,263,453
Other taxes	10,954,151	11,027,558
Losses on the sale and write-off of assets	11,857,579	14,765,443
Municipal property tax	1,893,933	2,043,768
Donations	8,068,924	7,381,047
Doubtful debts written-off	858,664	197,395
Others	21,721,688	22,600,119
	75,052,269	89,278,783

42 INCOME TAX

As at 31 December 2016 and 2015, income tax is made up as follows:

	31 Dec 2016	31 Dec 2015
Current tax	8,997,173	15,440,828
Deferred tax (Note 19)	17,907,618	5,478,771
	26,904,791	20,919,599

The reconciliation between the profit before Income tax and the tax charge for the years ended 31 December 2016 and 2015 is as follows:

	31 Dec 2016	31 Dec 2015
Profit before income tax	249,308,479	197,695,549
Difference between capital (losses)/gains for accounting and tax purposes	(18,980,321)	(70,239,866)
Gains or losses in jointly controlled and associates companies (Note 11)	(102,115,809)	(88,531,190)
Impairment of goodwill (Note 10)	1,677,383	396,829
Provisions and impairment losses not accepted for tax purposes	7,249,229	6,545,056
Others	-	(2,580,635)
Taxable Profit	137,138,961	43,285,743
Use of tax losses that have not originated deferred tax assets	(14,404,310)	(26,023,297)
Recognition of tax losses that have not originated deferred tax assets	7,034,017	234,335
	129,768,668	17,496,781
Income tax rate in Portugal	21%	21%
	27,251,420	3,674,324
Effect of different income tax rates in other countries	(12,954,292)	(11,587,767)
Effect of the write-off of deferred taxes (Note 19)	28,306,619	17,404,712
Effect of increases or decreases in deferred taxes	45,356	151,107
Effect of change in tax income rate in the calculation of deferred taxes	(17,547,730)	-
Use of tax benefits	(2,985,031)	(1,858,220)
Under/(over) Income tax estimates	(11,431,708)	(3,731,368)
Autonomous taxes and tax benefits	3,618,970	3,140,140
Municipality surcharge	10,542,310	12,006,625
Others	2,058,877	1,720,046
Income tax	26,904,791	20,919,599

43 RELATED PARTIES

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

	Sales and services rendered		Purchases and services obtained	
Transactions	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Parent Company	210,773	224,026	716,561	772,551
Jointly controlled companies	17,667,706	18,209,969	44,892,547	48,314,600
Associated companies	34,859,664	33,145,186	13,688	2,424,400
Other related parties	58,863,841	63,239,983	19,679,076	23,055,149
	111,601,984	114,819,164	65,301,872	74,566,700

Transactions	Interest income 31 Dec 2016	Interest income 31 Dec 2015	Interest expenses 31 Dec 2016	Interest expenses 31 Dec 2015
Parent Company	-	-	168,233	72,256
Jointly controlled companies	-	332,379	-	-
Associated companies	-	-	-	-
Other related parties	-	-	63,538	322,393
	-	332,379	231,771	394,649

Balances	Accounts receivable 31 Dec 2016	Accounts receivable 31 Dec 2015 Restated	Accounts payable 31 Dec 2016	Accounts payable 31 Dec 2015 Restated
Parent Company	25,136	65,568	688,294	611,479
Jointly controlled companies	29,377,178	16,621,469	15,192,431	10,403,025
Associated companies	6,583,207	4,024,521	147,945	1,868,694
Other related parties	16,965,780	17,816,186	10,405,360	7,431,116
	52,951,301	38,527,744	26,434,030	20,314,314

	Loans			
	Obtained		Granted	
Balances	31 Dec 2016	31 Dec 2015 Restated	31 Dec 2016	31 Dec 2015 Restated
Parent Company	-	-	-	-
Jointly controlled companies	1,000	1,000	-	-
Associated companies	-	-	-	-
Other related parties	442,382	2,887,573	3,570	3,570
	443,382	2,888,573	3,570	3,570

During the year ended at 31 December 2016, Sonaecom disposed its direct interest in NOS (2.14%) to ZOPT. This operation generated a gain of 18,725,887 euro. 50% of this gain were accounted under the caption "Financial income and gains" and the remaining 50% written off against reserves (Note 12).

In December 2016, the Group disposed its subsidiary Imoconti - Sociedade Imobiliária, SA to a related entity of the Sonae Sierra group. This operation generated a financial contribution of 21 million euro and a gain of 6.9 million euro (Note 36).

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

The remuneration of the members of the Board of Directors of the parent company and of the employees with strategic management responsibility, earned in all Sonae companies for the years ended at 31 December 2016 and 2015, is composed as follows:

	31 Dec 2016		31 Dec 2015	
	Board of Directors	Strategic direction (a)	Board of Directors	Strategic direction (a)
Short-term employee benefits	1,274,000	6,700,385	1,489,027	6,458,079
Share-based payments	394,400	2,101,900	455,100	1,955,300
	1,668,400	8,802,285	1,944,127	8,413,379

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

44 EARNING PER SHARE

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

	31 Dec 2016		31 Dec 2015
	Continuing Operations	Descontinuing Operations	Continuing Operations
Net profit			
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	215,278,645	(204,696)	175,306,228
Effect of dilutive potential shares	-	-	-
Interest related to convertible bonds (net of tax)	7,778,796	-	7,568,999
Net profit taken into consideration to calculate diluted earnings per share	223,057,441	(204,696)	182,875,227
Number of shares			
Weighted average number of shares used to calculate basic earnings per share	1,887,410,072	1,887,410,072	1,877,002,993
Effect of dilutive potential ordinary shares from convertible bonds	127,113,527	127,113,527	127,113,527
Outstanding shares related with share based payments	12,923,765	12,923,765	13,495,195
Shares related to performance bonus that can be bought at market price	(5,319,084)	(5,319,084)	(3,211,968)
Weighted average number of shares used to calculate diluted earnings per share	2,022,128,280	2,022,128,280	2,014,399,747
Earnings per share			
Basic	0.118182	(0.000108)	0.097429
Diluted	0.110308	(0.000101)	0.090784

The 2016 average number of shares for the year ended 31 December 2016 considers 110,341,017 Sonae Holding shares (118,663,355 in 31 December 2015) as own shares (Note 22).

45 CASH RECEIPTS AND CASH PAYMENTS OF INVESTMENTS

As at 31 December 2016 and 2015, cash receipts and cash payments related to investments can be detailed as follows:

- Investment Activities

Receipts	31 Dec 2016	31 Dec 2015
Losan adjust price acquisition (Note 5.4)	1,416,954	-
	-	-
	1,416,954	-

Payments	31 Dec 2016	31 Dec 2015
Acquisition of Salsa (Note 5.1)	65,588,931	-
Acquisition of a participation of Armilar Funds (Note 5.2)	31,749,338	-
Capital increase in Ulabox	2,667,132	-
Capital increase in Movvo	2,260,746	-
Capital increase in S2 Mozambique SA	1,607,217	-
Acquisition of Iberosegur	256,417	-
Acquisition of SYSVALUE	346,128	-
Acquisition of INOVRETAIL	653,346	-
Acquisition a participation of Filhet Allard Esp	629,751	-
Elergone adjust price acquisition	600,562	-
Acquisition of Losan Group (Note 5.4)	-	30,244,403
Acquisition of MJB - Design, Lda	-	916,123
Acquisition of Elergone Energias, Lda	-	187,591
Others	73,905	202,057
	106,433,473	31,550,174

- Financing Activities

Receipts	31 Dec 2016	31 Dec 2015
Disposal of Raso SGPS	2,500,000	29,000,000
Disposal of Imosonae Dois fund units	173,261	1,173,697
Others	170,853	381
	2,844,114	30,174,078

Payments	31 Dec 2016	31 Dec 2015
Acquisition of Imosede´s fund units	-	34,082,452
Acquisition of a participation in Ulabox	-	3,231,029
Acquisition of the other 50% Raso SGPS, SA	-	3,888,849
Capital increase in Raso SGPS	-	41,000,000
Others	584,004	755,315
	584,004	82,957,645

46 PROVISIONS AND CONTINGENT LIABILITIES RELATING TO JOINT-VENTURES

Sonae Sierra Group

a) Contingent liabilities

As of 31 December 2016, the main Sonae Sierra contingent liabilities relate to the following situations:

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

- In 2015, Sonae Sierra has agreed with the bank that granted the loan to Parklake Shopping SA for the construction of the shopping centre Parklake the payment of the debt service in the maximum amount 9.2 million euro, in case the company is not able to comply with its obligations.

- In December 2013, the subsidiary Gli Orsi received a tax notification, whereby it is asked to pay the amount of 19.5 million euro, related with real estate transfer tax in the amount of 9.5 million euro and 10 million euro related with penalties and interest, plus court agent fees amounting to 0.905. Based on the opinion of the tax expert there are valid reasons to consider the claim without foundation, and so the Group has appealed to the Supreme Court. In the specific case of the penalties requested by the tax authorities, the tax expert understands that no penalty is due. To provide for this contingency, the Group has expensed in 2013 an amount of 10.4 million euro (corresponding to real estate transfer tax (9.5 million euro) plus count agent fee (0.905 million euro). In 2016, the Group assumed the commitment to the bank ING Bank N. V. (Milan), that finance the company Gli Orsi Shopping Centre 1, Srl, to pay future tax liabilities which may arise in relation to these tax litigations up to the maximum amount of 25 million euro, in case the company is not able to settle it.

- During 2008 – 2015, Sonae Sierra has received tax notifications regarding the tax deductibility of interest expenses on loans obtained, concerning the years 2005, 2007, 2008, 2009, 2010 and 2011, in the total amount of 11 millions euro. All these tax notifications were claimed by Sonae Sierra and guarantees in the same amount were granted by the subsidiary Sierra Investments, SGPS, S.A. to the Portuguese tax administration. No provision was recorded because the Board of Directors understands that the risk of these tax contingencies is unlikely. The fact that Sonae Sierra received on 20 January 2015 a second favourable court decision regarding the deductibility of interest incurred in 2004 corroborates the Group's assessment of these contingencies.

Additionally, At 31 December 2016 and 2015 the bank guarantees granted to third parties were as following:

	31 Dec 2016	31 Dec 2015
Bank Guarantees (thousands of euro):		
relating to tax processes in course	2,775	2,513
relating to legal processes in course	74	74
to complete the construction of several projects	1,180	765
to secure claims of the buyer of the Münster asset	15,978	2,018
others guarantees	409	1,477

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

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

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

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

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

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

(i) in the case of the asset sale, a maximum amount of 118,3 million euro;

(ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, a maximum amount of 59,1 million euro;

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

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

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

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

In accordance with the agreements made between the shareholders of Sierra BV at the time of its incorporation in 2003, it was agreed that Sierra BV should exist for an initial period of 10 years (that ends in October 2013), that could be extended by two additional periods of one year starting in 2013. On September 2013 all the shareholders of Sierra BV approved an amendment agreement relating to the continuation of the operations of the Fund with a long-stop date until October 2018. The Group continues to study several alternatives to dispose of the properties held by Sierra BV, but there are no intentions to proceed with forced asset sales.

In accordance with the agreements made between the shareholders of SPF at the time of its incorporation in 2008, it was agreed that SPF should exist for a period of 10 years (that will end in 2018), with the non-Sonae Sierra shareholders having the option to redeem its shares after 2014, provided that some conditions are met. The Group is not aware of any intention by any of those shareholders to redeem its shares. Additionally, in 2015 shareholders agreed to extend the fund until 2020.

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

Grupo ZOPT

The consolidated financial statements of ZOPT (joint venture that controls NOS) and NOS as at 31 December 2016 and 2015, incorporated into the financial statements of Sonae through ZOPT by the equity method (Note 5 and Note 11).

a) Provisions of ZOPT Group

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

1. Actions by MEO against NOS S.A., NOS Madeira and NOS Açores and by NOS S.A. against MEO

- In 2011, MEO (PT) brought an action in Lisbon Judicial Court against NOS SA, claiming payment of Euro 10.3 million, as compensation for alleged undue portability of NOS SA in the period between March 2009 and July 2011. NOS SA lodged a contest and reply, having started the expert evidence, that the

Court however declared void. The hearing was held in late April and early May, having a ruling beendelivered last September, which judged the action partially founded, based not on the existence of undue portability, but on the mere delay of the documentation shipment. NOS was condemned to pay, approximately 5.3 million euro, a decision which NOS will appeal.

- MEO (PT) made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and June 2013 and May 2016) and three to NOS Madeira (March and June 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.
  MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, specifying only part of these, in the case of NOS SA, in the amount of 26 million euro (from August 2011 and May 2014), in the case of NOS Açores, in the amount of 195 thousand euro and NOS Madeira, amounting to Euro 817 thousand.

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

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

2. ANACOM

Infringement proceedings due to an alleged failure, by NOS SA, to apply the resolutions taken by ANACOM on 26 October 2005, concerning termination rates for fixed calls. Following a deliberation of Board of Directors of the regulator, in April 2012, a fine of approximately Euro 6.5 million was applied to NOS SA; NOS SA has appealed for the judicial review of the decision and the court has declared the process's nullity on January 2014 (based on violation of NOS, SA's right of defense). In April 2014 ANACOM has notified NOS SA of a new judicial process, based on the same accusations. This process is a repetition of the initial one, taking into consideration the same facts. In September 2014, ANACOM applied a new fine to NOS SA in the amount of Euro 6.5 million. This decision was contested by NOS SA. In May 2015, it was acquitted, which revoked the decision by ANACOM and the fine which applied. ANACOM appealed the decision and the process is currently and since June 2015 on appeal in Lisbon Court of Appeal.

3. Supplementary Capital

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

4. Future credits transferred

For the year ended at 31 December 2010, the subsidiary NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of Euro 100 million, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of Euro 20 million in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that years, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year during 5 years). NOS SA challenged the decisions regarding the 2008, 2009, 2010, 2011 and 2012 fiscal year and regarding the 2013 fiscal year it is still being challenged in administrative proceedings. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavourably, in March 2014. The company has appealed.

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

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

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

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

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO for the year of 2012 and 2013, in the amount of about Euro 26 million and Euro 20 milion, respectively, decision which was contested by NOS.

At October 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, in the amount of Euro 7.7 million, decision which NOS will contest in the usual terms.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to CLSU of service providing by MEO (not designated through a tender procedure) violates the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS will continue judicially challenge the liquidation of each extraordinary contributions, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken.

Regardless of the belief of the Board of Directors of NOS, was attributed, in 2014, in the Goodwill allocation period provided by IFRS 3, a provision to remedy this situation, with regard to possible liability to the date of the merger.

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

1. Legal actions with regulators

NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee (for 2009, 2010, 2011, 2012, 2013, 2014 and 2015) for carrying on the business of Electronic Communications Services Networks Supplier in the amounts, respectively, of (i) Euro 1,861 thousand, Euro 3,808 thousand, Euro 6,049 thousand, Euro 6,283 thousand, Euro 7,270 thousand, Euro 7,426 thousand and Euro 7,253 thousand; (ii) Euro 29 thousand, Euro 60 thousand, Euro 95 thousand, Euro 95 thousand, Euro 104 thousand, Euro 107 thousand and Euro 98 thousand; (iii) Euro 40 thousand, Euro 83 thousand, Euro 130 thousand, Euro 132 thousand, Euro 149 thousand, Euro 165 thousand and Euro 161 thousand, and seeking reimbursement of the amounts meanwhile paid in connection with the enforcement proceedings.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. The scheme is being introduced gradually: 1/3 in the first year, 2/3 in the second year and 100% in the third year.

NOS SA, NOS Açores and NOS Madeira claim, in addition to defects of unconstitutionality and illegality, that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded

On 18 December 2012 a ruling was passed on the proceedings instigated by NOS SA for the annual rate of 2009, for which the appeal was upheld, with no prior hearing, condemning ANACOM to pay the interests. ANACOM appealed and by decision of July 2013, this appeal was not upheld.

The remaining proceedings are awaiting trial and/or decision.

2. Tax Authorities

During the course of the 2003 to 2016 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2014 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Corporate Income Tax, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about Euro 24 million, plus interest and charges. Note that the Group considered that the corrections were unfounded, and contested the corrections and the amounts mentioned. The Group provided the bank guarantees demanded by the Tax Authorities in connection with these proceedings.

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

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

3. Action against Sport TV

- Action brought by Cogeco Cable Inc., former shareholder of Cabovisão, against Sport TV, NOS SGPS and a third, requesting, among others: (i) joint condemnation of the three institutions to pay compensation for damages caused by anti-competitive conduct, guilty and illegal, between 3 August 2006 and 30 March 2011, specifically for the excess price paid for Sport TV channels by Cabovisão, in the amount of Euro 9.1 million; (ii) condemnation for damages corresponding to the remuneration of capital unavailable, in the amount Euro 2.4 million; and (iii) condemnation for damages corresponding to the loss of business from anti-competitive practices of Sport TV, in connection with the enforcement proceedings. The NOS Group contested the action, waiting for appointment

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

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

4. Contractual penalties

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

Until 31 December 2014, revenue from penalties, due to inherent uncertainties was recorded only at the moment when it was received, so at 31 December 2016, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of Euro 97,884 thousand. During the nine months ended on 31 December 2016 Euro 3,819 thousand related to 2014 receivables were received and recorded in the income statement.

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

5. Interconnection tariffs

At 31 December 2016, accounts receivable and accounts payable include Euro 37,139,253 and Euro 29,913,608, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the indefinition of interconnection tariffs, recorded in the year ended at 31 December 2001. In the lower court, the decision was favourable to NOS SA. The Court of Appeal, on appeal, rejected the intentions of MEO. However, MEO again appealed to the Supreme Court, for final and permanent decision, who upheld the decision of the Court of Appeal, thus concluding that the interconnection prices for 2001 were not defined. The settlement of outstanding amounts will depend on the price that will be established.

c) Other commitments Zopt Group

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

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

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

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

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

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

The contracts wil begin in the 2019/2020 sports season and last up to 7 seasons, with the exception of the contract with Sporting Clube de Braga - Futebol, SAD which lasts 9 seasons.

During the year of 2016, has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

1) C. D. Tondela – Futebol, SDUQ, Lda
2) Clube Futebol União da Madeira, Futebol, SAD
3) Grupo Desportivo de Chaves – Futebol, SAD
4) Sporting Clube da Covilhã – Futebol, SDUQ, Lda
5) Clube Desportivo Feirense – Futebol, SAD
6) Sport Clube de Freamunde – Futebol, SAD
7) Sporting Clube Olhanense – Futebol, SAD
8) Futebol Clube de Penafiel, SDUQ, Lda
9) Portimonense Futebol, SAD

The contracts wil begin in the 2019/2020 sport season and last up to 3 seasons.

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, in order to assure to both companies the availability of broadcasting rights of the sports clubs home football games, as well as the broadcasting and distribution rights of sports and sports clubs channels, whose rights are owned by each of the companies in each moment. The agreement came into force from the beginning of the sports season 2016/2017, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

Considering that the contract signed allowed for the possibility of extending the agreement to the other operators, in July 2016 MEO and Cabovisão joined the agreement, ending the lack of availability of Porto Canal in the NOS's channel grid, assuring that every pay-tv client can have access to every relevant sports content, regardless of which operator they use.

Under the agreement signed with the other operators, as compensation for the reciprocal provision of the rights, the global costs are shared according with the telecommunications retail revenues and Pay TV market shares.

The estimated cash flows are estimated as follow:

Seasons	2016/17	Flowing
Estimated cash flows with the contracts signed by NOS with the sports entities*	41 million euro	1,150 million euro
NOS estimated cash flows for the contracts signed by NOS (net of the amounts charged to the operators) and for the contracts signed by the remaining operators	24 million euro	660 million euro

* Includes games and channels broadcanting rights, advertising and others.

In August 2016, it was reached an agreement that aims the shareholder structure of Sport TV to be held in equal parts by NOS, MEO, Vodafone and Olivedesportos. In February 2017, MEO entered into the share capital of Sport TV.

47 PRESENTATION OF CONSOLIDATED INCOME STATEMENT

In the Management Report, and for the purposes of the purposes of calculating financial indicators as EBIT, EBITDA and Underlying EBITDA the consolidated income statement is divided between Direct Income and Indirect Income.

The Indirect Income includes the contribution of Sonae Sierra, net of taxes that result from: (i) valuation of investment properties; (ii) gains (losses) with the sale of financial investments, joint ventures or associates; (iii) impairment losses relating to non-current assets (including Goodwill) and (iv) provisions for assets at risk. Additionally and with regard to the portfolio of Sonae, it includes: (i) impairment of real estate assets for retail, (ii) decreases in Goodwill, (iii) negative Goodwill (net of taxes) related to acquisitions in the financial year, (iv) provisions (net of tax) for possible future liabilities, and impairments related to noncore investments, businesses and discontinued assets (or to be discontinued / repositioned), (v) valuation results based on the methodology "mark-to-market" of other current investments that will be sold or traded in the near future and (vi) other irrelevant issues.

The value of EBITDA and EBIT are calculated in the direct income component, i.e. excluding the indirect contributions.

The reconciliation between the two presentation formats for the consolidated income statement for the periods ended 31 December 2016 and 2015 can be summarized as follows:

	31 Dec 2016			31 Dec 2015		
	Consolidated	Indirect Income	Direct Income	Consolidated	Indirect income	Direct income
Turnover	5,376,137,503	-	5,376,137,503	5,014,242,623	-	5,014,242,623
Investment income						
Dividends and others adjustments	1,864,330	1,762,005	102,325	1,694,266	1,542,101	152,165
Impairments losses	(7,249,229)	(7,249,229)	-	(8,028,978)	(8,028,978)	-
Others	6,474,349	-	6,474,349	(31,991)	-	(31,991)
Others income						
Impairment losses Reversal	9,204,743	-	9,204,743	4,842,359	(471,539)	5,313,898
Others	698,444,546	-	698,444,546	675,321,257	-	675,321,257
Total income	6,084,876,242	(5,487,224)	6,090,363,466	5,688,039,536	(6,958,416)	5,694,997,952
Total expenses	(5,764,446,625)	(1,056,884)	(5,763,389,742)	(5,366,883,192)	(2,919,593)	(5,363,963,599)
Depreciation and amortisation	(183,106,719)	-	(183,106,719)	(173,003,291)	-	(173,003,291)
Gains and Losses on tangible and intangible assets	-	-	-	(13,017,198)	-	(13,017,198)
Non-recurring impairment losses over inventories	(11,787,603)	-	(11,787,603)	-	-	-
Impairment losses and provisions						
Provisions for warranty extensions	1,914,139	-	1,914,139	5,410,462	-	5,410,462
Unusual provisions and impairments	-	-	-	(6,505,887)	(6,505,887)	-
Others	(17,159,185)	-	(17,159,185)	(6,568,321)	-	(6,568,321)
Profit before financial results and results of joint ventures and associates	110,290,249	(6,544,108)	116,834,356	127,472,109	(16,383,896)	143,856,005
Unusual results	52,589,992	-	52,589,992	13,888,102	-	13,888,102
Gains and losses on investments recorded at fair value through results	(15,681,846)	(15,681,846)	-	22,135,189	22,135,189	-
Financial profits/(loss)	(36,732,024)	9,362,943	(46,094,967)	(54,331,039)	2,580,730	(56,911,769)
Share of results of joint ventures and associated undertakings						
Sonae Sierra	86,809,343	58,361,250	28,448,093	70,872,567	40,335,459	30,537,108
Armilar Venture Funds	36,726,300	36,726,300	-	-	-	-
ZOPT	17,075,644	-	17,075,644	17,975,720	-	17,975,720
Others	(1,769,179)	-	(1,769,179)	(317,098)	-	(317,098)
Profit before income tax	249,308,479	82,224,539	167,083,939	197,695,550	48,667,482	149,028,068
Income Tax	(26,904,791)	(8,263,418)	(18,641,373)	(20,919,599)	-	(20,919,599)
Profit/(Loss) from continued operations	222,403,688	73,961,121	148,442,566	176,775,951	48,667,482	128,108,469
Profit/(Loss) from discontinued operations	(409,391)	(409,391)	-	-	-	-
Profit/(Loss) for the period	221,994,297	73,551,730	148,442,567	176,775,951	48,667,482	128,108,469
Attributable to equity holders of Sonae	215,073,949	74,948,475	140,125,474	175,306,228	48,667,482	126,638,746
Non-controlling interests	6,920,348	(1,396,745)	8,317,093	1,469,723	-	1,469,723
"Underlying" EBITDA (b)			319,580,796			330,978,752
EBITDA (a)			415,925,347			393,062,584
EBIT (c)			213,076,582			205,787,672

(a) EBITDA = total direct income - total direct expenses - reversal of direct impairment losses + share of results in joint ventures and associated undertakings (Sonae Sierra direct results, and Zopt) + unusual results;

(b) "Underlying" EBITDA = EBITDA – effect of share result in joint ventures and associated undertakings –non-recurrent results;

(c) EBIT = EBT - financial results - dividends;

(d) EBT = Direct results before non-controlling interests and taxes;

(e) Direct income = Results excluding contributions to indirect results;

(f) Indirect income = Includes Sonae Sierra's results, net of taxes, arising from: (i) investment properties valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses for noncurrent assets (including Goodwill) and; (iv) provision for assets at risk. Additionally and with regard to the portfolio of Sonae, it includes: (i) impairment of real estate assets for retail, (ii) decrease in goodwill, (iii) provisions (net of tax) for possible future liabilities and impairments related with non-core financial investments, businesses, discontinued assets (or be discontinued/ repositioned);(iv) valuation results based on the methodology "mark-to-market" of other current investments that will be sold or traded in the near future and (v) other irrelevant issues.

Indirect income can be analysed as follows:

Indirect income	31 Dec 2016	31 Dec 2015
Indirect income of Sonae Sierra	58,361,250	40,335,459
Measurement of NOS at fair value	(15,681,846)	22,135,189
Negative Goodwill recognised on Armilar Venture Funds acquisition, net of taxation	28,436,582	-
Impairment of financial investments (Note 12)	9,362,943	-
Impairment of financial investments (Note 12)	(7,249,229)	(3,765,155)
Dividends of joint ventures	1,762,005	1,542,101
Provision for contingencies in Brazil	-	(6,505,887)
Loss on disposal of "non-current assets held for sale"	-	(4,263,823)
Discontinued operations	(409,391)	-
Others	(1,030,584)	(810,402)
Total	73,551,730	48,667,482

“Underlying EBITDA” can be analysed as follows:

	31 Dec 2016	31 Dec 2015
Direct EBITDA	415,925,347	393,062,584
Share of results of joint ventures and associated companies accounted by Equity Method and others	(43,754,558)	(48,195,730)
Unusual results		
Gains on disposal of fixed assets	(63,144,814)	(39,829,478)
Gains from the disposal of Imoconti	(6,389,099)	-
Expenses related to the launch of new business	-	11,909,088
Other expenses considered non-recurring	16,943,921	14,032,288
	(52,589,992)	(13,888,102)
"Underlying" Direct EBITDA	319,580,796	330,978,752

48 SUBSEQUENT EVENTS

On February 17th 2017, Sonae Sierra and Bankinter launched the Socimi on the Alternative Stock market. This listed real estate investment company was created in December 2016 on a 50:50 basis, and its major investment focus is on hypermarkets and supermarkets, retail parks and high street retail. Shopping centres will not be included in the asset portfolio.

On March 9th 2017, Sonae through one of its subsidiaries, signed a Memorandum of Understanding (MoU) with JD Sports Fashion Plc (JD Group), UK's leading retailer of sports, fashion and outdoor brands, and JD Sprinter Holdings (JD Sprinter), which provides the combination of the JD Group´s existing businesses in Iberia and JD Sprinter, with Sport Zone´s business. This MoU establishes the key parameters for the creation of an Iberian Sports Retail Group that will have as shareholders the JD Group, Sonae and the family shareholders of JD Sprinter, with shareholdings of approximately 50%, 30% and 20%, respectively. Under the agreement reached, the procedures for determining the assets, liabilities and transactions to be the object of this transaction were initiated, reason why the effects are not detailed to this date.

49 APPROVAL OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved by the Board of Directors on 14 March 2017. Nevertheless, they are still subject to approval at the Shareholders Annual General Meeting.

50 GROUP COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by Sonae as at 31 December 2016 and 31 December 2015 are as follows:

				Percentage of capital held			
				31 Dec 2016		31 Dec 2015	
	COMPANY		Head Office	Direct*	Total*	Direct*	Total*
	Sonae - SGPS, S.A.		Maia	HOLDING	HOLDING	HOLDING	HOLDING
	Retail						
	Aduanas Caspe, S.L.U.	a)	Zaragoza (Spain)	100.00%	100.00%	100.00%	100.00%
	Arat Inmuebles, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Azulino Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	BB Food Service, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Bertimóvel - Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Bom Momento - Restauração, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Canasta - Empreendimentos Imobiliários, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Chão Verde - Sociedade de Gestão Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Citorres - Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Comercial Losan Polonia SP Z.O.O	a)	Warsaw (Poland)	100.00%	100.00%	100.00%	100.00%
	Comercial Losan, S.L.U.	a)	Zaragoza (Spain)	100.00%	100.00%	100.00%	100.00%
1)	Contibomba - Comércio e Distribuição de Combustíveis, SA	a)	Matosinhos (Portugal)	-	-	100.00%	100.00%
	Contimobe - Imobiliária de Castelo de Paiva, SA	a)	Castelo de Paiva (Portugal)	100.00%	100.00%	100.00%	100.00%
	Continente Hipermercados, SA	a)	Lisbon (Portugal)	100.00%	100.00%	100.00%	100.00%
	Cumulativa - Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Discovery Sports, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%

	Elergone Energias, Lda	a)	Matosinhos (Portugal)	75.00%	75.00%	75.00%	75.00%
	Farmácia Selecção, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Fashion Division, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Fashion Division Canárias, SL	a)	Tenerife (Spain)	100.00%	100.00%	100.00%	100.00%
	Fozimo - Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Fechado Imosede	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosonae Dois	a)	Maia (Portugal)	97.91%	97.91%	97.92%	97.92%
	Global Usebti, S.L.	a)	Zaragoza (Spain)	100.00%	100.00%	100.00%	100.00%
	HighDome PCC Limited (Cell Europe)	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%
	Igimo – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Iginha – Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
2)	Imoconti – Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	-	-	100.00%	100.00%
	Imoestrutura – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Imomuro – Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Imoresultado – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Imosistema – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Infofield – Informática, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
3)	Irmãos Vila Nova, SA	a)	Vila Nova de Famalicão (Portugal)	100.00%	50.00%	-	-
3)	Irmãos Vila Nova III - Imobiliária, SA	a)	Vila Nova de Famalicão (Portugal)	100.00%	50.00%	-	-
3)	IVN – Serviços Partilhados, SA	a)	Vila Nova de Famalicão (Portugal)	50.00%	50.00%	-	-
3)	IVN Asia Limited	a)	Hong Kong (China)	100.00%	50.00%	-	-
	Losan Colombia, S.A.S	a)	Bogota (Colombia)	100.00%	100.00%	100.00%	100.00%
	Losan Overseas Textile, S.L.	a)	Zaragoza (Spain)	100.00%	100.00%	100.00%	100.00%
	Losan Tekstil Urunleri V e Dis Ticaret, L.S.	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%
	Marcas MC, zRT	a)	Budapest (Hungary)	100.00%	100.00%	100.00%	100.00%
4)	MCCARE – Serviços de Saúde, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	-	-
	MJB Design, Lda	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	MJLF - Empreendimentos Imobiliários, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Modalfa - Comércio e Serviços, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%

	Modalloop - Vestuário e Calçado, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Modelo Continente Hipermercados, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Modelo Continente International Trade, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Modelo Hiper Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
1)	Modelo.com - Vendas p/Correspond., SA	a)	Maia (Portugal)	-	-	100.00%	100.00%
	Pharmaconcept – Actividades em Saúde, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Pharmacontinente - Saúde e Higiene, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Ponto de Chegada – Sociedade Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Predicomercial - Promoção Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Predilugar- Promoção Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
3)	Salsa DE Gmbh	a)	Dusseldorf (Germany)	100.00%	50.00%	-	-
3)	Salsa Distribution USA LLC	a)	New York (USA)	100.00%	50.00%	-	-
3)	Salsa France, S.A.R.L.	a)	Paris (France)	99.99%	50.00%	-	-
3)	Salsa Luxembourg, Sàrl	a)	Luxembourg	100.00%	50.00%	-	-
3)	SLS Salsa – Comércio e Difusão de Vestuário, S.A.	a)	Vila Nova de Famalicão (Portugal)	100.00%	50.00%	-	-
3)	SLS Salsa España – Comercio y Difusión de Vestuario, S.A.U.	a)	Pontevedra (Spain)	100.00%	50.00%	-	-
	SDSR – Sports Division SR, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Selifa - Empreendimentos Imobiliários de Fafe, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sempre à Mão - Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sesagest - Proj.Gestão Imobiliária, SA	a)	Porto (Portugal)	100.00%	100.00%	100.00%	100.00%
	SIAL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	Socijofra - Sociedade Imobiliária, SA	a)	Gondomar (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sociloures - Sociedade Imobiliária, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Soflorin, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
4)	Sohi Meat Solutions- Distribuição de Carnes, SA	a)	Santarém (Portugal)	100.00%	100.00%	-	-
	Sonae Capital Brasil, Lda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	Sonae Center Serviços II, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonae Investimentos, SGPS, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonae MC – Modelo Continente SGPS, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
4)	Sonae MC S2 Africa Limited	a)	La Valletta (Malta)	100.00%	100.00%	-	-

5)	Sonae Retalho España - Servicios Generales, SA	a)	Madrid (Spain)	-	-	100.00%	100.00%
	Sonae SR Malta Holding Limited	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%
	Sonaegest-Soc.Gest.Fundos Investimentos, SA	a)	Maia (Portugal)	100.00%	90.00%	100.00%	90.00%
	Sonaerp - Retail Properties, SA	a)	Porto (Portugal)	100.00%	100.00%	100.00%	100.00%
	SONAESR – Serviços e Logística, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
6)	Sonae Specialized Retail, SGPS, SA	a)	Matosinhos (Portugal)	-	-	100.00%	100.00%
	Sondis Imobiliária, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonvecap, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sport Zone Canárias, SL	a)	Tenerife (Spain)	60.00%	60.00%	60.00%	60.00%
	Sport Zone España - Comércio de Articulos de Deporte, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Sport Zone spor malz.per.satis ith.ve tic.ltd.sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%
	Têxtil do Marco, SA	a)	Marco de Canaveses (Portugal)	92.76%	92.76%	92.76%	92.76%
	Usebti Textile México S.A. de C.V.	a)	Mexico City (Mexico)	100.00%	100.00%	100.00%	100.00%
	Valor N, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Worten Canárias, SL	a)	Tenerife (Spain)	60.00%	60.00%	60.00%	60.00%
	Worten - Equipamento para o Lar, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Worten España Distribución, S.L.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Zippy - Comércio e Distribuição, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Zippy - Comércio Y Distribución, SA	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Zippy cocuk malz.dag.ith.ve tic.ltd.sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%
	ZYEvolution-Invest.Desenv., SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonae IM						
5)	Accive Insurance – Consultoria e Franchising, Lda	a)	Porto (Portugal)	-	-	100.00%	35.01%
	Accive Insurance – Corretor de Seguros, SA	a)	Porto (Portugal)	70.00%	35.01%	70.00%	35.01%
7)	ADD Avaliações Engenharia de Avaliações e Perícias, Ltda	a)	Santa Catarina (Brazil)	-	-	100.00%	50.01%
4)	Bright Development Studio, SA	a)	Maia (Portugal)	100.00%	89.97%	-	-
4)	Bright Ventures Capital SCR	a)	Maia (Portugal)	100.00%	89.97%	-	-
	Cape Tecnologies Limited	a)	Dublin (Ireland)	100.00%	89.97%	100.00%	89.97%

	Digitmarket - Sistemas de Informação, SA	a)	Maia (Portugal)	75.10%	67.56%	75.10%	67.56%
	Herco Consultoria de Risco e Corretora de Seguros, Ltda	a)	Santa Catarina (Brazil)	100.00%	50.01%	100.00%	50.01%
	Herco, Consultoria de Risco, SA	a)	Maia (Portugal)	100.00%	50.01%	100.00%	50.01%
	HighDome PCC Limited	a)	La Valletta (Malta)	100.00%	50.01%	100.00%	50.01%
3)	Iberosegur – Sociedade Ibérica de Mediação de Seguros, Lda	a)	Porto (Portugal)	100.00%	50.01%	-	-
3)	Inovretail, Lda	a)	Maia (Portugal)	100.00%	89.97%	-	-
8)	S21SEC Portugal – Cybersecurity and Intelligence Services, SA	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
	Larim Corretora de Resseguros Ltda	a)	Rio de Janeiro (Brazil)	99.99%	50.01%	99.99%	50.01%
	Lazam/mds Correctora Ltda	a)	São Paulo (Brazil)	100.00%	50.01%	100.00%	50.01%
9)	MDS África, SGPS, SA	a)	Porto (Portugal)	50.00%	25.05%	100.00%	50.01%
10)	MDS - Corretor de Seguros, SA	a)	Porto (Portugal)	100.00%	50.01%	100.00%	50.01%
	MDS Affinity-Sociedade de Mediação Lda	a)	Porto (Portugal)	100.00%	50.01%	100.00%	50.01%
	MDS Auto - Mediação de Seguros, SA	a)	Porto (Portugal)	50.01%	25.01%	50.01%	25.01%
5)	Mds Knowledge Centre, Unipessoal, Lda	a)	Lisbon (Portugal)	100.00%	50.01%	100.00%	50.01%
	MDS Malta Holding Limited	a)	La Valletta (Malta)	100.00%	50.01%	100.00%	50.01%
	MDS RE – Mediador de resseguros, SGPS, SA	a)	Porto (Portugal)	100.00%	25.05%	100.00%	50.01%
	MDS, SGPS, SA	a)	Maia (Portugal)	50.01%	50.01%	50.01%	50.01%
	Modelo - Distribuição de Materiais de Construção, SA	b)	Maia (Portugal)	50.00%	50.00%	50.00%	50.00%
3)	Moneris Seguros - Mediação de Seguros, Lda	a)	Oeiras (Portugal)	60.00%	30.01%	-	-
	PCJ-Público, Comunicação e Jornalismo, SA	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
	Praesidium Services Limited	a)	Berkshire (U.K.)	100.00%	89.97%	100.00%	89.97%
	Público - Comunicação Social, SA	a)	Porto (Portugal)	100.00%	89.97%	100.00%	89.97%
7)	RSI Corretora de Seguros, Ltda	a)	São Paulo (Brazil)	100.00%	50.01%	100.00%	50.01%
	S21 Sec Brasil, Ltda	a)	São Paulo (Brazil)	99.99%	89.96%	99.99%	69.98%
	S21 Sec Ciber Seguridad SA de CV	a)	Mexico City (Mexico)	100.00%	89.97%	100.00%	69.86%
	S21 Sec Gestion, SA	a)	Navarra (Spain)	100.00%	89.97%	77.80%	69.99%
	S21 Sec Information Security Labs, S.L.	a)	Navarra (Spain)	100.00%	89.97%	100.00%	69.99%
	S21 Sec México, SA de CV	a)	Mexico City (Mexico)	100.00%	89.97%	99.87%	69.89%
	S21 Sec SA de CV	a)	Mexico City (Mexico)	100.00%	89.97%	99.99%	69.98%
	Saphety – Transacciones Electronicas SAS	a)	Bogota (Colombia)	100.00%	78.27%	100.00%	78.27%

	Saphety Brasil Transações Electrônicas Lda	a)	São Paulo (Brazil)	100.00%	78.27%	100.00%	78.27%
	Saphety Level - Trusted Services, SA	a)	Maia (Portugal)	86.99%	78.27%	86.99%	78.27%
	Sonaecom-Cyber Security and Int., SGPS, SA	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
	Sonaecom - Serviços Partilhados, SA	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
	Sonaecom - Sistemas de Información España, SL	a)	Madrid (Spain)	100.00%	89.97%	100.00%	89.97%
5)	Sonaecom BV	a)	Amsterdam (Netherlands)	100.00%	89.97%	100.00%	89.97%
	Sonaecom, SGPS, SA	a)	Maia (Portugal)	90.15%	89.97%	90.15%	89.97%
	Sonae Investment Management - Software and Technology, SGPS, SA	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
5)	Sonaetelecom, BV	a)	Amsterdam (Netherlands)	100.00%	89.97%	100.00%	89.97%
11)	Sysvalue – Consult.Int.e Seg. em SI, SA	a)	Lisbon (Portugal)	100.00%	89.97%	-	-
	Tecnológica Telecomunicações, Ltda	a)	Rio de Janeiro (Brazil)	99.99%	89.87%	99.99%	89.87%
	Tlantic, BV	a)	Amsterdam (Netherlands)	70.71%	70.71%	72.10%	72.10%
	Tlantic Portugal - Sistemas de Informação, SA	a)	Maia (Portugal)	100.00%	70.71%	100.00%	72.10%
	Tlantic Sistemas de Informação, Ltda	a)	Porto Alegre (Brazil)	100.00%	70.71%	100.00%	72.10%
	We Do Brasil Soluções Informáticas, Ltda	a)	Rio de Janeiro (Brazil)	99.91%	89.88%	99.91%	89.88%
	We Do Consulting - Sistemas de Informação, SA	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
5)	We Do Poland SP. Z.o.o.	a)	Poznan (Poland)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies (UK) Limited	a)	Berkshire (U.K.)	100.00%	89.97%	100.00%	89.97%
	We Do Tecnologies Americas, Inc.	a)	Delaware (USA)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies Australia PTY Limited	a)	Sydney (Australia)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies Egypt Limited Liability Company	a)	Cairo (Egypt)	100.00%	89.97%	100.00%	89.97%
	We Do Technologies Mexico S. de RL	a)	Mexico City (Mexico)	100.00%	89.97%	100.00%	89.97%
	We Do Tecnologies BV	a)	Amsterdam (Netherlands)	100.00%	89.97%	100.00%	89.97%
	Others						
	Libra Serviços, Lda	a)	Funchal (Portugal)	100.00%	100.00%	100.00%	100.00%
4)	SFS – Serviços de Gestão e Marketing, SA	a)	Maia (Portugal	100.00%	100.00%	-	-
	Sonae Investments, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%

Sonae RE, SA	a)	Luxembourg	99.92%	99.92%	99.92%	99.92%
Sonaecenter Serviços, SA	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Sonae Financial Services, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Sontel, BV	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%

*the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

a) Control held by majority of voting rights which gives power of relevant activities;

b) Control held by majority of Board members;

1) Companies merged into Modelo Continente Hipermercados, SA, at 1 January 2016;

2) Company disposed on 30 December 2016 to Iberia Shopping Centre Venture Cooperatief UA;

3) Company acquired during the period;

4) Company created during the period;

5) Company liquidated during the period;

6) Company incorporated by merger in Sonae MC – Modelo Continente, SGPS SA at 1 January 2016;

7) Company incorporated by merger in Lazam/MDS Correctora Ltda at 1 January 2016;

8) Ex Itrust – Cyber Security and Intelligence, SA;

9) On May 6, 2016, the share capital of MDS Africa, SGPS, SA was increased, through the issuance of the new shares subscribed by a new shareholder. Now this company is a joint venture;

10) Company merged into MDS Corretora SA;

11) Company acquired in the period and incorporated by merger in S21 SEC Portugal Cyber Security Services, SA.

These entities are consolidated using the full consolidation method.

51 JOINT VENTURES AND ASSOCIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

Joint ventures and associates, their head offices and percentage of share capital held by Sonae as at 31 December 2016 and 31 December 2015 are as follows:

51.1 Joint ventures

			Percentage of capital held			
			31 Dec 2016		31 Dec 2015	
	COMPANY	Head Office	Direct*	Total*	Direct*	Total*
	Sonae Sierra					
	3shoppings - Holding, SGPS, SA	Maia (Portugal)	100.00%	25.05%	100.00%	25.05%
	8ª Avenida Centro Comercial, SA	Maia (Portugal)	100.00%	11.25%	100.00%	23.75%
1)	Adlands BV	Amsterdam (Netherlands)	50.00%	25.00%	50.00%	25.00%
	Aegean Park Constructions Real Estate and Development, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
	ALBCC – Albufeirashopping – Centro Comercial, SA	Maia (Portugal)	100.00%	11.25%	100.00%	23.75%
	ALEXA Holding GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
2)	Algarveshopping - Centro Comercial, SA	Maia (Portugal)	100.00%	5.00%	100.00%	25.05%
	ARP Alverca Retail Park, SA	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%
	Arrábidashopping - Centro Comercial, SA	Maia (Portugal)	100.00%	12.53%	100.00%	23.75%
1)	Avenida M-40, BV	Amsterdam (Netherlands)	100.00%	25.05%	100.00%	25.05%
1)	Beralands BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Campo Limpo Lda	S. Paulo (Brazil)	20.00%	3.33%	20.00%	3.33%
	Cascaishopping - Centro Comercial, SA	Maia (Portugal)	100.00%	28.62%	100.00%	28.62%
	Cascaishopping Holding I, SGPS, SA	Maia (Portugal)	100.00%	28.62%	100.00%	28.62%
	CCCB Caldas da Rainha - Centro Comercial, SA	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%

	Centro Colombo - Centro Comercial, SA	Maia (Portugal)	100.00%	12.53%	100.00%	12.53%
	Centro Vasco da Gama - Centro Comercial, SA	Maia (Portugal)	100.00%	12.53%	50.00%	12.53%
	Coimbrashopping - Centro Comercial, SA	Maia (Portugal)	100.00%	25.05%	100.00%	25.05%
	Colombo Towers Holding, BV	The Hague (Netherlands)	50.00%	25.00%	50.00%	25.00%
	DOC Malaga Holdings S.L.	Madrid (Spain)	50.00%	12.53%	50.00%	12.53%
	DOC Malaga SITECO S.L.U.	Madrid (Spain)	100.00%	12.53%	100.00%	12.53%
	Dortmund Tower GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	Dos Mares - Shopping Centre, BV	Amsterdam (Netherlands)	100.00%	25.05%	100.00%	25.05%
	Dos Mares - Shopping Centre, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
2)	Estação Viana - Centro Comercial, SA	Viana do Castelo (Portugal)	100.00%	5.00%	100.00%	25.05%
	Freccia Rossa - Shopping Centre, Srl	Milan (Italy)	50.00%	25.00%	50.00%	25.00%
	Fundo de Investimento Imobiliário Parque Dom Pedro Shopping Center	Rio de Janeiro (Brazil)	50.00%	10.34%	50.00%	10.34%
	Fundo de Investimento Imobiliário Shopping Parque Dom Pedro	Rio de Janeiro (Brazil)	87.61%	15.78%	87.61%	15.78%
	Gaiashopping I - Centro Comercial, SA	Maia (Portugal)	100.00%	12.53%	100.00%	23.75%
	Gaiashopping II - Centro Comercial, SA	Maia (Portugal)	100.00%	12.53%	100.00%	23.75%
	Gli Orsi Shopping Centre 1, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
	Guimarãeshopping - Centro Comercial, SA	Maia (Portugal)	100.00%	25.05%	100.00%	25.05%
	Harvey Dos Iberica, SL	Madrid (Spain)	50.00%	12.53%	50.00%	12.53%
	Iberian Assets, SA	Madrid (Spain)	49.81%	12.48%	49.78%	12.48%
3)	Iberia Shopping Centre Venture Cooperatief UA	Amsterdam (Netherlands)	100.00%	5.00%	-	-
4)	Iberian Holdings Spain, S.L.	Madrid (Spain)	100.00%	50.00%	-	-
	Ioannina Development of Shopping Centres, SA	Athens (Greece)	100.00%	50.00%	100.00%	50.00%
	Land Retail, BV	Amsterdam (Netherlands)	100.00%	32.19%	100.00%	32.19%
	Larissa Development of Shopping Centres, SA	Athens (Greece)	100.00%	25.00%	100.00%	25.00%
	LCC – Leiriashopping – Centro Comercial, SA	Maia (Portugal)	100.00%	11.25%	100.00%	23.75%
	Le Terrazze – Shopping Centre 1, Srl	Milan (Italy)	50.00%	5.00%	50.00%	5.00%
5)	Loop 5 - Shopping Centre Gmbh	Dusseldorf (Germany)	9.00%	4.50%	50.00%	25.00%

	Loureshopping – Centro Comercial, SA	Maia (Portugal)	50.00%	5.63%	50.00%	11.88%
2)	Luz del Tajo - Centro Comercial, SA	Madrid (Spain)	100.00%	5.00%	100.00%	25.05%
	Luz del Tajo, BV	Amsterdam (Netherlands)	100.00%	25.05%	100.00%	25.05%
	Madeirashopping - Centro Comercial, SA	Funchal (Portugal)	50.00%	12.53%	50.00%	12.53%
	Maiashopping - Centro Comercial, SA	Maia (Portugal)	100.00%	25.05%	100.00%	25.05%
	Microcom Doi, Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
1)	Münster Arkaden, BV	Amsterdam (Netherlands)	100.00%	25.05%	100.00%	25.05%
	Norte Shopping Retail and Leisure Centre, BV	Amsterdam (Netherlands)	50.00%	12.53%	50.00%	12.53%
	Norteshopping - Centro Comercial, SA	Maia (Portugal)	100.00%	12.53%	100.00%	12.53%
	Pantheon Plaza BV	Amsterdam (Netherlands)	50.00%	25.00%	50.00%	25.00%
	Paracentro - Gestão de Galerias Comerciais, SA	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%
	Park Avenue Developement of Shopping Centers, SA	Athens (Greece)	50.00%	25.00%	100.00%	25.00%
	Parklake Shopping, SA	Bucharest (Romania)	50.00%	25.00%	50.00%	25.00%
	Parque Atlântico Shopping - Centro Comercial SA	Ponta Delgada (Portugal)	50.00%	12.53%	50.00%	12.53%
	Parque D. Pedro 1, BV Sarl	Luxembourg	100.00%	25.00%	100.00%	25.00%
	Parque de Famalicão - Empreendimentos Imobiliários, SA	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%
	Pátio Boavista Shopping, Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
6)	Pátio Campinas Shopping, Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
	Pátio Goiânia Shopping, Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
	Pátio Londrina Empreendimentos e Participações, Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
	Pátio Sertório Shopping, Ltda	Manaus (Brazil)	100.00%	16.66%	100.00%	16.66%
	Pátio Uberlândia Shopping, Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
	Plaza Eboli - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
	Plaza Mayor Parque de Ócio, BV	Amsterdam (Netherlands)	100.00%	25.05%	100.00%	25.05%
	Plaza Mayor Parque de Ócio, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
	Plaza Mayor Shopping, BV	Amsterdam (Netherlands)	100.00%	25.05%	100.00%	25.05%

	Plaza Mayor Shopping, SA	Madrid (Spain)	100.00%	25.05%	100.00%	25.05%
4)	Plenerg Srl	Bucharest (Romania)	50.00%	25.00%	-	-
	PORTCC – Portimãoshopping – Centro Comercial, SA	Maia (Portugal)	100.00%	11.25%	100.00%	23.75%
2)4)	Project Guia, SA	Maia (Portugal)	100.00%	5.00%	-	-
	Project Sierra 10 BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Project Sierra 11 BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Project Sierra 12 BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Project Sierra 2, BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
2)	Project Sierra 8, BV	Amsterdam (Netherlands)	100.00%	5.00%	100.00%	25.05%
	Project Sierra Cúcuta, BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Four, SA	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Germany 2 (two), Shopping Centre, GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Germany 4 (four), Shopping Centre, GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Spain 1, BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Spain 2 - Centro Comercial, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
	Project Sierra Two, Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
	Proyecto Cúcuta S.A.S	Santiago de Cali (Colombia)	50.00%	25.00%	50.00%	25.00%
	Rio Sul – Centro Comercial, SA	Lisbon (Portugal)	50.00%	5.63%	50.00%	11.88%
	River Plaza BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	River Plaza Mall, Srl	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
	SC Aegean, BV	Amsterdam (Netherlands)	50.00%	25.00%	50.00%	25.00%
	Serra Shopping – Centro Comercial, SA	Lisbon (Portugal)	50.00%	5.63%	50.00%	11.88%
	Shopping Centre Colombo Holding, BV	Amsterdam (Netherlands)	50.00%	12.53%	50.00%	12.53%
	Shopping Centre Parque Principado, BV	Amsterdam (Netherlands)	100.00%	25.05%	100.00%	25.05%
1)	Sierra Asia Limited	Hong Kong	100.00%	50.00%	100.00%	50.00%

	Sierra Berlin Holding BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Brazil 1, BV	Amsterdam (Netherlands)	100.00%	25.00%	100.00%	25.00%
	Sierra Central, S.A.S.	Santiago de Cali (Colômbia)	50.00%	25.00%	50.00%	25.00%
	Sierra Cevital Shopping Center, Spa	Algeria	49.00 %	24.50%	49.00 %	24.50%
	Sierra Core Assets Holdings, BV	Amsterdam (Netherlands)	50.00%	25.05%	50.00%	25.05%
	Sierra Developments Holding, BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Developments, SGPS, SA	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%
	Sierra European Retail Real Estate Assets Holdings, BV	Amsterdam (Netherlands)	50.10%	25.05%	50.10%	25.05%
	Sierra Germany GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	Sierra GP, Limited	Guernsey (U.K.)	100.00%	50.00%	100.00%	50.00%
	Sierra Greece, SA	Athens (Greece)	100.00%	50.00%	100.00%	50.00%
	Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
	Sierra Investments (Holland) 1, BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Investments (Holland) 2, BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Investments Holding, BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Investments SGPS, SA	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%
	Sierra Italy, Srl	Milan (Italy)	100.00%	50.00%	100.00%	50.00%
	Sierra Management, SGPS, SA	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%
4)	Sierra Maroc, SARL	Casablanca (Morocco)	100.00%	50.00%	-	-
4)	Sierra Maroc Services, SARL	Casablanca (Morocco)	100.00%	50.00%	-	-
	Sierra Portugal, SA	Lisbon (Portugal)	100.00%	50.00%	100.00%	50.00%
	Sierra Project Nürnberg BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Real Estate Greece BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
4)	Sierra Retail Ventures BV	Amsterdam (Netherlands)	100.00%	50.00%	-	-

	Sierra Romania Shopping Centers Services, SRL	Bucharest (Romania)	100.00%	50.00%	100.00%	50.00%
	Sierra Turkey Gayrimenkul Yönetim Pazarlama ve Danışmanlık Anonim Şirket	Istanbul (Turkey)	100.00%	50.00%	100.00%	50.00%
	Sierra Services Holland BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
1)	Sierra Services Holland 2 BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Sierra Solingen Holding GmbH	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
4)	Sierra Spain Malaga Holdings, S.L.	Madrid (Spain)	100.00%	50.00%	-	-
	Sierra Spain – Shopping Centers Services, SA	Madrid (Spain)	100.00%	50.00%	100.00%	50.00%
	Sierra VdG Holding BV	Amsterdam (Netherlands)	100.00%	12.53%	100.00%	25.05%
	Sierra Zenata Project B.V.	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Solingen Shopping Center GmbH	Dusseldorf (Germany)	100.00%	25.00%	100.00%	25.00%
	Sonae Sierra Brasil, SA	São Paulo (Brazil)	66.65%	16.66%	66.65%	16.66%
	Sonae Sierra Brazil, BV Sarl	Luxembourg	50.00%	25.00%	50.00%	25.00%
	Sonae Sierra, SGPS, SA	Maia (Portugal)	50.00%	50.00%	50.00%	50.00%
	SPF - Sierra Portugal	Luxembourg	100.00%	50.00%	100.00%	50.00%
	SPF - Sierra Portugal Real Estate, Sarl	Luxembourg	22.50%	11.25%	47.50%	23.75%
	Unishopping Consultoria Imobiliária, Ltda	São Paulo (Brazil)	100.00%	16.66%	100.00%	16.66%
	Via Catarina - Centro Comercial, SA	Maia (Portugal)	50.00%	12.53%	50.00%	12.53%
	Weiterstadt Shopping BV	Amsterdam (Netherlands)	100.00%	50.00%	100.00%	50.00%
	Zenata Commercial Project, SA	Mohammedia (Morocco)	100.00%	5.5%	100.00%	5.5%
	ZOPT (NOS)					
	Big Picture 2 Films, SA	Oeiras (Portugal)	20.00%	4.69%	20.00%	4.50%
	Canal 20 TV, SA	Madrid (Spain)	50.00%	11.73%	50.00%	11.25%
	Dreamia Holding BV	Amsterdam (Netherlands)	50.00%	11.73%	50.00%	11.25%
	Dreamia Serviços de Televisão, SA	Lisbon (Portugal)	100.00%	11.73%	100.00%	11.25%
	East Star Ltd	Port Louis (Mauricias)	30.00%	7.04%	30.00%	6.75%
	Empracine – Empresa Promotora de Atividades Cinematográficas, Lda	Lisbon (Portugal)	100.00%	23.46%	100.00%	22.50%

FINSTAR – Sociedade de Investimentos e Participações, SA	Luanda (Angola)	30.00%	7.04%	30.00%	6.75%
Lusomundo – Sociedade de investimentos imobiliários, SGPS, SA	Lisbon (Portugal)	99.87%	23.43%	99.87%	22.47%
Lusomundo Imobiliária 2, SA	Lisbon (Portugal)	99.87%	23.43%	99.87%	22.47%
Lusomundo Moçambique, Lda	Maputo (Mozambique)	100.00%	23.46%	100.00%	22.50%
MSTAR, SA	Maputo (Mozambique)	30.00%	7.04%	30.00%	6.75%
NOS Açores Comunicações, SA	Ponta Delgada (Azores)	83.82%	19.66%	83.82%	18.86%
NOS Communications Sàrl	Luxemburgo	100.00%	23.46%	100.00%	22.50%
NOS Comunicações, SA	Lisbon (Portugal)	100.00%	23.46%	100.00%	22.50%
NOS Inovação, SA	Matosinhos (Portugal)	100.00%	23.46%	100.00%	22.50%
NOS Lusomundo Audiovisuais, SA	Lisbon (Portugal)	100.00%	23.46%	100.00%	22.50%
NOS Lusomundo Cinemas, SA	Lisbon (Portugal)	100.00%	23.46%	100.00%	22.50%
NOS Lusomundo TV, Lda	Lisbon (Portugal)	100.00%	23.46%	100.00%	22.50%
NOS Madeira Comunicações, SA	Funchal (Madeira)	77.95%	18.29%	77.95%	17.54%
NOS SGPS, SA	Lisbon (Portugal)	52.15%	23.46%	52.15%	22.50%
NOS Sistemas España, SL	Madrid (Spain)	100.00%	23.46%	100.00%	22.50%
NOS Sistemas, SA	Maia (Portugal)	100.00%	23.46%	100.00%	22.50%
NOSPUB – Publicidade e Conteúdos, SA	Lisbon (Portugal)	100.00%	23.46%	100.00%	22.50%
NOS Tecnology – Concepção Construção e Gestão de Redes de Comunicação, SA	Matosinhos (Portugal)	100.00%	23.46%	100.00%	22.50%
NOS Towering – Gestão de Torres de Telecomunicações, SA	Maia (Portugal)	100.00%	23.46%	100.00%	22.50%
Per-Mar – Sociedade de Construções, SA	Maia (Portugal)	100.00%	23.46%	100.00%	22.50%
Sontária – Empreendimentos Imobiliários, SA	Maia (Portugal)	100.00%	23.46%	100.00%	22.50%
Sport TV Portugal	Lisbon (Portugal)	33.33%	7.82%	50.00%	11.25%
Teliz Holding, BV	Amstelveen (Netherlands)	100.00%	23.46%	100.00%	22.50%
Upstar Comunicações, SA	Vendas Novas (Portugal)	30.00%	7.04%	30.00%	6.75%
ZAP Cinemas, SA	Luanda (Angola)	100.00%	7.04%	100.00%	6.75%
ZAP Media, SA	Luanda (Angola)	100.00%	7.04%	100.00%	6.75%
ZAP Publishing, SA	Luanda (Angola)	100.00%	7.04%	100.00%	6.75%

1)	ZON Finance BV	Amsterdam (Netherlands)	100.00%	23.46%	100.00%	22.50%
	ZOPT, SGPS, SA	Porto (Portugal)	50.01%	44.98%	50.01%	44.98%
	Sonae IM					
	Intelligent Big Data, SL	Guipuzcoa (Spain)	50.00%	44.99%	50.00%	35.00%
	SIRS – Sociedade Independente de Radiodifusão Sonora, SA	Porto (Portugal)	45.00%	40.49%	45.00%	40.49%
	Unipress - Centro Gráfico, Lda	Vila Nova de Gaia (Portugal)	50.00%	44.99%	50.00%	44.99%

*the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

1) Company liquidated during the period;

2) Participation of 20% sold to Iberia Shopping Centre Venture Cooperatief UA during the period;

3) Company acquired during the period;

4) Company created in the period;

5) In January 2016, the Group sold 41% of the Company retaining a minority interest of 9%;

6) Company sold during the period.

51.2 Associated companies

			Percentage of share capital held			
			31 Dec 2016		31 Dec 2015	
	COMPANY	Head Office	Direct*	Total*	Direct*	Total*
	Retail					
	APOR – Agência para a Modernização do Porto, S.A.	Porto (Portugal)	22.75%	22.75%	22.75%	22.75%
1)	MOVVO, SA	Porto (Portugal)	25.58%	25.58%	16.00%	16.00%
	Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Lisbon (Portugal)	25.00%	25.00%	25.00%	25.00%
2)	Ulabox, S.L.	Barcelona (Spain)	39.18%	39.18%	28.57%	28.57%
	Sonae IM					
	Brokerslink Management AG	Zug (Switzerland)	20.00%	20.00%	20.00%	20.00%

*the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) these participations directly in the share capital of that company.

1) On May 27, 2016, the group proceeded to a capital increase in MOVVO. Now the Group holds significant influence on that subsidiary and therefore is consolidating by the equity method (Note 11);

2) Capital increase carried out on April 14, 2016 and on September 6, 2016.

Jointly controlled companies and associated companies were included in the consolidated financial statements by the equity method.

Approved at the meeting of the Board of Directors held on March 14th 2017

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

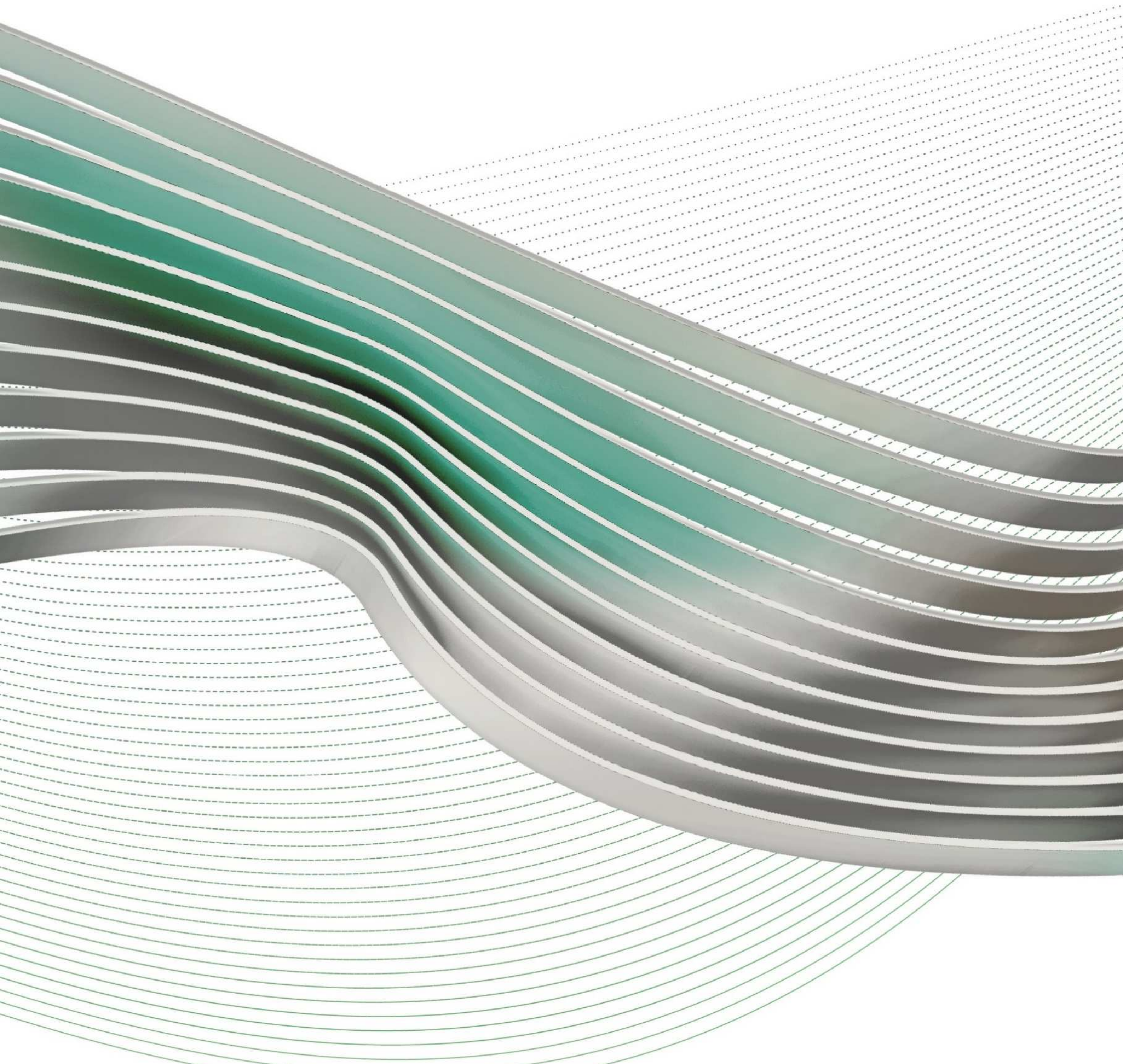
José Manuel Neves Adelino, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

SEPARATE FINANCIAL STATEMENTS



SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016 AND 2015

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

(Amounts expressed in euro)	Notes	31 Dec 2016	31 Dec 2015
ASSETS			
NON-CURRENT ASSETS:			
Tangible assets	6	65,375	90,243
Intangible assets	7	47	2,153
Investments in subsidiaries, associates and joint ventures	4, 8	4,094,293,240	3,936,004,695
Other investments	4, 9	30,644,385	29,617,075
Deferred taxes		966,895	-
Other non-current assets	4, 10	173,092,867	347,400,000
Total non-current assets		4,299,062,809	4,313,114,166
CURRENT ASSETS:			
Trade account receivables	4, 11	715,428	500,159
Other debtors	4, 12	41,504,643	44,464,350
Taxes recoverable	13	20,425,842	25,714,649
Other current assets	4, 14	2,760,665	2,166,828
Cash and cash equivalents	4, 15	950,886	390,501
Total current assets		66,357,464	73,236,487
TOTAL ASSETS		4,365,420,273	4,386,350,653
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	16	2,000,000,000	2,000,000,000
Legal reserves	18	244,211,592	244,211,592
Hedging reserve, fair value reserve and other reserves	19	1,484,176,439	1,604,617,615
Profit / (loss) for the year		61,300,218	(279,672,410)
TOTAL EQUITY		3,789,688,249	3,569,156,797
LIABILITIES:			
NON-CURRENT LIABILITIES:			
Bonds	4, 21	158,361,552	207,406,442
Bank loans	4, 21	143,678,553	180,000,000
Total non-current liabilities		302,040,105	387,406,442
CURRENT LIABILITIES:			
Bank loans	4, 21	162,000,000	159,300,000
Trade accounts payable	4	545,724	403,764
Loans obtained from group companies	4, 22	38,642,000	201,328,447
Other creditors	4, 23	53,280,686	42,828,123
Taxes and contributions payable	13	15,749,775	20,205,511
Other current liabilities	4, 24	3,473,734	5,721,569
Total current liabilities		273,691,919	429,787,414
TOTAL EQUITY AND LIABILITIES		4,365,420,273	4,386,350,653

The accompanying notes are part of these separate financial statements.

The Board of Directors

SEPARATE INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

(Amounts expressed in euro)	Notes	31 Dec 2016	31 Dec 2015
Services rendered	28	479,662	469,550
Gains or losses on investments	29	58,996,853	(313,337,590)
Financial income	30	29,483,595	74,936,517
Other income		2,345,021	2,327,577
External supplies and services	31	(3,786,607)	(3,552,258)
Staff costs	32	(1,967,496)	(2,156,795)
Depreciation and amortisation	6, 7	(35,508)	(34,266)
Provisions and impairment losses		(1,913)	-
Financial expense	30	(14,204,643)	(30,689,583)
Other expenses		(792,278)	(732,369)
Profit/(loss) before taxation		70,516,686	(272,769,217)
Taxation	33	(9,216,468)	(6,903,193)
Profit/(loss) after taxation		61,300,218	(279,672,410)
Profit/(loss) per share			
Basic	34	0.030651	(0.140748)
Diluted	34	0.030642	(0.140662)

The accompanying notes are part of these separate financial statements.

The Board of Directors

SEPARATE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

(Amounts expressed in euro)	Notes	31 Dec 2016	31 Dec 2015
Net Profit / (loss) for the year		61,300,218	(279,672,410)
Changes on fair value of available-for-sale financial assets	8, 9	159,318,401	83,232,889
Other comprehensive income for the year		159,318,401	83,232,889
Total comprehensive income for the year		220,618,619	(196,439,521)

The accompanying notes are part of these separate financial statements.

The Board of Directors

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AS AT 31 DECEMBER 2016 AND 2015

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

					Reserves and retained earnings					
(Amounts expressed in euro)	Notes	Share capital	Treasury shares	Legal reserve	Fair value reserve	Share based payments reserve	Free reserves	Total reserves and retained earnings	Net Profit/(loss)	Total
Balance as at 1 January 2015		2,000,000,000	(6,857,332)	196,260,390	176,990,899	785,602	582,803,888	760,580,389	959,024,034	3,909,007,481
Total comprehensive income for the year		-	-	-	83,232,889	-	-	83,232,889	(279,672,410)	(196,439,521)
Appropriation of profit of 2014:										
Transfer to legal reserves and other reserves	18	-	-	47,951,202	-	-	838,072,832	838,072,832	(886,024,034)	-
Dividends distributed	36	-	-	-	-	-	5,215	5,215	(73,000,000)	(72,994,785)
Free reserves distributed	36	-	-	-	-	-	(76,994,692)	(76,994,692)	-	(76,994,692)
Purchase of treasury shares	17	-	(139,401)	-	-	-	-	-	-	(139,401)
Sale of treasury shares	17	-	5,912,942	-	-	-	241,601	241,601	-	6,154,543
Share-based payments	20	-	-	-	-	508,066	-	508,066	-	508,066
Shares sold under the terms of Annual Performance Bonus Plan and Medium Term Incentive Plans	20	-	1,083,791	-	-	(335,400)	(693,285)	(1,028,685)	-	55,106
Balance as at 31 December 2015		2,000,000,000	-	244,211,592	260,223,788	958,268	1,343,435,559	1,604,617,615	(279,672,410)	3,569,156,797
Balance as at 1 January 2016		2,000,000,000	-	244,211,592	260,223,788	958,268	1,343,435,559	1,604,617,615	(279,672,410)	3,569,156,797
Total comprehensive income for the year		-	-	-	159,318,401	-	-	159,318,401	61,300,218	220,618,619
Appropriation of loss of 2015:										
Transfer to retained earnings		-	-	-	-	-	(279,672,410)	(279,672,410)	279,672,410	-
Obligation fulfilled by a third party		-	(1,118,141)	-	-	-	-	-	-	(1,118,141)
Share-based payments	20	-	-	-	-	524,900	-	524,900	-	524,900
Shares sold under the terms of Annual Performance Bonus Plan and Medium Term Incentive Plans	20	-	1,118,141	-	-	(404,600)	(207,467)	(612,067)	-	506,074
Balance as at 31 December 2016		2,000,000,000	-	244,211,592	419,542,189	1,078,568	1,063,555,682	1,484,176,439	61,300,218	3,789,688,249

The accompanying notes are part of these separate financial statements.

The Board of Directors

SEPARATE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

(Amounts expressed in euro)	Notes	31 Dec 2016	31 Dec 2015
OPERATING ACTIVITIES			
Cash receipts from trade debtors		264,393	678,024
Cash paid to trade creditors		(3,637,472)	(3,595,661)
Cash paid to employees		(2,125,002)	(1,805,544)
Cash flow generated by operations		(5,498,081)	(4,723,181)
Income taxes (paid) / received		(9,023,787)	2,298,925
Other cash receipts and (payments) relating to operating activities		1,388,351	2,961,673
Net cash flow from operating activities (1)		(13,133,517)	537,417
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	35	2,102	1,815,901,002
Tangible assets		2,084	52
Interest and similar income		30,457,232	77,000,500
Dividends	12, 29	49,555,660	14,826,535
Others		790,387	643,124
Loans granted		2,646,654,272	4,478,376,788
		2,727,461,737	6,386,748,001
Cash payments arising from:			
Investments	35	-	(1,836,500,000)
Tangible assets		(8,536)	(9,032)
Intangible assets		-	(80)
Loans granted		(2,451,503,139)	(4,363,376,788)
		(2,451,511,675)	(6,199,885,900)
Net cash used in investment activities (2)		275,950,062	186,862,101
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained		5,943,700,455	2,939,352,786
Sale of treasury shares	17	-	6,209,650
Others		5,616	-
		5,943,706,071	2,945,562,436
Cash payments arising from:			
Loans obtained		(6,189,686,902)	(3,232,563,361)
Interest and similar charges		(16,275,329)	(42,334,064)
Dividends		-	(149,955,750)
Purchase of treasury shares	17	-	(139,401)
		(6,205,962,231)	(3,424,992,576)
Net cash used in financing activities (3)		(262,256,160)	(479,430,140)
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		560,385	(292,030,622)
Cash and cash equivalents at the beginning of the year	15	390,501	292,421,123
Cash and cash equivalents at the end of the year	15	950,886	390,501

The accompanying notes are part of these separate financial statements.

The Board of Directors

SONAE, SGPS, SA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(Translation of the separate financial statements originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

1 INTRODUCTION

SONAE, SGPS, SA ("the Company" or "Sonae"), has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

The separate financial statements are presented as required by Commercial Companies Code. According to Decree-Law 158/2009 of 13 July, the company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS – EU).

Consolidated financial statements are also presented in accordance with applicable legislation.

2 PRINCIPAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. This standards were issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") or by the previous Standing Interpretations Committee ("SIC"), that have been adopted by the European Union.

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 and investment properties which are stated at fair value.

Management has assessed the Company's ability to operate on a going concern basis, taking into consideration all relevant information, facts and circumstances of financial, commercial and other nature, including subsequent events to the date of the financial statements. As a result of this evaluation, Management concluded that the Company has adequate resources to maintain its activities, having no intention to cease activities in the short term, and considered the use of the going concern assumption as appropriate.

New accounting standards and their impact in the financial statements

Up to the approval date of these financial statements, the European Union endorsed standards, interpretations, amendments and revisions, some of which have become effective during the year 2016. These changes are presented in note 2 of the notes to the consolidated financial statements. The adoption, during 2016, of the mentioned standards did not produce relevant impacts on the Company financial statements, since they aren’t applicable to the separate financial statements of the Company.

Additionally, there are standards that have been approved for adoption in the periods started on or after 1 January 2017, and standards not yet approved by the European Union. The company did not early adopt any of the mentioned standards and do not expect significant impacts in the separate financial statements of the company from the application of those standards, with the possible exception of IFRS 9. The impacts of this standard are under analysis as at this date. The description of these standards is presented in note 2 of the notes to the consolidated financial statements.

2.2 Tangible assets

Tangible assets are recorded at acquisition cost in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Depreciation charges for the year are calculated on a straight line basis over the useful life of each asset in the caption depreciation and amortisation.

The impairment losses in the realisable value of tangible assets are recorded in the year they arise in the caption of the income statement - impairment losses.

2.3 Intangible assets

Intangible assets are stated at acquisition cost, net of amortisation and accumulated impairment losses. Intangible assets are only recognised if it is probable that future economic benefits will flow from them, if they are controlled by the Company and if their cost can be reliably measured.

Depreciation charges for the year are calculated on a straight line basis over the useful life of each asset in the caption depreciation and amortization.

2.4 Borrowing costs

Borrowing costs are usually recognised as an expense in the period in which they are incurred on an accruals basis in accordance with effective interest rate method.

2.5 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the sale must be highly probable and the asset or disposal group is available for immediate sale in its present condition. In addition, the sale should be expected to occur within 12 months from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. These assets are not depreciated.

2.6 Financial instruments

The Company classifies the financial instruments in the categories presented and conciliated with the statement of financial position disclosed in note 4.

a) Investments

Investments are classified into the following categories:

Held to maturity

Investments measured at fair value through profit or loss

Available for sale

Held to maturity investments are classified as non-current assets unless they mature within 12 months of the statement of financial position date. Investments classified as held to maturity have defined maturities and the Company has the intention and ability to hold them until the maturity date. Investments measured at fair value through profit or losses are classified as current assets. Available for sale investments are classified as non-current assets.

Equity investments in subsidiaries, associates and jointly controlled companies are classified as available for sale.

The investments measured at fair value through profit or loss include the investments held for trading that the company acquires for sale in a short period of time, and are classified in the statement of financial position as current assets.

The Company classifies as available for sale those investments that are neither included as investments measured at fair value through profit or loss nor as investments held to maturity. These assets are classified as non-current assets, except if the sale is expected to occur within 12 months from the date of classification.

All purchases and sales of investments are recognized on the trade date, independently of the settlement date.

Investments are initially measured at fair value, which is considered to be the fair value of the consideration paid for them, including transaction costs, in the case of available for sale investments.

Available for sale investments and investments measured at fair value through profit or loss are subsequently measured at fair value, without any deduction for transaction costs which may be incurred on sale, by reference to their quoted market price or independent valuation at the statement of financial position date. Available for sale investments that do not have a quoted market price and whose fair value cannot be reliably measured are stated at cost or last reliable fair value measurement, less impairment losses.

Gains or losses arising from a change in fair value of available for sale investments are recognised directly in equity, under fair value reserve, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to net profit or loss.

Gains or losses arising from a change in fair value of investments measured at fair value through profit or loss are recorded in the income statement captions financial gains or losses on investments.

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

b) Loans and accounts receivable

Loans and accounts receivable are recorded at amortised cost using the effective rate method net of accumulated impairment losses, in order to reflect its realisable value.

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

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

Loans and receivables are recorded as current assets, except when its maturity is greater than 12 months from the statement of financial position date, situations when they are classified as non-current assets. Loans and receivables are included in the captions presented in note 4.

c) Trade accounts receivable

Receivables are stated at net realisable value corresponding to their nominal value less impairment losses (recorded under the caption impairment losses in accounts receivable).

Impairment is recognised if there is objective and measurable evidence that, as a result of one or more events that occurred, the balance will not be fully received.

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

d) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

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

e) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments which corresponds to their fair value at transaction date.

Financial expenses are calculated based on the effective interest rate and are recorded in the income statement on an accruals basis, in accordance with the accounting policy defined in note 2.8. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

Borrowings on the form of commercial paper are classified as non-current, when the Company has guarantees of placing for a period exceeding one year and it is its' intention to maintain the use of this form of financing for a period exceeding one year.

f) Trade accounts payable and other creditors

Trade accounts payable are stated at their nominal value, since it relates to short term debt, and its discount effect is estimated to be immaterial.

g) Derivatives

The Company uses derivatives in the management of its financial risks to hedge such risks and/or in order to optimise funding costs, in accordance with Management interest rate risk policy described in point 3.4.1.

Derivatives classified as cash flow hedge instruments are used by the Company mainly to hedge interest rate risks on loans obtained. Conditions established for these cash flow hedge instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. The gain or loss relating to the ineffective portion of the hedge, if any, is recorded in the income statement under financial income or expenses.

The Company's criteria for classifying a derivative instrument as a cash flow hedge instrument include:

- the hedge transaction is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk;

- the effectiveness of the hedge can be reliably measured;

- there is adequate documentation of the hedging relationships at the inception of the hedge;

- the transaction being hedged is highly probable.

Cash flows hedge instruments used by the Company to hedge the exposure to changes in interest of its loans are initially accounted for at cost, if any which corresponds to its fair value, and subsequently adjusted to their corresponding fair value. Changes in fair value of these cash flow hedge instruments are recorded in equity under the caption hedging reserves, and then recognised in the income statement over the same period in which the hedged instrument affects profit or loss.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption hedging reserve are transferred to profit or loss of the period or to the carrying amount of the asset that resulted from the hedged forecast transaction. Subsequent changes in fair value are recorded in the income statement.

Derivatives entered into in accordance with interest rate risk management policy described in point 3.4.1 and not eligible for hedge accounting (mainly interest rate option), are initially recorded at cost, which corresponds to fair value at inception, and then, remeasured at fair value through profit and loss under financial income or expenses captions.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics are not closely related to economic risks and characteristics of the host instruments, and this is not stated at fair value through profit or loss.

h) Treasury shares

Treasury shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of treasury shares are recorded in other reserves.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the statement of financial position caption of current bank loans.

j) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

k) Impairment

Financial assets, other than investments measured at fair value through profit or loss, are assessed for indicators of impairment at each statement of financial position date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Equity instruments classified as available for sale are considered to be impaired if there is a significant or prolonged decline in its fair value below its acquisition cost.

For non-listed equity instruments determining whether the investment is impaired requires an estimation of the value in use of the investment. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the entity and a suitable discount rate in order to calculate present value.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For investments of non-listed subsidiaries, which are measured at acquisition cost less impairment (equity investments and loans granted) the impairment analysis is based on the fair value estimate of its net assets, mainly equity investments in other Company's subsidiaries, less the subsidiaries liabilities measured at fair value.

The above mentioned estimate is based on the fair value computation of the value in use of its holdings by means of discounted cash flow models.

It is the Board of Directors understanding that the use of the above mentioned methodology is adequate to conclude on the eventual existence of financial investments impairment as it incorporates the best available information as at the date of the financial statements.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of equity available for sale securities, impairment losses previously recognised through profit or loss are not reversed. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

2.7 Contingent assets and liabilities

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

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

2.8 Revenue recognition and accrual basis

Revenue from services rendered is recognised in the income statement in the period they are performed.

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

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but that correspond to income or expenses of future years, when they will be recognized in the income statement.

2.9 Subsequent events

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

2.10 Judgements and estimates

The most significant accounting estimates reflected in the financial statements are as follows:

a) Record of adjustments to the value of assets and provisions;

b) Impairment analysis of financial investments and loans granted to affiliated and associated companies;

Estimates used are based on the best information available during the preparation of these financial statements and are based on the best knowledge of past and present events. Although future events are not controlled by the Company and are not foreseeable, some could occur and have impact on the estimates. Therefore and due to this uncertainty the outcome of the transactions being estimated may differ from the initial estimate. Changes to the estimates used by management that occur after the approval date of these separate financial statements, will be recognised in net income prospectively, in accordance with IAS 8.

The main estimates and assumptions in relation to future events included in the preparation of these financial statements are disclosed in the correspondent notes, if applicable.

2.11 Share-based payments

Deferred performance bonus plans are indexed to Sonae share price and are classified as share-based payments. These bonus plans vest within a period of 3 years after being granted.

Share-based payments are measured at fair value on the date they are granted (usually in March of each year).

The settlement of plans is made by the delivery of Sonae shares, although the Company has an option to settle in cash, and the value of each plan is determined as at the grant date based on fair value of shares granted and cost is recognized rateably during the period of each plan. The fair value of the plan is recognized as staff costs against equity.

2.12 Income tax

Sonae from 2014 is taxed in accordance with Special Regime of Taxing Groups of Companies (Parent company). Each company included in this regime records income tax for the year in its nets in the caption "group companies". When a subsidiary contributes with a tax loss, it reflects, in its individual accounts, the amount of tax corresponding to the loss to be compensated by the profits of the other companies covered by this regime.

Deferred taxes are calculated using the statement of financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore expected to apply in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each statement of financial position date an assessment of the deferred tax assets recognized is made, being reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases the corresponding deferred tax is recorded in equity.

2.13 Transactions with related parties

Transactions with related parties are performed at arm's length conditions, and the gains or losses arising on those transactions are recognized and disclosed in note 27.

3 FINANCIAL RISK MANAGEMENT

3.1 Introduction

The ultimate purpose of financial risk management is to support the Company in the achievement of its strategy by reducing unwanted financial risk and volatility and mitigate any negative impacts in the profit or loss statement arising from such risks.

The Group's attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae does not enter into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

Financial risk management policies are approved by the Sonae Executive Committee. Exposures are identified and monitored by the Finance Department. Exposures are also monitored by the Finance Committee as noted in the Corporate Governance Report.

3.2 Credit risk

Credit risk is defined as the probability of a counterparty defaulting on its payment contractual obligations resulting in a financial loss. Sonae is a holding company without any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalent instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities) or from its lending activities to subsidiaries.

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

In order to reduce the probability of counterparties default Sonae transactions (short term investments and derivatives) are only concluded in accordance with the following principles:

- Only carry out transactions (short term investments and derivatives) with counterparties that have been selected based on its high national and international reputation, and taking, into account its rating notations and the nature, maturity and extension of the operations;

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

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

- Any departure from the above mentioned policies needs to be pre-approved by the Executive Committee.

Given the above mentioned policies and the credit ratings restrictions imposed management does not expect any material failure in contractual obligations from its external counterparties. Nevertheless, exposure to individual counterparties resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Financial Department and any departure is promptly reported to the Executive Committee and Finance Committee.

Settlement risk is also a risk faced by Sonae, which is managed through the rigorous selection of its brokers which must be highly rated counterparties.

In relation to credit risk resulting from loans granted to subsidiaries, there is no specific risk management policy as the financing of its subsidiaries is part of the main operations of a holding company.

3.3 Liquidity risk

Sonae needs to raise external funds to finance its activities and investing plans. It holds a diversified loan portfolio, essentially made up of long term bond financing, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2016 the total gross debt was 464 million euro (547 million euro as at 31 December 2015) (note 21).

The purpose of liquidity risk management is to ensure, at all times, that Sonae has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy.

Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining, with its relationship banks, a combination of short and medium term committed credit facilities, commercial paper programme with sufficiently comfortable previous notice cancellation periods within a range between 30 and 360 days;

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

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

- Diversification of financing sources and counterparties;

- Ensuring an adequate debt average maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. As at 31 December 2016 Sonae debt average life maturity, adjusted by the amount of committed long-term facilities and cash equivalents, was 4.4 years (3.2 years as at 31 December 2015);

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

- Where possible, by prefinancing forecasted liquidity needs;

- Management procedures of short term applications, assuring that the maturity of the applications will match with foreseen liquidity needs, including a margin to hedge forecasting deviations. The reliability of the treasury forecasts is an important variable to determine the amounts and the periods of the market applications/borrowings.

Sonae maintains a liquidity reserve in the form of credit lines with its relationship banks, to ensure the ability to meet its commitments without having to refinance itself on unfavourable terms. Sonae has a total of 395.5 million euro (317.5 million euro as at 31 December 2015) committed credit facilities, of which only 16% (19% as at 31 December 2015) are cancellable with a notice period until 6 months and the remainder with no less than a 360 days' notice period. As at 31 December 2016, the amount of loans with maturity in 2017 is 162 million euro (159 million euro with maturity in 2016), of which 127 million are in the form of automatically renewable credit lines. At the reporting date Sonae has no expectation that such renewals will not occur. Additionally, considering the credit lines used at 31 December 2016, 139.5 million euro are available (as at 31 December 2015 Sonae had available credit lines amounting to 53.2 million euro). In view of the above Sonae expects to meet all its obligations by means of its investments cash flows and from its financial assets as well as from drawing existing available credit lines, if needed. Furthermore, Sonae maintains a liquidity reserve that includes cash and cash equivalents and current investments amounting approximately to 1 million euro as at 31 December 2016 (0.4 million euro as at 31 December 2015).

Sonae believes that within the short term, it has access to all the necessary financial resources to meet its commitments and investments.

3.4 Interest rate risk

3.4.1 Policy

Sonae is exposed to cash flow interest rate risk in respect of items in the statement of financial position (loans and short term investments) and to fair value interest rate risk as a result of interest rate derivatives (swaps, FRA's and options). Most of Sonae debt bears variable interest rates, and interest rate derivatives may be entered into to convert part of the variable rate debt into fixed rate (usually through interest rate swaps or forward rate agreements), or to limit the maximum rate payable (usually through zero cost collars or the purchased caps).

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

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

- For each derivative or instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be the same as the settlement dates of the hedging instrument to avoid any mismatch and hedging inefficiency;

- Perfect match between the base rates (the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction);

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

- The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, as described in 3.2. above - Credit Risk Management. It is Group policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's existing relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;

- Swaps fair value was determined by discounting estimated future cash flows to the statement of financial position date. The cash flows result from the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg. For options, the fair value is calculated according the "Black-Scholes" model and other similar models. The future cash-flow estimates are based on market forward interest rates, discounted to the present using the most representative market rates. The estimate is supported on reliable sources, such as those conveyed by Bloomberg and others. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the evaluation. This estimate assumes all other variables constant.

- All transactions are documented under ISDA's agreements;

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

3.4.2 Sensitivity analysis

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

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

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

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

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

- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations;

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

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

Under the previously mentioned assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher, the company net profit before taxes as at 31 December 2016 (separate statements) would decrease by approximately 5 million euro (as at 31 December 2015 the net loss would have decrease by 9 million euro). The increase in interest rate in 75 basis points would not have an impact over total equity (not considering the impact over net profit) as at 31 December 2016 (no impact on 31 December 2015).

3.5 Foreign exchange risk

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

Sonae does not have any material foreign exchange rate exposure at holding level, since almost all equity and loans to subsidiaries are denominated in euro.

3.6 Price risk and market risk

The Group is exposed to equity price risks arising from equity investments, maintained for strategic rather than for trading purposes as the group does not actively trade these investments. These investments are presented in note 8.

For the investment in Sonaecom, SGPS, SA a 10% change in the shares price would have an impact in total equity amounting to 20.7 million euro.

4 FINANCIAL INSTRUMENTS BY CLASS AND FAIR VALUE

The accounting policies disclosed in note 2.6 have been applied to the line items below:

		31 Dec 2016				
Financial Assets	Notes	Loans and accounts receivable	Available for sale	Sub Total	Assets not within scope of IFRS 7	Total
Non-current assets						
Investments in subsidiaries, associates and joint ventures	8	-	4,094,293,240	4,094,293,240	-	4,094,293,240
Other available for sale investments	9	-	30,644,385	30,644,385	-	30,644,385
Other non-current assets	10	173,092,867	-	173,092,867	-	173,092,867
		173,092,867	4,124,937,625	4,298,030,492	-	4,298,030,492
Current assets						
Trade accounts receivables	11	715,428	-	715,428	-	715,428
Other debtors	12	41,504,643	-	41,504,643	-	41,504,643
Other current assets	14	2,041,758	-	2,041,758	718,907	2,760,665
Cash and cash equivalents	15	950,886	-	950,886	-	950,886
		45,212,715	-	45,212,715	718,907	45,931,622
		218,305,582	4,124,937,625	4,343,243,207	718,907	4,343,962,114

		31 Dec 2015				
Financial Assets	Notes	Loans and accounts receivable	Available for sale	Sub Total	Assets not within scope of IFRS 7	Total
Non-current assets						
Investments in subsidiaries, associates and joint ventures	8	-	3,936,004,695	3,936,004,695	-	3,936,004,695
Other available for sale investments	9	-	29,617,075	29,617,075	-	29,617,075
Other non-current assets	10	347,400,000	-	347,400,000	-	347,400,000
		347,400,000	3,965,621,770	4,313,021,770	-	4,313,021,770
Current assets						
Trade accounts receivables	11	500,159	-	500,159	-	500,159
Other debtors	12	44,464,350	-	44,464,350	-	44,464,350
Other current assets	14	1,969,691	-	1,969,691	197,137	2,166,828
Cash and cash equivalents	15	390,501	-	390,501	-	390,501
		47,324,701	-	47,324,701	197,137	47,521,838
		394,724,701	3,965,621,770	4,360,346,471	197,137	4,360,543,608

Financial Liabilities	Notes	31 Dec 2016 Other financial liabilities	Sub Total	Liabilities not within scope of IFRS 7	Total
Non-current liabilities					
Bonds	21	158,361,552	158,361,552	-	158,361,552
Bank loans	21	143,678,553	143,678,553	-	143,678,553
		302,040,105	302,040,105	-	302,040,105
Current liabilities					
Bank loans	21	162,000,000	162,000,000	-	162,000,000
Trade accounts payable		545,724	545,724	-	545,724
Loans obtained from group companies	22	38,642,000	38,642,000	-	38,642,000
Other payables accounts	23	53,280,686	53,280,686	-	53,280,686
Other current liabilities	24	3,473,734	3,473,734	-	3,473,734
		257,942,144	257,942,144	-	257,942,144
		559,982,249	559,982,249	-	559,982,249

Financial Liabilities	Notes	31 Dec 2015 Other financial liabilities	Sub Total	Liabilities not within scope of IFRS 7	Total
Non-current liabilities					
Bonds	21	207,406,442	207,406,442	-	207,406,442
Bank loans	21	180,000,000	180,000,000	-	180,000,000
		387,406,442	387,406,442	-	387,406,442
Current liabilities					
Bank loans	21	159,300,000	159,300,000	-	159,300,000
Trade accounts payable		403,764	403,764	-	403,764
Loans obtained from group companies	22	201,328,447	201,328,447	-	201,328,447
Other payables accounts	23	42,828,123	42,828,123	-	42,828,123
Other current liabilities	24	5,721,569	5,721,569	-	5,721,569
		409,581,903	409,581,903	-	409,581,903
		796,988,345	796,988,345	-	796,988,345

Financial instruments at fair value

The table below details the financial instruments that are measured at fair value after initial recognition, grouped into 3 levels according to the possibility of observing its fair value on the market:

	31 Dec 2016			31 Dec 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair values						
Investments in affiliated companies (note 8)	206,689,581	-	709,210,000	167,717,536	-	589,893,500
Other investments (note 9)	-	-	30,594,505	-	-	29,564,649
	206,689,581	-	739,804,505	167,717,536	-	619,458,149

Level 1: fair value is determined based on market prices for assets

Level 2: fair value is determined based on valuation techniques. The main inputs of the valuation models are observable in the market;

Level 3: fair value is determined based on valuation models, whose main inputs are not observable in the market.

The investments presented as level 3 correspond to companies/funds (Sonae Sierra, SGPS, SA and Fundo de Investimento Imobiliário Fechado Imosede) operating in the real estate business, whose fair value is determinate based on the net asset value of the assets held by those entities, which is made public. This amount is calculated based on independent valuations of its real estate assets, mainly based on the income that is expected to be earned by the properties, updated by required rates of return, which are observable on the real estate market.

5 CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS

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

6 TANGIBLE ASSETS

As at 31 December 2016 and 2015 tangible assets movements are as follows:

	Plant and machinery	Vehicles	Fixtures and fittings	Others	In progress	Total
Gross cost						
Opening balance as at 1 January 2015	132,742	194,768	1,645,208	723	-	1,973,441
Increase	-	-	2,045	-	6,986	9,031
Decrease	-	-	(3,202)	-	-	(3,202)
Transfers and write-offs	-	-	6,986	-	(6,986)	-
Opening balance as at 1 January 2016	132,742	194,768	1,651,037	723	-	1,979,270
Increase	-	3,690	761	-	4,085	8,536
Decrease	-	(177,637)	(2)	-	-	(177,639)
Transfers and write-offs	-	-	4,085	-	(4,085)	-
Closing balance as at 31 December 2016	132,742	20,821	1,655,881	723	-	1,810,167
Accumulated depreciation						
Opening balance as at 1 January 2015	65,523	194,768	1,600,568	723	-	1,861,582
Increase	13,229	-	17,416	-	-	30,645
Decrease	-	-	(3,200)	-	-	(3,200)
Opening balance as at 1 January 2016	78,752	194,768	1,614,784	723	-	1,889,027
Increase	13,229	615	19,558	-	-	33,402
Decrease	-	(177,637)	-	-	-	(177,637)
Closing balance as at 31 December 2016	91,981	17,746	1,634,342	723	-	1,744,792
Carrying amount						
As at 31 December 2015	53,990	-	36,253	-	-	90,243
As at 31 December 2016	40,761	3,075	21,539	-	-	65,375

7 INTANGIBLE ASSETS

As at 31 December 2016 and 2015 intangible assets movements are as follows:

	Patents and other similar rights	Software	In progress	Total intangible assets
Gross cost				
Opening balance as at 1 January 2015	187,305	2,758	-	190,063
Increase	-	-	79	79
Transfers and write-offs	-	79	(79)	-
Opening balance as at 1 January 2016	187,305	2,837	-	190,142
Increase	-	-	-	-
Transfers and write-offs	-	-	-	-
Closing balance as at 31 December 2016	187,305	2,837	-	190,142
Accumulated depreciation				
Opening balance as at 1 January 2015	181,658	2,710	-	184,368
Increase	3,589	32	-	3,621
Opening balance as at 1 January 2016	185,247	2,742	-	187,989
Increase	2,058	48	-	2,106
Closing balance as at 31 December 2016	187,305	2,790	-	190,095
Carrying amount				
As at 31 December 2015	2,058	95	-	2,153
As at 31 December 2016	-	47	-	47

8 INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2016 and 2015, the Company held investments in the following subsidiaries, associates and joint venture:

	31 Dec 2016						
Companies	% Held	Opening balance	Increase	Decrease	Changes in fair value	Impairment loss recognized during da year	Closing balance
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
Sonae Investimentos, SGPS, SA (a)	25.03%	637,971,655	-	-	-	-	637,971,655
Sonae Investments, BV	100.00%	803,200,000	-	-	-	-	803,200,000
Sonae RE, SA	99.92%	583,059	-	-	-	-	583,059
Sonae Sierra SGPS, SA (b)	50.00%	589,893,500	-	-	119,316,500	-	709,210,000
Sonaecom, SGPS, SA	26.02%	167,717,536	-	-	38,972,045	-	206,689,581
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
Sonaecenter Serviços, SA	100.00%	1,496,231,545	-	-	-	-	1,496,231,545
Sontel, BV	35.87%	240,141,099	-	-	-	-	240,141,099
Total		3,936,004,695	-	-	158,288,545	-	4,094,293,240

	31 Dec 2015						
Companies	% Held	Opening balance	Increase	Decrease	Changes in fair value	Impairment loss recognized during da year	Closing balance
Interlog, SGPS, SA	1.02%	106,686	-	-	-	-	106,686
Sonae Investimentos, SGPS, SA (a)	25.03%	637,971,655	-	-	-	-	637,971,655
Sonae Investments, BV	100.00%	803,200,000	-	-	-	-	803,200,000
Sonae RE, SA	99.92%	583,059	-	-	-	-	583,059
Sonae Sierra SGPS, SA (b)	50.00%	557,372,500	-	-	32,521,000	-	589,893,500
Sonaecom, SGPS, SA	26.02%	117,483,298	-	-	50,234,238	-	167,717,536
Sonaegest, SA	20.00%	159,615	-	-	-	-	159,615
Sonaecenter Serviços, SA	100.00%	731,545	1,836,500,000	-	-	(341,000,000)	1,496,231,545
Sontel, BV	35.87%	240,141,099	-	-	-	-	240,141,099
Total		2,357,749,457	1,836,500,000	-	82,755,238	(341,000,000)	3,936,004,695

a) The value of this investment is the price paid in the public tender offer for de-listing occurred in 2006. Since that date no change in the value of the investment was recorded.

b) The market value was determined based on the Net Asset Value ("NAV") of the assets in accordance with INREV (European Association for Investors in Non-Listed Real Estate Vehicles) guidelines. The NAV is based on the fair value of real estate assets owned by this Joint-venture and deducting the corresponding net debt and non-controlling interests shares, as well as deferred tax liabilities when the real estate assets are located in jurisdictions where transaction consider that assumption in determining the fair value. The assumptions regarding the valuation of real estate assets are disclosed on consolidated financial statements.

In December 2015 the Company subscribed and fully realized a capital increase in Sonaecenter Serviços, SA amounting to 1,836,500,000 euro.

In previous years, the Company recorded an impairment loss over the financial investments held in Sontel BV (165,500,000 euro), in Sonae Investments, BV (32,500,000 euro), in Sonae RE, SA (3,089,000 euro) and Sonaecenter Serviços, SA (341,000,000 euro) as result of applying the accounting policy mentioned in 2.6 k), and according to a valuation of those subsidiaries made with the use of discounted cash flow models, in order to estimate the value in use of those investments.

The assumptions used are similar to those used on goodwill impairment test and are disclosed in the consolidated financial statements.

9 OTHER INVESTMENTS

As at 31 December 2016 and 2015 other investments available for sale are as follows:

	31 Dec 2016				
Companies	Opening balance	Increase	Decrease	Changes in fair value	Closing balance
Associação Escola Gestão Porto	49,880	-	-	-	49,880
Fundo Especial de Invest.Imob. Fechado Imosonae Dois	2,546	-	(2,546)	-	-
Fundo de Investimento Imobiliário Fechado Imosede	29,564,649	-	-	1,029,856	30,594,505
Total	29,617,075	-	(2,546)	1,029,856	30,644,385

	31 Dec 2015				
Companies	Opening balance	Increase	Decrease	Changes in fair value	Closing balance
Associação Escola Gestão Porto	49,880	-	-	-	49,880
Fundo Especial de Invest.Imob. Fechado Imosonae Dois	2,546	-	-	-	2,546
Fundo de Investimento Imobiliário Fechado Imosede	29,086,999	-	-	477,650	29,564,649
Total	29,139,425	-	-	477,650	29,617,075

10 OTHER NON-CURRENT ASSETS

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

	31 Dec 2016	31 Dec 2015
Loans granted to group companies:		
Sonae Investments, BV	173,092,867	-
Sonae Investimentos, SGPS, SA	-	347,400,000
	173,092,867	347,400,000

The amount recognized under the caption loans granted to Sonae Investimentos, SGPS, SA, refers to a subordinate bond loan, repayable in 10 years issued by Sonae Investimentos at market conditions in 28 December 2010 amounting to 400,000,000 euro, relating 8,000 bonds with nominal value of 50,000 euro each, bearing fixed interest rate with full reimbursement in the end of the period.

In December 2011, 1,052 bonds were sold to a subsidiary for 42,080,000 euro.

In December 2016, the remaining 6,948 bonds were sold to a subsidiary for 368,244,000 euro (note 29).

As at 31 December 2016 the loans granted to group companies, bear interest at market rates indexed to Euribor, have a long-term maturity and its fair value is similar to its carrying amount.

There are no past due or impaired receivable balances as at 31 December 2016 and 2015. The eventual impairment of loans granted to group companies is assessed in accordance with note 2.6.k).

11 TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable amounted to 715,428 euro and 500,159 euro as at 31 December 2016 and 2015 respectively, and include balances arising solely from services rendered to group companies.

As at the statement of financial position dates there are no accounts receivable past due, and no impairment loss was recorded, as there are no indications as of the reporting date that the debtors will not meet their payment obligations.

12 OTHER DEBTORS

As at 31 December 2016 and 2015 other debtors are as follows:

	31 Dec 2016	31 Dec 2015
Group companies		
Interest	44,793	709,630
Sonae Investments, BV	44,793	709,630
Dividends (note 29)	-	12,192,750
Taxes - Special regime for taxation of group companies	41,289,044	31,251,889
Other debtors		
Others	170,806	310,081
	41,504,643	44,464,350

The amount recorded in the caption taxes-special regime for taxation of groups corresponds to the tax estimate calculated by the companies taxed under the Special Regime for Taxation of Corporate Groups, of which the Company is the dominant company.

Loans granted to group companies return interest at variable market rates indexed to Euribor and have a maturity of less than one year.

There were no assets impaired or past due as at 31 December 2016 and 2015. The fair value of loans granted is similar to its carrying amount.

13 TAXES

As at 31 December 2016 and 2015 taxes balances are as follows:

Assets	31 Dec 2016	31 Dec 2015
Advance payments	8,400,836	5,982,263
Taxes withheld	10,687,395	19,672,056
Others	1,337,611	60,330
	20,425,842	25,714,649

Liabilities	31 Dec 2016	31 Dec 2015
Income tax charge for the year	15,574,542	20,049,387
Taxes withheld		
Staff	20,810	27,366
Other	9,268	3,750
Value added tax	129,113	108,142
Social security contributions	16,042	16,866
	15,749,775	20,205,511

The income tax charge for the year corresponds to the income tax estimated by the companies included in the special tax regime for groups of companies which the Company is dominant and that will be paid by the subsidiaries.

14 OTHER CURRENT ASSETS

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

	31 Dec 2016	31 Dec 2015
Accrued income	2,041,758	1,969,691
Prepayments	718,907	197,137
	2,760,665	2,166,828

The amount recorded under the caption "Accrued income" relates essentially to the interests to be received for loans granted and commissions from guarantees given to subsidiaries.

15 CASH AND CASH EQUIVALENTS

As at 31 December 2016 and 2015 cash and cash equivalents are as follows:

	31 Dec 2016	31 Dec 2015
Cash in hand	2,233	1,086
Bank deposits	948,653	389,415
Cash and cash equivalents on the balance sheet	950,886	390,501
Cash and cash equivalents on the cash flow statement	950,886	390,501

16 SHARE CAPITAL

As at 31 December 2016 and 2015 share capital consisted of 2,000,000,000 ordinary shares of 1 euro each.

As at 31 December 2016 and 2015 Efanor Investimentos, SGPS, SA and affiliated companies held 52.48% of Sonae's share capital.

17 TREASURY SHARES

As at 31 December 2016 the Company do not hold directly or indirectly any treasury shares.

18 LEGAL RESERVE

The Company has set up legal reserves in accordance with Commercial Companies Code.

19 HEDGING RESERVE, FAIR VALUE RESERVE AND OTHER RESERVES

As at 31 December 2016 and 2015 other reserves are detailed as follows:

	31 Dec 2016	31 Dec 2015
Free reserves	1,063,555,682	1,343,266,374
Legal reserve in accordance with article 324 of CommercialCompanies Code	-	169,185
Fair value reserve		
Sonae Investimentos, SGPS, SA	105,724,959	105,724,959
Sonae Sierra, SGPS, SA	219,096,661	99,780,161
Sonaecom, SGPS, SA	94,126,607	55,154,562
Fundo de Investimento Imobiliário Fechado Imosede	593,962	(435,894)
Share-based payments reserve (note 20)	1,078,568	958,268
	1,484,176,439	1,604,617,615

Movements occurred in 2016 and 2015 in these reserves are detailed in the Company Statement of changes in equity and in the statement of comprehensive income.

Fair value reserves correspond to changes in fair value of available for sale financial investments.

The share-based payments reserve relates to equity-share based payments under the deferred performance bonuses, which will be settled by the delivery of shares.

20 SHARE-BASED PAYMENTS

In 2016 and in previous years, according to the remuneration policy disclosed in its Corporate Governance Report, Sonae granted deferred performance bonuses to its directors. These are based on shares to be acquired with discount, three years after being attributed. These shares are only granted if the Director still works for Sonae at the vesting date.

As at 31 December 2016 and 2015, the outstanding plans were as follows:

	Vesting period		31 Dec 2016		31 Dec 2015	
	Year of grant	Vesting year	Number of participants	Number of shares	Number of participants	Number of shares
Plan 2012	2013	2016	-	-	2	730,708
Plan 2013	2014	2017	2	472,175	2	490,067
Plan 2014	2015	2018	2	368,547	2	472,875
Plan 2015	2016	2019	2	345,689	-	-

The fair values of the attributed shares for the outstanding plans can be detailed as follows:

	Year of grant	Vesting year	Grant date	31 Dec 2016	31 Dec 2015
Plan 2012	2013	2016	404,600	-	765,782
Plan 2013	2014	2017	541,400	412,681	513,590
Plan 2014	2015	2018	578,200	322,110	495,573
Plan 2015	2016	2019	455,100	302,132	-

During the year the movements occurred can be detailed as follows:

Number of shares	31 Dec 2016	31 Dec 2015
Opening balance	1,693,650	2,054,146
Changes during the year:		
Attribued	469,176	452,426
Vested	(769,166)	(862,399)
Canceled/ extinct/ correted/ transferred	(207,249)	49,477
Closing balance	1,186,411	1,693,650

Amount	31 Dec 2016	31 Dec 2015
Recorded as staff cost in the year	524,900	508,066
Recorded as staff cost in previous year	553,668	450,202
	1,078,568	958,268

21 BORROWINGS

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

	31 Dec 2016	31 Dec 2015
Bonds Sonae, SGPS 2014/2018	-	60,000,000
Bonds Sonae, SGPS 2014/2020	-	50,000,000
Bonds Sonae, SGPS 2015/2022	100,000,000	100,000,000
Bonds Sonae, SGPS 2016/2023	60,000,000	-
Up-front fees not yet charged to income statement	(1,638,448)	(2,593,558)
Bonds	158,361,552	207,406,442
Sonae SGPS - Commercial paper	144,000,000	180,000,000
Up-front fees not yet charged to income statement	(321,447)	-
Bank loans	143,678,553	180,000,000
Non-current loans	302,040,105	387,406,442
Sonae SGPS - Commercial paper	162,000,000	159,300,000
Bank loans	162,000,000	159,300,000
Current loans	162,000,000	159,300,000

As at 31 December 2016 and 2015, all the loans bear interests at variable interest rates. The above mentioned loans estimated fair value is considered to be near its carrying amount. Loans fair value was determined by discounting estimated future cash flows.

Maturity of Borrowings

As at 31 December 2016 and 2015 the analysis of the maturity of loans excluding derivatives is as follows:

	31 Dec 2016		31 Dec 2015	
	Nominal value	Interests	Nominal value	Interests
N+1	162,000,000	3,735,801	159,300,000	8,160,065
N+2	-	3,483,874	35,000,000	7,878,493
N+3	-	3,487,627	80,000,000	7,641,636
N+4	55,000,000	3,481,854	70,000,000	4,006,085
N+5	59,000,000	2,942,644	60,000,000	3,861,546
after N+5	190,000,000	2,535,039	145,000,000	2,551,829

The maturities above were estimated in accordance with the contractual terms of the loans, and taking into account Sonae's best estimated regarding their reimbursement date.

The interest amount was calculated considering the applicable interest rates for each loan at 31 December.

As at 31 December 2016, there are financial covenants included in borrowing agreements at market conditions, and which at the date of this report are complied with.

Sonae held 139.5 million euro available to meet its cash requirements in lines of credit and commercial paper programs with firm commitments, as follows:

	31 Dec 2016		31 Dec 2015	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Agreed credit facilities amounts	211,500,000	184,000,000	137,500,000	180,000,000
Available credit facilities amounts	49,500,000	90,000,000	53,200,000	-

Interest rate as at 31 December 2016 of the bonds and bank loan was, in average, 0.95% (1.76% as at 31 December 2015).

Interest rate derivatives

The financial instruments considered to be hedging instruments are variable to fixed interest rates swaps entered into with the purpose of hedging interest rate risk on loans. As at 31 December 2016, there were no loans hedged by interest rate derivatives.

22 LOANS FROM GROUP COMPANIES

As at 31 December 2016 and 2015 loans obtained from group companies are as follows:

	31 Dec 2016	31 Dec 2015
Sonae Investments, BV	-	200,798,286
Sontel, BV	4,254,000	-
Sonae RE, SA	1,596,000	-
Sonaecenter Serviços, SA	32,792,000	530,161
	38,642,000	201,328,447

Loans obtained from group companies bear interest at rates indexed to the Euribor.

23 OTHER CREDITORS

As at 31 December 2016 and 2015 other creditors are as follows:

	31 Dec 2016	31 Dec 2015
Group companies		
Taxes - Special regime for taxation of groups	53,092,883	42,710,114
Shareholders	107,636	107,636
Others	80,167	10,373
	53,280,686	42,828,123

24 OTHER CURRENT LIABILITIES

As at 31 December 2016 and 2015 other current liabilities are as follows:

	31 Dec 2016	31 Dec 2015
Accruals:		
Salaries	497,092	551,485
Interest	2,141,837	4,324,619
Others	834,805	845,465
	3,473,734	5,721,569

25 CONTINGENT LIABILITIES

As at 31 December 2016 and 2015, contingent liabilities were guarantees given are as follows

	31 Dec 2016	31 Dec 2015
Guarantees given:		
on tax claims	142,932,296	128,624,001
on judicial claims	70,766	70,766
Guarantees given in the name of subsidiaries (a)	386,112,500	359,213,603

a) Guarantees given to Tax Authorities in favour of subsidiaries to defer tax claims.The main tax claims for which guarantees were issued are disclosed in consolidated financial statements.

The caption guarantees given on tax claims includes guarantees in favor of Tax authorities regarding the periods of 2007 up to 2013 income tax. Concerning these guarantees, the most significant amount relates to an increase in equity arising on the disposal of treasury shares to a third party in 2007 as well as to the disregarded of reinvestment concerning capital gains in shares disposal and the fact that demerger operations shall be considered neutral for income tax proposes. The Company has presented an appeal against this additional tax claim, being the Board of Directors understanding, based on its advisors assessment, that such appeal will be favorable.

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

26 OPERATIONAL LEASES

As at 31 December 2016 and 2015, the company had operational lease contracts, as a lessee, whose minimum lease payments had the following schedule:

	31 Dec 2016	31 Dec 2015
Due in		
N+1 automatically renewable	259,653	258,259
N+1	2,236	20,192
N+2	-	2,375
	261,889	280,826

In 2016 Sonae recognized costs on operational leases amounting 280,041 euro (277,742 euro in 2015).

27 RELATED PARTIES

As at 31 December 2016 and 2015 balances and transactions with related parties are as follows:

Balances	31 Dec 2016	31 Dec 2015
Subsidiaries	52,150,959	34,281,213
Jointly controlled companies	420,628	12,398,109
Other related parties	98,000	98,000
Accounts receivable	52,669,587	46,777,323
Parent company	688,281	611,470
Subsidiaries	63,662,351	45,526,331
Jointly controlled companies	85	-
Other related parties	6,615	13,588
Accounts payable	64,357,332	46,151,389
Subsidiaries	173,092,867	347,400,000
Loans granted	173,092,867	347,400,000
Subsidiaries	38,642,000	201,328,447
Loans obtained	38,642,000	201,328,447

Transactions	31 Dec 2016	31 Dec 2015
Subsidiaries	2,379,371	2,468,928
Jointly controlled companies	219,662	210,717
Other related parties	100,000	100,000
Services rendered	2,699,033	2,779,645
Parent company	716,561	772,551
Subsidiaries	1,495,434	1,511,210
Jointly controlled companies	85	-
Other related parties	14,396	130,293
Purchases and services obtained	2,226,476	2,414,054
Subsidiaries	29,479,647	74,455,104
Other related parties	-	1,247
Interest income	29,479,647	74,456,351
Parent company	56,341	-
Subsidiaries	4,121,493	7,114,298
Interest expenses	4,177,834	7,114,298
Subsidiaries	25,007,590	14,826,535
Jointly controlled companies	12,355,320	12,192,750
Dividend income (note 29)	37,362,910	27,019,285
Subsidiaries	790,388	643,125
Income from investment fund participations units	790,388	643,125
Subsidiaries	368,244,000	-
Disposal of bonds	368,244,000	-
Subsidiaries	-	1,836,500,000
Acquisition of investments (note 35)	-	1,836,500,000
Subsidiaries	-	5,207,737
Jointly controlled companies	-	946,806
Other related parties	-	55,106
Sale of treasury shares	-	6,209,649

All Sonae, SGPS, S.A. subsidiaries, associates and joint ventures are considered related parties and are identified in Consolidated Financial Statements. All Efanor Investimentos, SGPS, SA (parent company), subsidiaries, including the ones of Sonae Indústria, SGPS, SA and of Sonae Capital, SGPS, SA are also considered related parties (Other related parties).

The remuneration attributed to the Board of Directors for the years ended 31 December 2016 and 2015 is detailed as follows:

	31 Dec 2016	31 Dec 2015
Short term benefits	1,274,000	1,489,027
Share-based payments	394,400	455,100
	1,668,400	1,944,127

In 2016 and 2015 no loans were granted to the Company's Directors.

As at 31 December 2016 and 2015 no balances existed with the Company's Directors.

28 SERVICES RENDERED

Services rendered amounted to 479,662 euro and 469,550 euro, in 31 December 2016 and 2015. These fees correspond to services rendered to subsidiaries of the Company, performed in accordance with Portuguese Holding Companies law.

29 GAINS OR LOSSES RELATED TO INVESTMENTS

As at 31 December 2016 and 2015 investment income are as follows:

	31 Dec 2016	31 Dec 2015
Dividends received	37,362,910	27,019,285
Gains/(losses) on sale of investments	20,843,555	-
Impairment losses (note 8)	-	(341,000,000)
Others gains / (losses) on investments	790,388	643,125
	58,996,853	(313,337,590)

Dividends were received from Sonae Investimentos, SGPS, SA (11,123,853 euro), Sonaegest, SA (57,405 euro), Sonae Sierra, SGPS, SA (12,355,320 euro), Sonaecom, SGPS, SA (4,699,332 euro) and Sonae Investments BV (9,127,000 euro).

The caption gains /(losses) on sale investments is essentially related to the gain on the disposal of Sonae Investimentos bonds (20,844,000 euro).

30 FINANCIAL INCOME / EXPENSES

As at 31 December 2016 and 2015 net financial expenses are as follows:

	31 Dec 2016	31 Dec 2015
Interest arising from:		
Bank loans	(3,046,673)	(5,930,084)
Bonds	(3,226,578)	(13,017,126)
Other	(4,177,834)	(7,114,471)
Up front fees on the issuance of debt	(3,634,005)	(4,289,779)
Other financial expenses	(119,553)	(338,123)
Financial expenses	(14,204,643)	(30,689,583)
Interest income	29,483,595	74,545,942
Others	-	390,575
Finacial income	29,483,595	74,936,517

31 EXTERNAL SUPPLIES AND SERVICES

As at 31 December 2016 and 2015 external supplies and services are as follows:

	31 Dec 2016	31 Dec 2015
Operational rents	439,024	378,535
Services obtained	2,119,047	2,013,725
Others	1,228,536	1,159,998
	3,786,607	3,552,258

32 STAFF COSTS

As at 31 December 2016 and 2015 staff costs are as follows:

	31 Dec 2016	31 Dec 2015
Salaries	1,745,250	1,876,913
Social costs	170,648	214,637
Other staff costs	51,598	65,245
	1,967,496	2,156,795

33 INCOME TAX

The reconciliation between the profit before taxes and the tax charge for the years ended 31 December 2016 and 2015 are summarized as follows:

	31 Dec 2016	31 Dec 2015
Profit / (loss) before taxes	70,516,686	(272,769,217)
(Decrease) / Increase to net income for tax purposes:		
Dividends (note 29)	(37,362,910)	(27,019,285)
Impairment losses	-	341,000,000
Others	(180,554)	312,284
Taxable income	32,973,222	41,523,782
Used tax losses for wich no deferred tax assets were recognized	-	(20,312,448)
Net taxable income	32,973,222	21,211,334
Tax charge	21%	21%
Calculated tax	(6,924,377)	(4,454,382)
Special Regime of Taxing Groups of Companies savings	(43,395)	973,759
Change in income tax estimate from previous years	(293,608)	(784,794)
Municipal surcharge	(1,948,259)	(2,634,521)
Autonomous taxation	(6,829)	(3,255)
Tax charge	(9,216,468)	(6,903,193)

34 EARNINGS PER SHARE

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

	31 Dec 2016	31 Dec 2015
Net profit		
Net profit / (loss) taken into consideration to calculate basic earnings per share (Net profit / (loss) for the period)	61,300,218	(279,672,410)
Effect of dilutive potential shares	-	-
Interest related to convertible bonds (net of tax)	-	-
Net profit / (loss) taken into consideration to calculate diluted earnings per share	61,300,218	(279,672,410)
Number of shares		
Weighted average number of shares used to calculated basic earnings	1,999,966,007	1,987,044,420
Effect of dilutive potential ordinary shares from convertible bonds	-	-
Outsanding shares related with deferred performance bonus (note 20)	1,186,411	1,693,650
Number of shares that could be acquired at average market price	(592,432)	(474,833)
Weighted average number of shares used to calculated diluted earnings per share	2,000,559,986	1,988,263,237
Profit/(Loss) per share		
Basic	0.030651	(0.140748)
Diluted	0.030642	(0.140662)

35 RECEIPTS / PAYMENTS OF INVESTMENTS

During 2016 and 2015, the following receipts and payments occurred:

	31 Dec 2016		
Companies	Acquisitions/ (disposal) for the year	Amount received	Amount paid
Fundo Especial de Invest.Imob. Fechado Imosonae Dois	(2,102)	2,102	-
	(2,102)	2,102	-

	31 Dec 2015		
Companies	Acquisitions/ (disposal) for the year	Amount received	Amount paid
Sonaecenter Serviços, SA	1,836,500,000	-	1,836,500,000
Sonae Investimentos, SGPS, SA	-	1,815,901,002	-
	1,836,500,000	1,815,901,002	1,836,500,000

36 DIVIDENDS

For the year 2016, the Board of Directors will propose a gross dividend of 0.04 euro per share, in the total amount of 80,000,000 euro (58,235,207 euro from net profit for the year and 21,764,793 euro from free reserves). This dividend is subject to the approval by shareholders of the Company in the Shareholders Meeting.

37 APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors on 14th March 2017. These financial statements will be presented to the Shareholders' General Meeting for final approval.

38 INFORMATION REQUIRED BY LAW

Decree-Law nr 318/94 art 5 nr 4

In 2016 long-term loan contracts were entered into with the following companies:

Sonae Investments, BV

In 2016 short-term loan contracts were entered into with the following companies:

Bertimóvel – Sociedade Imobiliária, SA

Efanor Investimentos, SGPS, SA

Elergone Energia, Lda

Modelo Hiper Imobiliária, SA

Ponto de Chegada – Sociedade Imobiliária, SA

Predicomercial – Sociedade Imobiliária, SA

Sonaecenter, Serviços, SA

Sonae Investimentos, SGPS, SA

Sonae RE, SA

Sonaecom, SGPS, SA

Sontel, BV

As at 31 December 2016 amounts owed by subsidiaries can be detailed as follows:

	Closing Balance
Sonae Investments, BV	173,092,867
Total	173,092,867

As at 31 December 2016 amounts owed to subsidiaries can be detailed as follows:

	Closing Balance
Sonae RE, SA	1,596,000
Sonaecenter Serviços, SA	32,792,000
Sontel, BV	4,254,000
Total	38,642,000

Article 66 A of the Commercial Companies Code

As at 31 December 2016, fees Statutory Auditor amounted to 34,384 euro fully related with audit fees.

Approved at the meeting of the Board of Directors held on March 14th 2017

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman and Co-CEO

Ângelo Gabriel Ribeirinho dos Santos Paupério, Executive Director and Co-CEO

Andrew Eustace Clavering Campbell, Non-Executive Director

Christine Cross, Non-Executive Director

Dag Johan Skattum, Non-Executive Director

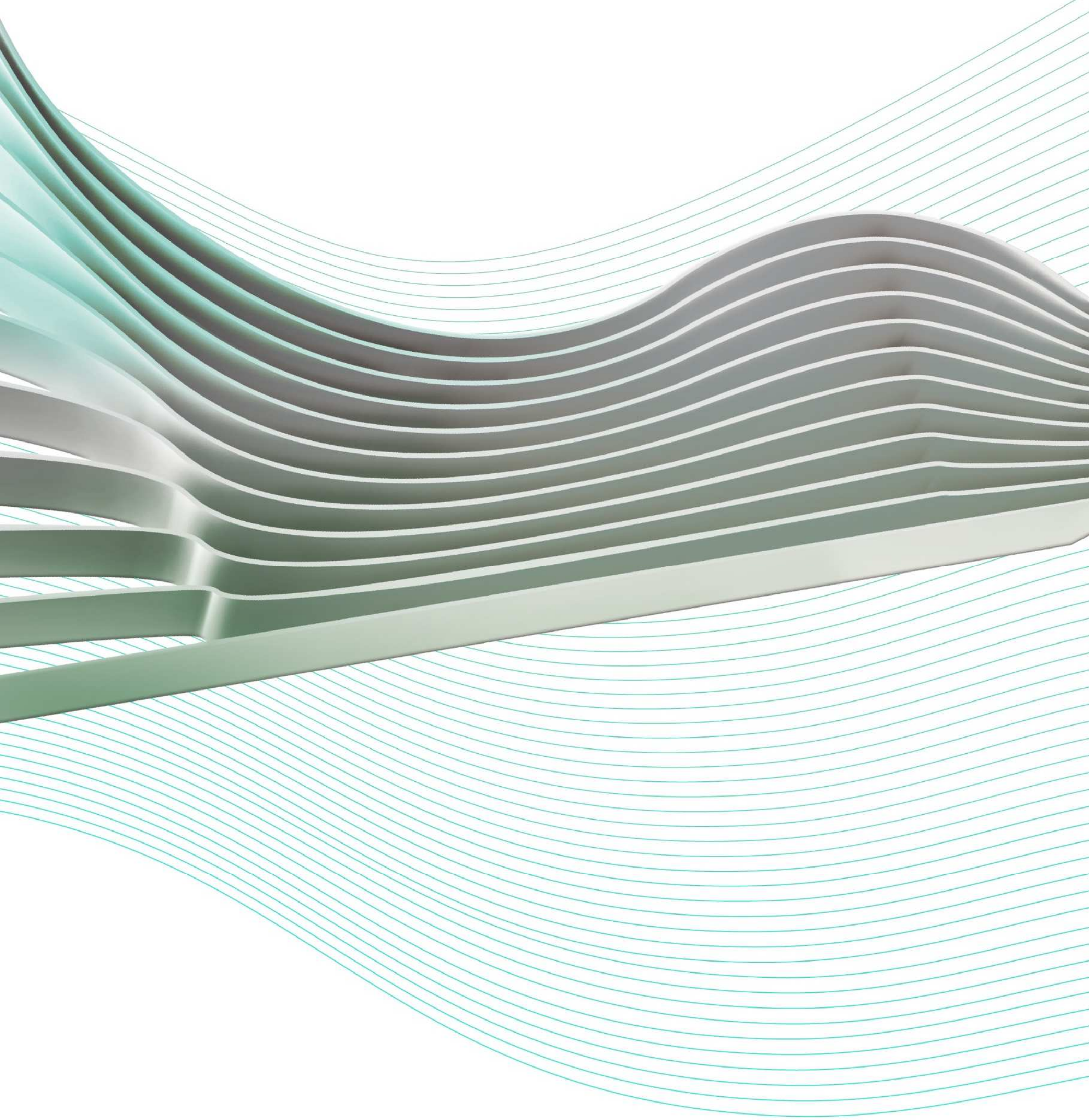
José Manuel Neves Adelino, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

Tsega Gebreyes, Non-Executive Director

LEGAL CERTIFICATION OF ACCOUNTS / AUDITOR'S REPORT



STATUTORY AUDIT CERTIFICATION AND AUDIT REPORT

(Translation of a report originally issued in Portuguese
In the event of discrepancies, the Portuguese language version prevails)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated and separate financial statements of Sonae, SGPS, S.A. ("the Entity") and of its subsidiaries ("the Group"), which comprise the consolidated and separate statement of financial position as at 31 December 2016 (that presents total consolidated and separate assets of Euro 5,512,765,587 and Euro 4,365,420,273, respectively; consolidated and separate equity of Euro 2,064,438,174 and Euro 3,789,688,249, respectively, including a net profit attributable to the Entity's shareholders of Euro 215.073.949 and an Entity's net profit of Euro 61.300.218, respectively), the consolidated and separate statements of profit and loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the accompanying notes to the consolidated and separate financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present true and fairly, in all material respects, the consolidated and separate financial position of Sonae, SGPS, S.A. as at 31 December 2016 and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further standards, technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated and separate financial statements" section below. We are independent from the entities that constitute the Group in the terms of the law and we have fulfilled our other ethical responsibilities arising from the requirements of the ethical code of the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas").

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Applicable to consolidated financial statements

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Impairment of Goodwill and other non-current assets (Notes 2.2, 2.9, 2.13 a), 8, 10, 12 and 32 to the consolidated financial statements)	
As at 31 December 2016, the carrying amount of goodwill amounts to 654 million Euro, tangible assets to 1,612 million Euro and intangible assets to 373 million Euro. As disclosed in Notes 2.2 and 2.9, the Group recognizes impairment losses when the recoverable amount of a given asset or group of assets is lower than its carrying amount.	Our audit procedures included, in this area, the evaluation of relevant controls in relation with the assessment of impairment indicators in what relates with non-current assets, analysis of the recoverability of Goodwill and of cash generating units with Goodwill associated, as well as review of the impairment tests, in the cases where impairment indicators in non-current assets were identified by the Group.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
The impairment tests involve complex judgements, based on business plans, which are supported in assumptions, such as discount rates, forecasted margins, short term and long term growth rates, capital expenditure plans as well as the demand behaviour. In some situations, namely for real estate assets, the group estimates fair value less costs to sell, essentially by the use of valuations performed by specialists. Such valuations are also based on several assumptions. As a result of the analysis performed, the Group recognized, on its consolidated financial statements as at 31 December 2016, impairment losses on Goodwill amounting to 2 million Euro (Note 10), 10 million Euro on tangible and intangible assets and of 7 million Euro in relation with available for sale financial investments (Note 32).	In what concerns the estimate of the recoverable amount used by the Group in impairment tests, our procedures included: • review of the criteria used by the Group to determine cash generating units; • obtaining the valuation models used to determine the recoverable amount of each cash generating unit and test the clerical correction of those models; • review of the methodology used by the Group to determine the value in use, namely its compliance with applicable accounting standards; • assessing the assumptions used in the referred models, involving, whenever deemed necessary Deloitte specialists to challenge those assumptions, namely discount rates, short term and long term growth rates used, in addition to projected cash flows; • meeting with management and other officers responsible for the preparation of the valuation models; • performing sensitivity analysis on key assumptions in order to assess the model used and its forecasts. For the assets that were measured based on market values, we assessed the assumptions used, namely lease income and yields used by the Group and its specialists, as well as assessed the adequacy of the methodologies used comparing this year valuations with the ones provided in previous periods. We evaluated the adequacy of disclosures made in relation with this matter.

Valuation of investments in joint ventures and associates
(Notes 2.2. b), 6.2, 6.3 and 11 to the consolidated financial statements)

As at 31 December 2016, the Group holds significant investments on joint ventures and associates, with a carrying amount of 1,362 million Euro, mainly corresponding to shares of Sonae Sierra (606 million Euro), and NOS, through ZOPT, SGPS, S.A. (677 million Euro), as well as on a group of venture capital funds (68 million Euro), acquired in the end of 2016, which generated a gain through the recognition of a negative goodwill amounting to 37 million Euro (Notes 11.1 and 11.3). Interests in joint ventures and associates are recognized in accordance with the equity method (Note 2.2.b), hence there is a risk for those investments to be incorrectly measured due to: (i) misstatements on the financial statements of those entities; and (ii) from not recognizing eventual impairment losses that might arise. In relation with the investment in ZOPT, SGPS, S.A., the impairment tests are based on the assumptions of the future profitability of the related businesses, forecasted considering the short and long term growth rates, discounted to 31 December 2016 (Note 11.3). As referred in Note 11.3, ZOPT, SGPS, S.A. presents a significant exposure to African markets due to its investments in associates in Angola and Mozambique, with a carrying amount of, approximately, 173 million Euro. The Group performed impairment tests on the carrying amount of those investments considering the functional currencies of each associate. Current economic conditions of those markets cast additional risks of impairment over those investments, hence sensitivity tests were performed on the key assumptions and its results are disclosed in the referred note. In relation with Sonae Sierra SGPS, S.A., its recoverable amount is computed with reference to its market value based on the valuation of its investment	Our audit procedures included: • obtaining the financial statements of the joint ventures and associates as well as the last available Auditors' Report; • validating the proper application of the equity method on the mentioned investments and verifying the accuracy of the computation of negative goodwill for the venture capital funds and analysing the reasoning of considering it provisional; • verifying the valuation models used to determine the recoverable amount of each joint venture or associate investment as well as reviewing the clerical correction of the models; • comparing ZOPT, SGPS, S.A. investment's carrying amount with the market value of its assets (NOS); • regarding ZOPT, SGPS, S.A. evaluation of associates on African markets: - assessing the assumptions used in the models, including discount rates used, long term growth rates and forecasted cash flows; - consulting with Deloitte specialists to challenge the assumptions used, namely discount rates and long term growth rates; - assessing the consistency of the valuation performed at Sonae level with the valuation used for impairment purposes at Sonaecom, ZOPT and NOS when reviewing the work performed by the component auditors; - considering the current economic environment, namely the high inflation in African markets as well as the uncertainty associated with the evolution of macroeconomic conditions. We have obtained the sensitivity analysis prepared by management to some assumptions used on the valuation of the referred associates, having verified that changes within a reasonable range may cause significant changes in the estimated recoverable value of the above mentioned

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
properties determined by specialized valuers (Notes 6.2 and 11.3.) and in accordance with INREV (European Association for Investors in Non-Listed Real Estate Vehicles) guidelines for Net asset value calculations. Regarding risks of material misstatements on the financial statements of the referred joint ventures, it is important to mention: • Sonae Sierra, SGPS, S.A.: the risk and complexity arising from the fair value measurement of investment properties; • NOS, SGPS, S.A.: i) Revenue recognition and its inherent complexity as well as the recoverability of accounts receivable; ii) risk of inappropriate recognition of non-current assets, determination of useful live and its recoverability considering the significant amount of intangible assets (1,159 million Euro, including goodwill) and tangible assets (1,159 million Euro) – Note 6.3; and iii) the complexity and the high level of judgement regarding contingent liabilities at NOS (Note 46). The risk that material impairment losses might exist or errors in the fair value measurement given the amounts of the captions referred as well as the complex nature and judgements involved on the estimates used, causes us to consider this as a key audit matter.	investments, from 74% to 157% of its carrying amount (Note 11.3); • we analysed the valuation performed over Sonae Sierra SGPS, S.A., regarding which we: - obtained the valuation of the assets classified as investment properties performed by independent specialized entities hired by the Group; - met with independent valuers and analysed the key assumptions used, namely lease income, discount rates and yields used; - for a sample of assets, analysed the information provided to the valuers and validated its accuracy; Additionally, Sonaecom, SGPS, S.A. and ZOPT, SGPS, S.A. are audited by other audit firms. In this context we issued audit instructions for the auditors of those entities in accordance with ISA 600 – Special considerations— Audits of Group Financial Statements (Including The Work of Component Auditors). We assessed the technical competence of the component auditors and were involved in the Planning of the mentioned audits and reviewed the audit working papers assuring that the risks identified at group level were appropriately addressed. We reviewed the conclusion of the audit procedures to mitigate such risks, namely in what refers to internal control testing in the areas under analysis, and in what concerns revenue recognition. We analysed the conclusion of financial statements audit, reviewed the reports issued by the component auditors and discussed the main conclusions and supporting information.

Recoverability of non-current assets and deferred tax assets of retail operations in Spain
(Notes 6.1, 8 and 19 to the consolidated financial statements)

As at 31 December 2016 the Group maintains recognized, approximately, 14 million Euro of deferred tax assets related with its retail operations in Spain (Note 19), having reversed, approximately, 28 million Euro of deferred tax assets in the 4th quarter of 2016. Additionally, the group maintains approximately, 116 million Euro of non-current assets in that country (Note 6.1). In the last years, the Group restructured its store concept in Spain (Note 8). The recoverability of the above mentioned assets depends on the success of the restructuring operations performed and the accomplishment of the established business plans forecast. The analysis of the recoverability of these assets involves a high level of judgement and uncertainty, namely considering the losses recorded in previous years by the retail operations in Spain as well as the long estimated period to recover the deferred tax assets (10 years) (Note 19). For the above mentioned factors we consider this as a key audit matter.	We obtained management documentation supporting the recoverability of deferred tax assets arising on tax losses carried forward of retail operations in Spain. We performed, among others, the following procedures: • tested the arithmetical accuracy of the estimate and its compliance with Spanish tax rules; • verified the consistency of the plan used to support the recoverability of deferred tax assets with the business plans for each business in Spain for the purpose of impairment testing; • reviewed the main developments of the Group tax claims in Spain related with tax losses carried forward from previous years, for which no deferred tax asset is recognized, as well as assessed the impacts of such developments in future taxable profits of the Group in Spain; • performed a specific analysis over the Spanish operations, namely verifying the capacity of the companies taxed under the consolidated tax regime to generate sufficient taxable income to offset the tax losses carried forward for which deferred tax assets have been recognized; • assessed the main assumptions used by management regarding retail operations in Spain.

Commercial income from suppliers
(Notes 2.11, 14, 18 and 38 to the consolidated financial statements)

As described in Notes 2.11 and 38 to the consolidated financial statements, the Group, through its retail operations, signs a significant number of agreements with suppliers from which obtains commercial income. Commercial income from suppliers is an area of focus due to the quantum, complexity and the number of transactions recorded.	Our audit procedures in this area included the analysis of the design and implementation of controls over commercial income as well as the assessment of operating effectiveness of identified key controls. The analysis of operating effectiveness of controls implemented by the Group includes not only the analysis of procedures established over the agreements, its existence, approval and proper agreement with suppliers, but also internal controls over information systems and interfaces supporting the computation of income, namely on volume

Description of the most significant risks of material misstatement identified	Summary of the auditor’s responses to the assessed risks of material misstatement
Generically, commercial income has two main natures: (i) volume based discounts being recorded as a deduction to cost of sales. Determining the applicable volume of purchases made or to be made during the year, and the range of criteria on the determination of the products targeted for each specific discount, increases significantly the complexity of the calculations of the referred agreements; (ii) related with promotional agreements linked with specific actions, placement of articles in stores, based on sales made to final customers, among other natures, but not directly related to the purchase of inventory, which are recognized as “Other operating income” (Note 38). The accounting recognition of each nature implies the existence of written agreements, detailed analysis of the terms of such agreement, judgement regarding the classification and timing of recognition of the income, being supported in specific information systems with defined categories of commercial income, being its accounting treatment mainly daily and automatic based on the applicable categories. Given the nature of the operation, the materiality of the amounts involved, the judgement implicit in the recording and classification of the agreements made with suppliers, we consider the existence of a risk that the agreements are not being dully formalized or that the accounting of such agreements is not aligned with group accounting policies, hence we consider this area as a key audit matter.	based agreements, in order to assure the completeness and accuracy of data. Additionally, among others, we performed the following procedures: • several analytical procedures, namely involving the analysis of monthly changes in main captions, analysis of income over purchase ratios, comparing ratios with the ones verified in previous years; • for a sample of agreements, selected based on quantitative and qualitative criteria, we performed an evaluation of these agreements and verified that those were properly agreed with suppliers; • for the above mentioned samples, we independently computed the amount of discounts and compared it with accounting records, validating, when applicable, the amount of purchases used; • for that sample, we validated the adequacy of the accounting treatment used; • We also performed a sample over agreements accrued at year-end, verified the agreements and the proper cut off of income. Additionally, we performed specific cut-off procedures, namely through the analysis of subsequent credits; • Additionally, we performed procedures in order to identify unusual transactions, namely when considering its amount, standard accounting procedures of the Group or because of being manual adjustments to the common procedures to recognize commercial income. For those cases, including the situations where accrued income was recognized, we selected a larger sample considering the risk of distortion, assessed the nature of each case and obtained the reasoning for its recognition not to have followed the usual recognition procedures, as well as we have examined the support for income recognition. Besides the above mentioned procedures we obtained third party confirmation of balances for a sample of suppliers, chosen based on its relevance to the group purchases, as well as considering qualitative criteria identified by the audit team. We have reviewed, when applicable, the reconciliations obtained between information received and the group accounting records.

Net realizable value of inventories
(Notes 2.11 and 14 to the consolidated financial statements)

As disclosed in Note 14, as at 31 December 2016, Sonae Group presents, approximately, 696 million Euro of Inventories in its statement of financial position. The analysis of the net realizable value of those inventories is judgemental and its complexity is increased due to the fact that the inventories are scattered in more than 1,100 stores and in several warehouses, as well as from the fact that the Group operates stores in several retail areas, such as food, electronics, fashion and sports. The definition of criteria to identify items that might be signalled as obsolete or slow movers, and, consequently which net realisable value might be below its cost, as well as the criteria defined to adjust the cost of inventories are matters which require a significant amount of judgement, hence we consider the impariment of inventories as a key audit matter.	Our audit procedures comprise the analysis of the Group procedures in what concerns to the valuation of inventories, verifying its adequacy with the accounting policies, and included: • the analysis of the criteria defined by the Group to identify the slow moving or obsolete items, as well as the criteria to adjust its carrying amount to net realizable value; • testing the operating effectiveness in what concerns inventories, namely the adequate interface of the information systems used and the general computer controls applicable to those systems; • obtaining from the Group the internal analysis over the defined criteria, performing a comparison of the results of these criteria with recent historical information; • we have verified the correct arithmetical application of the defined criteria for a sample of random itens.

Tax contingencies
(Notes 2.12, 2.14, 2.15, 32 and 33 to consolidated financial statements)

As at 31 December 2016, the Group has a relevant number of uncertain tax positions with significant amounts being disputed in tax courts (Note 33), for which the Group granted warranties amounting to more than 1,100 million Euro (which considers tax amounts as well as other related expenses), part of which (557 million Euro) related to disputes of value	Our audit procedures, with the assistance of our tax specialists, in relation with additional tax assessments and tax disputes included the following: • we obtained from the tax department of the Group, for the significant subsidiaries of the Group, the list of tax disputes, as

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
added tax additional assessments ("VAT") on commercial income from suppliers, that tax authorities understand should be liable of VAT, as well as VAT deducted over discount vouchers deducted by non-corporate clients. The classification of the litigations as contingent liabilities or provisions, or its measurement in accordance with accounting standards on income taxes, are matters that imply a significant amount of judgement and uncertainty, hence being subject to error or inadequate assessment. Consequently we consider this as an area of focus in our audit.	well as of other tax litigation being questioned by tax authorities but that were not yet appealed by the Group; • for a sample of the main claims, based on qualitative and quantitative criteria, we obtained the assessment performed by the Group as well as the documentation of the claims; • for the above mentioned sample, we reviewed correspondence with tax authorities, reviewed the tax claims and appeals made by the Group to courts; • we discussed with the company the support and arguments used by the Tax Group department and that are the base of the management position; • for the sample above, we independently reviewed the assumptions established by the Group as well as the level of risk attributed in the classification of the contingency, based on evidence and existence information related with analysed tax assessments; • We reviewed the disclosures on these matters.
Accounting treatment of significant and unusual transactions in subsidiaries (Notes 5.1, 5.3, 5.4, 8 and 10 to the consolidated financial statements)	
During 2016, some significant unusual transactions were performed by the Group, namely the aquisition of Salsa Group (Note 5.1), and the finalization of the purchase price allocation process in relation with 2015 acquisition of Losan (Note 5.4), as well as several real estate sale and leaseback operations (Note 8). In June 2016, the Group acquired control over Group Salsa, through the acquisition of shares representing 50% of its share capital and performed a provisional purchase price allocation of the business combination (Note 5.1), recognizing Goodwill amounting to 43 million euro. During the year, the Group finalized the purchase price allocation to the identified assets, liabilities and contingent liabilities of Losan (Note 5.4), recognizing positive adjustments to the value of the net assets acquired amounting to, approximately, 18 million euro. Additionally, and as referred in Note 8, during the year, the Group proceeded with the sale and leaseback of a group of real estate assets recognized as tangible assets and as not current assets held for sale, as well as through the sale of a subsidiary (Note 5.3), with the subsequent operating lease of such assets, recognizing capital gains of approximately, 70 million euro (Notes 5.3 and 8). Considering the use of relevant estimates, the use of the fair value concept as well as the judgemental nature of the assessment of control as well as of the classification of leases and the materiality of the above operations, we consider the referred transactions as key audit matters.	Our audit procedures, regarding Salsa and Losan operations, comprised: • understanding the operations of the subsidiaries based on the information collected by the Group as well as based on the information reviewed with the component auditors; • analyzing the acquisition date statements of financial position as well as the process of purchase price allocation in each operation; • obtaining and reviewing the share purchase agreements supporting the business combinations as well as the shareholders agreements and companies by-laws established post acquisition; • obtaining the documentation supporting the purchase price allocation and review the assumptions used by management in the process. In what concerns the real estate sale and leaseback operations, our audit procedures included: • obtaining and reviewing the sale agreements of the referred assets as well as the corresponding lease contracts; • qualitative review of the criteria defined in the accounting standards for the purposes of classifying the lease; • review of the computation of the net present value of minimum lease payments, including the analysis of the lease term considered, and the estimate of incremental borrowing rate used for this purpose; For the mentioned transactions we have reviewed the disclosures made by the Group.

Applicable to separate financial statements

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Impairment of investments in subsidiaries, joint ventures and associates (Notes 2.6.a), 2.6.k), 8 and 9 to the separate financial statements)	
As referred in Note 2.6.a) investments on subsidiaries, joint ventures and associates are classified as available for sale as allowed by the applicable accounting standards, being measured at fair value in the situations where the Board of Directors understands that such estimate is reliable. In the	At separate financial statements level, the analysis of the fair value of Sonae Sierra, is mainly based on the valuation of investment properties owned by this joint venture, as described in the key audit matter related with the valuation of investments in joint ventures applicable to the consolidated financial statements.

remaining situations, investments are stated at cost less impairment. As at 31 December 2016, the Entity, in its separate financial statements, has investments accounted for at cost less impairment losses with a carrying amount of 3,178 million euro and accounted at fair value in the amount of 946 million euro. Considering the materiality of the referred assets to the separate financial statements and the level of estimate involved, we consider this area to be a key audit matter.	Regarding the impairment test of the remaining investments measured at acquisition cost less impairment losses, as referred in notes 2.6 k), 8 and 9 of the separate financial statements as at 31 December 2016, our analysis is based on the procedures performed regarding impairment test of Goodwill for consolidated purposes, as well as on the analysis of the arithmetical accuracy of the tests performed by management and analysis of the remaining assumptions and methodologies used. We reviewed the adequacy of the disclosures performed.

Responsibilities of Management and Supervisor Body for the consolidated and separate financial statements

Management is responsible for:

- the preparation of consolidated and separate financial statements that present true and fairly, in all material respects, the financial position, the financial performance and the cash flows of the Group in accordance with IFRS as adopted by the European Union;
- the preparation of a management report, including a corporate governance report, under the applicable law and regulation;
- the implementation and maintenance of an appropriate internal control system that allows the preparation of financial statements that are free from material misstatements due to fraud or error;
- the adoption of accounting principles and criteria appropriate in the circumstances; and
- the evaluation of the Entity's and the Group's ability to continue as a going concern, disclosing, whenever applicable, the matters that may cast significant doubt on the continuity of its operations.

The Statutory Audit Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated and separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- we communicate with those charged with governance, including the Statutory Audit Board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- from the matters communicated with those charged with governance, including the Statutory Audit Board, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;
- we provide the Statutory Audit Board with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes also the verification of the agreement between the information included in the Management report with the consolidated and separate financial statements and the verifications required in article 451, numbers 4 and 5, of the Portuguese Commercial Code ("Código das Sociedades Comerciais")

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the Management report was prepared in accordance with the applicable law and regulations and the information included therein is in agreement with the audited consolidated and separate financial statements, and considering our knowledge and appreciation of the Group, we did not identify material misstatements.

About the Management report

In compliance with article 451, number 4, of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Entity under the terms of article 245-A of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material mistakes in the information disclosed in such report, which, accordingly, complies with the requirements of items c), d), f), h), i) and m) of that article.

About the additional elements included in article 10 of Regulation (UE) 537/2014

In compliance with article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, and beyond the key audit matters mentioned above, we further report on the following:

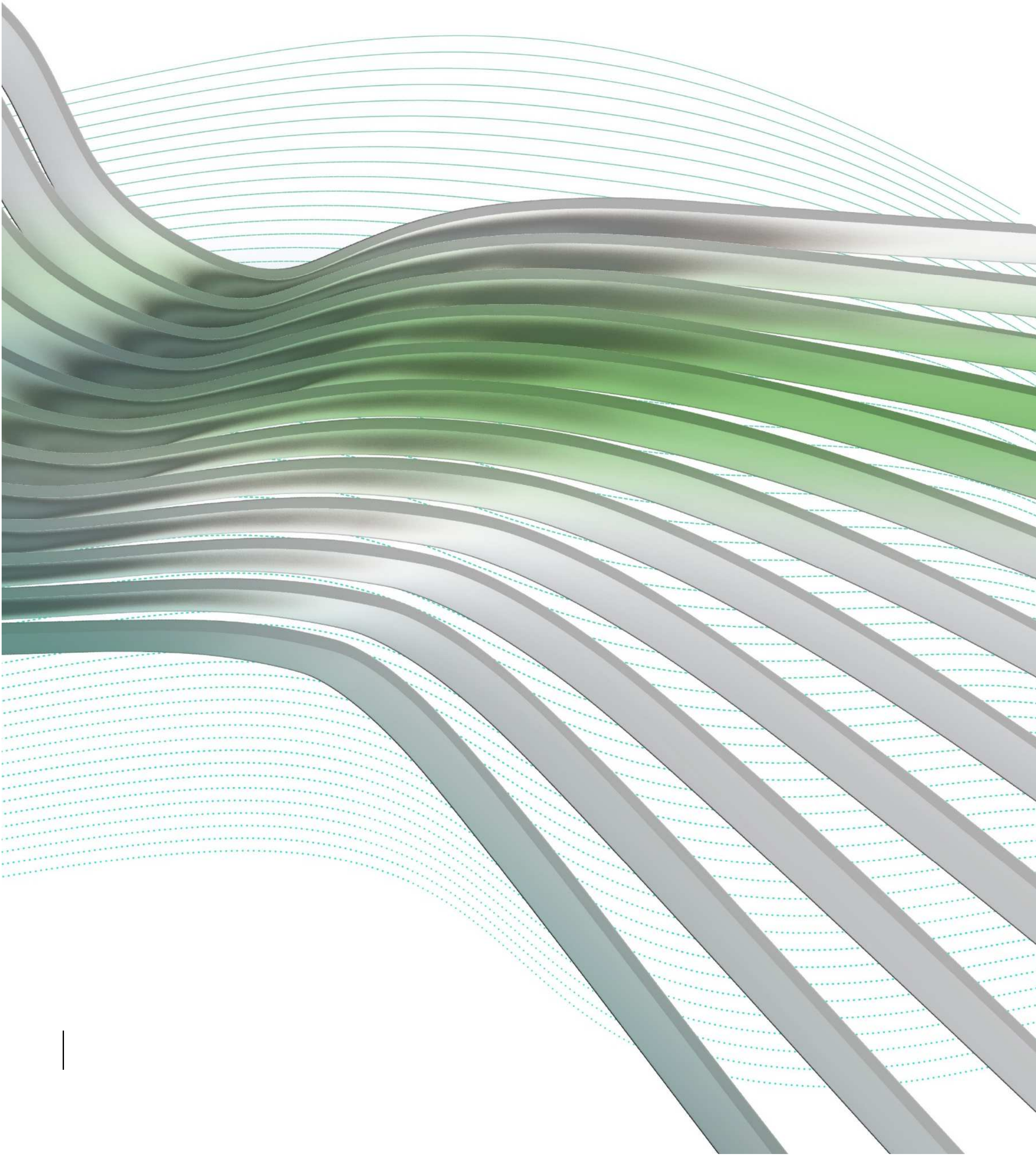
- We have been appointed auditors of Sonae, SGPS, S.A. (parent-company of the Group) in the shareholders' general meeting that took place on 31 March 2003 for a first complete mandate covering the period between 2003 and 2006, which has been successively renewed. We have been appointed in the shareholders' general meeting that took place on 30 April 2015 for the present mandate covering the period between 2015 and 2018.

- The Board of Directors confirmed to us that is unaware of the occurrence of any fraud or suspected fraud with a material effect in the financial statements. As part of the planning and execution of our audit in accordance with ISAs, we kept professional scepticism and designed audit procedures to respond to the risk of material misstatements in the consolidated and separate financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated and separate financial statements due to fraud.
- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Entity's Statutory Audit Board as at 27 March 2017.
- We declare that we have not rendered any prohibited services under the terms of article 77, number 8, of the Legal Regime of the Portuguese Statutory Auditors and that we kept our independence from the Group during the execution of the audit.

Porto, 27 March, 2017

Deloitte & Associados, SROC S.A.
Represented by Nuno Miguel dos Santos Figueiredo, ROC

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD



Report and Opinion of Sonae SGPS Statutory Audit Board

(Translation of a Report and Opinion originally issued in Portuguese.
In case of discrepancy the Portuguese version prevails)

To the Shareholders

1 – Report

1.1 - Introduction

In compliance with the applicable legislation and statutory regulations, as well in accordance with the terms of our mandate, the Statutory Audit Board presents its report over the supervision performed and its Report and Opinion on the Report of the Board of Directors and the remaining individual and consolidated documents of accounts for the year ended 31 December 2016, which are the responsibility of the Board of Directors.

1.2 – Supervision

During the year under analysis, the Statutory Audit Board, in accordance with its competence, accompanied the management of the Company and its affiliated companies, and has oversaw, with the required scope, the evolution of the operations, the adequacy of the accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies, valuation criteria used as well as the compliance with legal and regulatory requirements.

In the exercise of its competences and mandate, the Statutory Audit Board had twelve meetings during the year, six of which in person, with the presence of, depending on the matters in the agenda, the Board of Directors, the officers in charge of Planning and Control department, Administrative and Accounting department, Treasury and Finance department, Tax department, Internal Audit department, Risk Management department, the Statutory Auditor and External Auditor and Sonae's ombudsman. Additionally, the Statutory Audit Board participated in the Board of Directors meeting where the Report of the Board of Directors and the financial statements for the year were approved.

The Statutory Audit Board verified the effectiveness of the risk management and internal control, analyzed the planning and the results of external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities and oversaw the reports issued by Sonae's ombudsman. The Statutory Audit Board has also assessed the process of preparing the individual and consolidated statements, communicated to the Board of Directors information regarding the conclusion and quality of the financial statements audit and its intervention in the process, has pronounced itself in favor of the rendering of non-audit services by the Statutory and External Auditor, having exercised its mandate in what concerns the evaluation of the competence and independence of external auditors, as well as to the supervision of the establishment of the Statutory and External Auditor remuneration.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that had had material impact on the evolution of operations and on the individual and consolidated financial position of Sonae SGPS, S.A., and highlights the positive evolution of the business segments and main joint ventures which effects are visible in the economic and financial development of the Group.

In compliance with CMVM's Recommendation V.2., the Statutory Audit Board take in consideration the criteria established by CMVM in paragraphs 3 to 5 of article 4 of CMVM's Regulation for description of businesses with significant relevance between the company and shareholders of qualifying holdings or related entities, in accordance with the number 1 of article 20 of the Portuguese Securities Market Code, neither having identified relevant transactions that complied with that criteria nor identified any conflict of interests.

The Statutory Audit Board complied with CMVM's Recommendations II.2.1, II.2.2, II.2.3, II.2.4 and II.2.5, regarding Corporate Governance. Being all members of the Statutory Audit Board independent considering the legal criteria and professionally able to perform its duties, the Statutory Audit Board exercised its competences and its relations with the other statutory bodies and Company's services, in accordance with the principles and conduct recommended in the referred Recommendations.

The Statutory Audit Board reviewed the Corporate Governance Report, enclosed to the Report of the Board of Directors, in accordance with nr. 5 of article 420º of Commercial Companies Code, having verified that the it includes the elements referred to in article 245º-A of the Portuguese Securities Market Code.

Still, in the fulfilment of its duties, the Statutory Audit Board reviewed the Report of the Board of Directors, including the Corporate Governance Report, and remaining individual and consolidated documents of account prepared by the Board of Directors, concluding that these information was prepared in accordance with the applicable legislation and that it is appropriate to the understanding of the financial position and results of the Company and the consolidation perimeter, and has reviewed the Statutory Audit and Auditors' Report issued by the Statutory Auditor and agreed with its content.

2 – Opinion

Considering the above, in the opinion of the Statutory Audit Board, that all the necessary conditions are fulfilled in order for the Shareholders' General Meeting to approve:

a) the Report of the Board of Directors,
b) the individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2016
c) the proposal of net profit appropriation presented by the Board of Directors.

3 – Responsibility Statement

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 and with the terms defined in paragraph c) nº 1 of the article 245º of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained individual and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Sonae, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding that the Board of Directors Report faithfully describes the business evolution, performance and financial position of Sonae, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face. It is also declared that the Corporate Governance Report complies with article 245º A of the Portuguese Securities Market Code.

Maia, 27 March 2017

The Statutory Audit Board

Daniel Bessa Fernandes Coelho

Manuel Heleno Sismeiro

Maria José Martins Lourenço da Fonseca

SONAE

Sonae Financial Report '16

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Design

Graficalismo

Sonae is listed in the Euronext Stock Exchange.

Information may be accessed on Reuters under the symbol SONP.IN and on Bloomberg under the symbol SONPL.

This report is available on Sonae's institutional website:

www.sonae.pt