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ANNUAL REPORT

ANNUAL REPORT 2016

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2016

MANAGEMENT REPORT

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SONAECOM GROUP

1.1. Group at a glance

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

Its business portfolio includes the Software and Technology area, with Sonae Investment Management, the Online & Media area where there are businesses such as the "Público" daily, generalist newspaper which has been in print for over 26 years in Portugal and the Telecommunications area, which owns an important stake in the NOS group, which is the main asset in its portfolio.

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

1.1.1. About Sonaecom

Our mission

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

1.1.2. Our values

Ethics and trust

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

People at the centre of our success

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

Ambition

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

Innovation

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

Social responsibility

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

Frugality and efficiency

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

Co-operation and independence

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

1.2. Corporate developments in 2016

Shareholders' Annual General Meeting

On 29 April 2016, Sonaecom's shareholders decided, at the company's Annual General Meeting, to approve all the proposals of the agenda, namely:
1. Discuss and approve the Company's Annual Report, and the Individual and Consolidated Accounts for 2015;
2. Decide on the proposed appropriation of the Net Results for year ended 31 December 2015;
3. Assess the management and audit of the Company;
4. Decide on the election of the members to the Board of the Shareholders´ General Meeting, Board of Directors, Statutory Audit Board and Shareholders' Remuneration Committee for the new four-year mandate 2016 to 2019;
5. Decide on the election of the Company's Statutory External Auditor for the new four-year mandate 2016 to 2019;
6. Discuss and approve the document setting out the proposed remuneration policy to be applied to the Company's management and auditing bodies and to persons discharging managerial responsibilities, as well as on the plan to grant shares and its respective regulation (the "Medium Term Incentive Plan" or "MTIP") to be applied by the Shareholders' Remuneration Committee;
7. Decide on the remuneration of the members of the Shareholders' Remuneration Committee;
8. Authorise the purchase and sale of own shares up to the limit of 10%, as permitted by Portuguese Company Law;
9. Authorise both purchasing or holding of shares of the Company by affiliated companies, under the terms of Article 325-B of Portuguese Company Law.

Constitution of Bright Pixel in March 2016

Bright Pixel, publicly launched in April, is a company builder studio that counts with a group of experienced builders, creative thinkers and investors whose goal is to attract talent, test innovations and create new start-ups in an environment which brings together companies, new entrepreneurs and academia.
In October, a €3.8m funding from IFD (Instituição Financeira de Desenvolvimento) to venture capital funds was approved to Bright Ventures Capital, SCR, SA, an affiliate of Bright Pixel established in August.

Acquisition of Sysvalue in April 2016

Sonae Investment Management acquired the total share capital of SysValue - Consultoria, Integração e Segurança em Sistemas de Informação, S.A., a company that provides Audit and Experts Services, Consulting, Training and R&D in cyber security, with a strong presence in sectors of telecommunications, financial services, energy and public sector.

Sale of direct stake on NOS

In June, Sonaecom sold its 2.14% direct stake on NOS to ZOPT, for 82.8 million euros, with a consolidated capital gain of 9.4 million euros. As of that moment, ZOPT holds a 52.15% direct stake in NOS.

Acquisition of Inovretail in July 2016

Sonae IM acquired the total share capital of InovRetail, Lda, a company whose core business is the development of advanced analytics tools, aiming to assist retailers in improving performance and making more informed decisions.

Acquisition of Stylesage in October 2016

In October 2016, Sonae IM acquired a 5% stake in the share capital of a US based start-up through a seed funding round. Stylesage is a real-time sales predictive and optimization data platform.

Acquisition of participation units in 3 venture capital funds

In December 2016, Sonae IM, as the principal investor and following the authorization of Banco de Portugal, concluded the transaction involving the acquisition to NOVO BANCO, S.A., of the participation units in three (3) venture capital funds ('Armilar Venture Funds'): Fundo de Capital de Risco Espírito Santo Ventures Inovação e Internacionalização - 'ESV IINT'; Fundo de Capital de Risco Armilar Venture Partners II- 'Armilar II' (previously designated FCR - Espírito Santo Ventures II 'ESV II') and Fundo de Capital de Risco Armilar Venture Partners III -'Armilar III' (previously designated Fundo de Capital de Risco Espírito Santo Ventures III 'ESV III').

Liquidation of Sonaecom BV and Sonaetelecom BV

In December 2016, Sonaecom liquidated the two subsidiaries Sonaecom BV e Sonaetelecom BV.

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SONAECOM BUSINESS

2.1. Business Overview in 2016

2.1.1. Sonaecom Consolidated Results

Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method – now with a 52.15% stake in NOS post the sale of Sonaecom's 2.14% direct stake, in June 2016, continues with a strong performance.
Consolidated Operating revenues grew significantly and generated a solid growth at EBITDA level, despite the impact as from last quarter by the new sports content contracts and the consequent higher programming costs. RGUs, led by additional coverage, convergent bundles and B2B accounts continued to present a strong growth.

In the Technology area, portfolio expansion initiatives continued to be deployed. The creation of Bright Pixel, launched in April, positioned as a company builder studio, represents a significant reinforcement targeting early stage investment opportunities. During the first semester, Sonae IM and S21sec strengthened their position in European cybersecurity markets through the acquisition of SysValue. This acquisition means that Sonae IM now holds, through its portfolio companies, the leading pure play cybersecurity position in Portugal, and is now extracting synergies between Grupo S21sec Gestión and SysValue. In July, it was announced the acquisition of InovRetail, a data analytics company that supports the retailer's decision-making process and, in August, it was announced an agreement with Novo Banco, S.A. to be the leading investor in a transaction involving the acquisition of the participation units in 3 venture capital funds (Armilar Venture Funds), having the completion of this agreement occurred in December, after the necessary approval from Banco de Portugal. This last transaction reinforced the portfolio with sizeable stakes in leading edge companies such as Outsystems and Feedzai.

Turnover
Consolidated turnover in 2016 reached 130.5 million euros, increasing 0.8% when compared to 2015. This growth was driven by a 1.1% increase in service revenues and a 0.2% increase in sales. For the third consecutive quarter, the service revenues presented positive evolution, when compared to the same quarter last year.

Operating costs
Operating costs amounted to 131.2 million euros, 2.3% above 2015. Personnel costs grew 0.5% driven by the increase in the average number of employees. Commercial costs increased 2.1% to 36.5 million euros, driven by the increase in cost of goods sold, aligned with the higher level of sales but also driven by marketing costs. The increase in other operating costs is mainly explained by the higher level of Outsourcing services.

EBITDA
Total EBITDA stood at 17.9 million euros, 16.6% below 2015, on the back of underlying EBITDA decrease but also driven by the 4.0% decrease at equity results, which are mostly impacted by ZOPT contribution which, in turn, depends on NOS net income evolution.

Net results
Sonaecom's EBIT decreased 76.9% to 2.5 million euros, explained by the lower level of EBITDA and the higher level of depreciations.
Net financial results reached negative 5.3 million euros in 2016, negatively impacted by NOS direct stake fair value adjustment at market price until its sale, amounting to negative 15.7 million euros, and positively impacted by both the 1.8 million euros of dividend received and the capital gain generated by the sale to ZOPT of the 2.14% direct stake in NOS. In 2015, the fair value adjustment was positive by 22.1 million euros and the dividend received was 1.5 million euros.
Sonaecom's earnings before tax (EBT) decreased to a negative 2.8 million euros, mainly driven by the lower net financial results.
Tax results were positive by 22.2 million euros positively impacted by the liquidation of two subsidiaries Sonaecom BV e Sonaetelecom BV.

Net results group share stood at 48.1 million euros, which compares with 34.6 million euros in 2015.
Net results include Indirect results of 28.5 million euros related with the acquisition of the Armilar Venture Funds. Excluding this, Net Results group share amounted to 19.7 million euros.

Operating CAPEX
Sonaecom's operating CAPEX increased to 10.5 million euros, reaching 8.1% of turnover, 1.5 p.p. above 2015.

Capital structure
The cash position increased 35.2 million euros since December 2015 reaching 204.2 million euros. This performance in 2016 was mainly driven by the sale of the 2.14% direct stake on NOS, by 82.8 million euros, to ZOPT, that contracted debt to finance this acquisition, but also driven by the 20.1 million euros of dividends received from NOS and ZOPT, partially offset by the 17.7 million euros of dividends paid and the acquisitions in technology area (mainly the Armilar Venture Funds).

2.1.2. Sonaecom Consolidated Income Statement

Million euros	Unaudited							
CONSOLIDATED INCOME STATEMENT	4Q15	4Q16	Δ 16/15	3Q16	q.o.q.	2015	2016	Δ 16/15
Turnover	29,8	32,4	8,7%	30,5	6,2%	129,5	130,5	0,8%
Service Revenues	21,9	23,8	8,7%	21,7	9,4%	89,5	90,5	1,1%
Product Sales	7,9	8,6	8,7%	8,8	-1,7%	40,0	40,0	0,2%
Other Revenues	1,1	0,6	-45,2%	0,2	163,3%	2,4	1,5	-36,2%
Operating Costs	30,8	32,8	6,7%	30,6	7,1%	128,2	131,2	2,3%
Personnel Costs	14,0	13,7	-2,3%	13,5	1,5%	51,3	51,5	0,5%
Commercial Costs(1)	6,8	8,0	17,3%	7,4	8,0%	35,8	36,5	2,1%
Other Operating Costs(2)	9,9	11,1	12,1%	9,7	14,1%	41,2	43,2	4,9%
EBITDA	1,7	1,4	-16,2%	5,8	-75,9%	21,5	17,9	-16,6%
Underlying EBITDA(3)	0,2	0,2	25,7%	0,1	96,0%	3,6	0,8	-77,9%
Equity method(4)	1,5	1,2	-20,9%	5,7	-79,1%	17,8	17,1	-4,0%
Underlying EBITDA Margin (%)	0,6%	0,6%	0,1pp	0,3%	0,3pp	2,8%	0,6%	-2,2pp
Depreciation & Amortization	5,2	7,5	42,5%	3,4	120,7%	10,8	15,5	43,2%
EBIT	-3,6	-6,1	-69,8%	2,4	-	10,7	2,5	-76,9%
Net Financial Results	-0,5	-0,1	84,7%	-0,2	60,5%	24,8	-5,3	-
Financial Income	-2,0	0,6	-	1,4	-52,8%	25,6	14,9	-42,0%
Financial Expenses	-1,5	0,7	-	1,5	-53,8%	0,9	20,2	-
EBT	-4,1	-6,2	-51,2%	2,2	-	35,4	-2,8	-
Tax results	-1,8	19,8	-	0,3	-	-2,3	22,2	-
Direct Results	-5,8	13,7	-	2,5	-	33,2	19,3	-41,7%
Indirect Results(5)	-	28,5	-	-	-	-	28,5	-
Net Income	-5,8	42,1	-	2,5	-	33,2	47,8	44,1%
Group Share	-5,7	42,1	-	2,5	-	34,6	48,1	39,1%
Attributable to Non-Controlling Interests	-0,2	0,0	93,2%	0,0	-	-1,5	-0,4	75,7%

(1) Commercial Costs = COGS + Mktg & Sales Costs; (2) Other Operating Costs = Outsourcing Services + G&A + Provisions + others;
(3) Includes the businesses fully consolidated by Sonaecom;
(4) Includes the 50% holding in Unipress, the 45% holding in SIRS, the 50% holding in Big Data, the 50% holding in ZOPT and the 50% holding in S21Sec ciberseguridad in 2015;
(5) Includes negative goodwill related with AVP funds.

2.1.3. Sonaecom Consolidated Balance Sheet

Million euros	Unaudited							
CONSOLIDATED BALANCE SHEET	4Q15	4Q16	Δ 16/15	3Q16	q.o.q.	2015	2016	Δ 16/15
Total Net Assets	1.092,7	1.104,5	1,1%	1.053,7	4,8%	1.092,7	1.104,5	1,1%
Non Current Assets	773,6	812,8	5,1%	741,5	9,6%	773,6	812,8	5,1%
Tangible and Intangible Assets	28,9	30,1	4,1%	30,8	-2,3%	28,9	30,1	4,1%
Goodwill	26,9	23,7	-11,9%	27,6	-14,3%	26,9	23,7	-11,9%
Investments	711,5	746,6	4,9%	676,3	10,4%	711,5	746,6	4,9%
Deferred Tax Assets	6,1	9,3	52,7%	6,5	43,2%	6,1	9,3	52,7%
Others	0,3	3,1	-	0,3	-	0,3	3,1	-
Current Assets	319,0	291,7	-8,6%	312,2	-6,6%	319,0	291,7	-8,6%
Trade Debtors	40,1	47,1	17,5%	40,1	17,4%	40,1	47,1	17,5%
Liquidity	181,1	210,3	16,1%	248,9	-15,5%	181,1	210,3	16,1%
Others	97,8	34,3	-65,0%	23,2	47,8%	97,8	34,3	-65,0%
Shareholders' Funds	1.025,2	1.033,1	0,8%	989,9	4,4%	1.025,2	1.033,1	0,8%
Group Share	1.026,9	1.033,3	0,6%	991,5	4,2%	1.026,9	1.033,3	0,6%
Non-Controlling Interests	-1,7	-0,2	90,9%	-1,6	90,2%	-1,7	-0,2	90,9%
Total Liabilities	67,5	71,3	5,7%	63,8	11,8%	67,5	71,3	5,7%
Non Current Liabilities	15,0	19,7	31,3%	11,0	78,9%	15,0	19,7	31,3%
Bank Loans	8,6	3,8	-56,1%	4,4	-14,8%	8,6	3,8	-56,1%
Provisions for Other Liabilities and Charges	4,2	4,9	16,3%	4,2	17,0%	4,2	4,9	16,3%
Others	2,2	11,1	-	2,4	-	2,2	11,1	-
Current Liabilities	52,4	51,6	-1,6%	52,8	-2,2%	52,4	51,6	-1,6%
Loans	2,2	1,2	-42,8%	1,1	15,8%	2,2	1,2	-42,8%
Trade Creditors	19,0	15,6	-17,8%	19,0	-18,0%	19,0	15,6	-17,8%
Others	31,3	34,7	11,1%	32,6	6,4%	31,3	34,7	11,1%
Operating CAPEX(1)	2,5	2,4	-3,6%	3,3	-28,5%	8,6	10,5	23,0%
Operating CAPEX as % of Turnover	8,3%	7,3%	-0,9pp	10,9%	-3,6pp	6,6%	8,1%	1,5pp
Total CAPEX	2,5	34,7	-	4,9	-	8,6	45,5	-
Underlying EBITDA - Operating CAPEX	-2,3	-2,2	5,7%	-3,2	32,6%	-4,9	-9,7	-97,6%
Gross Debt	12,1	6,0	-50,0%	6,5	-7,2%	12,1	6,0	-50,0%
Net Debt	-169,1	-204,2	-20,8%	-242,4	15,7%	-169,1	-204,2	-20,8%

(1) Operating CAPEX excludes Financial Investments.

2.1.4. Sonaecom Consolidated Free Cash Flow (FCF)

Million euros	Unaudited							
LEVERED FREE CASH FLOW	4Q15	4Q16	Δ 16/15	3Q16	q.o.q.	2015	2016	Δ 16/15
Underlying EBITDA-Operating CAPEX	-2,3	-2,2	5,7%	-3,2	32,6%	-4,9	-9,7	-97,6%
Change in WC	1,1	-4,4	-	3,4	-	-1,5	-4,9	-
Non Cash Items & Other	0,9	2,9	-	-0,7	-	3,6	2,1	-41,9%
Operating Cash Flow	-0,3	-3,7	-	-0,5	-	-2,8	-12,5	-
Investments	0,0	-35,0	-	-0,7	-	0,0	46,8	-
Dividends	0,0	0,0	-	10,3	-100,0%	17,4	20,1	15,7%
Financial results	0,9	0,9	-4,6%	-0,3	-	1,8	-0,5	-
Income taxes	-0,9	-0,2	80,3%	-0,1	-16,8%	-2,7	-0,1	96,0%
FCF(1)	-0,2	-37,9	-	8,6	-	13,6	53,6	-

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

2.2. Telecommunications Results in 2016

NOS operating revenues were 1,515 million euros in 2016, growing 4.9% y.o.y.
EBITDA reached 556.7million euros, increasing 4.4% when compared to 2015 and representing a 36.7% EBITDA margin.
CAPEX amounted to 392.7 million euros in 2016, a decrease of 3.8% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX increased 31.4%.

Net Financial Debt to EBITDA stood at 2.0x at the end of 2016 and the average maturity of the company's net financial debt reached 3.15 years.

NOS published its 2016 results on 2nd March, 2017, which are available at www.nos.pt.

During 2016, the NOS share price decreased 22.2% from €7.246 to €5.638, whilst PSI20 decreased by 11.9%.

Operational Indicators

Operational Indicators ('000)	4Q15	4Q16	Δ 16/15	3Q16	q.o.q.	2015	2016	Δ 16/15
Total RGUs	8 464.8	9 076.8	7.2%	8 941.5	1.5%	8 464.8	9 076.8	7.2%
Convergent RGUs	2 853.7	3 387.2	18.7%	3 271.0	3.6%	2 853.7	3 387.2	18.7%
IRIS & UMA subscribers	865.0	982.6	13.6%	955.1	2.9%	865.0	982.6	13.6%
3,4 and 5P subscribers	968.4	1 061.8	9.6%	1 040.0	2.1%	968.4	1 061.8	9.6%

Financial indicators

Million euros

NOS HIGHLIGHTS	4Q15	4Q16	Δ 16/15	3Q16	q.o.q.	2015	2016	Δ 16/15
Operating Revenues	376.4	390.9	3.8%	381.0	2.6%	1 444.3	1 515.0	4.9%
EBITDA	123.3	125.0	1.4%	145.2	-13.9%	533.1	556.7	4.4%
EBITDA margin (%)	32.7%	32.0%	-0.8pp	38.1%	-6.1pp	36.9%	36.7%	-0.2pp
Net Income	9.2	12.0	30.5%	27.5	-56.4%	82.7	90.4	9.3%
CAPEX	113.7	100.0	-12.0%	96.6	3.6%	408.3	392.7	-3.8%
EBITDA-CAPEX	9.6	24.9	160.6%	48.7	-48.7%	124.8	164.1	31.4%

Note: NOS is 52.15% owned by ZOPT and integrated in the consolidated financial statements of Sonaecom through Equity Method.

2.3. Technology Results in 2016

The Technology area pursuing its active portfolio strategy, aiming at strengthening its position as a technological reference at an international scale, in selected IT areas, during 2016, managed to launch Bright Pixel, to close Sysvalue and InovRetail acquisitions, invest in a minority stake at Stylesage and be the leading investor in a transaction involving the acquisition of the participation units in Armilar Venture Funds.
This area currently comprises, alongside with minority stakes and Bright Pixel, five controlled companies in the IT/IS sector that generated circa 53.6% of its revenues outside the Portuguese market with 40% out of the total 980 employees based abroad.

WeDo Technologies is a worldwide leader in Revenue Assurance and Fraud Management software that works with more than 200 telecommunications operators from more than 100 countries. 77.6% of its turnover is generated in the international market.
WeDo's market leadership is recognized by Stratecast (Stratecast Global Communication Services Providers Financial Assurance Market Leadership), and the excellence of its products and implementations are recognized by Falcon Business Research (Best Revenue Assurance & Fraud Management Solution) and by Informa BSS&OSS Latam Awards (Best Revenue Assurance Solution).
During 2016, WeDo hosted some events in which it revealed details of its new RAID solutions and features. Hosted 5 regional events: Kuala Lumpur (Malaysia), Santiago (Chile), Miami (USA), New Delhi (India) and Mexico City (Mexico), which counted with 286 attendees from 50 Telecom Operators. At its 11th annual Worldwide User Group and Summit in May, WeDo had a record audience attracting over 450 attendees and 55 operators, including a large community of Revenue Assurance (RA) and Fraud Management (FM) managers, representing more than 45 countries around the world.
During this year, the company won fifteen new telecom customers (5 in Europe, 2 in Asia Pacific, 2 in North America, 1 in the Caribbean's, 4 in EEMEA and 1 in South America), enlarging its global footprint in six new countries: Tunisia, Cyprus, Bahamas, Trinidad & Tobago, Sri Lanka and Congo. From these new customers, 80% were related to sales from Revenue Assurance and Fraud Management software.
It is also worth to note that WeDo obtained the renewal of its Security Certifications according with the ISO 27001 and SSAE16 SOC2 norms during this year, as well as the ISO 9001 global quality certification.

S21Sec is a leading multinational cybersecurity player, focused exclusively on the delivery of cyber security services and development of supporting technologies. Since its foundation, the company has grown through constant R&D investment and today works with a global customer base, leveraging its teams in Spain, Portugal and Mexico, supported by a network of selected partners that ensure local support and touch points in other key markets. During 2016, S21sec launched its new brand strategy, with the corporate claim "S21sec, Your Cybersecurity Company", giving emphasis to the company´s unfettered customer focus, long range experience and deep expertise in the market. This milestone was also used to introduce ΣSigma21, a revamped and unique services portfolio which integrate, on a single Delivery platform, the company's Advanced Cybersecurity Services (ACS), SOC-CERT and Professional Services. Aiming at enhancing touch points and showcasing commitment with customers, S21sec used its revamped website to publish a 24x7 Emergency point-of-contact. Any entity that is experiencing a cyber incident, or is in the process of experiencing one, can use such channel to request immediate expert support. The company also announced the latest version of Lookwise Device Manager (LDM), a world-class product for the ATM Protection market. It was also the year when S21sec definitively strengthened its position in Portugal, with the acquisition of Sysvalue, and also strengthened its international reach by formalising a distributor agreement with Sphere Alliance International, a group of specialised ATM spare parts and services companies with activities in the Americas, Europe and Asia. Strategic agreements to distribute its flagship product, Lookwise Device Manager for ATM, were also signed with Prosegur and Eurotechzam. S21sec also continued to demonstrate its commitment to the government sector and its collaboration with law enforcement agencies by becoming a founding member of the European Cyber Security Organisation (ESCO), a public-private partnership with the European Commission, and by working with Europol to run expert banking fraud training. Coupled with this, S21Sec was also a founding member of European Cooperation Network on Critical Infrastructure Protection (EUCONCIP) and partner of Europol's acclaimed "No more ramson" project.

Saphety is a solutions provider for business processes optimization that has a strong position in electronic invoicing and EDI (Electronic Data Interchange) market, as well as in data synchronization for GS1 worldwide organizations.
This period has been marked by a good business development activity, with some important new contracts including Validoo Sweeden (GS1), ADIF Spain, *Serviços Partilhados do Ministério da Saúde,* Brisa and several operators in the healthcare cluster. Saphety's customer base has now over 8,500 customers and 130,000 users in about 34 countries. As a result of this commercial activity, international revenues increased 34.2% when compared to 2015, namely on SaphetySYNC line of business (+18%), with international markets representing circa 42.2% of total revenues. Also relevant, the profitability grew when compared to 2015.
During 2016, Saphety launch the 1st EBP (Electronic Billing Presentment) project at Oi, Saphety DOC was homologated as an eInvoice platform by Colombian authorities and Saphety's activity was also certified in ISO27001 standard, reinforcing its commitment with the worldwide best practices.

Bizdirect is a technology company specialized in IT solutions commercialization, consulting and management of corporate software licensing contracts and Microsoft solutions integration.
During 2016, its Licensing business unit, focused in Microsoft contract management, grew 16.8% in revenues versus 2015 and its Nearshore business model, supported by Bizdirect Competence Center in Viseu, has more than doubled the turnover compared to the same period of 2015.
International revenues represented 9.3% of total Turnover and Bizdirect notoriety in European market is growing with new target countries being achieved: Netherlands, France, Finland and Hungary. Nearshore already counts with 25 international customers from 15 countries.

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

Bright Pixel, publicly launched in April, is a company builder studio whose goal is to transform the creation of new ventures and the way companies address innovation. Bright Pixel is managing a venture lifecycle going from experimentation and lab phases that has the objective to identify ideas and projects that should be brewed in its incubation programme. Bright Pixel invests and supports the development of internally brewed projects as well as assisting their first batch of invited startups in their product development roadmap and market rollout. Currently, we can highlight *Probe.ly* and *Graf.ly*, two projects that have been selected to Lisbon Challenge and Web Summit, as well as Eat Tasty and Meshapp, now rolling out their projects to several geographies. *Probe.ly* was the winner start-up of Lisbon Challenge Fall 2016 with a €75k investment from Caixa Capital. Bright Pixel is also investing in events, like the recently held Pixels Camp, to link its activity to the tech community as well as promoting a close relationship with its partners, by developing quick proof of concepts aimed at resolving technology and business needs in themes such as retail, media, cyber-security and telecommunications.

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

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

2.3.1. Financial data

Million euros	Unaudited							
TECHNOLOGY AREA	4Q15	4Q16	Δ 16/15	3Q16	q.o.q.	2015	2016	Δ 16/15
Turnover	26,2	28,8	9,8%	27,3	5,4%	114,8	116,7	1,6%
Service Revenues	20,4	22,1	8,4%	20,6	7,6%	83,8	84,7	1,1%
Sales	5,8	6,6	14,5%	6,7	-1,2%	31,0	32,0	3,1%
Other Revenues	1,0	0,4	-58,2%	0,1	174,1%	1,9	1,0	-46,9%
Operating Costs	23,7	27,7	17,0%	26,2	5,5%	106,8	113,0	5,8%
Personnel Costs	9,4	10,8	14,7%	11,0	-1,4%	38,9	41,6	6,8%
Commercial Costs(1)	5,6	6,7	19,4%	6,5	4,4%	31,5	32,4	2,8%
Other Operating Costs(2)	8,6	10,1	17,8%	8,8	15,0%	36,4	39,1	7,3%
EBITDA	3,5	1,5	-56,8%	1,2	24,2%	9,7	4,7	-52,1%
Underlying EBITDA(3)	3,5	1,5	-56,8%	1,2	24,2%	9,9	4,7	-52,8%
Equity method(4)	0,0	0,0	-14,4%	0,0	-	-0,2	0,0	99,5%
Underlying EBITDA Margin (%)	13,5%	5,3%	-8,2pp	4,5%	0,8pp	8,6%	4,0%	-4,6pp
Operating CAPEX(5)	2,3	2,1	-9,8%	3,0	-30,3%	7,5	9,7	28,3%
Operating CAPEX as % of Turnover	8,9%	7,3%	-1,6pp	11,0%	-3,7pp	6,6%	8,3%	1,7pp
Underlying EBITDA - Operating CAPEX	1,2	-0,6	-	-1,8	68,1%	2,3	-5,0	-
Total CAPEX	2,3	34,4	-	4,6	-	7,5	44,6	-

(1) Commercial Costs = COGS + Mktg & Sales; (2) Other Operating Costs = Outsourcing Services + G&A + Provisions + others;
(3) Includes the businesses fully consolidated at Technology area; (4) Includes the 50% holding in Big Data and the 50% holding in S21Sec ciberseguridad in 2015 (5) Operating CAPEX excludes Financial Investments.

Turnover

Turnover increased 1.6% y.o.y., to 116.7 million euros. Service Revenues increased 1.1% to 84.7 million euros while Sales increased by 3.1% to 32.0 million euros. It should also be highlighted the 4Q16 8.4% positive evolution of Service Revenues when compared to 4Q15.

Operating costs

Operating costs increased 5.8%, reaching 113.0 million euros, driven by higher costs across all lines. Staff costs increased 6.8% driven by the growth in the number of employees. Commercial costs increased 2.8% driven by cost of goods sold, aligned with the higher level of sales, and other operating costs increased 7.3%, mainly driven by higher levels of outsourcing costs.

EBITDA

Underlying EBITDA reached 4.7 million euros, falling 52.8% y.o.y., and reaching a margin of 4.0%.

Underlying EBITDA-operating CAPEX

Underlying EBITDA-operating CAPEX stood at negative 5.0 million euros, decreasing when compared to 2015, explained by the lower level of underlying EBITDA and the higher level of CAPEX.

2.4. Media Results in 2016

During 2016, Público continued to follow its digital strategy, reinforcing its digital skills and presence in online platforms, and continued to be recognized by SND (Society for News Design), that already attributed 7 awards to the offline and online editions. The offline version has received a special mention in the infographic category while the online version was awarded with 5 special mentions to digital works, being the only Portuguese media agent in the winners list.

This year was also marked by the reinforcement of Público's presence at Brazil, through the co-organization of an event with Globo and by the news coverage of Euro 2016. Since October, with a new Editorial Direction, Público is better prepared to cope with its ambition of being the reference Portuguese speaking news organization.

The positive performance of online revenues (both in advertising and subscriptions) coupled with the cost reduction, resulting from the restructuring initiatives implemented at the end of 2015, positively impacted the recurrent EBITDA, that, despite negative of 2.5 million euros, increased 24.3%, when compared to 2015.

2.5. Risk Management

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

Economic Risks

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

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

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

Financial Risks

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

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

MANAGEMENT REPORT

3

CAPITAL MARKETS

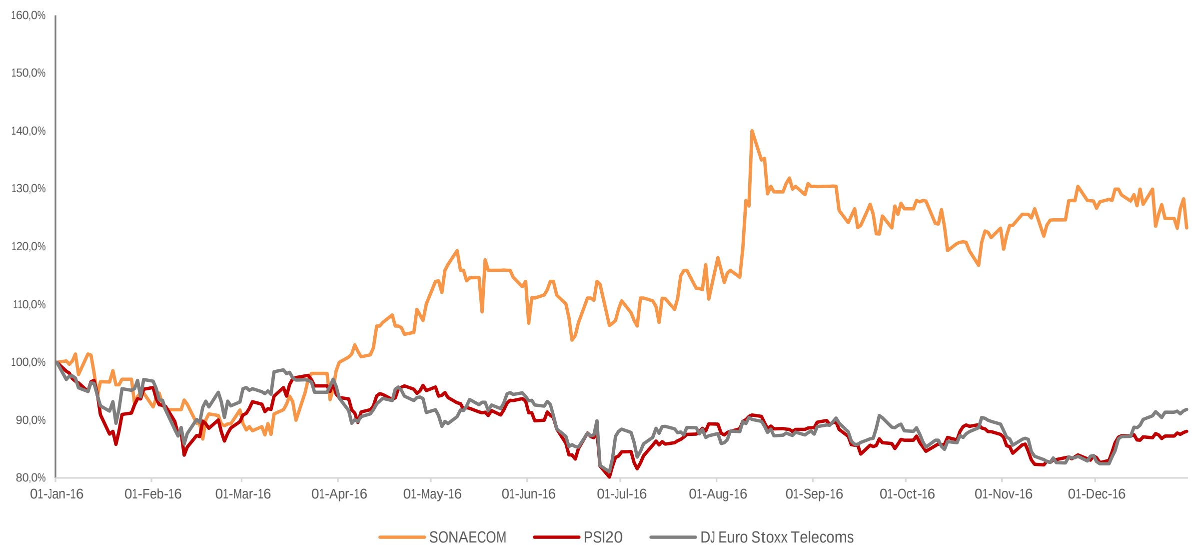
3.1. Equity Capital Markets in 2016

Sonaecom shares have been listed on the Portuguese Stock Exchange – Euronext Lisbon – since June 2000, with the symbol SNC. The table below lists the main statistics relating to Sonaecom's 2016 stock performance.

Sonaecom shares on the stock market during 2016

Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNC0AM0006
Bloomberg code	SNC PL Equity
Reuters code	SNC.LS
Number of shares outstanding	311.340.037
Share capital	230.391.627
Stock price as of last day December (euros)	2,551
Stock price – High (euros)	2,900
Stock price – Low (euros)	1,795
Average daily volume – 2016 (# shares)	43.368
Average daily volume – 2015 (# shares)	47.445
Market capitalisation as of last day December (euros)	794.228.434

Market performance



Graph 1 – Sonaecom's performance vs PSI 20 and DJ Euro Stoxx Telecoms in 2016

At the end of 2016, Sonaecom's shares reached a market price of 2.551 euros per share, 23.2% above the closing price of 2.070 euros per share at 31 December 2015. The share price reached a maximum of 2.900 euros per share on 12 August 2016 and a minimum of 1.795 euros on 17 February 2016.

As far as the Portuguese market is concerned, PSI-20, the principal local stock index, ended 2016 at 4,679.20 points, a decrease of 11.9% versus year-end 2015. DJ Euro Stoxx Telecoms, the European Stock Telecommunications index, ended 2016 with an annual decrease of 8.1%.

Sonaecom's market capitalisation stood at approximately 794 million euros at the end of 2016. The average daily trading volume reached approximately 43,000 shares, a 8.6% decrease compared to 2015 (47,000 shares).

3.2. Share price evolution during 2016

Sonaecom's share performance

In 2016, Sonaecom's market share price increased 23.2% compared to 2015.

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

- 11 March 2016: Sonaecom full-year 2015 consolidated results released;
- 29 April 2016: Shareholders' Annual General Meeting held with release of information on approved decisions;
- 5 May 2016: Information about the payment of the dividends for 2015;
- 9 May 2016: Sonaecom first quarter 2016 consolidated results released;
- 29 July 2016: Sonaecom first-half 2016 consolidated results released;
- 5 August 2016: Information about the agreement between the subsidiary Sonae IM, Novo banco, SA and its subsidiary, ES Tech Ventures SGPS, SA for the acquisition of participation units in three ventures capital funds;
- 8 November 2016: Sonaecom first nine months 2016 consolidated results released;
- 13 December 2016: Information about the conclusion of the transaction between the subsidiary Sonae IM, Novo banco, SA and its subsidiary, ES Tech Ventures SGPS, SA.

3.3. Shareholding structure and own shares

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

Simplified Sonaecom shareholding structure

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

Sonae – SGPS, S.A. (Sonae) is Sonaecom's largest shareholder, owning an 88.36% stake in Sonaecom, equivalent to 89.97% of the voting rights. Sonae is a Portuguese multinational retail company, market leader in Portugal in food and specialised retail formats, with two core partnerships: shopping centres and telecoms. At 31 December 2016, the free float stood at approximately 9.86%. The free float is the percentage of shares not held or controlled by shareholders with qualified holdings and excluding own shares.

Sonaecom didn't acquire or sell treasury shares in 2016.

MANAGEMENT REPORT

4

SONAECOM INDIVIDUAL RESULTS

4. Sonaecom Individual Results in 2016

4.1. Operational data

Sonaecom SGPS's individual results for the years ended 31 December 2016 and 2015 are summarised as follows:

Million euros	2015	2016	Difference	%
Service Revenues	0,3	0,3	(0,1)	-25%
Operating Costs (1)	1,9	1,6	(0,3)	-17%
EBITDA	(1,4)	(1,2)	0,1	8%
EBIT	(1,4)	(1,3)	0,1	8%
Dividend Received	17,4	20,1	2,7	16%
Net Financial Activity	1,7	2,2	0,5	28%
Other Financial Results related with Investments	16,3	(4,2)	(20,4)	-126%
EBT	33,9	16,8	(17,1)	-50%
Net Income	34,4	35,0	0,6	2%

(1) Excluding depreciation, amortisation and provisions.

On 31 December 2016, Sonaecom SGPS's Executive Board of Directors was composed of three directors (the same of last year).

Service revenues
This line totalled 0.3 million euros and it essentially comprises management services provided to its subsidiaries.

Total operational costs
Total operating costs exclude depreciation, amortisation charges and provisions. This line amounted to 1.6 million euros, which compares with 1.9 million euros in 2015.

EBITDA
EBITDA was negative 1.2 million euros (negative 1.4 million euros in 2015) and the improvement versus last year was mainly driven by the lower level of operating costs.

Dividends received
In 2016, Sonaecom received dividends from NOS (1.8 million euros) and ZOPT (18.3 million euros). In 2015, Sonaecom received dividends from NOS (1.5 million euros) and ZOPT (15.8 million euros).

Net financial activity
The net financial activity (interest income less interest expenses) was positive by 2.2 million euros, which compares with 1.7 million euros in 2015.

Other financial results related with investments
Other financial results related with investments, despite the capital gain generated by the sale to ZOPT of the 2.14% direct stake on NOS, were negative by 4.2 million euros. The negative 15.7 million of market value adjustments related to the 2.14% direct stake on NOS (shares recorded at fair value through profit and loss), until its sale, and the 7.3 million of impairments recorded in the financial investments, explain the negative performance. In 2015, were recorded impairments by 6.6 million euros and the market value adjustments were responsible for a positive 22.1 million euros.

Net income
Net results for the year were positive by 35.0 million euros, mainly driven by dividends and tax impacts related with the liquidations of Sonaecom BV and Sonaetelecom BV.

4.2. Financial data

The following table summarises the major cash movements during the year ended at 31 December 2016:

Changes in Sonaecom SGPS Liquidity	Million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2015	179,4
Cash and Bank	22,8
Treasury Applications	156,7
Bank	155,4
Subsidiaries	1,3
Shareholder Loans and Supplementary capital granted	(43,9)
Dividend paid	(17,7)
Free Cash Flow	93,1
Interest paid	(0,0)
Interest received	1,7
Disposals of Investments recorded at fair value	82,8
Dividend received	20,1
Operational Free Cash Flow and others	(11,4)
Sonaecom SGPS stand-alone liquidity as at 31 December 2016	210,9
Cash and Bank	83,9
Treasury Applications	127,0
Bank	123,0
Subsidiaries	4,0

During the year 2016, Sonaecom's stand-alone liquidity increased 31.5 million euros to 210.9 million euros due to the following movements:

(i) FCF was positive by 93.1 million euros (including dividends of 20.1 million from NOS and ZOPT and 82.8 million euros from the sale of the 2.14% direct stake on NOS, to ZOPT);

However:

(ii) Payment of dividends amounted to 17.7 million euros;
(iii) Loans granted to subsidiaries increased 15.4 million euros;
(iv) Supplementary capital placed in subsidiaries increased by 28.5 million euros.

5

SUBSEQUENT EVENTS

5. Subsequent events

On the meeting of the Board of Directors held on 13 March 2017, a resolution was taken to constitute an Executive Committee and to appoint, for the current four-year mandate 2016-2019, the following members of the Board of Directors to compose the mentioned Committee: i) Chairman - Ângelo Gabriel Ribeirinho dos Santos Paupério; and ii) Maria Cláudia Teixeira de Azevedo.

MANAGEMENT REPORT

6

PROPOSAL FOR THE APPLICATION OF RESULTS

6. Proposal for the application of results

The Board of Directors proposes that the net profit in the Individual accounts, in the amount of 35,003,700.44 euros be transferred as follows:

i) 1,750,185.02 euros to legal reserves;
ii) 23,973,182.85 euros is distributed to shareholders;
iii) The remaining 9,280,332.57 euros is transferred to the item "Other Reserves".

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

i) Each share issued will be paid a gross dividend of 0.077 euros;
ii) The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.077 euros per issued share) will not be paid to shareholders, but will instead be maintained in Other Reserves.

MANAGEMENT REPORT

APPENDIX

Glossary

Statement of the Board of Directors

Article 447, 448 and Qualified Shareholdings

GLOSSARY

Commercial Costs	COGS+ Marketing & Sales (Advertising plus Commissions)
Other Operating Costs	External Supplies and Services except those referred above as Marketing & Sales + Provisions + Others
EBITDA	Underlying EBITDA + Equity method results (namely ZOPT net income) + non recurrent items (when applicable)
Underlying EBITDA	Operating Results excluding Amortizations and Depreciations
EBIT	Direct EBT deducted from financial result or EBITDA deducted from Depreciations and Amortizations
EBT	Direct Result before minority results and taxes
Indirect Results	Negative Goodwill related to AVP funds, net of correspondent deferred tax liabilities
CAPEX	Gross Investments in tangible and intangible assets and investments in acquisitions
Operating CAPEX	CAPEX excluding Financial Investments
Free Cash Flow (FCF)	EBITDA – CAPEX – change in working capital – financial results – taxes
Gross Debt	Bonds + bank loans + other loans + shareholder loans + financial leases
Net Debt	Bonds + bank loans + other loans + shareholder loans + financial leases – cash, bank deposits, current investments and other long term financial applications

Statement of the Board of Directors

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

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

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

Antonio Bernardo Aranha da Gama Lobo Xavier

Article 447, 448 and Qualified Shareholdings

- Article 447

Board of Directors

		Additions		Reductions		Position at 31.12.2016	Balance at 31 December2016
	Date	Quantity	Market price €	Quantity	Market Price €		Quantity
Ângelo Gabriel Ribeirinho dos Santos Paupério							
Sonae - SGPS, S.A.[(6)]				450,000	0.882		214,248
Shares attributed under the Medium Term Incentive Plan	29.03.2016	664,248	0.051				
Sonaecom, SGPS, S.A.[(9)]							-
Enxomil - SGPS, SA[(10)]						Dominant	a)
Maria Cláudia Teixeira de Azevedo							
Efanor Investimentos, SGPS, S.A.[(1)]						Minoritary	
Linhacom, SGPS, S.A.[(4)]						Dominant	
Sonae - SGPS, S.A.[(6)]							319,150
Shares attributed under the Medium Term Incentive Plan	29.03.2016	114,472	0.051				
António Bernardo Aranha da Gama Lobo Xavier							
Sonae - SGPS, S.A.[(6)]							-
Sonaecom, SGPS, S.A.[(9)]							-

a) Includes shares held indirectly.

Management

		Additions		Reductions		Balance at 31 December 2016
	Date	Quantity	Market price €	Quantity	Market price €	Quantity
David Graham Shenton Bain						
Sonae - SGPS, S.A.(6)						20,000
Sonaecom, SGPS, S.A.(9)						-
Rui José Gonçalves Paiva						
Sonae - SGPS, S.A.(6)						169,926
Shares attributed under the company's remuneration policy	26.04.2016	58,227	0.10			
Shares attributed under the company's remuneration policy	14.07.2016	7,380	0.03			
Carlos Alberto Rodrigues Silva						
Sonae - SGPS, S.A.(6)						91,822
Shares attributed under the Medium Term Incentive Plan	31.03.2016	28,565	0.11			
Fernando José Lobo Pimentel Macareno Videira						
Sonae - SGPS, S.A.(6)						94,084
Shares attributed under the company's remuneration policy	26.04.2016	26,239	0.10			
Shares attributed under the company's remuneration policy	14.07.2016	11,415	0.03			
Ana Cristina Dinis da Silva Fanha Vicente Soares						
Sonae - SGPS, S.A.(6)						41,697
Sonaecom, SGPS, S.A.(9)						-

		Additions		Reductions		Position at 31.12.2016	Balance at 31 December 2016
	Date	Quantity	Market price	Quantity	Market price		Quantity
(1) Efanor Investimentos, SGPS, S.A.							
Sonae - SGPS, S.A.(6)							200,100,000
Pareuro, BV(2)						Dominant	
(2) Pareuro, BV							
Sonae - SGPS, S.A.(6)							849,533,095
(3) Migracom, SGPS, S.A.							
Imparfin, SGPS, S.A.(5)						Minority	
Sonae - SGPS, S.A.(6)							2,464,337
(4) Linhacom,SGPS, S.A.							
Imparfin, SGPS, S.A.(5)						Minority	
Sonae - SGPS, S.A.(6)							439,314
(5) Imparfin, SGPS, S.A.							
Sonae - SGPS, S.A.(6)							4,105,280
(6) Sonae - SGPS, S.A.							
Sonaecom, SGPS, S.A.(9)						Dominant	
Sonae Investments BV(7)						Dominant	
Sontel BV(8)						Dominant	
(7) Sonae Investments BV							
Sontel BV(8)						Dominant	
(8) Sontel BV							
Sonaecom, SGPS, S.A.(9)						Dominant	
(9) Sonaecom, SGPS, S.A.							5,571,014
(10) Enxomil - SGPS, SA							
Sonae - SGPS, S.A.(6)		450,000	0.882				2,471,855

- Article 448

	Number of shares as of 31 December 2016
Efanor Investimentos, SGPS, S.A. (1)	
Sonae - SGPS, S.A.	200,100,000
Pareuro, BV	Dominant
Pareuro, BV	
Sonae - SGPS, S.A.	849,533,095
Sonae - SGPS, S.A.	
Sonaecom, SGPS, S.A.	Dominant
Sonae Investments BV	Dominant
Sontel BV	Dominant
Sonae Investments BV	
Sontel BV	Dominant
Sontel BV	
Sonaecom, SGPS, S.A.	Dominant

(1) Belmiro Mendes de Azevedo is, according to article 20 paragraph 1, subparagraph b), and article 21, paragraph 1, both of the Portuguese Securities Code, the ultimate beneficial owner, as it owns Efanor Investimentos, SGPS, SA and the latter indirectly owns Sonae - SGPS S.A. and Sontel BV.

- Qualified Shareholdings

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

(1) Belmiro Mendes de Azevedo is, according to article 20 paragraph 1, subparagraph b), and article 21, paragraph 1, both of the Portuguese Securities Code, the ultimate beneficial owner, as it owns Efanor Investimentos, SGPS, SA and the latter indirectly owns Sonae - SGPS S.A. and

* 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

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II

CORPORATE GOVERNANCE

PART I – SHAREHOLDING STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. Shareholding Structure

I - Share capital structure

1. Capital structure

The company's share capital is 230,391,627.38 euros, fully subscribed and paid up and is divided into 311,340,037 registered ordinary shares with a nominal value of 0.74 Euro each.
All shares representing the share capital of Sonaecom are traded in the Euronext Lisbon regulated market.

2. Restrictions on share transferability and ownership

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

3. Treasury shares

At 31 December 2016, Sonaecom held 5,571,014 treasury shares, representing 1.789% of its share capital.

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

There are no agreements signed by Sonaecom that include clauses intended to constitute defensive measures against change in its shareholding control or which would cease in case of change in control of the company after a takeover bid.
Most of Sonaecom's share capital is owned by one single shareholder.

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

No defensive measures were taken.

6. Shareholders' agreements

No shareholders' agreements regarding Sonaecom are known.

II - Shares and bonds held

7. Qualified shareholdings

In compliance with the Article 8, paragraph 1, subparagraph (b) of the Securities and Exchange Commission Regulation 05/2008, the qualified shareholdings at 31 December 2016 are described as follows:

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

(1) Belmiro Mendes de Azevedo is, according to article 20 paragraph 1, subparagraph b), and article 21, paragraph 1, both of the Portuguese Securities Code, the ultimate beneficial owner, as it owns Efanor Investimentos, SGPS, SA and the latter indirectly owns Sonae - SGPS S.A. and

* 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

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

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

9. Competence of the Board of Directors in capital increases

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

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

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

B. Statutory Governing Bodies and Committees

I - Shareholders' General Meeting*

a) Composition of the General Shareholders' Meeting Board

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

António Agostinho Cardoso da Conceição Guedes	Charmain	Term of office 2012-2015	until 29/04/2016
Maria Daniela Farto Baptista Passos	Secretary	Term of office 2012-2015	until 29/04/2016
Manuel Eugénio Pimentel Cavaleiro Brandão	Charmain	Term of office 2016-2019**	
Maria da Conceição Henriques Fernandes Cabaços	Secretary	Term of office 2016-2019 **	

* *Throughout the reference year*
*** Elected at the Shareholders' Annual General Meeting held on the 29th April 2016*

b) Exercising voting rights

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

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

The right to proxy voting and how this can be exercised is also given on the notice for each General Meeting, pursuant to the law and articles of association.

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

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

13. Maximum percentage of voting rights that can be exercised by a single shareholder or by shareholders with whom s/he is in any of the relationships described in paragraph 1, article 20.
There is no statutory limitation on exercising voting rights.

14. Shareholder decisions which, due to the Articles of Association, may only be taken with a qualified majority
As established in the Company's Articles of Association, any decisions made by the General Shareholders' Meeting shall be by simple majority, unless otherwise required by law.

II – Management and supervision

a) Composition

15. Identification of the adopted governance model
This company has adopted the monist governance model, whose administration structure is centralised in the Board of Directors. The supervisory structure includes a Statutory Audit Board and a Statutory External Auditor.
The Board of Directors is the body in charge of managing the company's business, performing all the administration functions pertaining to the corporate purpose, monitoring risks, and executing the organisation's objectives and strategy. The Statutory Audit Board has the supervising responsibility.

16. Statutory regulations on procedural and material requirements applicable to the appointment and replacement of the members of the Board of Directors
The members of the Board of Directors are elected, as established by law and the Company's Articles of Association, in the terms specified in the proposal approved in the General Shareholders' Meeting.
The Articles of Association establish that, should shareholders representing at least 10% of the share capital vote against the winning proposal for the election of the directors, a director will be elected by the shareholders in said minority, in the same meeting, and the director elected shall automatically replace the person with the lowest number of votes in the winning list, or, in case of an equal number of votes, the person in the last position in the list. One shareholder may not nominate more than one candidate.

Should candidates be nominated by more than one group of shareholders, the vote shall concern those candidacies as a whole. These regulations shall not apply to the election of a substitute director.
It is also statutorily established that in case of death, resignation, or any temporary or definitive incapacity of any director other than a director elected under the minority rule, the Board of Directors shall replace that director through co-option. This appointment shall be subject to ratification by the shareholders in the following General Meeting.
However, the definitive lack, for any reason, of a director elected under the aforementioned special rules shall lead to a new election by the General Meeting.
The Board of Directors shall appoint its Chairman.

17. Composition of the Board of Directors

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

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

Members	Position	Date of 1st Appointment	End of term of Office
Angêlo Gabriel Ribeirinho dos Santos Paupério	Chairman of the Board of Directors	24/04/2007	31/12/2019
António Bernardo Aranha da Gama Lobo Xavier	Executive director	23/04/2010	31/12/2019
Maria Claúdia Teixeira de Azevedo	Executive director and CEO of the Software and Technology and the Online and Media areas	05/04/2006	31/12/2019

18. Description of the members of the Board of Directors

Members

Ângelo Gabriel Ribeirinho dos Santos Paupério	Chairman of the Board of Directors
António Bernardo Aranha da Gama Lobo Xavier	Executive Director
Maria Cláudia Teixeira de Azevedo	Executive Director and CEO of the Software and Technologies areas and Online & Media

At 31 December 2016, the Board of Directors had not delegated any powers to an Executive Committee or a managing director. As such, the management of the company, at that date, was collectively carried out by all the members of the Board of Directors, who had executive functions.

19. Professional qualifications of the members of the Board of Directors
The academic qualifications, experience, and duties of the directors are given in Appendix I of this report.

20. Significant family, professional, and commercial relationships of the members of the Board of Directors with shareholders that have qualified shares
Maria Cláudia Teixeira de Azevedo, member of the Board of Directors, is the sister of Duarte Paulo Teixeira de Azevedo, CEO of Sonae – SGPS, S.A. – which holds, as of 31 December 2016, an 88.36% share in Sonaecom, corresponding to 89.97% of the voting rights. She is also the daughter of Belmiro Mendes de Azevedo, shareholder and member of the Board of Directors of Efanor Investimentos, S.A., a company that holds the control of Sonaecom's share capital.
The Chairman of the Board of Directors of Sonaecom, Ângelo Ribeirinho dos Santos Paupério, is Co-Chairman of the Executive Committee of Sonae – SGPS, S.A., shareholder of Sonaecom in the terms described above.

21. Distribution of competences among the various corporate bodies, committees, and/or company departments, including information about delegation of competence, in particular regarding delegation of the company's daily management

i) Distribution of competences among the various corporate bodies and respective committees:
Sonaecom's corporate structure clearly describes the functions, responsibilities and duties of its bodies.

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

Board of Directors

The Board of Directors is responsible for managing the company's business, monitoring risks, handling conflicts of interest, and executing the organisation's objectives and strategy.
Sonaecom's Articles of Association allow the Board of Directors to delegate powers in an Executive Committee when it comes to everyday business, duties and management responsibilities. However, the articles of association do not allow the Board of Directors to approve capital increases, which has to be decided in the General Shareholders' Meeting.

All the terms of reference for the Board of Directors may be viewed on the company's website (www.sonae.com) at http://other.static.sonae.com/2016/03/22/RULES_AND_REGULATIONS_OF_THE_BOARD_OF_DIRECTORS_SONAECOM/RULES_AND_REGULATIONS_OF_THE_BOARD_OF_DIRECTORS_SONAECOM.pdf.

The Board of Directors believes that given the current size of the company and the composition of the Board, no specialized committees inside the Board are justified.

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

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

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

Risk Management Department
The Risk Management is ensured at the level of company business. Thus, each business unit is involved in the functional processes, with the responsibility of implementing internal controls and managing specific risks. In general, the main responsibilities of each one of the businesses involves:
- Promoting a culture of risk awareness, as well as mediating and managing the business risks that interfere with the achievement of objectives and the creation of value in the organisation;
- Promoting and monitoring the implementation of programmes and actions aimed at bringing risk levels close to the acceptable levels established by the management.

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

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

Human Resources Department
Main duties:
- Support to senior management on the implementation and development of human resources policies;
- Defining and implementing the human resources strategy, planning and talent management on various levels;
- Ensuring the presence and development of the technical and management competences of Sonaecom executives, either through the implementation of adequate recruitment and selection practices, or through the design and implementation of transversal training and/or individualised training and development plans;
- Developing human resources management models and processes in areas such as remuneration and benefit policy; career management; social climate monitoring and development; administrative management and salary processing; staff budgeting and reporting on human resources issues; occupational health, hygiene; and safety management;
- Monitoring legal occupational issues;
- Representing the company in official bodies and associations linked to this area.

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

b) Operating rules

22. Location of the terms of reference of the Board of Directors
The terms of reference of the Board of Directors are available on the company's website (www.sonae.com) at http://other.static.sonae.com/2016/03/22/RULES_AND_REGULATIONS_OF_THE_BOARD_OF_DIRECTORS_SONAECOM/RULES_AND_REGULATIONS_OF_THE_BOARD_OF_DIRECTORS_SONAECOM.pdf.

23. Number of meetings held and attendance level of each member of the Board of Directors.
The Sonaecom Board of Directors meets at least four times every year, as specified by the Company's Articles of Association, and whenever the Chairman or two members of the Board of Directors call a meeting. Five meetings of the Board were held in 2016 with a 100% attendance rate, in person. The following table displays detailed information about the attendance at meetings:

Date	Participants
8 March 2016	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
9 May 2016	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
29 July 2016	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
8 November 2016	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
20 December 2016	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier

24. Suitability of the competent corporate bodies to appraise the performance of the Executive Directors
To establish the variable component of remuneration, an individual evaluation of the Executive Directors' performance is carried out by the Remuneration Committee. This evaluation is performed once the company's performance is known.

25. Predetermined criteria for evaluating the performance of Executive Directors
The performance evaluation of Executive Directors is based on predetermined criteria, consisting of objective performance indicators established for each period and aligned with the overall strategy of growth and positive business performance.
These indicators consist in business, economic and financial Key Performance Indicators (KPIs) and are subdivided into collective, departmental and personal KPIs.
Collective business KPIs include economic and financial indicators based on the budget, on the performance of each business unit, as well as on the consolidated performance of Sonaecom.
In turn, departmental business KPIs are similar in nature to the previous ones, being directly influenced by the performance of the business Executive Director.
Personal KPIs include objective and subjective indicators and seek to assess the compliance with the obligations and commitments undertaken individually by the executive director.

26. Availability of each of the members of the Board of Directors, specifying the positions held simultaneously in other companies, inside and outside the Group, and other relevant activities performed by the members of these bodies during the business year.
The information regarding the positions held by the company directors simultaneously in other companies, inside and outside the group, is disclosed in Appendix I of this report.
Each one of the members of the Board of Directors consistently displayed their availability to perform their duties, attending meetings and taking part in the respective works on a regular basis.

c) Board of Directors' committees and managing directors

27. Identification of the committees created within the Board of Directors and where to find their operating regulations
The Board of Directors, given its composition and in virtue of the company's dimension, considers that keeping any specialized Committee is unnecessary.

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

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

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

28. Composition, if applicable, of the Executive Committee and/or identification of the managing director(s)
At 31 December 2016, the Board of Directors had not delegated any powers to an Executive Committee or managing director.

As such, the management of the company, at that date, was collectively carried out by all the members of the Board of Directors who had executive functions. Maria Cláudia Teixeira de Azevedo also held the position of CEO of the Software and Technology and Online & Media areas.

29. Specification of the competences of each of the Committees created and synthesis of the activities performed in the exercise of those competences
The Board of Directors, given its composition and considering the company's dimension trusts that keeping any specialized Committee is unnecessary.

The company has a Corporate Governance Officer, with the functions and responsibilities disclosed in section 27 of this Report.
The company still has a company secretary, who is responsible for:

(i) Ensuring the minutes and attendance lists of the Shareholders' General Meeting;
(ii) Sending summons and other legal documents necessary to hold the General Meeting;

(iii) Supervising the preparation of supporting documentation for the General Meetings and Board of Directors' meetings and drawing up the corresponding minutes;
(iv) Responding to requests for information by the shareholders within the framework of the law;
(v) Proceeding with the legal registration of any act or decision of the Company's governing bodies.

III – Supervision

a) Composition

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

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

In 2016, the Board of Auditors was composed of the following members:

Arlindo Dias Duarte Silva	Chairman	until 29/04/2016
Armando Luís Vieira de Magalhães	Member	until 29/04/2016
Óscar José Alçada da Quinta	Member	until 29/04/2016
Jorge Manuel Felizes Morgado	(Alternate Member)	until 29/04/2016

By resolution taken on the Shareholders' Annual General Meeting, held on 29 April 2016, the Board of Auditors, for the 2016/2019 four-year period, is now composed as follows:

João Manuel Gonçalves Bastos	Chairman
Maria José Martins Lourenço Fonseca	Member
Óscar José Alçada da Quinta	Member
António Augusto Almeida Trabulo	(Alternate Member)

Statutory External Auditor
By resolution taken on the Shareholders' Annual General Meeting, held on 29 April 2016, PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA., represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia was nominated as the Statutory External Auditor, to integrate the mandate of 2016/2019. Joaquim Miguel de Azevedo Barros (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036), was nominated as the alternate Statutory External Auditor, to integrate the mandate of 2016/2019.

32. Degree of independence of the members of the Statutory Audit Board
All members of the Statutory Audit Board ("SAB") are independent under the terms of article 414, paragraph 5, and they are not covered by any incompatibility under the terms of article 414-A paragraph 1, both from the Portuguese Companies Act. The Statutory Audit Board carried out an assessment of the independence of its members by the renewal of written declarations issued individually.
Members of the Statutory Audit Board must notify the company immediately of any occurrence during the course of their terms of office that gives rise to incompatibilities or a loss of independence, as required by law.

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

b) Operation

34. Terms of reference and annual activity report
The operating regulations of the Statutory Audit Board can be consulted in the Sonaecom website (www.sonae.com), at http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf.

The annual report and opinions of the Statutory Audit Board are published during each financial year, together with documents relating to accountability of the Board of Directors, available at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (the 2016 documents are in the folder MR&A 2016 /Chapter IV).

35. Statutory Audit Board Meetings
Resolutions of the Statutory Audit Board are passed by majority vote, with dissenting members being required to give their reasons for dissent in the minutes.
The Statutory Audit Board meets at least once a quarter. Five meetings were held in 2016 with a 93% attendance rate.

36. Availability of the members, with a description of roles held in other companies inside and outside the Group, as well as other activities carried out by members of the Statutory Audit Board
Members of the Statutory Audit Board consistently demonstrated their availability when carrying out their functions, having regularly attended meetings of the board and taken part in the respective work.
Information relating to other posts held by the members of the Statutory Audit Board, as well as those members' qualifications and professional experience are available in Appendix I to this report.

c) Competencies and functions

37. Description of the procedures and criteria that apply to interventions by the Supervisory Body for the purpose of contracting services additional to the external auditor
The Statutory Audit Board shall have the authority to approve the provision of services that are additional to the audit services provided by the External Auditor.

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

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

38. Other functions of the Supervisory Body

38.1 Statutory Audit Board
The Statutory Audit Board, while performing its statutory and legally assigned functions, including the ones set out in Art. 420 of the Portuguese Companies Act, has the following main duties, among others:
a) To oversee the company's management;
b) To oversee compliance with legal and regulatory requirements and the company's Articles of Association;
c) To verify that the books of account, accounting records and supporting documentation are correctly maintained and kept up to date;
d) To verify the accuracy of the documents used in the presentation of the accounts;
e) To verify if the accounting policies and accounting criteria used by the company are suitable to showing a true and fair view of the financial position and the results of its operations;
f) To prepare an annual report on the supervisory work performed and express an opinion on the management report, accounts and other proposals submitted by the Board of Directors, in which it should express its agreement or not, with the management report and the year's accounts;
g) To check if the disclosed corporate governance report includes the information listed in Art. 245.º - A of the Portuguese Securities Code;
h) To convene the Shareholders' General Meeting, should the Chairman of the General Meeting fail to do this in circumstances when it is necessary;
i) To assess the risk management systems, internal control system and internal audit system and to monitor the effectiveness of them, and receive the respective reports;
j) To oversee the independence of the internal audit function, particularly with regard to restrictions to its organisational independence and any lack of resources for internal audit activity;
k) To receive communications of alleged irregularities occurring in the company and presented by the company's shareholders, employees or others;
l) To appoint and hire services from experts to help one or more members in the exercise of their duties. The hiring and fees of these experts should take into consideration the complexity of the matters involved and the financial position of the company;
m) To oversee the preparation and disclosure of financial information;
n) To propose the appointment of the Statutory External Auditor to the Shareholders' General Meeting and corresponding remuneration;
o) To oversee the company's financial statements, and to assess the Statutory External Auditor on an annual basis and recommend their dismissal to the Shareholders´ General Meeting, if there is due case to do so;
p) To assure that the company provides the Statutory External Auditor with the necessary conditions for carrying out its duties, to intermediate between him and the company, as well as, to receive the reports;
q) To issue a prior opinion on relevant business activities (higher than 10 million euros) with qualified shareholders, or entities with whom they are in any relationship, according to Art. 20 of the Portuguese Securities Code;
r) To carry out any other supervisory duties required by law.

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

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

The full Terms of Reference of the Statutory Audit Board are available on the company's website (www.sonae.com), at http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf.

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

IV – Statutory External Auditor

39. Identification of the Statutory External Auditor and the partner who represents it
The Statutory External Auditor is PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA., registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia, designated as Statutory External Auditor, to integrate the mandate of 2016/2019.

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

40. Number of consecutive years in which the external auditor and the respective partner who represents it, have performed duties for the company and/or for the Group
In 2016, a new mandate corresponding to the 2016/2019 four-year period began and PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. was elected to the post of Statutory External Auditor, through a proposal submitted by the Statutory Audit Board to the Shareholders' Annual General Meeting held on 29 April 2016.

41. Description of other services rendered to the company by the Statutory Auditor
PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. performs the duties of an External Auditor and provides other services of assurance.

V – External Auditor

42. Identification of Statutory external auditor designated for the purposes of article 8 and of the partner who represents it in the performance of these duties, as well as the respective registry number at the Portuguese Securities Market Commission (CMVM).
The Sonaecom External Auditor, designated for the purposes of Article 8 of the Portuguese Securities Code, is PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia.

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

43. Number of consecutive years in which the external auditor and the respective partner who represents it have performed duties for the company and/or for the Group
PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. was first elected on 29 April 2016, to integrate the mandate 2016/2019.

44. Policy and frequency for rotation of the external auditor and the respective partner who represents it
The Statutory Audit Board has adopted the recommended principle of not replacing the External Auditor after the end of two four-year mandates if, after careful assessment, it has concluded that the supervision of its activity after that said period does not interfere with the independence of the External Auditor, and the advantages and costs of renewing the mandate outweigh its replacement.

45. Body in charge of assessing the External Auditor and frequency of assessment
Based on the company's governance model, the appointment or removal of the Statutory Auditor/External Auditor is decided at the General Shareholders Meeting, based on a proposal from the Statutory Audit Board.
The Statutory Audit Board oversees the performance of the External Auditor and the work done each year, considers and approves the additional work to provide and, annually, prepares an overall appraisal of the External Auditor, which includes an assessment of their independence.

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

The remuneration paid to the Statutory External Auditor and to the External Auditor, PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. in 2016 and Deloitte & Associados, SROC, SA in 2015, by proposal of the Statutory Audit Board, and to other individuals and entities of the same company network, supported by the Company and/or by corporate entities in a control relation with the latter, are as follows, analysed by type of service:

	2016		2015	
	Values in €	%	Values in €	%
For the company *				
Statutory audit review	17,138	13%	17,416	13%
By entities inclued in the group				
Statutory audit review	101,135	77%	97,922	74%
Other services of assurance	13,000	10%	750	1%
Tax consultancy	-	0%	15,750	12%
Total				
Audit services	118,273	90%	115,338	87%
Other services of assurance	13,000	10%	750	1%
Tax consultancy	-	0%	15,750	12%
Total	131,273	100%	131,838	100%

(*) Includes individual and consolidated accounts.

The additional services to the auditing services were contracted from the External Auditor upon authorisation from the Statutory Audit Board, which recognised that the contracting of the additional services did not affect the External Auditor's independence, and corresponded to the satisfaction of the company interests, given the provider's expertise, the history of providing services in those areas and the knowledge of the Company and its Group.
As an additional safeguard, the SAB receives and analyses the information about the fees and services provided by the Statutory Auditor every quarter and in the adoption of the procurement of services to the External Auditor, it was ensured that:
a) no prohibited services are provided according to Law 140/2015, which came into force on 1 January 2016;
b) the additional services do not account for a surcharge of more than 30%;
c) the tax consulting services and the other services, when existing, are provided by experts other than those who were involved in the audit process;
d) the fees paid by Sonaecom group to the PWC group represented less than 1% of PWC's total billing in Portugal:
e) the External Auditors' internal control system, according to the provided information, monitors the potential loss of independence risks, or of any conflicts of interest with Sonaecom and ensures the quality and the rules of ethics and independence.

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

C. Internal Regulation

I – Articles of association

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

II - Reporting irregularities

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

This Code of Conduct, which should guide the actions of its employees when exercising their functions, is available at http://other.static.sonae.com/2014/07/31/COD_CONDUTA_EN_/COD_CONDUTA_EN_.pdf.

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

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

III - Internal control and risk management

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

Risk Management is one of the components of Sonaecom's culture and a pillar of the Corporate Governance, which is why each business unit in Sonaecom has, as part of its competencies in the functional processes, the responsibility of implementing internal controls and management of specific risks.
At the same time, the Internal Audit Department evaluates the exposure to risk and verifies the effectiveness of risk management in the internal controls of business processes and information systems. Additionally, it proposes measures to improve controls and monitor the evolution of risk exposure associated with the main audit findings and conclusions.

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

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

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

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

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

52. Existence of other functional areas with risk control competencies
Besides the areas mentioned above, Sonaecom has other functional areas and business processes with competency in controlling and monitoring risks, in particular the following:

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

53. Reporting and description of the main types of risks (economic, financial, and legal) to which the company is exposed in the performance of its activity
Risks are presented and ranked, in the present section, based on the ranking and structure of Sonaecom's *Business Risk Management (*BRM). BRM is a systematic way of identifying risks that affect the organisation (everyday language) and makes it possible to define and group risks along with their main causes (dictionary of risks).

Economic risks

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

Economic influences

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

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

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

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

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

In the case of Público, the exposure to a segment that is going through a period of financial crisis and changing of reading trends has forced the definition of a restructuring project. With the need to ensure sustainability without compromising its role as an independent information source in Portugal, Público has continued to conduct this project, which involves a greater focus on meeting growing demands in the digital world and a sizeable reduction in its operating costs structure.

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

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

Technological innovation

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

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

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

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

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

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

Competition

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

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

Business portfolio

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

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

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

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

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

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

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

Business interruption and catastrophic losses (Business Continuity Management)

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

In the IT sector, business clients typically have a lower tolerance for interruptions. In this context, technology companies face risks associated with the availability of software platforms that support the companies' processes as well as the corresponding clients.
To identify this specific set of risks and to implement actions for prevention and mitigation that guarantee continuity of critical services and operations, Sonaecom has adopted a Business Continuity Management (BCM) programme over several years.

Confidentiality, integrity and availability (Information Security Management)

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

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

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

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

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

Product-service failure (professional liability)

As Sonaecom companies are customer-oriented, we give special attention to the impact that the potential failure of our products or services may have on our customers, particularly with regard to civil liability issues. Risk events can be physical (for example: damage to equipment or facilities) or non-physical (for example: error in a software installation) and, usually, they are related to accidents, unintentional acts, errors or omissions by employees or subcontractors.
The risk management strategy selected by Sonaecom for this type of risk, involves the transfer of risk through insurers in addition to the implementation of internal controls. In this context, we continue to carry out the actions designed and implemented in previous years relating to professional liability insurance, and which consist of:

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

Financial risks

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

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

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

Legal, statutory and regulatory risks

Sonaecom and its subsidiaries have the support of legal and tax departments permanently dedicated to the specifications of the corresponding activity, under management's supervision, and exercising their competencies in interaction with other functions and departments, in order to pre-emptively ensure the protection of the company's interests and businesses, in compliance with their legal obligations, as well as by applying good practices. The teams in these departments have specialized training and participate in in-house and external training courses to update their knowledge.

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

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

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

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

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

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

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

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

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

55. The key elements of the risk management and internal control systems implemented in-company regarding the disclosure of financial information
Sonaecom acknowledges that, as with other listed companies with similar activities, it is potentially exposed to risks related to the financial and accounting reporting processes, in addition to other financial risks, as detailed above. Sonaecom's attitude concerning financial risk management is conservative and prudent, and these principles have been maintained during 2016.

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

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

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

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

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

IV – Investor Relations

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

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

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

Tel: (+351) 22 013 2349
E-mail: investor.relations@sonae.com
Address: Building 1.A Lugar do Espido – Via Norte – 4471-909 Maia
Website: www.sonae.com

57. Legal representative for Capital Market Relations
The legal representative for Capital Market Relations and Euronext is António Bernardo Aranha da Gama Lobo Xavier, who may be contacted by phone or e-mail:
Tel: (+351) 22 013 2349
E-mail: antonio.xavier@sonae.com / investor.relations@sonae.com
Address: Building 1.A Lugar do Espido – Via Norte – 4471-909 Maia

58. Details regarding information requests received during the target year or pending from previous years, amount and average response time
During 2016, the Investor Relations Department received a normal number of information requests, considering the size of the company in the capital markets. These information requests were submitted either by e-mail or post, or by phone. The response to these requests was provided with the maximum possible speed. The average response time, without prejudice to the complexity of the matter, didn't exceed 2 working days.

V – Company's Website

59. Address

Company's website: www.sonae.com

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

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

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

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

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

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

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

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

64. Location of the notice for the General Meeting and all the preparatory and subsequent information related to it
Website: http://www.sonae.com/investidores/assembleia-geral/?l=en in the document called "Notice of meeting" included in each of the annual folders

65. Location of the historical records with the resolutions taken at the Company's General Meetings, the represented share capital and the voting results, with reference to the previous three years
Website: http://www.sonae.com/investidores/assembleia-geral/?l=en

D. Remuneration

I - Determining Competence

66. Competence for determining the remuneration of Governing bodies, members of the Executive Committee or Managing Director and the Company's Directors
Sonaecom's Remuneration Committee is responsible for approving the remuneration of Board members and other Statutory Governing Bodies, on behalf of the shareholders and under the terms specified in the compensation policy approved at the Shareholders' General Meeting.

II - Remuneration Committee

67. Composition of the Remuneration Committee, including identification of other individuals or companies hired to provide support and statement on the independence of advisors
Sonaecom has a Remuneration Committee consisting of two members: Duarte Paulo Teixeira de Azevedo, on behalf of Sonae SGPS, S.A. and Francisco de la Fuente Sánchez, on behalf of Sontel BV.
The company has not hired any entities to provide regular support to the Remuneration Committee.
When establishing the remuneration policy, the Remuneration Committee resorts to benchmark studies on remuneration practices annually disclosed by the internationally renowned consultants Hay Group and Mercer, and also by companies included in the main Portuguese Stock Market Index (PSI 20), in order to ensure that the statutory governing bodies' remuneration policy to be submitted to the approval of the Shareholders' Annual General Meeting fulfils comparable market standards.
The members of the Remuneration Committee are independent in relation to the Board of Directors.

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

III – Remuneration Structure

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

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

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

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

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

As part of the Company's principles of corporate governance, guidelines regarding remuneration policy have been established and reflected in the Remuneration and Compensation Policy, currently in operation (available for consultation at the website http://other.static.sonae.com/2016/04/29/Extrato_AtaAGA_Sonaecom29042016_EN/Extrato_AtaAGA_Sonaecom29042016_EN.pdf?download=1) and approved at the Shareholders' General Meeting held on 29 April 2016. The Remuneration and Compensation Policy is based on the following principles.

Remuneration Policy Principles:

Competitiveness:

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

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

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

Guidance to performance:

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

Alignment with the interests of shareholders:

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

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

Transparency:

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

Reasonability:

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

The Remuneration and Compensation Policy currently in operation, was approved at the Shareholders' General Meeting that took place on the 29 April 2016, 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, auditing bodies and other executives.

Sonaecom reviews its remuneration policy annually as part of its risk management process, in order to ensure that it is entirely consistent with its desired risk profile. During 2016, no problems relating to payment practice were found that posed significant risks to the Company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Variable remuneration is awarded annually, according to the results of the previous year, and is then integrated into the MTVB plan. Payment of this component of variable remuneration is dependent on the director continuing to work with the Company for a period of three years after its award, as well as the overall continuing success of the company during this period, measured in accordance with the objectives set by the Shareholders' Remuneration Committee every three years.
If, subsequently to being awarded the right to this kind of remuneration and before exercising this rights, dividends are distributed, changes are made in the nominal value of shares or the company's share capital is changed, the number of shares on the plan will be adjusted to the number of shares that, considering the above modifications, are equivalent to the number of initial shares. This maintains an alignment with the total shareholder return. At the vesting date, shares are only delivered if the criterion for continuing positive performance of the company, mentioned above, is met. Payment is made by delivering shares at a discount that can vary between 90% and 100%, although Sonaecom retains an option to pay an equivalent value in cash.

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

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

75. Main parameters and reasoning concerning annual bonuses and any other non-cash benefits
The main parameters and reasoning concerning the variable remuneration system are disclosed in the remuneration policy approved in the Shareholders General Meeting, held on 29 April 2016, which is available for consultation at the Company's website: http://other.static.sonae.com/2016/04/29/Extrato_AtaAGA_Sonaecom29042016_EN/Extrato_AtaAGA_Sonaecom29042016_EN.pdf?download=1.

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

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

IV - Disclosure of Remuneration

77, 78 and 79. Indication of the annual remuneration earned, in aggregate and individual amount, by the Company's members of the Board of Directors, including fixed and variable remuneration. Related to this, reference to the different components that led to them, amounts of any kind paid by other controlled or Group companies, or those under shared control, and remuneration paid as profit sharing and/or bonus payments and the reasons why such bonuses and/or profit sharing payments were made
The remuneration for each Sonaecom director, awarded by the Company and Group Companies during the year 2016 and 2015, is summarized in the charts below.

Remuneration of each Sonaecom Board member awarded by the company in 2016 and 2015

	2016				2015			
Amounts in euros	Fixed Remuneration	Short Term Variable Bonus *	Medium Term Variable Bonus/MTIP	Total	Fixed Remuneration	Short Term Variable Bonus *	Medium Term Variable Bonus/MTIP	Total
Individual breakdown								
Executive Directors								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	183,900	136,200	136,200	456,300	183,900	142,600	142,600	469,100
Maria Cláudia Teixeira de Azevedo	141,480	69,200	69,200	279,880	147,332	78,100	78,100	303,532
António Bernardo Aranha Gama Lobo Xavier	153,320	-	-	153,320	153,320	-	-	153,320
	478,700	205,400	205,400	889,500	484,552	220,700	220,700	925,952
Total	478,700	205,400	205,400	889,500	484,552	220,700	220,700	925,952

* Amount earned through the company and its subsidiaries

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

Directors' participation in MTIP

Executive Directors	Plan (Performance Year)	Award Date	Vesting Date	Ammount Vested in 2016*	Open Plans Value at Awared Date*	Open Plans Value at 31 December 2016 * **
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	2012(1)	mar/13	mar/16	373,346		
	2013	mar/14	mar/17		302,800	217,301
	2014	abr/15	abr/18		125,100	91,292
	2015	mar/16	mar/19		142600	128,487
Total				373,346	570,500	437,080
Maria Claúdia Teixeira de Azevedo	2012(1)	mar/13	mar/16	111,791		
	2013	mar/14	mar/17		67,300	48,297
	2014	abr/15	abr/18		75,400	55,023
	2015	mar/16	mar/19		78,100	70,370
Total				111,791	220,800	173,690
Total				485,137***	791,300	610,770

*Amounts in Euro.

**Calculated considering the share market closing price of 2016 last trading day.

***All open plans were paid off for a total of 485,137 Euros.

(1) The amount of the 2012 Plan at the award date includes Sonaecom Share Plans and Sonae SGPS Share Plans. At 10 March 2014, Sonaecom shares plans were fully converted into Sonae SGPS shares. This conversion was based on the terms set out in Tender offer for the general and voluntary acquisition of own shares at 20 February 2014 (1 Sonaecom Share – approximately 2.05 Sonae SGPS shares).

Remuneration earned by Directors in group companies

	2016				2015			
Amounts in euros	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total remuneration	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total remuneration
Name								
Ângelo Gabriel Ribeirinho dos Santos Paupério	276,800	203,900	203,900	684,600	276,800	190,500	190,500	657,800

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

No compensation was paid or is currently owed to former Executive Directors in relation to early loss of office during 2016 and 2015.

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

The remuneration of the members of the Statutory Audit Board is made up of fixed annual fees, based on the Company's financial situation and market practice, and does not include any variable remuneration. Thus, the Chairman of the Statutory Audit Board earned 9,900 euros in 2016 and 2015 and the other members earned, in the same period, 7,900 euros. The alternate members of the Statutory Audit Board did not receive any remuneration.

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

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

V - Agreements with Remuneration Implications

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

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

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

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

VI - Share attribution plans or stock options

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

Medium Term Variable Bonus - MTVB

Framework
The MTVB is designed to align the interests of employees and Executive Directors with the success of the company, reinforcing their engagement and the perception of the impact of their performance on the success of Sonaecom.
The MTVB is applicable to all Sonaecom Group companies. Regarding Público – Comunicação Social, S.A. and the companies owned by it, the attribution rules are more restricted than those described below and this is not expected to change.

General features of the Medium Term Incentive Plan
The MTVB is subjected to the Medium Term Incentive Plan eligibility rules described in this report.
The general terms of the MTIP and any significant amendments thereto are reviewed by the Remuneration Committee and then approved at the Shareholders' General Meeting. The participation of Sonaecom's Executive Committee's members is approved by the Remuneration Committee, in line with the Group's Remuneration Policy, which is also approved at the Shareholders' General Meeting.

Eligibility
All Sonaecom employees at Sonaecom Management Levels GF1 to GF6 are eligible to be awarded an MTVB under the MTIP, provided that they held Management Level GF6 or higher, on 31 December of the respective performance year.
Classification as Management Level GF6, on recruitment or by promotion, does not automatically give entitlement to the award of a MTVB. Any decisions to make an award, including the value awarded (which is calculated as a percentage of the individual annual fixed remuneration), should take into account the total variation in the compensation package of each employee. It is recommended that, for the first MTVB awarded, the value should be equal or lower than 50% of the higher value recommended for that Management Level.

Definition of the MTVB reference value
The MTVB reference values for employees with Management Levels GF1 and GF2 are based on a percentage of their total Target Performance Bonuses, which is defined on an individual basis, and taking into account their level of qualification, the structure of their compensation package and the achievement of personal KPIs and approved by the Remuneration Committee. As for Management Level GF3 employees, the reference value is approved by the Chairman of the Board of Directors.

The value of the MTVB may alter over the period between the awarding date and the vesting date, as it is linked to a standard share package and to the Total Shareholder Return of the respective Sonae SGPS, S.A. (Sonae) and/or Sonaecom SGPS shares. Vesting is dependent on the overall continuing success of the company during said period, measured in accordance with the objectives set by the Remuneration Committee every three years.

For employees with Management Levels GF3, GF4, GF5 and GF6, the MTVB reference values are based on a percentage of the Annual fixed remuneration, which is defined on an individual basis, taking into account their level of qualification, the structure of their compensation package and also the achievement of personal KPIs.
The MTVB reference value for employees who have a monthly performance bonus (commissions) is calculated based on the overall value of commissions received annually and taking into consideration the higher values awarded to other employees with the same Management Level. Whenever the annual commissions awarded are outside the above range, Sonaecom may decide to adjust them.

Management Level	Reference values for MTVB (% of annual fixed remuneration)
GF3	Up to 65%
GF4	Up to 60%
GF5	Up to 50%
GF6	Up to 45%

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

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

If, subsequent 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 shares, which the director has been awarded, will be adjusted to an equivalent number, taking into account the impact of these changes.

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

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

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

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

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

87. Option rights granted to acquire shares ("stock options") where the beneficiaries are company employees
There are no stock options to acquire the attributed shares.

88. Planned control mechanisms for any employee share capital participation scheme, to the extent voting rights are not directly exercised by them
There are no control mechanisms established to control employee participation in the Company's capital.

E. Transactions with related parties

I - Mechanisms and control procedures

89. Mechanisms implemented by the Company to monitor transactions with related parties (for the purposes of the concept of IAS 24)
Sonaecom endeavours to carry out transactions with related parties based on principles of rigour and transparency, and in strict observance of the rules of market competition. Such transactions are subject to specific internal procedures based on mandatory standards, in particular transfer pricing rules, or on voluntarily adopted internal systems of checks and balances – for example, formal validation or reporting processes, depending on the value of the transaction in question.
In this regard, Sonaecom has adopted specific procedures in order to prevent conflicts of interest, such as promoting communication between the Board of Directors and the Statutory Audit Board, which provides the necessary clarifications to assure that transactions are concluded under normal market conditions.

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

On 14 June 2016, Sonaecom sold its entire direct stake on NOS (2.14% of its share capital) to ZOPT, as agreed under the shareholders' agreement executed between Sonaecom, Kento Holding Limited and Jadeium BV (currently Unitel International Holdings, BV), by the amount of 82,840,847 euros. With this transaction, the imputation of voting rights title was modified and therefore ZOPT became the direct owner of 52.15% of the share capital of NOS.
This transaction, as well as the other no significant transactions carried out within the scope of Sonaecom's activity, were conducted under market conditions and in line with any transactions with other national and international contracting entities, in terms that conform to the preceding framework of Sonaecom's practice and under the supervision of the Statutory Audit Board, as described in point 92 below.
Additionally, in accordance with the provisions in point 10 above in this report, there were no significant commercial relations or any others in 2016 between the qualified shareholders and the Company.
There were no transactions with any member of the SAB in 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 with owners of qualified shares or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, are subject to a formal prior opinion by the Statutory Audit Board, if their value exceeds 10 million euros. In addition, all transactions with related parties in excess of 1 million euro, are also submitted to quarterly reports by the Statutory Audit Board.

II - Business related elements

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

Information on transactions with related parties, in accordance with IAS 24, can be found in note 35 of the 2016 Consolidated Financial Statements' Appendix.

PART II – STATEMENT OF COMPLIANCE

1. Identification of the adopted Corporate Governance Code

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

The Report should be read as an integral part of the Annual Management Report and the Individual and Consolidated Financial Statements for the year 2016.

The requirements for the provision of information as per article 3 of Law no. 28/2009, of 19 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.

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

2. Analysis of compliance with the adopted Corporate Governance Code

The governance model adopted by Sonaecom enabled the Board of Directors to operate normally, and none of the other statutory governing bodies have reported any constraints to their normal functioning.
The Statutory Audit Board exercised its supervisory function, having received appropriate support from the Board of Directors to this end, via regular provision of information.
The Statutory External Auditor monitored the company's activities and conducted the examinations and verifications deemed necessary to review and legally certify the accounts, interacting with the Statutory Audit Board, within the framework of their competences and responsibilities and with full cooperation from the Board of Directors.
The Board of Directors has been carrying out its duties and cooperating with the Statutory Audit Board and the Statutory External Auditor, when so requested, in a transparent and rigorous manner and in compliance with its Terms of Reference and best corporate governance practices.

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

The CMVM's recommendations on Corporate Governance (as issued in July 2013) and the respective level of compliance by Sonaecom at 31 December 2016, are listed below.

I. VOTING AND CORPORATE CONTROL

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

RECOMMENDATION FULLY ADOPTED.

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

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

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

RECOMMENDATION FULLY ADOPTED.

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

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

RECOMMENDATION FULLY ADOPTED.

No such mechanisms have been adopted or established.

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

RECOMMENDATION FULLY ADOPTED.

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

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

RECOMMENDATION FULLY ADOPTED.

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

II. SUPERVISION, MANAGEMENT AND AUDIT

II.1. SUPERVISION AND MANAGEMENT

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

RECOMMENDATION FULLY ADOPTED.

At 31 December 2016, the company's management was exercised by the Board of Directors, which is responsible for ensuring the management of the Company's business, exercising all management acts pertaining to its corporate purpose, monitoring risks and setting strategic guidelines. Thus, all Board members perform executive duties. Maria Cláudia Teixeira de Azevedo also has an executive job in the Software and Technology area and the group's Online & Media divisions.

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.

At 31 December 2016, such powers were not delegated by the Board of Directors.

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

RECOMMENDATION NOT APPLICABLE.

Sonaecom did not adopt said Corporate Governance model.

II.1.4. Unless the company is of a reduced size, and depending on the adopted model, the Board of Directors and the General and Supervisory Board shall create the necessary committees in order to:

a) Ensure that a competent and independent assessment of the Executive Directors' performance is carried out, as well as of its own overall performance. And further yet, the performance of all existing committees;

b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies measures to be implemented with a view to their improvement.

RECOMMENDATION FULLY ADOPTED.

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

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

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

RECOMMENDATION FULLY ADOPTED.

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

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

RECOMMENDATION NOT ADOPTED.

At 31 December 2016, the company's management was collectively exercised by the Board of Directors, which is responsible for ensuring the management of the Company's business, exercising all management acts pertaining to its corporate purpose, monitoring risks and setting strategic guidelines. As a supervisory body, the Statutory Audit Board is responsible for supervising and assessing the activity of the members of the Board of Directors.

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

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

a. Having been an employee of the company or of a company holding a controlling or group relationship with the latter, within the last three years;

b. Having, in the past three years, provided services or established a commercial relationship with the company or company which is in a control or group relationship with the latter, either directly, or as a partner, board member, manager or director of a legal person;

c. Being paid by the company or by a company with the latter in a control or group relationship, other than the remuneration paid for the exercise of Board member functions;

d. Living with a partner or being spouse, relative or any next of kin relative, either direct or up to and including the third degree of collateral affinity, of board members or natural persons that are direct and indirectly holders of qualifying holdings;

e. Being a qualifying shareholder or representative of a qualifying shareholder.

RECOMMENDATION NOT ADOPTED.

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

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

RECOMMENDATION FULLY ADOPTED.

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

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

RECOMMENDATION NOT APPLICABLE.

As of 31 December 2016, the company did not have an Executive Committee.

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

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

RECOMMENDATION NOT APPLICABLE.

As of 31 December 2016, all the members of the Board of Directors, including its Chairman, had an executive role, since the company did not have an Executive Committee or a Managing Director. Therefore, the company's management is exercised by the Board of Directors which does not have any non-executive members.

II.2. SUPERVISORY

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

RECOMMENDATION FULLY ADOPTED.

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

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

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

RECOMMENDATION FULLY ADOPTED.

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

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

II.2.3. The supervisory board shall assess annually the Statutory External Auditor and propose to the competent body its dismissal or termination of the contract as to the provision of their services, whenever justifiable grounds are present.
RECOMMENDATION FULLY ADOPTED.
The Statutory Audit Board reports annually on the work performed by the Statutory External Auditor.

II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management, proposing adjustments if deemed necessary.
RECOMMENDATION FULLY ADOPTED.
The Board of Directors proactively ensures the internal control system and risk management. The SAB assesses the effectiveness of these systems, proposing any optimisation measures that may be necessary and giving their opinion about them in the annual report opinion, made available together with the other documents and statements at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (2016 MR&A folder/Chapter V)

II.2.5. The Audit Committee, the General and Supervisory Board and the Statutory Audit Board should decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services, at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential irregularities.
RECOMMENDATION FULLY ADOPTED.
The SAB supervises the internal auditing activity, receives activity reports, assesses the results and conclusions found, checks on the existence of any irregularities and issues the directives it believes are necessary.

II.3. REMUNERATION APPROVAL

II.3.1. All members of the Remuneration Committee or equivalent shall be independent from the members of the executive members of the board and shall include at least one member with knowledge and experience in remuneration policy.
RECOMMENDATION FULLY ADOPTED.
The members of the Remuneration Committee, Duarte Paulo Teixeira de Azevedo and Francisco de la Fuente Sánchez, are independent in relation to the Board of Directors' members, acting in this capacity and with relevant knowledge and experience in the matter of remuneration policy. The curricula vitae of the Remuneration Committee's members are available for consultation in the Appendix II of this report.

II.3.2. Any individual or entity who, in the last three years, has rendered services to any structure under the direction of the Board of Directors to the company management body itself or who currently has a relationship with the company or with a consultant of the company, should not be hired to assist the Remunerations Committee in the performance of its duties. This recommendation is equally applicable to any individual or legal entity that has a relationship with such by means of an employment or service agreement.
RECOMMENDATION FULLY ADOPTED.
The company does not hire any entity that rendered services to any structure under the direction of the Board of Directors to assist the Remunerations Committee in the performance of its duties. The Remuneration Committee resorts to benchmark studies on remuneration practices annually disclosed by internationally renowned consultants, whose independence is assured either by the fact that they have no connection to the Board of Directors, or due to their broad experience and recognised status in the market.

II.3.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law No. 28/2009 of 19 June, shall contain, in addition to the content therein stated, adequate information on:
a) Identification and explanation of the criteria for determining the remuneration granted to the members of the governing bodies;
b) Information regarding the maximum potential amount, in individual terms, and the maximum potential amount, in aggregate terms, to be paid to the members of the corporate bodies, and also the identification of the circumstances whereby these maximum amounts may be payable;
c) Information regarding the enforceability or unenforceability of payments for board members' dismissal or termination of appointment.
RECOMMENDATION FULLY ADOPTED.
A statement on the Company's remuneration policy was presented to the Shareholders' General Meeting on 29 April 2016 and includes the information referred to in this recommendation. Payments for the dismissal or termination of appointment of directors are not required, subject to the applicable legal provisions.
A statement on the remuneration policy is available at http://www.sonae.com/investidores/assembleia-geral/?l=en *in the following address:* http://other.static.sonae.com/2016/04/29/Extrato_AtaAGA_Sonaecom29042016_EN/Extrato_AtaAGA_Sonaecom29042016_EN.pdf?download=1.

II.3.4. A proposal for approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the information necessary for a proper appraisal of the plan.
RECOMMENDATION FULLY ADOPTED.
In its proposal, the company includes the approval of the share allocation plan and always accompanies it with the respective regulation (available at http://other.static.sonae.com/2016/04/29/Extrato_AtaAGA_Sonaecom29042016_EN/Extrato_AtaAGA_Sonaecom29042016_EN.pdf?download=1).

II.3.5. Approval of any retirement benefit scheme established for members of the statutory governing bodies must be submitted to the General Meeting's approval. The proposal shall contain all the information necessary for the correct assessment of the system.
RECOMMENDATION NOT APPLICABLE.
Currently, the company has no retirement pension plans in force for the members of the corporate bodies.

III. REMUNERATION

III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage excessive risk taking.
RECOMMENDATION FULLY ADOPTED.
The remuneration of the members of the Board of Directors who perform executive duties is based on their effective performance, in accordance with pre-determinated criteria and is constructed in order to align its performance with the sustainability of the Company and the long-term interests of the shareholders, discouraging thus excessive risk taking.

III.2. The remuneration of the non-executive board members and the members of the supervisory board, shall not include any component whose value depends on the performance of the company or of its value.
RECOMMENDATION FULLY ADOPTED.
The remuneration policy approved at the Shareholders' General Meeting under proposal of the Remuneration Committee, states that the remuneration of non-executive members of the Board of Directors, when existing, and the remuneration of members of the Supervisory Board includes only one fixed component. As a result, these members do not receive variable remuneration nor do they participate in the MTIP.

III.3. The variable remuneration component shall be overall reasonable in relation to the fixed component of the remuneration and maximum limits should be set for all components.
RECOMMENDATION FULLY ADOPTED.
The company's remuneration policy includes a fixed component and a variable component, as set forth in the main European reference indicators. In comparative terms, the fixed remuneration is close to the average and the total remuneration is close to the third quartile of the indicators. The variable component represents over 40% of the total income received. The minimum and maximum variable components are pre-established as a percentage of a fixed component and, thus, are objectively established.

III.4. A significant part of the variable remuneration should be deferred for a period of no less than three years and its payment should depend on the continued positive performance of the company during said period.
RECOMMENDATION FULLY ADOPTED.
The MTIP, an integral part of the remuneration of the management body's executive members, is based precisely on this deferral.

III.5. Members of the Board of Directors shall not enter into contracts with the company or third parties which intend to mitigate the risk inherent to remuneration variability set by the Company.
RECOMMENDATION FULLY ADOPTED.
The remuneration policy approved at the Shareholders' General Meeting, held on the 29 April 2016, under proposal of the Remuneration Committee, addresses the principle defined in this recommendation: that Executive Directors shall not sign contracts with the Company or with third parties that would have the effect of mitigating the risk inherent in the variability of the remuneration established by the company.
The company did not identify any contracts of this nature.
The Remuneration policy is available for consultation at the website disclosed on paragraph II.3.3..

III.6. Until the end of their mandate, executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the overall annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares.
RECOMMENDATION FULLY ADOPTED.
Since 2008, the company has implemented a share retention policy that fully complies with this recommendation.

III.7. If the variable remuneration includes the allocation of options, the beginning of the exercise period shall be deferred for a period not less than three years.
RECOMMENDATION NOT APPLICABLE.
The variable component of the company remuneration does not include the allocation of options.

III.8. When the removal of the board member is not due to a serious breach of their duties, nor to their unfitness for the normal exercise of their functions, but is yet due to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments, so that any damages or compensation, beyond that which is legally due, is unenforceable.
RECOMMENDATION FULLY ADOPTED.
The company uses the appropriate legal instruments available in law for this situation. There are no individual contracts with the directors to establish how eventual compensations would be calculated. In addition, the company has never attributed or contemplated attributing compensation to the directors in the event of dismissal or cessation due to inadequate performance.

IV. AUDITING

IV.1. The Statutory External Auditor shall, within the framework of its duties, verify the implementation of remuneration policies and systems of the corporate bodies, as well as the efficiency and effectiveness of the internal control mechanisms, reporting any deficiencies to the Company's supervisory body.
RECOMMENDATION FULLY ADOPTED.
The External Auditor discloses the activities carried out during 2016 in its annual audit report, which is subject to approval at the Shareholders´ Annual General Meeting, and is available for consultation at the website: http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en at the folder MR&A 2016/Chapter IV).

IV.2. The Company or any other entities with the latter in a control relationship, shall not engage the Statutory External Auditor or any entity with the latter in a group relationship or which is part of the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance – said value should not exceed more than 30% of the total value of services rendered to the company.
RECOMMENDATION FULLY ADOPTED.
The services provided by the Statutory External Auditor were approved by the Statutory Audit Board within the recommended principles (please see points 46 and 47).

IV.3. Companies shall support auditor rotation at the end of two or three terms of office, depending on whether they last for four or three years, respectively. Its continuance beyond this period must be based on a specific opinion of the supervisory board that explicitly considers the conditions of auditor's independence and the benefits and costs of its replacement.
RECOMMENDATION FULLY ADOPTED.
PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA., registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia, was elected by the Shareholders' Annual General Meeting, through a proposal submitted by the Statutory Audit Board, for the first time, on 29 April 2016, *integrating the mandate of 2016/2019.*
The alternate Statutory External Auditor is Joaquim Miguel de Azevedo Barros (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036).

V. CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

V.1. In relation to business conducted between the company and shareholders with qualified shareholdings, or entities with which these are related, in accordance with article 20 of the Portuguese Securities Code, such business should be conducted on an arm's length basis.
RECOMMENDATION FULLY ADOPTED.
The Company endeavours to carry out transactions with related parties based on principles of rigour and transparency, and in strict observance of the rules of market competition. Such transactions are subject to specific internal procedures based on mandatory standards, in particular transfer pricing rules, or on voluntarily adopted internal systems of checks and balances – for example, formal validation or reporting processes, depending on the value of the transaction in question.

V.2. The supervisory or audit board shall establish procedures and criteria that are required to define the relevant level of significance of business with qualifying shareholders - or entities with which they are in any of the relationships described in paragraph 1 of article 20 of the Portuguese Securities Code – thus significant relevant business is dependent upon prior opinion of that body.
RECOMMENDATION FULLY ADOPTED.
Transactions with owners of qualified shares or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, are subject to a formal prior opinion by the Statutory Audit Board, if their value exceeds 10 million euros. In addition, all transactions with related parties in excess of 1 million euro, are also submitted to quarterly reports by the Statutory Audit Board.

VI. INFORMATION

VI.1. Companies shall provide, via their websites in both Portuguese and English version, access to information on their progress as regards the economic, financial and governance standing.
RECOMMENDATION FULLY ADOPTED.
The company's website, www.sonae.com, provides information that fulfils the requirements of this recommendation.

VI.2. Companies shall ensure the existence of an investor support and market liaison office, capable of responding to investors' requests in a timely manner. A record of the submitted requests and their processing shall be kept.
RECOMMENDATION FULLY ADOPTED.
The company has an Investor Relations Department, which fulfils the requirements of this recommendation.

APPENDIX I

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

- Board of Directors:

Ângelo Gabriel Ribeirinho dos Santos Paupério
Chairman of the Board of Directors of Sonaecom, SGPS, S.A.
Birth date
14 September 1959
Educational qualifications
Degree in Civil Engineering - University of Porto
MBA by Porto Business School
Professional experience
Co-CEO of Sonae - SGPS, S.A.
Member of the Board of Directors of Sonae Investimentos, SGPS, S.A.
Chairman of the Board of Directors MDS, SGPS, S.A.
Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
Vice President of Sonae MC - Modelo Continente, SGPS, S.A.
Member of the Board of Directors of ZOPT, SGPS, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.
Guest professor of Porto Business School
Member of High Council of Universidade Católica Portuguesa
Member of High Council of Porto Business School
Chairman of the Board of Directors of APGEI
Offices held in companies in which Sonaecom is a shareholder
Chairman of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Member of the Board of Directors of ZOPT, SGPS, S.A.
Chairman of the Board of Directors of Público - Comunicação Social, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.

Offices held in other entities
Co-CEO of Sonae, SGPS, S.A.
Member of the Board of Directors of Sonae Center Serviços II, S.A.
Member of the Board of Directors of Sonae Investimentos, SGPS, S.A.
Vice President of the Board of Directors of Sonae MC – Modelo Continente, SGPS, S.A.
Chairman of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A.
Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
Chairman of the Board of Directors of Sonae Financial Services, S.A.
Chairman of the Board of Directors of SFS - Serviços de Gestão e Marketing, SA
Chairman of the Board of Directors of MDS, SGPS, S.A.
Member of the Board of Directors of Love Letters – Galeria de Arte, S.A.

Maria Cláudia Teixeira de Azevedo
Member of the Board of Directors of Sonaecom, SGPS, S.A.
Birth date
13 January 1970
Educational qualifications
Degree in Management - Catholic University of Porto
MBA by INSEAD
Professional experience
Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Executive Director of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Chairman of the Executive Board of Sonae Capital, SGPS, S.A.
Member of the Board of Directors of ZOPT, SGPS, S.A.
Offices held in companies in which Sonaecom is a shareholder
Member of the Board of Directors of ZOPT, SGPS, S.A.
Executive Director of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Chairman of the Board of Directors of Sonaecom – Serviços Partilhados, S.A.
Chairman of the Board of Directors of Sonaecom – Cyber Security and Intelligence, SGPS, S.A.
Chairman of the Board of Directors of S21SEC PORTUGAL - CYBERSECURITY SERVICES, S.A.
Chairman of the Board of Directors of WeDo Consulting, Sistemas de Informação, S.A.
Chairman of the Board of Directors of Saphety Level – Trusted Services, S.A.
Chairman of the Board of Directors of Digitmarket – Sistemas de Informação, S.A.
Member of the Board of Directors of Público - Comunicação Social, S.A.
Chairman of the Board of Directors of PCJ – Público, Comunicação, e Jornalismo, S.A.
Chairman of the Board of Directors of BRIGHT DEVELOPMENT STUDIO, S.A.
Member of the Board of Directors of Armilar Venture Partners - Sociedade de Capital de Risco, S.A.
Director of Sonaecom – Sistemas de Información España, S.L.
Chairman of the Board of Directors of Grupo S 21 SEC Gestión, S.A.
Member of the Board of Directors of WeDo Technologies (UK) Limited
Member of the Board of Directors of Praesidium Services Limited (UK)
Manager of WeDo Technologies Mexico, S. De R.L. De C.V.
Chairman of the Board of Directors of WeDo Technologies Americas Inc.
General Manager of Saphety – Transacciones Electronicas, S.A.S
Director of WeDo Technologies Egypt
Member of the Board of Directors of WeDo Technologies Australia PTY Limited
Member of the Board of Directors of NOS, SGPS, S.A.

Offices held in other entities
Chief Executive Officer of Sonae Capital, SGPS, S.A.
Chairman of the Board of Directors of SC, SGPS, S.A.
Chairman of the Board of Directors of SC HOSPITALITY, SGPS, S.A.
Chairman of the Board of Directors of Troiaresort, SGPS, S.A.
Chairman of the Board of Directors of Capwatt, SGPS, S.A.
Chairman of the Board of Directors of Sistavac, SGPS, S.A.
Chairman of the Board of Directors of Efanor - Serviços de Apoio à Gestão, S.A.
Member of the Board of Directors of Efanor - Investimentos, SGPS, S.A.
Member of the Board of Directors of Imparfin, SGPS, S.A.
Chairman of the Board of Directors of TLANTIC PORTUGAL - Sistemas de Informação, S.A.
Chairman of the Board of Directors of Linhacom, SGPS, S.A.
Member of the Board of Directors of SEKIWI, SGPS, S.A.
Member of the Board of Praça Foz - Sociedade Imobiliária, S.A.
Member of the Curators Council of Fundação Belmiro de Azevedo

António Bernardo Aranha da Gama Lobo Xavier
Member of the Board of Directors of Sonaecom, SGPS, S.A.
Birth date
16 October 1959
Educational qualifications
Degree in Law - University of Coimbra
Master in Economics Law - University of Coimbra
Professional experience
Partner and Member of the Board of Directors of MLGTS
Non-executive Director of the Board of Directors of BPI, SGPS
Non-executive Director of the Board of Directors of Riopele, S.A.
Non-executive Director of Board of Directors of Mota-Engil, SGPS, S.A.
Member of the Board of Directors of Público - Comunicação Social, S.A.
Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.
Member of Council of State (since 07.04.2016)
Offices held in companies in which Sonaecom is a shareholder
Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Member of the Board of Directors of Público - Comunicação Social, S.A.
Member of the Board of Directors of PCJ – Público, Comunicação, e Jornalismo, S.A.
Member of the Board of Directors of SONAECOM - Cyber Security and Intelligence, SGPS, S.A.
Member of the Board of Directors of NOS - SGPS, S.A.
Offices held in other entities
Partner and Member of the Board of Directors of MLGTS & Associados, Sociedade de Advogados
Member of the Board of Directors of BPI, SGPS, S.A.
Member of the Board of Directors of Mota-Engil, SGPS, S.A.
Member of the Board of Directors of Riopele, S.A.
Chairman of the General Meeting of Textil Manuel Goncalves, S.A.
Member of the Board of Directors of Vallis Capital Partners, SGPS, S.A.
Member of the Board of Directors of Fundação Casa da Música
Chairman of the General Meeting of Ascendum, SA
Member of Fiscal Board of Tabaqueira – Empresa Industrial de Tabacos, SA
Chairman of Fiscal Board of Tabaqueira II, S.A.
Director of Fundação Francisco Manuel dos Santos
Member of the Curators Council of Fundação Belmiro de Azevedo
Member of High Council of Universidade Católica Portuguesa
Chairman of the General Meeting of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado
Chairman of the General Meeting of Berd Bridge Engineering Research & Design
Member of Council of State (since 07.04.2016)

- Statutory Audit Board

João Manuel Gonçalves Bastos	
Birth date	
23 April 1958	
Educational qualifications	
1981	Degree in Economics at Faculdade de Economia da Universidade do Porto
Professional experience	
1981-1984	Teacher of Macroeconomics at Faculdade de Economia da Universidade do Porto
1982-1984	Commercial department in Crédit Lyonnais
1984-1986	Development and Planning department in Sonae Group
1986-1987	Assistant of the Board in Focor Group
1987 – 1998	CFO and member of the Board of several participated companies in Figest Group
1998 – 2007	Senior Manager and member of the Board of several participated companies in Sonae Group
Offices held in other entities	
Shareholder and President of the Board of Arcádia Group	

Maria José Martins Lourenço da Fonseca	
Birth date	
4 September 1957	
Educational qualifications	
1984	Degree in Economics at Faculdade de Economia da Universidade do Porto - Doutor António José Sarmento Prize
1987	Post graduate Program in European Studies at the European Studies Center, Universidade Católica Portuguesa
1992	Participation in the Young Managers Programme at European Institute of Business Administration, Fontainebleau.
2002	Master in Business and Administration at Faculdade de Economia da Universidade do Porto
2015	PhD in Business and Administration at Faculdade de Economia da Universidade do Porto
Professional experience	
1984-1985	Invited Assistant at Faculdade de Economia da Universidade do Porto - Microeconomics
1985-1990	Technician in the Department of Economic Studies and Planning at BPI - Banco Português de Investimento, S.A.
1990-1992	Senior Analyst at the Corporate Banking Department at BPI - Banco Português de Investimento, S.A.
1991-1999	Invited Assistant at Faculdade de Economia da Universidade do Porto - Accounting area
1992-1996	Vice-manager at the Corporate Banking Department at BPI - Banco Português de Investimento, S.A.
1996-2006	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) as trainer for the External Auditor Preparatory Course
Since 1996	Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)- Accounting area
2002-2008	Cooperation with the Certified Public Accountant Association (OTOC) in the field of professional formation
2008-2009	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) in the field of professional formation
Since 2008	Consulting activity through the Centro de Estudos de Gestão e Economia Aplicada (CEGEA) of Católica Porto Business School (Universidade Católica Portuguesa)
2015	Member of the Selection Board for the Oral Test for External Auditor (ROC)
2015-2016	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) as trainer for the External Auditor Preparatory Course
Offices held in other entities	
Member of the Statutory Audit Committee of Sonae SGPS, S.A.	
Member of the Statutory Audit Committee of Sonae Investimentos SGPS, S.A.	
Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)	

Óscar José Alçada da Quinta	
Birth date	
1 December 1957	
Educational qualifications	
1982	Degree in Economics at Faculdade de Economia da Universidade do Porto
1990	Statutory auditor
Professional experience	
1982-1986	Administrative and financial responsibilities in the area of textile companies, construction and office equipment
Since 1986	Provision of services related to external audit for Statutory Auditors and for companies in the previous activities
1990-1992	Independent Statutory Auditor
Since 1992	Statutory Auditor and Partner of Óscar Quinta, Canedo da Mota &Pires Fernandes, SROC
Offices held in other entities	
Member of the Board of Directors of Óscar Quinta, Canedo da Mota &Pires Fernandes, SROC	
Member of the Fiscal Council of Sonae Indústria, SGPS, SA	
Member of the Fiscal Council of Caetano-Baviera - Comércio de Automóveis, S.A.	
Member of the Fiscal Council of BA GLASS I - Serviços de Gestão e Investimentos, SA	

António Augusto Almeida Trabulo	
Birth date	
23 November 1954	
Educational qualifications	
Degree in Economics at Faculdade de Economia da Universidade do Porto	
Attendance in a Post Graduate Course in Financial Analysis, in Economics Faculty of the University of Oporto	
Attendance in a Post Graduate Course in International Financial Management, in Economics Faculty of the University of Oporto	
Post Graduate Course in Accounting and Corporate Finance from Universidade Aberta	
Sufficiency Researcher Diploma in Economia Financiera y Contabilidad area from Valladolid University	
Student of the Doctorate Course in Management and Business Administration in Valladolid University	
Statutory Auditor	
Professional experience	
1980-1999	Teacher of Secondary Education
1986-1987	Administrative Head of Guimar Footwear Factory
1987-1988	Administrative - Financial Director of Polystar Footwear Factory
1989	Administrative-Financial Director of Sociedade de Construções Alberto Leal, SA (SCAL), and administration advisory in new investments, tax and organization areas
1990 -1993	Responsible for the Management Control of the Real State Sector in Sonae Group
1993 -1998	Responsible by Management Control, Administrative Business and Tax Direction of Sonae Imobiliária, SGPS, S.A
1998 -1999	Teaching the Subject of Financial Management of Cultural Management Course in Instituto Empresarial Português
1998 -1999	Teaching the Subject of Tax in Training Course for Statutory Auditors in the Statutory Auditors Chamber
1998 - 2001	Administrator responsible for the tax consultancy department of the Oporto Ernst & Young office
1998 - 2001	Teaching the Subject of Advanced Accounting Topics of Post Graduate Course in Corporate Finance of Lusíada University
1999 - 2002	Statutory Auditor and Partner of A. Santos, J. Alves e Associados, SROC
2002 - 2012	Statutory Auditor and Partner of UHY & Associados, SROC, Ldª
2006-2012	Member of the Comissão Técnica dos Valores Mobiliários of Portuguese Institute of Statutory Auditors
2007-2008	Teaching Taxation Subject of Tax of Post Graduate Course of Management Oporto School of University of Oporto
2007 - 2011	Controller - reporter of the Quality Control Commission of Portuguese Institute of Statutory Auditors
Offices held in other entities	
Statutory Auditor and Partner of AAT – António Trabulo, SROC, Unipessoal, Lda.	
Member of Fiscal Council of Sonae Investimentos, SGPS, SA	
Member of Fiscal Council of Sonae Indústria, SGPS, SA	
President of Fiscal Council of Fundação Visabeira – Instituição de Solidariedade Social	
President of the Superior Council of Fundação João e Fernanda Garcia, IPSS	

APPENDIX II

Curricula Vitae of the members of the Remuneration Committee.

Duarte Paulo Teixeira de Azevedo	
Date of Birth	
31 December 1965	
Academic Curriculum	
1986	Degree in Chemical Engineering - École Polytechnique Féderále de Lausanne
1989	MBA - Porto Business School
Executive Education	
1994	Executive Retailing Program - Babson College
1996	Strategic Uses of Information Technology Program - Stanford Business School
2002	Breakthrough Program for Senior Executives - IMD
2008	Proteus Programme - London Business School
2012	Corporate Level Strategy - Harvard Business School
Professional Experience	
1988-1990	Analyst and Manager of Projeto Novos Investimentos in Sonae Tecnologias de Informação
1990-1993	Manager of Projeto de Desenvolvimento Organizativo and Comercial Director in Portugal in New Business in Sonae Indústria (Painéis Derivados de Madeira)
1989-1990	Member of the Executive Committee of APGEI - Associação Portuguesa de Gestão e Engenharia Industrial
1993-1996	Director of Planning and Strategic Control and Organizational Development in Sonae Investimentos - SGPS, S.A. (currently Sonae - SGPS, S.A.)
1996-1998	Executive Director of Modelo Continente Hipermercados, SA (Merchandising, IT e Marketing Retalho)
1998-2000	Chairman of the Executive Committee of Optimus - Telecomunicações, S.A. (Operador Móvel)
1998-2007	Executive Director of Sonae - SGPS, S.A.
2001-2002	Chairman of Apritel - Associação dos Operadores de Telecomunicações
2001-2008	Member of the General Council of EGP - UPBS (now Porto Business School)
2002-2007	Chairman of the Executive Committee of Sonaecom, SGPS, S.A.
2002-2007	Chairman of the General Board of Público - Comunicação Social, S.A.
2003	Co-author of the book "Reformar Portugal"
2003-2007	Chairman of the General Board of Glunz, AG
2004-2007	Chairman of the Board of Directors of Tableros de Fibras, S.A. (Tafisa)
2006-2013	Member of the Board of Founders of Fundação Casa da Música
2007-2014	Chairman of the Board of Directors of Sonaecom, SGPS, S.A.
2007-2015	Vice President of the Board of Directors of Sonae Indústria, SGPS, S.A.
2007-2015	Chairman of the Executive Committee of Sonae - SGPS, S.A.
2008-2009	Member of the General Council of AEP - Associação Empresarial de Portugal
2008-2014	Chairman of the Board of Directors of MDS, SGPS, S.A.
2009-2013	Chairman of the Board of Directors of Sonaegest, Sociedade Gestora de Fundos e Investimentos
2009-2014	Member of the Board of Trustees of AEP - Associação Empresarial de Portugal
2009-2015	Chairman of the Board of Trustees of Universidade do Porto
2010-2013	Chairman of the Board of Directors of Sonae RP - Retail Properties
2010-2016	Chairman of the Board of Directors of Sonae - Specialized Retail , SGPS, S.A.
2012-2015	Member of the Board of COTEC

Offices held in other entities
Since April 2015 - Chairman of the Board of Directors and Co-CEO of Sonae - SGPS, S.A.
Since March 2015 - Chairman of the Board of Directors of Sonae Indústria, SGPS, S.A.
Since March 2015 - Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.
Since May 2007 - Chairman of the Board of Directors of Sonae Investimentos, SGPS, S.A.
Since April 2010 - Chairman of the Board of Directors of Sonae MC - Modelo Continente , SGPS, S.A.
Since May 2013 - Chairman of the Board of Directors of Sonae Center Serviços II, SGPS, S.A.
Since May 2007 - Chairman of the Board of Directors of Sonae Sierra, SGPS, S.A.
Since May 2016 - Chairman of the Board of Directors of Sonae Arauco, S.A.
Since July 1990 - Member of the Board of Directors of Imparfin, SGPS, S.A.
Since December 2010 - Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Since December 2010 - Chairman of the Board of Directors of Migracom, SGPS, S.A.
Since 2008 - Member of ERT - European Round Table of Industrislists
Since 2012 - Member of the Board of Trustees of Fundação Belmiro de Azevedo
e 2013 - Membrer of International Advisory Board of Allianz SE
Since 2015 - Member of Consejo Iberoamericano para La Productividad y la Competitividad

Francisco de La Fuente Sánchez	
Birth date	
2 January 1942	
Educational qualifications	
1965	Degree in Electrical Engineering - Technical University
Professional Experience	
2000-2010	Non-Executive Director of Fundação Portugal-África
2004-2010	Member of Advisory Council of Instituto Português de Corporate Governance
2005-2012	Member of Advisory Council of Fórum para a Competitividade
2007-2012	Guest vowel of Conselho Nacional da Água
2007-2012	Vice-president and Non-Executive Chairman of Directors of EFACEC Capital
2007-2013	Chairman of the General Board of PROFORUM
2007-2013	Chairman of Conselho Nacional do Colégio de Engenharia Eletrotécnica da Ordem dos Engenheiros
2010-2015	Chairman of the General Meeting of Iberwind - Desenvolvimento e Projetos. S.A.
2009-2016	Member co-opted of the Conselho de Escola do Instituto Superior Técnico
2012-2016	Chairman of Direction of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico
Since 2002	Member of the Board of Trustees of Fundação Luso-Espanhola
Since 2003	Member of Fórum Ibero América
Since 2004	Member of the Board of Trustees of Fundação Luso-Brasileira
Since 2005	Member of Employers of Fundação Hidroelétrica del Cantábrico
Offices held in other entities	
Non-Executive Director of Sonae Capital S.G.P.S., S.A.	
Chairman of the General Meeting of APEDS - Associação Portuguesa de Engenheiros para o Desenvolvimento Social	
Member of Remuneration Committee of Sonae, SGPS, S.A.	
Member of Remuneration Committee of Sonaecom, SGPS, S.A.	
Chairman of the General Meeting of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico	
President of honor of Hidroelétrica del Cantábrico, S.A.	
Member of Employers of Fundação Hidroelétrica del Cantábrico	
Member of the Board of Trustees of Fundação Luso-Brasileira	
Member of Fórum Ibero América	
Member of the Board of Trustees of Fundação Luso-Espanhola	

ANNUAL REPORT 2016

III

FINANCIAL STATEMENTS

1. Financial Information

1.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

For the years ended at 31 December 2016 and 2015.

(Amounts expressed in Euro)	Notes	December 2016	December 2015
Assets			
Non-current assets			
Tangible assets	1.c, 1.h and 5	3,289,758	2,837,779
Intangible assets	1.d, 1.e, 1.x and 6	26,793,457	26,048,604
Goodwill	1.f, 1.x and 7	23,683,622	26,893,310
Investments in associated companies and companies jointly controlled	1.b and 8	746,061,735	711,234,593
Financial assets at fair value through profit or loss	1.g, 4 and 9	-	144,477
Investments available for sale	1.g, 4 and 10	539,614	90,779
Other non-current assets	1.g, 1.r, 1.y, 4 and 35	3,123,287	283,400
Deferred tax assets	1.p, 1.t and 11	9,314,972	6,098,375
Total non-current assets		812,806,445	773,631,317
Current assets			
Financial assets at fair value through profit or loss	1.g, 4 and 9	-	79,796,807
Inventories	1.i,12	285,311	398,911
Trade debtors	1.g, 1.j, 4, 13, 22 and 35	47,143,492	40,114,875
Other current debtors	1.g, 1.j, 4, 14, 22 and 35	20,632,559	4,333,999
Income tax receivable	1.p, 4	3,055,627	2,915,941
Other current assets	1.g, 1.r, 1.x, 4, 15 and 35	10,281,066	10,357,955
Cash and cash equivalents	1.g, 1.k, 4 ,16 and 35	210,256,338	181,120,060
Total current assets		291,654,393	319,038,548
Total assets		1,104,460,838	1,092,669,865
Shareholders' funds and liabilities			
Shareholders' funds			
Share capital	17	230,391,627	230,391,627
Own shares	1.v and 18	(7,686,952)	(7,686,952)
Reserves	1.u	762,449,012	769,609,304
Consolidated net income/(loss) for the period		48,131,541	34,610,042
		1,033,285,228	1,026,924,021
Non-controlling interests	19	(155,054)	(1,706,447)
Total Shareholders' funds		1,033,130,174	1,025,217,574
Liabilities			
Non-current liabilities			
Non-current loans net of short term position	1 g, 1.l, 1.m, 1q, 4 and 20.a	3,756,781	8,565,175
Other non-current financial liabilities	1.h, 4 and 21	509,530	798,762
Provisions for other liabilities and charges	1.o, 1.t and 22	4,919,669	4,292,553
Deferred tax liabilities	1.p, 1.t and 11	8,263,418	-
Other non-current liabilities	1g, 1.r, 1y, 4, 23, 35 and 39	2,282,297	1,429,735
Total non-current liabilities		19,731,695	15,086,225
Current liabilities			
Current loans and other loans	1 g, 1.l, 1.m, 1q 4 and 20.b	1,241,107	2,169,314
Trade creditors	1g, 4, 24 and 35	15,615,754	18,992,038
Other current financial liabilities	1g, 1.h, 4 and 25	519,787	520,461
Other creditors	1g, 4 and 26	4,533,307	3,305,783
Income tax payable	1.p, 4	170,502	1,286,290
Other current liabilities	1g, 1q, 1.r, 1y, 4, 27,35 and 39	29,518,512	26,092,180
Total current liabilities		51,598,969	52,366,066
Total Shareholders' funds and liabilities		1,104,460,838	1,092,669,865

The notes are an integral part of the consolidated financial statements at 31 December 2016.

The Chief Accountant
Ricardo André Fraga Costa

The Board of Director
Ângelo Gabriel Ribeirinho Paupério   António Bernardo Aranha da Gama Lobo Xavier   Maria Cláudia Teixeira de Azevedo

Consolidated profit and loss account by nature

For the years ended at 31 December 2016 and 2015

(Amounts expressed in Euro)	Notes	December 2016	September to December 2016 (not audited)	December 2015	September to December 2015 (not audited)
Sales	1.s, 28 and 35	40,039,841	8,637,804	39,968,292	7,949,043
Services rendered	1.s, 28 and 35	90,492,931	23,787,563	89,545,612	21,888,766
Other operating revenues	1.q, 22, 29 and 35	1,511,994	590,924	2,371,294	1,078,853
		132,044,766	33,016,291	131,885,198	30,916,662
Cost of sales	1.i and 12	(32,429,804)	(6,770,703)	(32,184,381)	(5,780,988)
External supplies and services	1.h, 30 and 35	(45,560,452)	(11,225,185)	(43,939,316)	(10,836,606)
Staff expenses	1q, 1.y, 39, 40 and 42	(51,547,363)	(13,703,749)	(51,294,337)	(14,024,817)
Depreciation and amortisation	1.c, 1.d, 1.f, 5, 6 and 7	(15,463,247)	(7,474,744)	(10,799,317)	(5,244,132)
Provisions and impairment losses	1.j, 1.o, 1.x and 22	(886,873)	(693,971)	(503,233)	(1,032)
Other operating costs	31	(817,034)	(415,668)	(321,960)	(108,551)
		(146,704,773)	(40,284,020)	(139,042,544)	(35,996,126)
Gains and losses in associated companies and companies jointly controlled	1.b, 8 and 33	53,850,309	37,911,377	17,843,497	1,497,418
Gains and losses on financial assets at fair value through profit or loss	1.g, 9 and 33	(4,554,534)	158	23,886,616	(1,383,701)
Other financial expenses	1.h, 1.m, 1.w, 1.x, 20 and 32	(4,487,309)	(715,303)	(853,224)	1,499,415
Other financial income	1.w, 20 and 32	3,734,563	639,913	1,722,969	(606,068)
Earnings before taxes		33,883,022	30,568,416	35,442,512	(4,072,400)
Income taxation	1.p, 11 and 34	13,894,133	11,550,208	(2,289,494)	(1,762,400)
Consolidated net income/(loss) for the year		47,777,155	42,118,624	33,153,018	(5,834,800)
Attributed to:					
Shareholders of parent company	38	48,131,541	42,128,981	34,610,042	(5,681,487)
Non-controlling interests	19	(354,386)	(10,357)	(1,457,024)	(153,313)
Earnings per share	38				
Basic		0.16	0.14	0.11	(0.02)
Diluted		0.16	0.14	0.11	(0.02)

The notes are an integral part of the consolidated financial statements at 31 December 2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Director

Ângelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Consolidated statements of comprehensive income

For the years ended at 31 December 2016 and 2015.

(Amounts expressed in Euro)	Notes	December 2016	September to December 2016 (not audited)	December 2015	September to December 2015 (not audited)
Consolidated net income / (loss) for the year		47,777,155	42,118,624	33,153,018	(5,834,800)
Components of other consolidated comprehensive income, net of tax, that will be reclassified subsequently to profit or loss:					
Changes in reserves resulting from the application of equity method	8	(11,615,452)	256,979	(10,354,412)	(14,727,401)
Changes in currency translation reserve and other	1.v	1,046,814	1,032,653	(77,370)	(20,002)
Components of other consolidated comprehensive income, net of tax, that will not be reclassified subsequently to profit or loss:					
Changes in reserves resulting from the application of equity method	8	(11,436,702)	971	(2,175,185)	(891,178)
Consolidated comprehensive income for the year		25,771,815	43,409,227	20,546,051	(21,473,381)
Attributed to:					
Shareholders of parent company		26,126,201	43,419,583	22,003,075	(21,320,068)
Non-controlling interests		(354,386)	(10,357)	(1,457,024)	(153,313)

The notes are an integral part of the consolidated financial statements at 31 December 2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Director

Ângelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Consolidated movements in shareholders' funds

For the years ended at 31 December 2016 and 2015

								Reserves			
(Amounts expressed in Euro)	Notes	Share capital	Own shares (note 18)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non--controlling interests	Net income / (loss)	Total
2016											
Balance at 31 December 2015		230,391,627	(7,686,952)	775,290,377	13,443,724	7,686,952	(26,811,749)	769,609,304	(1,706,447)	34,610,042	1,025,217,574
Appropriation of the consolidated net result of 2015											-
Transfers to other reserves		-	-	-	1,719,453	-	32,890,589	34,610,042	-	(34,610,042)	-
Dividend Distribution	35	-	-	-	-	-	(17,734,603)	(17,734,603)	(29,880)	-	(17,764,483)
Percentage change in subsidiaries		-	-	-	-	-	(2,030,391)	(2,030,391)	2,030,391	-	-
Consolidated comprehensive income for the year ended at 31 December 2016		-	-	-	-	-	(22,005,340)	(22,005,340)	(354,386)	48,131,541	25,771,815
Other changes		-	-	-	-	-	-	-	(94,732)	-	(94,732)
Balance at 31 December 2016		230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	(35,691,494)	762,449,012	(155,054)	48,131,541	1,033,130,174
		-	-					-	-	-	-

								Reserves			
(Amounts expressed in Euro)	Notes	Share capital	Own shares (note 18)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non--controlling interests	Net income / (loss)	Total
2015											
Balance at 31 December 2014 (restated)		230,391,627	(7,686,952)	775,290,377	13,152,684	7,686,952	(27,694,429)	768,435,584	(632,000)	27,958,229	1,018,466,488
Appropriation of the consolidated net result of 2014											
Transfers to other reserves		-	-	-	291,040	-	27,667,189	27,958,229	-	(27,958,229)	-
Dividend Distribution	35	-	-	-	-	-	(13,759,606)	(13,759,606)	(37,350)	-	(13,796,956)
Percentage change in subsidiaries		-	-	-	-	-	(417,936)	(417,936)	417,936	-	-
Consolidated comprehensive income for the year ended at 31 december 2015		-	-	-	-	-	(12,606,967)	(12,606,967)	(1,457,024)	34,610,042	20,546,051
Other changes		-	-	-	-	-	-	-	1,991	-	1,991
Balance at 31 December 2015		230,391,627	(7,686,952)	775,290,377	13,443,724	7,686,952	(26,811,749)	769,609,304	(1,706,447)	34,610,042	1,025,217,574

The notes are an integral part of the consolidated financial statements at 31 December 2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Director

Ângelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Consolidated cash flow statements

For the years ended at 31 December 2016 and 2015

(Amounts expressed in Euro)	Notes	December 2016		December 2015	
Operating activities					
Receipts from trade debtors		128,472,158		131,876,691	
Payments to trade creditors		(80,985,801)		(78,094,836)	
Payments to employees		(61,374,751)		(58,032,326)	
Cash flows generated by operations		(13,888,394)		(4,250,471)	
Payments / receipts relating to income taxes		3,493,553		(2,595,969)	
Other receipts / payments relating to operating activities		77,604		5,201,450	
Cash flows from operating activities (1)			(10,317,237)		(1,644,990)
Investing activities					
Receipts from:					
Financial investmens		361		-	
Tangible assets		31,517		867	
Intangible assets		62,042		-	
Dividends	8 and 35	20,074,110		17,357,254	
Interest and similar income		1,223,315		1,580,727	
Disposals of investments at fair value	8	82,840,847		-	
Payments for:					
Financial investmens		(33,197,646)		(1,480)	
Tangible assets		(1,260,665)		(922,378)	
Intangible assets		(2,945,635)		(1,549,621)	
Others		(2,778,027)		-	
Cash flows from investing activities (2)			64,050,219		16,465,369
Financing activities					
Payments for:					
Leasing		(593,102)		(428,456)	
Interest and similar expenses		(487,255)		(906,032)	
Dividends	35	(17,764,483)		(13,796,956)	
Loans obtained		(5,853,317)		(233,986)	
Cash flows from financing activities (3)			(24,698,157)		(15,365,430)
Net cash flows (4)=(1)+(2)+(3)			29,034,825		(545,051)
Effect of the foreign exchanges			132,883		(181,485)
Cash and cash equivalents at the beginning of the period	16		181,087,977		181,814,513
Cash and cash equivalents at the end of the period	16		210,255,685		181,087,977

The notes are an integral part of the consolidated financial statements at 31 December 2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Director

Ângelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Notes to the consolidated cash flow statements

For the years ended at 31 December 2016 and 2015

1. Description of non-monetary financing activities

	Notes	December 2016	December 2015
a) Bank credit obtained and not used	20	1,000,000	2,561,605
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

2. Acquisition or sale of subsidiaries or other businesses

	Notes	December 2016	December 2015
a) Amounts paid of acquisitions			
S21 Sec Ciberseguridad		-	1,480
Armilar Venture Partners	3.c and 8	0.35	-
Fundo de Capital de Risco Armilar Venture Partners II	3.c and 8	16,330,035	-
Fundo de Capital de Risco Armilar Venture Partners III	3.c and 8	13,028,803	-
Fundo de Capital de Risco Espirito Santo Ventures Inovação e Internacionalização	3.c and 8	2,390,500	-
Style Sage	3.c and 8	448,834	-
Sysvalue purchase	3.c and 8	346,128	-
Inovretail purchase	3.c and 8	653,346	-
		33,197,646	1,480
b) Amounts received of dividends			
ZOPT	8	18,311,947	15,815,500
NOS SGPS	32	1,762,005	1,541,754
CAIXA BANK		158	-
		20,074,110	17,357,254

3. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2016				
Multimedia	(4,542,120)	(478,360)	(27,135)	(5,047,615)
Information Systems	1,004,550	(39,398,899)	(6,765,501)	(45,159,850)
Holding	(6,779,667)	103,927,478	(17,905,521)	79,242,290
	(10,317,237)	64,050,219	(24,698,157)	29,034,825

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2015				
Multimedia	(3,206,650)	(688,948)	(45,148)	(3,940,746)
Information Systems	9,062,095	(1,721,570)	(1,170,023)	6,170,502
Holding	(7,500,435)	18,875,887	(14,150,259)	(2,774,807)
	(1,644,990)	16,465,369	(15,365,430)	(545,051)

The notes are an integral part of the consolidated financial statements at 31 December 2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Director

Ângelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

1.2. Notes to the consolidated financial statements of Sonaecom

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

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

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

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

On 1 June 2000, the Company carried out a Combined Share Offer, involving the following:

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

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

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

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

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

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

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

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

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

- Multimedia;
- Information systems consultancy.

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

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital of Sonaecom.
The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

The period of the offer, during which sales orders were received, ran for two weeks, beginning on 6 February and ending on 19 February 2014. On 20 February 2014, the results of the offer were released. The level of acceptance reached 62%, corresponding to 54,906,831 Sonaecom shares (notes 9 and 17).

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

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

The Group operates in Portugal and has subsidiaries (from the information systems consultancy segment) operating in about 11 countries.

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

1. Basis of presentation

The accompanying financial statements relate to the consolidated financial statements of the Sonaecom Group and have been prepared on a going concern basis, based on the accounting records of the companies included in the consolidation through full consolidation method (note 2) in accordance with the International Financial Reporting Standards (IFRS) as adopted and effective in the European Union on 1 January 2016. These financial statements were prepared based on the historical cost, except for the revaluation of some financial instruments.

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

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union, and have mandatory application to financial years beginning on or after 1 January 2016 and were first adopted in the year ended on 31 December 2016:

Standard/Information	Effective date (annual periods beginning on or after)
IAS 19 - Amendments (Defined Benefit Plans: Employee Contributions) The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.	1-Feb-15
Annual Improvements to IFRSs 2010–2012 Cycle Annual Improvements to IFRSs 2010–2012 Cycle is a collection of amendments to IFRSs in response to eight issues addressed during the 2010–2012 cycle for annual improvements to IFRSs.	1-Feb-15
Amendments to IAS 1: Disclosure Initiative The amendment introduces a set of directions and guidelines to improve and simplify the disclosures in the context of current IFRS reporting requirements.	1-Jan-16
Annual Improvements to IFRSs 2012–2014 Cycle Annual Improvements to IFRSs 2012–2014 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2012–2014 cycle for annual improvements to IFRSs.	1-Jan-16
IAS 16 and IAS 38 - Amendments (Clarification of Acceptable Methods of Depreciation and Amortisation) The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects more factors other than the consumption of the economic benefits embodied in the asset.	1-Jan-16
IFRS 11 - Amendments (Accounting for Acquisitions of Interests in Joint Operations) The objective was to add new guidance on the accounting for the acquisition of an interest in a joint by controlled operation that constitutes a business. The IASB decided which acquirers of such interests shall apply all the principles applied to business combinations accounting as established in IFRS 3 - "Business Combinations", and other IFRSs, that do not conflict with the guidance provided in IFRS 11.	1-Jan-16
IAS 27: Amendments (Equity Method in Separate Financial Statements) This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1-Jan-16
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.	1-Jan-16

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

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

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 15 (Revenue from Contracts with Customers - issued on 28 May 2014) IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	1-Jan-18
IFRS 9 Financial instruments This standard introduces new requirements for classifying and measuring financial assets.	1-Jan-18

The Group has not yet implemented any of these standards in the financial statements for the year ended on 31 December 2016.

The effect of the rules identified above is under analysis.

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

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 and IAS 28 - Amendments (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those established in IAS 28, when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	undefined
Amendments to IFRS 15 (Revenue from Contracts with Customers - issued on 12 April 2016) Review of accounting treatment for license revenue, definition of agency and transitory regime.	1-Jan-18
IFRS 16 – Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases, replacing IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.	1-Jan-19
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	1-Jan-17
Amendments to IAS 7 - Disclosure Initiative Amendments to AS 7 - Disclosure Initiative intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities	1-Jan-17
Amendments to IFRS 2 - Share-based Payment The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	1-Jan-18
Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments	1-Jan-18
Annual Improvements to IFRS Standards 2014-2016 Cycle Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs.	1-Jan-18
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1-Jan-18
Amendments to IAS 40: Transfers of Investmenty Property Amendments to IAS 40 clarifles the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.	1-Jan-18

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the year ended on 31 December 2016. Their application is not yet mandatory.

It is estimated that the application of these standards and interpretations, except of IFRS 9, IFRS 15 and IFRS 16, when applicable to the group, will have no material effect on future consolidated financial statements, lying in analysis process the effects of these standards.

The accounting policies and measurement criteria adopted by the Group on 31 December 2016 are comparable with those used in the preparation of 31 December 2015 financial statements.

Main accounting policies

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

a) Investments in Group companies

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

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

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

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred. The fully consolidated companies are listed in note 2.

b) Investments in associated companies and companies jointly controlled

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

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

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

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

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

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

c) Tangible assets

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

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

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

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

	Years of useful life
Buildings and other constructions	3 - 20
Plant and machinery	3 - 15
Vehicles	4 - 5
Fixtures and fittings	1 - 10
Tools and utensils	4 - 8
Other tangible assets	4

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

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

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

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

Intangible assets comprise, essentially, software, industrial property, costs incurred with the acquisition of customers' portfolios (value attributed under the purchase price allocation in business combinations) and know-how.

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

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

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

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

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

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

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

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

f) Goodwill
The differences between the acquisition price of investments in Group companies, companies jointly controlled and associated companies added the value of non-controlling interests (in the case of subsidiaries), the fair value of any interests previously held at the date and the fair value of the identifiable assets, liabilities and contingent liabilities of these companies at the date of business combination, when positive, are recorded under the caption "Goodwill" (note 7) or maintained in the caption "Investments in associated companies and companies jointly controlled" (note 8).

The differences between the price of investments in foreign subsidiaries whose functional currency is not the Euro, the value of non-controlling interests (in case of subsidiaries) and the fair value of the identifiable assets and liabilities of these companies at the acquisition date are recorded in the functional currency of those subsidiaries. The reporting currency of Sonaecom (EUR) at the exchange rate on the date of the statement of financial position. The exchanges rate differences that arise upon conversion are recorded in the caption "Reserves".

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

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

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

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

Goodwill impairment losses can not be reversed.

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

g) Financial instruments

The Group classifies its financial instruments in the following categories: 'Financial assets at fair value through profit or loss', 'Held-to-maturity investments', 'Available-for-sale financial assets', 'Loans and receivables', 'Cash and cash equivalents' (note 1.k)), 'Loans" (note 1.l)), and 'Derivates' (note 1.n)).

Investments

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

Financial assets at fair value through profit or loss include financial assets held for trading that the Group acquires with the purpose of trading in the short term. This category also includes derivatives that do not qualify for hedging purposes.
Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the date of the statement of financial position.

Gains or losses, realized or not, arising from a change in fair value of 'Financial assets at fair value through profit or loss' are recorded under the caption 'Gains and losses on financial assets at fair value through profit and loss'.

(ii) 'Held-to-maturity investments'

Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the statement of financial position date, being recorded under this caption investments with defined maturity and for which it is the intention of the Board of Directors to hold them until the maturity date.

On 31 December 2016 the Group did not hold any 'Held-to-maturity investment'.

(iii) 'Available-for-sale financial assets'

Financial assets available for sale are non-derivative financial assets which:

(i) are designated as available for sale at the time of their initial recognition; or
(ii) do not fit into the other categories of financial assets above.

They are recognized as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position.

Equity holdings other than participations in Group companies, jointly controlled companies or associated companies are classified as financial investments available for sale and are recorded in the statement of financial position as non-current assets.

Investments are initially recorded at their acquisition cost. After initial recognition, the investments available for sale are revalued at their fair value by reference to their market value at the date of the statement of financial position, without any deduction regarding transaction costs that may occur until their sale. The available-for-sale financial assets not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

Gains or losses arising from a change in the fair value of available-for-sale investments are recorded in equity until the investment is sold , received or otherwise disposed of, or until it is determined to be impaired, at which time the accumulated gain or loss is recorded in the profit and loss statement.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or variable refunds that are not quoted in an active market and they are carried at amortised cost using the effective interest method, deducted from any impairment losses.

These financial investments arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.
Loans and receivables are recorded as current assets, except when their maturity is greater than 12 months from the balance sheet date, a situation in which they are classified as non-current assets. Loans and receivables are included in the captions 'Trade debtors' and 'Other current debtors' in the balance sheet.

Assets and liabilities due in more than one year from the balance sheet date are classified, respectively, as non-current assets and liabilities.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, being the only exception the financial assets at fair value through profit or loss. In this case, the investments are initially recognised at fair value and the transaction costs are recorded in the profit and loss statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of their ownership have been transferred.

h) Financial and operational leases
Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

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

Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

i) Inventories
Inventories are stated at their acquisition cost, net of any impairment losses, which reflects their estimated net realisable value.

Accumulated inventory impairment losses reflect the difference between the acquisition cost and the realisable amount of inventories, as well as the estimated impairment losses due to low turnover, obsolescence and deterioration, and are registered in profit and loss statement, in 'Cost of sales'.

j) Trade and other current debtors
Trade and other current debtors are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

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

The amounts of these captions are presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption other operating revenue.

k) Cash and cash equivalents
Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications, with less than three months' maturity, where the risk of change in value is insignificant.

The consolidated cash flow statement has been prepared in accordance with IAS 7, using the direct method. The Group classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the balance sheet caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions, in quality of shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

l) Loans
Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the loan, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

m) Financial expenses relating to loans obtained
Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

n) Derivatives
The Group only uses derivatives in the management of its financial risks to hedge against such risks. The Group does not use derivatives for trading purposes.

The cash flow hedges used by the Group are related to:

(i) Interest rate swap operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are similar in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against a corresponding entry under the caption 'Hedging reserve' in Shareholders' funds (note 1.u));

(ii) Forward's exchange rate for hedging foreign exchange risk, particularly from receipts from customers of subsidiary Wedo Consulting. The values and times periods involved are identical to the amounts invoiced and their maturities.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

On 31 December 2016, the Group had foreign exchange forwards in amount to USD 520,000 (USD 1,884,000 on 31 December 2015), fixing the exchange rate for EUR , which have an average maturity of 1.5 months (1 month on 31 December 2015).

o) Provisions and contingencies
Provisions are recognised when, and only when, the Group has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated. Provisions are reviewed at the balance sheet date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Group has a detailed plan and if that plan has already been communicated to the parties involved.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, if the possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when future economic benefits are likely to occur.

p) Income tax
'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom was covered, since January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules, however, for the year ended on 31 December 2015, the Sonaecom Group, no longer has an independent group of companies covered by the special regime for taxation due to of having passed to integrate the special regime for taxation of groups of Sonae SGPS companies.

Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company since 1 January 2015. Sonaecom records the income tax on their individual accounts and the tax calculated is record under the caption of group companies. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements. The subsidiaries Digitmarket and Inovretail are not covered by the special regime for the taxation of groups, since Sonae SGPS's indirect participation in Digitmarket is less than 75% and the indirect participation of Sonae SGPS in more than 75% in Inovretail has not yet completed one year.

Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each year the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are, likely, enabling the recovery of such assets (note 11).

Deferred taxes are calculated with the tax rate that is expected to be in force at the time the asset or liability will be used based on decreed tax rate or substantially decreed tax rate at balance sheet date.

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made under the Shareholders' funds caption. In all other situations, deferred taxes are always recorded in the profit and loss statement.

q) Government subsidies

Subsidies awarded to finance staff expenses are recognised as less cost during the period in which the Group incurs in its costs and are included in the profit and loss statement under the caption 'Staff expenses'.

Subsidies awarded to finance investments are recorded as deferred income on the Balance Sheet and are included in the profit and loss statement under the caption 'Other operating revenues'. Subsidies are recognized during the estimated useful life of the corresponding assets.

For businesses in the digital security area, non-repayable subsidies are recognized in the balance sheet as deferred income and are recognized in the profit and loss statement in 'Other operating income'. The incentive is recognized during the project development period. The reimbursable subsidies are recognized in the balance sheet as liabilities in 'Medium and long-term loans – net of short-term portion ' and 'Short-term loans and other loans' and are depreciated in accordance with the established payment plans. These subsidies are recorded at amortized cost in accordance with the method of effective interest rate.

r) Accrual basis

Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions of 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amounts in the results of the periods that they relate to.

The costs attributable to current year and whose expenses will only occur in future years are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (paragraph o).

s) Revenue

Revenue should be measured at the fair value of the consideration received or receivable for the sale or rendering of services resulting from the normal activity of the company. The revenue is recognized net from taxes and taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Sale of goods

Revenue from the sale of goods should be recognised in the profit and loss statement when all the following conditions have been satisfied:

- (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (ii) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (iii) the amount of revenue can be measured reliably;
- (iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

The revenues and costs of the consultancy projects are recognised in each year, according to the percentage of completion method, which is obtained by the percebtage of costs incurred over the total estimated costs of the transaction.

Revenue from rendering of services should be recognised in the profit and loss statement when all the following conditions have been satisfied:

(i) the amount of revenue can be measured reliably;
(ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
(iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
(iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Dividends

Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

t) Fair value

The measurement of fair value presumes that an asset or liability is changed in an orderly transaction between market participants to see the asset or transfer the liabilitie at the measurement date, under current market conditions.

The measurement of fair value is based on the assumption that the transaction of sell the asset or transfer the liability may occur:

(i) In the main asset and liability market, or
(ii) The principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability

The Group uses valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which classifies into three levels the data to be used in the fair value measurement, detailed below:

Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;

Level 2 - Valuation techniques that use inputs that are not quoted are directly or indirectly observable;

Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data.

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

u) Reserves

Legal reserve

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

Share premiums

The share premiums relate to premiums generated in the issuance of capital or in capital increases. According to Portuguese Commercial law, share premiums follow the same requirements of 'Legal reserves', i.e., they are not distributable, except in case of liquidation, but they can be used to absorb losses, after all the other reserves are exhausted or to increase share capital.

Hedging reserve

Hedging reserve reflects the changes in fair value of 'cash-flow' hedges derivatives that are considered effective (note 1.n)) and it is non-distributable nor can it be used to absorb losses, before being realizable.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and follows the same requirements of legal reserve.

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial statements of the Company, presented in accordance with IFRS. Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, on 31 December 2016, Sonaecom have free reserves distributable amounting approximately Euro 67,3 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the year ended 31 December 2016.

Other reserves

This caption includes retained earnings from previous years and accumulated exchange differences.

v) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses arising from the sale of own shares are recorded under the heading 'Other reserves'.

w) Balances and transactions in foreign currency

All transactions in foreign currency are translated for the functional currency at the exchange rate of the transaction date. At each closing date, the exchange restatement of outstanding balances is carried out, applying the exchange rate in effect at that date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the balance sheet date are recorded as income and expenses in the consolidated profit and loss statement of the year, in financial results.

Assets and liabilities of the financial statements of foreign entities are translated for the functional currency of the Group (EUR) using the exchange rates in force at the statement of financial position date, while expenses and income in such financial statements are translated into euro using the average exchange rate for the period. The resulting exchange differences were recorded under the Shareholders' funds caption 'Other reserves'.

Entities operating abroad with organisational, economic and financial autonomy are treated as foreign entities.

Goodwill and adjustments to fair value generated in the acquisitions of foreign entities reporting in a functional currency other than Euro are translated at the statement of financial position.

The following rates were used to translate into Euro the financial statements of foreign subsidiaries and the balances in foreign currency:

	2016		2015	
	31 dezembro	Average	31 December	Average
Pounds Sterling	1.1680	1.2239	1.3625	1.3780
Brazilian Real	0.2915	0.2611	0.2319	0.2745
American Dollar	0.9487	0.9041	0.9185	0.9018
Polish Zloti	0.2267	0.2292	0.2345	0.2392
Australian Dollar	0.6851	0.6726	0.6713	0.6782
Mexican Peso	0.0459	0.0485	0.0529	0.0569
Egyptian Pound	0.0524	0.0905	0.1174	0.1167
Malaysian Ringgit	0.2115	0.2183	0.2130	0.2320
Swiss Franc	0.9312	0.9175	0.9229	0.9372
South African Rand	0.0692	0.0618	0.0590	0.0710
Canadian Dollar	0.7048	0.6827	0.6616	0.7061
Turkish Lira	0.2698	0.2996	0.3148	0.3323
Colombian Peso	0.0003	0.0003	0.0003	0.0003

x) Assets impairment

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and Goodwill and for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment

Impairment tests are performed for assets with undefined useful life and Goodwill at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount obtainable upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value in use is the present value of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For the value of Goodwill and Investments in associated companies, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Group's Board of Directors. For Goodwill and Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Group's Board of Directors and the average of evaluations made by external analysts (researches)

Non-financial assets, except goodwill, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Financial assets impairment

The group evaluate at each reporting date the existence of impairment in financial assets at amortized cost.

A financial asset is impaired if events occurring after initial recognition have an impact on estimated cash flows of the asset that can be reasonably estimated.

Evidence of the existence of impairment in accounts receivables appears when:

- The counterparty presents significant financial difficulties;

- There are significant delays in interest payments and in other leading payments from the counterparty;
- It is probable that the debtor goes into liquidation or into a financial restructuring.

For certain categories of financial assets for which it is not possible to determine the impairment for each asset individually, the analysis is made for a group of assets. Evidence of an impairment loss in a portfolio of accounts receivable may include past experience in terms of collections, increasing number of delays in collections, as well as changes in national or local economic conditions that are related with the collections capacity

For Accounts receivables, the Group uses historical and statistical information to estimate the amounts in impairment. For inventories, impairments are calculated on the basis of market values and various stock rotation indicators.

y) Medium Term Incentive Plans
The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Medium Term Incentive Plans Reserve', within the heading 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on fair value and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point of time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plann, the above accounting treatment is subject to the following changes:

(i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';

(ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the balance sheet as either 'Other non-current assets' or 'Other current assets';

(iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';

(iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

For plans settled in cash, the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date.
When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.
Equity-settled plans to be liquidated through the delivery of shares of Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

On 31 December 2016, the plans allovates during the years 2014, 2015 and 2016 are not covered by the contract being recorded liability at fair value. The responsibility of all plans is recorded in the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognized on the income statement under the caption 'Staff expenses'.

z) Subsequent events
Events occurring after the date of the balance sheet which provide additional information about conditions prevailing at the time of the balance sheet (adjusting events) are reflected in the consolidated financial statements. Events occurring after the balance sheet date that provide information on post-balance sheet conditions (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements.

aa) Judgements and estimates
The most significant accounting estimates reflected in the consolidated financial statements of the years ended on 31 December 2016 and 2015 are as follows:

(i) Useful lives of tangible and intangible assets (note 1c and 1d);

(ii) Impairment analysis of goodwill, investments in associated companies and companies jointly controlled and of other tangible and intangible assets (note 7);

(iii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities; and

(iv) Recoverability of deferred tax assets (note 11);

(v) Valuation at fair value of assets, liabilities and contigent liabilities in operations of concentration of business activities.

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

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

Entities included in the consolidation perimeter

To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed, or has rights, to variability in returns from its involvement with that entity and can take possession of them through the power it holds over this entity.

The decision that an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to return variability and the ability to take possession of them through its power.

Other assumptions and estimates could lead to the Group's consolidation perimeter being different, with direct impact on the consolidated financial statements.

aa) Financial risk management

Due to its activities, the Group is exposed to a variety of financial risks such as market risk, liquidity risk and credit risk.

These risks arise from the unpredictability of financial markets, which affect the capacity of project cash flows and profits. The Group financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, whenever it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.n).

The Group is also exposed to equity price risks arising from equity investments, although they are usually maintained for strategic purposes.

Market risk

a) Foreign exchange risk

The Group operates internationally, having subsidiaries that operate in countries with a different currency than Euro namely Brazil, United Kingdom, Poland, United States of America, Mexico, Australia, Egypt, Colombia and Malaysia (branch) and so it is exposed to foreign exchange rate risk.

Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currencies and contributes to reduce the sensitivity of Group results to changes in foreign exchange rates.

Whenever possible, the Group uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such a procedure is not possible, the Group adopts derivative financial hedging instruments (note 1.n).

The Group's exposure to foreign exchange rate risk, results essentially from the fact that some of its subsidiaries report in a currency different from euro, making the risk of operational activity immaterial.

The amount of assets and liabilities (in Euro) belonging to the Group and recorded in a different currency is as follows:

	Assets		Liabilities	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
American Dollar	40,875,357	42,227,726	23,257,732	24,257,808
Australian Dollar	30,899	13,321	704,413	473,966
Egyptian Pound	230,568	794,885	–	–
Pounds Sterling	3,373,743	4,828,772	4,545,831	4,608,585
Mexican Peso	2,751,383	4,987,949	6,259,551	5,202,705
Brazilian Real	7,507,947	5,394,972	5,421,566	3,864,476
Malaysian Ringgit	888,070	323,125	663,246	671,483
Polish Zloti	-	326	-	6
Swiss Franc	3,193	203,045	–	-
Canadian Dollar	46,021	221,970	–	–
South African Rand	–	–	(67)	2,528
Turkish Lira	–	–	165	–
Pesos Colombianos	804,481	1,599,570	682,788	434,280

The Group's sensitivity to the variations of the exchange rate is as follows (increases/(decreases)):

		2016		2015	
	Change in exchange rates	Income	Shareholders' funds	Income	Shareholders' funds
American Dollar	5%	1,101,271	(220,389)	1,009,999	(111,503)
Australian Dollar	5%	-	(33,676)	1,168	(24,200)
Swiss Franc	5%	160	-	10,152	-
Egyptian Pound	5%	11,528	-	39,744	-
Pounds Sterling	5%	72,494	(131,099)	159,887	(148,877)
Mexican Peso	5%	586	(175,994)	54,930	(65,668)
Brazilian Real	5%	(51,709)	156,028	(15,165)	91,690
Malaysian Ringgit	5%	35,310	(24,068)	(6,313)	(11,105)
Polish Zloti	5%	-	-	16	-
South African Rand	5%	3	-	(126)	-
Canadian Dollar	5%	2,301	-	11,098	-
Pesos Colombianos	5%	85	6,000	40,282	17,983
		1,172,029	(423,198)	1,305,672	(251,680)

b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Group results or on its Shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility to use derivative financial instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth having the latter a positive effect in other lines of the Group's consolidated results (particularly operational), and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Group only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility/transaction which is being hedged;
- As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Group's business plan.

As all Sonaecom's borrowings (note 20) are at variable rates, interest rate are used swaps and other derivatives, when it is deemed necessary, to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Group's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

In determining the fair value of hedging operations, the Group uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the balance sheet date.
Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Group, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

On 31 December 2016, are not contracted any derivatives of interest rate hedging.

c) Liquidity risk

The existence of liquidity in the Group requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related to that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments within the respective dates of maturity as well as any eventual not forecasted requests for funds, within the deadlines set for this; (ii) Safety, i.e. to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial Efficiency, i.e., to ensure that the Group maximises the value / minimises the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity in the Group should be applied to the alternatives and by the order described below:

(i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;

(ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and

(iii) Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to ensure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equal the forecasted payments (or the applications should be easily convertible, in the case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

The maturity analysis for the loans obtained is presented in note 20, the maturity of Trade creditors and Other creditors is present in note 24 and 26, and the maturity of Other financial liabilities is presented in note 21.

Taking into account the low value of the liabilities of the Company is understood that the liquidity risk is very low.

d) Credit risk

The Group's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities and cash investments. The credit risk associated to financial institutions is limited by the management of risks concentration and a rigorous selection of counterparties that presents a high prestige and international recognition and based on their ratings, taking into account the nature, maturity and size of operations.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amounts included in the financial statements related to trade debtors and other debtors, net of impairment losses, represent the maximum exposure of the Group to credit risk.

There are no situations of credit risk concentrations.

e) Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximizes shareholder returns and optimizes the cost of financing.

Risks, opportunities and necessary adjustment measures in order to achieve the referred objectives are periodically monotirized by Sonaecom.

In 2016, Sonaecom reported an negative average gearing (accounting) of 21%. The average gearing in market values in 2016 was negative in 27.8%.

2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activities, shareholders and percentage of share capital held on 31 December 2016 and 2015, are as follows:

				Percentage of share capital held			
				2016		2015	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
Parent company							
SONAECOM, S.G.P.S., S.A. ('Sonaecom')	Maia	Management of shareholdings.	-	-	-	-	-
Subsidiaries							
Bright Developement Studio, S.A. (h)	Lisbon	Research, development and commercialization of projects and service solutions in the area of information technology, communications and retail, and consulting activities for business and management.	Sonae IM	100%	100%	-	-
Bright Ventures Capital, SCR, S.A.(j)	Lisbon	Realization of investment in venture capital, management of venture capital funds and investment in venture capital fund units.	Bright	100%	100%	-	-
Cape Technologies Limited ('Cape Technologies')	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
Digitmarket – Sistemas de Informação, S.A. ('Digitmarket' – using the brand 'Bizdirect')	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae IM	75.10%	75.10%	75.10%	75.10%
Inovretail, Lda. (l)	OPorto	Industry and comércio of electronic equipment and software; development, installation, implementation, training and maintenance of systems and software products; rental equipment, sale of software use license; consulting business, advisory in retail segments, industry and services.	Sonae IM	100%	100%	-	-
Lookwise, S.L.U. ('Lookwise') (f)	Navarra	Development, promotion and commercial exploitation of information systems with solutions in safety and regulatory compliance, including assignment or transfer to third parties. Research, development and innovation, as well as consulting, maintenance and audit for products, systems, facilities and communication and security services.	S21 Sec Gestion	Merged into S21 Sec Gestion		Merged into S21 Sec Gestion	
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	Maia	Editing, composition and publication of periodical and non-periodical material and the exploration of radio and TV stations and studios.	Sonaecom	100%	100%	100%	100%
Praesidium Services Limited ('Praesidium Services')	Berkshire	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Público – Comunicação Social, S.A. ('Público')	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaecom	100%	100%	100%	100%
S21Sec Portugal Cybersecurity Services, S.A.('S21 Sec Portugal') (k)	Maia	Commercialization of products and management services, implementation and consulting in information systems and technologies areas.	Sonaecom CSI	100%	100%	100%	100%
S21 Sec Barcelona, S.L. ('S21 Sec Barcelona') (c)	Barcelona	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	S21 Sec Gestion	Liquidated		Liquidated	
S21 Sec Brasil, Ltda ('S21 Sec Brasil')	São Paulo	Consulting in information technology. Development and licensing of customizable computer programs. Development of custom computer programs. Technical support, maintenance and other services in information technology.	S21 Sec Gestion	99.99%	100%	99.99%	77.80%
S21 Sec Ciberseguridad S.A. de CV (d)	Mexico City	Computer consulting services	S21 Sec Gestion S21 Sec México	50% 50%	100%	50% 50%	77.80%
S21 Sec Fraud Risk Management, S.L. ('S21 Sec FRM') (f)	Navarra	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	S21 Sec Gestion	Merged into S21 Sec Gestion		Merged into S21 Sec Gestion	
S21 Sec Gestion, S.A. ('S21 Sec Gestion') (a)	Guiprizcoa	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	Sonaecom CSI	100%	100%	77.80%	77.80%
S21 Sec Inc. ('S21 Sec Inc.') (e)	Texas	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	S21 Sec Gestion	Liquidated		Liquidated	

* Sonaecom effective participation

				Percentage of share capital held			
				2016		2015	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
S21 Sec Information Security Labs, S.L. ('S21 Sec Labs')	Navarra	Research, development and innovation, as well as consulting, maintenance and audit for products, systems, facilities and communication and security services.	S21 Sec Gestion	100%	100%	100%	77.80%
S21 Sec Institute, S.L. ('S21 Sec Institute') (f)	Gipuzcoa	Education, formation, awareness, counseling, technical assistance, certification, research, innovation and development, in all types of methodologies, career plans, safety culture, products and services of digital security and cyber security, facilities, services and systems of advanced communication environments and digital security.	S21 Sec Gestion	Merged into S21 Sec Gestion		Merged into S21 Sec Gestion	
S21 Sec México, S.A. de CV ('S21 Sec México')	Mexico City	Computer consulting services	S21 Sec Gestion	99.87%	100%	99.87%	77.80%
S21 Sec, S.A. de CV ('S21 Sec, S.A. de CV')	Mexico City	Computer consulting services	S21 Sec Gestion	99.99%	100%	99.99%	77.80%
Saphety Level – Trusted Services, S.A. ('Saphety')	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonae IM	86.995%	86.995%	86.995%	86.995%
Saphety Brasil Transações Eletrônicas Ltda. ('Saphety Brasil')	São Paulo	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	99.8%	86.821%	99.8%	86.821%
Saphety – Transacciones Electronicas SAS ('Saphety Colômbia')	Bogotá	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	100%	86.995%	100%	86.995%
Servicios de Inteligencia Estratégica Global, S.L. ('SIEG') (f)	Navarra	Provision of advice services, guidance, consulting, team building and training in areas of research, testing, processing and delivering relevant information for strategic and operational management of companies, governments, organizations and institutions. Support services and support to business and defense of companies and organizations internationally. Research, development, innovation and marketing methodologies, software, hardware and technologies in general, within the scope of research, analysis and automatic and intelligent processing of information, including sensitivity analysis and indicators prospectively.	S21 Sec Gestion	Merged into S21 Sec Gestion		Merged into S21 Sec Gestion	
Sysvalue - Consultoria, Integração e Segurança em Sistemas de Informação, S.A. ('Sysvalue') (i)	Lisbon	Development and commercialization of professional services in consulting, integration, management and operation of information and electronic security systems.	S21 Sec Portugal	Merged into S21 Sec Portugal		-	-
Sonaecom – Cyber Security and Intelligence, SGPS, S.A. ('Sonaecom CSI')	Maia	Management of shareholdings.	Sonae IM	100%	100%	100%	100%
Sonaecom - Serviços Partilhados, S.A. ('Sonaecom SP')	Maia	Support, management consulting and administration, particularly in the areas of accounting, taxation, administrative procedures, logistics, human resources and training.	Sonaecom	100%	100%	100%	100%
Sonae Investment Management – Software and Technology, SGPS, S.A. ('SonaeIM') (g)	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonaecom - Sistemas de Información Espanã, S.L. ('SSI Espanã')	Madrid	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Sonaecom BV (m)	Amsterdam	Management of shareholdings.	Sonaecom	Liquidated		100%	100%
Sonaetelecom BV (m)	Amsterdam	Management of shareholdings.	Sonaecom	Liquidated		100%	100%
Tecnológica Telecomunicações, LTDA. ('Tecnológica')	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications.	We Do Brasil	99.99%	99.90%	99.99%	99.90%
We Do Consulting – Sistemas de Informação, S.A. ('We Do')	Maia	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. ('We Do Brasil')	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	99.91%	99.91%	99.91%	99.91%
We Do Poland Sp. Z.o.o. ('We Do Poland') (b)	Poznan	Rendering of consultancy services in the area of information systems.	Cape Technologies	Liquidated		100%	100%

* Sonaecom effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held 2016 Direct	 2016 Effective*	 2015 Direct	 2015 Effective*
We Do Technologies Americas, Inc ('We Do USA')	Delaware	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies Australia PTY Limited ('We Do Asia')	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	100%	100%	100%	100%
We Do Technologies BV ('We Do BV')	Amsterdam	Management of shareholdings.	We Do	100%	100%	100%	100%
We Do Technologies BV – Malaysian Branch ('We Do Malásia')	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	100%	100%	100%	100%
We Do Technologies Egypt LLC ('We Do Egypt')	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV We Do	90% 10%	100%		
We Do Technologies Egypt LLC ('We Do Egypt')	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV Sonaecom BV Sonaetelecom BV			90% 5% 5%	100%
We Do Technologies (UK) Limited ('We Do UK')	Berkshire	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
We Do Technologies Mexico, S de R.L. ('We Do Mexico')	Mexico City	Rendering of consultancy services in the area of information systems.	We DO We Do BV	0.001% 99.999%	100%		
We Do Technologies Mexico, S de R.L. ('We Do Mexico')	Mexico City	Rendering of consultancy services in the area of information systems.	Sonaecom BV We Do BV			0.001% 99.999%	100%

* Sonaecom effective participation

(a) In the year ended at 31 December 2015, Sonaecom Cyber Security and Intelligence acquired another 17.80% of the capital S21sec Gestion S.A. Group. In April 2016 the company carried out an operation, which proceeded to reduce its capital to cover losses, followed by an increase in the fully subscribed capital and paid by Sonaecom Cyber Security and Intelligence, SGPS, S.A., and this, from that date, holds 100% of the share capital of its subsidiary.

(b) Company liquidated in March 2016

(c) Company liquidated in September 2015

(d) In July 2015 S21 Sec Ges acquired the remaining 50% of share capital stake on S21 Sec Ciberseguridad SA de CV. Given this change in percentage of share capital held, S21 Sec Ciberseguridad SA de CV became included in the consolidation through full consolidation method.

(e) Company liquidated in November 2015

(f) In November 2015 Lookwise, S21 Sec FRM, S21 Sec Institute and SIEG were merged by absorption into S21 Sec Gestion. This operation had retroactive effect at January, 1 2015.

(g) In December 2015 Sonae com – Sistemas de Informação, S.G.P.S., S.A. change its name for Sonae Investment Management – Software and Technology, SGPS, S.A.

(h) Company established in March 2016

(i) Company acquired in April 2016. In August 2016, occurred the merger by incorporation of this company into S21Sec Portugal Cybersecurity Services, S.A.

(j) Company established in July 2016

(k) In August 2016 this company changed its name from Itrust- Cyber Security Intelligence, S.A. to S21Sec Portugal Cybersecurity Services, S.A.

(l) Company acquired in July 2016

(m) Company liquidated in December 2016

All the above companies were included in the consolidation in accordance with the full consolidation method under the terms of IFRS 10 – 'Consolidated Financial Statements'.

3. Changes in the Group

During the years ended on 31 December 2016 and 2015, the following changes occurred in the composition of the Group:

a) Constitutions

Buyer	Subsidiary	Date	% Direct Participation	% Effective Participation
2016				
Sonae IM*	Bright	Mar-16	100%	100%
Bright	Bright Ventures	Jul-16	100%	100%

*This company changed it's name from Sonaecom Sistemas de Informação, SGPS, S.A. to Sonae Investment Management – Software and Technology, SGPS, S.A. in 2015.

b) Dissolutions

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2016				
Cape Technologies	We Do Poland	Mar-16	100%	100%

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2015				
S21 Sec Gestion	S21 Sec Barcelona	Sep-15	77.65%	77.65%
S21 Sec Gestion	S21 Sec Inc	Nov-15	78%	78%

c) Acquisitions

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2016				
S21 Sec Portugal*	Sysvalue	Apr-16	100%	100%
Sonae IM**	Inovretail	Jul-16	100%	100%
Sonae IM**	StyleSage, Inc.	Oct-16	5%	5%
Sonae IM**	Armilar Venture Partners - Sociedade de Capital de Risco, SA ('Armilar')	Dec-16	35.00%	35.00%
Sonae IM**	Fundo de Capital de Risco Armilar Venture Partners II ('Armilar II')	Dec-16	50.21%	50.21%
Sonae IM**	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III')	Dec-16	41.99%	41.99%
Sonae IM**	Fundo de Capital de Risco Espirito Santo Ventures Inovação e Internacionalização ('ESVIINT')	Dec-16	37.54%	37.54%

* This company changed it's name from Itrust- Cyber Security Intelligence, S.A. to S21Sec Portugal Cybersecurity Services, S.A. in 2016.

** This company changed it's name from Sonaecom Sistemas de Informação, SGPS, S.A. to Sonae Investment Management – Software and Technology, SGPS, S.A. in 2015.

In April 2016 the company carried out an operation, which proceeded to reduce its capital to cover losses, followed by an increase in the fully subscribed capital and paid by Sonaecom CSI and this, from that date, holds 100% of the share capital of its subsidiary.

Sysvalue and Inovretail

The subsidiary Sysvalue was acquired by the group in April 2016 and its main activity is the development and marketing of professional consulting, integration, management and operation of information systems and electronic security. In August 2016, the merger of Sysvalue into S21 Sec Portugal (previously called as Itrust) occurred through the global transfer of Sysvalue's assets to S21 Sec Portugal, with the consequent extinction of the incorporated company.

The subsidiary Inovretail, Lda was acquired by the group in July 2016 and its main activity is the development and investigation of technology solutions, consulting business, advisory in retail segments, industry and services.

The allocation of the purchase price can be detailed as follows:

		Sysvalue			Inovretail		
(Amounts expressed in thousand Euro)	Notes	Balance value before acquisition	Adjustments to Fair value	Fair value	Balance value before acquisition	Adjustments to Fair value	Fair value
Acquired assets							
Tangible assets	5	3,578		3,578	8,916		8,916
Intangible assets	6	111	155,726	155,837	550,521	288,307	838,828
Other financial assets		1,581		1,581	-		-
Investments available for sale		750		750	-		-
Other non-current assets		9		9	1,746		1,746
Financial assets at fair value through profit or loss		-		-	3,100		3,100
Trade debtors		537,053		537,053	201,026		201,026
Other current debtors		27,588		27,588	115,884		115,884
Other current assets		74,594		74,594	3,116		3,116
Cash and cash equivalents		64,312		64,312	48,654		48,654
		709,576	155,726	865,302	932,963	288,307	1,221,270
Acquired liabilities							
Loans obtained		100,000		100,000	272,865		272,865
Trade creditors		330,797		330,797	7,139		7,139
Other creditors		72,166		72,166	80,005		80,005
Other current liabilities		203,369		203,369	412,227		412,227
		706,332	-	706,332	772,236	-	772,236
Total net assets acquired		3,244		158,970	160,727		449,034
Acquisition price		941,640		941,640	1,713,771		1,713,771
Financial actualisation				(40,578)			(99,015)
Final Goodwill	7			742,092			1,165,722

Following the acquisition of Sysvalue and Inovretail, the company made an valuation of the fair value of the assets acquired and the liabilities assumed, which in resulted the recognition of software and customers' portfolio in the amount of Euro 155,726 and Euro 288,307, respectively

As usual on business combinations, also in the acquisition of this two subsidiaries there was a part of the acquisition price which was not possible to be allocated to the fair value of some identified assets and liabilities, was considered as Goodwill. This Goodwill is related to a number of different elements, which cannot be individually quantified and isolated in a viable way and include, for example, synergies, qualified workforce, technical skills and market power.

The acquisition price of subsidiary Sysvalue includes a contigent amount (Euro 531,200) to be annually paid, over 3 years, depending on the company's revenues performance.

In turn, the acquisition price of subsidiary Inovretail, includes the phased payment of Euro 571,771 payable annually until 2020 and a contingent amount to be paid annually for 5 years, depending on the company's revenue performance, which was estimated at Euro 440,000.

At the date of acquisitions, the deferred and contingent amounts were adjusted in Euro 40,578 (Sysvalue) and Euro 99,015 (Inovretail, Lda.) for the effect of the financial actualisation. On 31 December 2016 the effect of the financial actualisation amounts to Euro 28,996 (Sysvalue) and Euro 81,679 (Inovretail).

The allocation of the acquisition price is still subject to changes until the conclusion of a period of one year from the date of acquisition in accordance with IFRS 3 Business Combinations.

Nevertheless, the company does not expect significant changes in its financial position as result of some changes in allocation.

The contributions of Sysvalue and Inovretail to the consolidated net income attributed to Sonaecom's Shareholders, in the period ended on 31 December 2016, was negative in Euro 18,221 and negative in Euro 36,817, respectively. The detail of the referred contribution is as follows:

	Sysvalue	Inovretail
(Amounts expressed in Euro)	Contribution at 31 July 2016 (*)	Contribution at 31 December 2016
Total Revenues	381,387	448,503
Costs and losses		
Cost of sales	(157,559)	-
External supplies and services	(51,312)	(132,977)
Staff expenses	(188,297)	(263,044)
Depreciations and amortisations	(225)	(80,074)
Other operating costs	(676)	(1,112)
	(16,682)	(28,704)
Financial results	(1,458)	(2,707)
Income tax	(81)	(5,406)
Net income for the year before non-controlling interests	(18,221)	(36,817)
Net income attributed to non-controlling interests	-	-
Net income attributed to shareholders of parent company	(18,221)	(36,817)

(*) In August 2016 the company was merged into S21 Sec Portugal (previously called as Itrust) and its contribution, from that date, entered in this company.

The contributions in the consolidated balance sheet of Sonaecom on 31 December 2016, excluding the goodwill generated as a result the acquisition of the investment in this company, is as follows:

	Sysvalue	Inovretail
(Amounts expressed in Euro)	Contribution at 31 July 2016 (*)	Contribution at 31 December 2016
Assets		
Tangible assets	3,436	6,666
Intangible assets	28	573,173
Other non-current assets	9	2,398
Financial assets at fair value through profit or loss	-	3,100
Trade debtors	320,144	127,259
Other current debtors	27,583	77,401
Cash and cash equivalents	14,441	5,505
Other assets	257,082	66,288
Total assets	622,723	861,789
Liabilities		
Non-current liabilities	-	-
Current liabilities	445,158	362,065
Total liabilities	445,158	362,065
Net assets	177,565	499,724

(*) In August 2016 the company was merged into S21 Sec Portugal (previously called as Itrust) and its contribution, from that date, entered in this company.

Armilar, Armilar II, Armilar III and ESVIINT

Following the announcement made on 5 August 2016, Sonae IM together with a group of investors celebrated a contract with NOVO BANCO, S.A. and his subsidiary, ES TECH VENTURES, SGPS, S.A, for the acquisition to Novo Banco, of participation units in three venture capital funds: Espirito Santo Ventures Innovation and Internationalization ('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, in accordance with the legal framework and, in accordance with the context and specificity of the transaction, a fair value of 1 euro was assumed. As described, under this operation, the acquired participations were classified as "Investments in associated companies" (Note 8).

The allocation of the purchase price of the 3 funds can be detailed as follows:

(Amounts expressed in thousand Euro)	Armilar II	Armilar III	ESVIINT
Assets			
Financial 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
	83,521,295	72,747,364	18,694,389
Liabilities			
Loans	8,965,340	7,111,940	-
Trade creditors	1,479,656	1,533,153	23,767
Other creditors	2,535,468	1,771,881	328,446
	12,980,464	10,416,974	352,213
Total net assets	70,540,831	62,330,390	18,342,176
% Acquired	50.21%	41.99%	37.54%
Total net assets acquired	35,416,004	26,173,814	6,885,820
Purchase price	16,330,035	13,028,803	2,390,500
Negative Goodwill (note 8)	19,085,969	13,145,011	4,495,320

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, 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 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 Euro 1,503,660 and Euro 1,274,357, respectively, recorded in the caption "Other non-current assets" (note 4).

StyleSage

During the year 2016, Sonae IM acquired preferred shares of Style Sage representing 5% of its Capital in the amount of USD 500,000 (Euro 448,855) (note 10). According to IAS 39, is an "Investment available for sale" and was recorded at acquisition cost, which represents the fair value at that date (Euro 448,835).

Acquisitions in 2015

At the year ended on 31 December 2015, the company Sonaecom Cyber Security and Intelligence acquired, in two separated operations, more 17.80% of the capital of the Group S21sec Gestion, SA for the amount of 2 euros (1 euro in each operation).

At the years ended on 31 December 2015 the company S21SEC Gestion purchased 50% of the company S21 SEC Ciberseguridad SA de CV, company already owned at 50% by S21 SEC México, by an amount of EUR 1,480. Given that, Sonaecom SGPS became the owner of 77.80% of the company (effective participation), and now is included in the consolidation by full consolidation method (note 8).

d) Mergers

The merger by incorporation of Sysvalue into S21SEC Portugal Cybersecurity Services, SA, with accounting effects retroactive to 1 July 2016, occurred in August 2016.

During the year ended on 31 December 2015 becomes effective a merger by absorption process, between the acquiring company S21 Sec Gestion, S.A. and de acquired companies Lookwise, S.L.U., S21 Sec Fraud Risk Management, S.L., S21 Sec Institute, S.L. and Servicios de Inteligencia Estratégica Global, S.L. The acquiring company incorporates, with the accounting effects from 1 January 2015, all the operational activity of these acquired companies to the book value.

This merger has no impact on Sonaecom's consolidated accounts for the years ended on 31 December 2015 and 2016.

4. Breakdown of financial instruments

On 31 December 2016 and 2015, the breakdown of financial instruments was as follows:

							2016
	Loans and receivables	Investments available for sale	Financial assets at fair value through profit or loss	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets							
Investments available for sale (note 10)	-	539,614	-	-	539,614	-	539,614
Other non-current assets	3,123,287	-	-	-	3,123,287	-	3,123,287
	3,123,287	539,614	-	-	3,662,901	-	3,662,901
Current assets							
Trade debtors (note 13)	47,143,492	-	-	-	47,143,492	-	47,143,492
Other current debtors (note 14)	19,734,397	-	-	-	19,734,397	898,162	20,632,559
Income taxa receivable	-	-	-	-	-	3,055,627	3,055,627
Other current assets (note 15)	-	-	-	8,519,901	8,519,901	1,761,165	10,281,066
Cash and cash equivalents (note 16)	210,256,338	-	-	-	210,256,338	-	210,256,338
	277,134,227	-	-	8,519,901	285,654,128	5,714,954	291,369,082

							2015
	Loans and receivables	Investments available for sale	Financial assets at fair value through profit or loss	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets							
Financial assets at fair value through profit or loss (note 9)	-	-	144,477	-	144,477	-	144,477
Investments available for sale (note 10)	-	90,779	-	-	90,779	-	90,779
Other non-current assets	283,400	-	-	-	283,400	-	283,400
	283,400	90,779	144,477	-	518,656	-	518,656
Current assets							
Financial assets at fair value through profit or loss (note 9)	-	-	79,796,807	-	79,796,807	-	79,796,807
Trade debtors (note 13)	40,114,875	-	-	-	40,114,875	-	40,114,875
Other current debtors (note 14)	3,614,320	-	-	-	3,614,320	719,679	4,333,999
Income taxa receivable	-	-	-	-	-	2,915,941	2,915,941
Other current assets (note 15)	-	-	-	8,407,325	8,407,325	1,950,630	10,357,955
Cash and cash equivalents (note 16)	181,120,060	-	-	-	181,120,060	-	181,120,060
	224,849,255	-	79,796,807	8,407,325	313,053,387	5,586,250	318,639,637

	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IAS 39	2016 Total
Non-current liabilities					
Non-current loans net of short term position (note	3,756,781	-	3,756,781	-	3,756,781
Other non-current financial liabilities (note 21)	-	509,530	509,530	-	509,530
Other non-current liabilities (note23)	-	1,162,090	1,162,090	1,120,207	2,282,297
	3,756,781	1,671,620	5,428,401	1,120,207	6,548,608
Current liabilities					
Current loans and other loans (note 20)	1,241,107	-	1,241,107	-	1,241,107
Trade creditors (note24)	-	15,615,754	15,615,754	-	15,615,754
Other current financial liabilities (note 25)	-	519,787	519,787	-	519,787
Other creditors (note26)	-	687,165	687,165	3,846,142	4,533,307
Income tax payable	-	-	-	170,502	170,502
Other current liabilities (note27)	-	16,725,696	16,725,696	12,792,816	29,518,512
	1,241,107	33,548,402	34,789,509	16,809,460	51,598,969

	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IAS 39	2015 Total
Non-current liabilities					
Non-current loans net of short term position (note	8,565,175	-	8,565,175	-	8,565,175
Other non-current financial liabilities (note 21)	-	798,762	798,762	-	798,762
Other non-current liabilities (note23)	-	44,757	44,757	1,384,978	1,429,735
	8,565,175	843,519	9,408,694	1,384,978	10,793,672
Current liabilities					
Current loans and other loans (note 20)	2,169,314	-	2,169,314	-	2,169,314
Trade creditors (note24)	-	18,992,038	18,992,038	-	18,992,038
Other current financial liabilities (note 25)	-	520,461	520,461	-	520,461
Other creditors (note26)	-	113,373	113,373	3,192,410	3,305,783
Income tax payable	-	-	-	1,286,290	1,286,290
Other current liabilities (note27)	-	17,257,658	17,257,658	8,834,522	26,092,180
	2,169,314	36,883,530	39,052,844	13,313,222	52,366,066

Considering the nature of the balances, the amounts to be paid and received to/from 'State and other public entities' as well as specialized costs related to the share based plans were considered outside the scope of IAS 39. On the other hand, the deferred costs/profits recorded in the captions other current and non-current assets/liabilitie were considered non-financial instruments.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

5. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended on 31 December 2016 and 2015 was as follows:

							2016
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2015	3,418,910	9,756,011	72,116	9,002,845	422,547	18,218	22,690,647
New companies (note 3. c)	-	168,392	-	28,664	16,479	-	213,535
Additions	67,347	87,506	-	286,069	7,200	898,493	1,346,615
Disposals	-	(25,162)	-	(5,727)	-	-	(30,889)
Transfers and write-offs	573,154	67,288	-	393,550	1,533	(848,323)	187,202
Balance at 31 December 2016	4,059,411	10,054,035	72,116	9,705,401	447,759	68,388	24,407,110
Accumulated depreciation and impairment losses							
Balance at 31 December 2015	2,174,077	9,507,187	44,306	7,785,240	342,058	-	19,852,868
New companies (note 3. c)	-	164,908	-	20,610	15,522	-	201,040
Depreciation for the year	206,930	113,396	13,147	558,565	9,233	-	901,271
Disposals	-	(11,882)	-	(3,796)	-	-	(15,678)
Transfers and write-offs	57,683	4,165	-	115,563	440	-	177,851
Balance at 31 December 2016	2,438,690	9,777,774	57,453	8,476,182	367,253	-	21,117,352
Net value	1,620,721	276,261	14,663	1,229,219	80,506	68,388	3,289,758

							2015
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2014	3,528,324	10,256,267	72,116	8,375,847	424,270	29,848	22,686,672
Additions	500	442	-	748,250	3,700	332,897	1,085,789
Disposals	-	-	-	(172,537)	-	-	(172,537)
Transfers and write-offs	(109,914)	(500,698)	-	51,285	(5,423)	(344,527)	(909,277)
Balance at 31 December 2015	3,418,910	9,756,011	72,116	9,002,845	422,547	18,218	22,690,647
Accumulated depreciation and impairment losses							
Balance at 31 December 2014	2,116,298	9,969,925	31,159	7,552,193	320,668	-	19,990,243
Depreciation for the year	212,773	106,771	13,147	487,307	26,267	-	846,265
Disposals	-	-	-	(171,708)	-	-	(171,708)
Transfers and write-offs	(154,994)	(569,509)	-	(82,552)	(4,877)	-	(811,932)
Balance at 31 December 2015	2,174,077	9,507,187	44,306	7,785,240	342,058	-	19,852,868
Net value	1,244,833	248,824	27,810	1,217,605	80,489	18,218	2,837,779

Depreciation and amortization for the year ended on 31 December 2016 and 2015 can be detailed as follows:

	2016	2015
	Total	Total
Tangible assets	901,271	846,265
Intangible assets (note 6)	9,599,359	7,453,052
Goodwill (note 7)	4,962,617	2,500,000
	15,463,247	10,799,317

The acquisition cost of 'Tangible assets' and 'Intangible assets' held by the Group under finance lease contracts, amounted to Euro 1,890,698 and Euro 2,219,551 as of 31 December 2016 and 2015, and their net book value as of those dates amounted to Euro 675,209 and Euro 1,284,393 respectively.

On 31 December 2016 and 2015, the heading 'Tangible assets' does not include any asset pledged or given as a guarantee for loans obtained, except for the assets acquired under financial lease contracts.

‘Tangible assets in progress’ on 31 Decemeber 2016 and 2015 were made up as follows:

	2016	2015
Information systems / IT equipment	33,820	14,467
Other projects in progress	34,568	3,751
	68,388	18,218

During the year ended on 31 December 2016 and 2015, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

In the years ended on 31 December 2016 and 2015, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

				2016
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2015	11,630,222	69,480,822	6,755,183	87,866,227
New companies (note 3.c)	288,307	859,339	92,784	1,240,430
Additions	30,341	1,826,760	7,338,731	9,195,832
Disposals	-	(38,067)	-	(38,067)
Transfers and write-offs	223,599	10,656,634	(9,962,058)	918,175
Balance at 31 December 2016	12,172,469	82,785,488	4,224,640	99,182,597
Accumulated amortisation and impairment losses				
Balance at 31 December 2015	10,797,665	51,019,958	-	61,817,623
New companies (note 3.c)	-	245,765	-	245,765
Amortisation an impairment for the year (note 5)	402,207	9,197,152	-	9,599,359
Disposals	-	1,727	-	1,727
Transfers and write-offs	213,690	510,976	-	724,666
Balance at 31 December 2016	11,413,562	60,975,578	-	72,389,140
Net value	758,907	21,809,910	4,224,640	26,793,457

				2015
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2014	11,000,702	63,292,120	5,418,866	79,711,688
Additions	13,956	1,780,413	5,690,730	7,485,099
Transfers and write-offs	615,564	4,408,289	(4,354,413)	669,440
Balance at 31 December 2015	11,630,222	69,480,822	6,755,183	87,866,227
Accumulated amortisation and impairment losses				
Balance at 31 December 2014	10,344,118	43,785,634	-	54,129,752
Amortisation for the year	381,720	7,071,332	-	7,453,052
Transfers and write-offs	71,827	162,992	-	234,819
Balance at 31 December 2015	10,797,665	51,019,958	-	61,817,623
Net value	832,557	18,460,864	6,755,183	26,048,604

In the year ended on 31 December 2016, were recorded impairment losses on intangible assets in the amount of Euro 1,141,736.

On 31 December 2016, the additions related with intangible assets in progress include about Euro 5.5 million of capitalizations of personnel costs related to own work (about Euro 5.8 million on 31 December 2015), mainly related to IT software development and RAID and NetClarus products.

The assessment of impairment for the main tangible and intangible assets, in the various segments, is carried out as described in note 7 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analysed separately.

For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoveries, so not result material additional impairments.

7. Goodwill

For the years ended on 31 December 2016 and 2015, the movements occurred in Goodwill were as follows:

	2016	2015
Opening balance	26,893,310	28,719,066
Acquisition of Sysvalue (note 3.c)	742,093	-
Acquisition of Inovretail (note 3.c)	1,165,722	-
Other movements of the year	(154,886)	674,244
Impairment losses (note 5)	(4,962,617)	(2,500,000)
Closing balance	23,683,622	26,893,310

For the years ended on 31 December 2016 and 2015, the caption 'Other movements of the year' includes the effect of the exchange rate update of the Goodwill.

Additionally, at the year ended on 31 December 2015 the caption 'Other movements of the year' includes also the calculation of the Goodwill resulting from the purchase of 50% of the S21 SEC Ciberseguridad SA de CV share capital in the amount of 369,402 (note 3), that can be detailed as follows:

(Amounts expressed in thousand Euro)	Fair value
Acquired assets	
Tangible assets	5,852
Accounts receivable and other assets	187,451
Cash and cash equivalents	62,419
	255,722
Acquired liabilities	
Accounts payable and other liabilities	857,147
	857,147
Net assets and liabilities	(601,425)
Acquisition price	1,480
	(602,905)
Equity method recorded at the acquisition date	233,503
Goodwill	(369,402)

At the year ended on 31 December 2016, as a result of the revaluation of the assets acquired, an impairment loss was recorded for the total amount of goodwill net of the effect of the exchange rate adjustment for the year at the date of impairment (Euro 34,745).

On 31 December 2016 and 2015, Goodwill was made up as follows:

	Information Systems	Multimedia
2016		
Goodwill	23,683,622	-

	Information Systems	Multimedia
2015		
Goodwill	23,363,310	3,530,000

The evaluation of the existence of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis unless there is evidence of impairment and prepared according to cash flow projections for periods of five years. In the area of information systems, the assumptions used are essentially based on the various businesses of the Group and the growth of the several geographic areas where the Group operates. The average growth rate used to the turnover of 5 years was 9..1%. For the Multimedia sector, the average growth rate used was circa of 2%. The discount rates used were based on the estimated weighted average cost of capital, which depends on the business segment of each subsidiary, as indicated in the table below. In perpetuity, the Group considered a growth rate between 1% and 3% in the area of information systems and 0% in Multimedia area. In situations where the measurement of the existence, or not, of impairment is made based on the net selling price, values of similar transactions and other proposals made are used.

	Information Systems	Multimedia
Assumptions		
Basis of recoverable amount	Value in use	Value in use
Discount rate	10.5%	9.0%
Growth rate in perpetuity	1%-3%	0.0%

For the sector of Information Systems, in digital security area (Cybersecurity), a growth rate in perpetuity used was 3%. Additionally, for the Digitmarket company a growth rate used was 2%.

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the years ended on 31 December 2016 and 2015, beyond registered in the income statement. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoveries, so not result material additional impairments.

8. Investments in associated companies and companies jointly controlled

The associated companies and the companies jointly controlled, their head offices, percentage of ownership and value in profit and loss statement on 31 December 2016 and 2015, are as follows:

		Percentage of ownership				Value in profit and loss statement	
		31 December 2016		31 December 2015			
	Head Office	Direct	Total	Direct	Total	31 December 2016	31 December 2015
ZOPT (a)	Oporto	50.00%	50.00%	50.00%	50.00%	17,075,644	17,975,715
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%	21,862	25,707
Sociedade Independente de Radiodifusão Sonora, S.A. ('S.I.R.S.' – using the brand name 'Rádio Nova')	Oporto	45.00%	45.00%	45.00%	45.00%	27,192	(7,663)
S21Sec Ciber seguridad SA de CV ('Ciber seguridad') (b)	Mexico City	Full consolidation method		Full consolidation method		-	(149,700)
Intelligent Big Data, S.L. ('Big Data') (c)	Gipuzcoa	50.00%	50.00%	50.00%	38.83%	(690)	(562)
Armilar Venture Partners - Sociedade de Capital de Risco, SA ('Armilar') (d)	Lisbon	35.00%	35.00%	-	-	1	-
Capital Fund Armilar Venture Partners II ('Armilar II') (d)	Lisbon	50.21%	50.21%	-	-	19,085,969	-
Capital Fund Armilar Venture Partners III ('Armilar III') (d)	Lisbon	41.99%	41.99%	-	-	13,145,011	-
Capital Fund Espirito Santo Ventures Innovation and Internacionalization ('ESVIINT') (d)	Lisbon	37.54%	37.54%	-	-	4,495,320	-
Total (note 33)						53,850,309	17,843,497

(a) Includes the incorporation of the results of the subsidiaries in proportion to the capital held.

(b) Company directly owned by S21 Sec México by 50%. In July 2015 S21 Sec Gestion acquired the remaining 50% of share capital stake on S21 Sec Ciberseguridad SA de CV. Given this change this company came to be owned by 77.80% by Sonaecom (effective percentage) and became included in the consolidation through full consolidation method (note 2).

(c) Company directly owned by S21 Sec Gestion

(d) Company acquired in December 2016 (note 3)

IAS 28 contains the option to keep the investments at fair value in situations of investments in associates that are held through venture capital funds. Sonaecom made this option in applying the equity method to Armilar I, Armilar II and ESVIINT funds, and maintained the fair value recognised by the funds in its subsidiaries. Associated companies and companies jointly controlled are included in the consolidation under the equity method.

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.

In accordance with the IFRS 11, the classification of investments in companies jointly controlled is determined based on the existence of an agreement that clearly demonstrate and regulate the joint control. Thus, in accordance with the requirements of this standard, on 31 December 2016 the group held associated and jointly controlled companies (note 3c), as decomposition below.

During the years ended on 31 December 2016 and 2015, the movement occurred in investments in associated companies and companies jointly controlled, were as follows:

	31 December 2016			31 December 2015		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in associated companies and companies jointly controlled						
Balance at 1 January	623,385,393	87,849,200	711,234,593	633,758,551	87,849,200	721,607,751
Increases	68,475,639	-	68,475,639	-	-	-
Equity method						
Effect on gains and losses (note 33)	17,097,474	-	17,097,474	18,001,454	-	18,001,454
Effect on reserves	(32,415,097)	-	(32,415,097)	(12,529,597)	-	(12,529,597)
Dividends	(18,330,874)	-	(18,330,874)	(15,845,015)	-	(15,845,015)
	658,212,535	87,849,200	746,061,735	623,385,393	87,849,200	711,234,593
Registered in Provisions for other liabilities and charges (note 22)						
Balance at 1 January	(145,784)	-	(145,784)	(168,071)	-	(168,071)
Equity method						
Effect on gains and losses (note 22)	26,534	-	26,534	(8,256)	-	(8,256)
Utilization	-	-	-	30,543	-	30,543
	(119,250)	-	(119,250)	(145,784)	-	(145,784)
Total investment in associated companies and companies jointly controlled net of impairment losses	658,093,285	87,849,200	745,942,485	623,239,609	87,849,200	711,088,809

At the year ended 31 December 2016, the value of the increases in associates and jointly controlled companies corresponds to participations in Armilar, Armilar II, Armilar III and ESVINT capital, which includes a negative goodwill in amount of Euro 36,726,301 the (notes 3c and 33).

As established in the shareholders agreement between Sonaecom, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV), on 14 June 2016, Sonaecom sold all its direct participation in NOS (2.14%) to ZOPT by the amount of Euro 82,840,847. This transaction generated a capital gain of 18,725,887 (note 9), being 50% of the capital gain annulled through Reserves and the other 50% registered in Gains and losses on financial assets at fair value through profit or loss. In addition, the transaction also gave impact on equity equivalence recorded through reserves by reducing the fair value of 2.14% of non-controlling interests. These impacts on Reserves were presented by the net in the Consolidated movements in shareholders' funds.

The division by company of the amount included on the investments in associated companies and join controlled is as follows:

	31 December 2016			31 December 2015		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in companies jointly controlled						
Zopt	589,271,710	87,527,500	676,799,210	622,923,110	87,527,500	710,450,610
Unipress	465,187	321,700	786,887	462,251	321,700	783,951
SIRS	(118,592)	-	(118,592)	(145,784)	-	(145,784)
Ciber seguridad	-	-	-	-	-	-
Big Data	(659)	-	(659)	32	-	32
	589,617,646	87,849,200	677,466,846	623,239,609	87,849,200	711,088,809
Investments in associated companies						
Armilar	1	-	1	-	-	-
Armilar II	35,416,004	-	35,416,004	-	-	-
Armilar III	26,173,814	-	26,173,814	-	-	-
ESVIINT	6,885,820	-	6,885,820	-	-	-
	68,475,639	-	68,475,639	-	-	-
Total	658,093,285	87,849,200	745,942,485	623,239,609	87,849,200	711,088,809

The aggregated amounts of the main financial indicators of the entities can be resumed as follows:

(Amounts expressed in thounsand Euro)							2016
Entity	% holding	Asset	Liability	Equity	Revenue	Operational results	Net result
ZOPT*	50%	4,423,843	2,073,288	2,350,555	1,514,969	120,405	68,260
Unipress	50%	2,471	1,540	930	3,067	753	55
SIRS	45%	421	684	(264)	1,058	107	61
Big Data	39%	2	5	(3)	-	(1)	(1)
Armilar **	35%	4,954	985	3,969	3,123	1,123	834
Armilar II **	50%	83,521	12,980	70,541	3,922	2,294	1,764
Armilar III **	42%	72,747	10,417	62,330	(1,625)	(2,947)	(3,053)
ESVIINT **	38%	18,694	352	18,342	3,243	2,934	3,068

*The consolidated accounts audited of Group ZOPT, prepared in accordance with the International Financial Report Statements ('IFRS') as adopted by the European Union. The value of the shareholder funds includes non-controlling interests in amount of Euro 1,1158,412 and on 31 December 2016 the NOS' market capitalization amount to Euro 2,904 million.
**Provisional accounts not approved on 31 December 2016.

About 28% of the value of the financial participations of Armilar II, Armilar III and ESVIINT are valued at fair value according to the last market transaction (Level 1), and about 31% are recorded using the comparable multiples method (Level 2).

During the year ended on 31 December 2016 and 2015, the company received the amount of Euro 18,311,947 and Euro 15,815,500, respectively, referring to Zopt, S.G.P.S. dividends.

Regarding the area of telecommunications (Zopt), the assessment of whether or not the impairment is determinate taking into account with several information as business plans approved by the Board of Directors of NOS for five years, which implied average growth rate of operating margin amounts to 4.8%, and the average ratings of external reviewers (researches).

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	7.3%
Growth rate in perpetuity	1.5%

For other business sectors, the assessment of whether or not impairment to the goodwill value is determined based on the considerations presented in Note 7.

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the years ended on 31 December 2016 and 2015. For the sensitivity analyses made, have not lead to material changes of the recoveries, so not result material additional impairments.

The consolidated financial statements of Zopt, on 31 December 2016 and 2015 can be resumed as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	December 2016	December 2015
Assets		
Tangible assets	1,205,070	1,218,762
Intangible assets	2,350,493	2,388,768
Deferred tax assets	128,824	134,850
Other non-current assets	205,021	276,549
Non-current assets	3,889,408	4,018,929
Trade debtors	348,926	347,837
Cash and cash equivalents	7,094	21,505
Other current assets	178,415	117,617
Current assets	534,435	486,959
Total asseis	4,423,843	4,505,888
Liabilities		
Loans	1,014,415	979,422
Provisions	190,152	184,426
Other non-current liabilities	85,749	73,731
Non-current liabilities	1,290,316	1,237,579
Loans	245,785	178,274
Trade creditors	238,851	327,552
Other current liabilities	298,336	257,133
Current liabilities	782,972	762,959
Total liabilities	2,073,288	2,000,538
Shareholders' funds excluding non-controlling interests	1,192,361	1,258,357
Non-controlling interests	1,158,194	1,246,993
Total Shareholders' funds	2,350,555	2,505,350
Total Shareholders' funds and liabilities	4,423,843	4,505,888

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	December 2016	December 2015
Total revenue	1,514,969	1,444,305
Costs and losses		
Direct costs and External supplies and services	(642,138)	(620,521)
Depreciation, amortisation and impairment losses	(414,384)	(387,505)
Other operating costs	(338,042)	(303,069)
	(1,394,564)	(1,311,095)
Gains/ (losses) in associated companies	(10,991)	(2,204)
Financial results	(25,352)	(32,173)
Income taxation	(15,802)	(27,024)
Consolidated net income/(loss) for the year	68,260	71,809
Consolidated net income/(loss) for the year attributed to non-controlling interests	34,090	35,858
Attributed to shareholders of parent company	34,170	35,951

The value on the income statement related to Zopt results from net income of NOS, the net income of Zopt and the impact on results of the process of allocating the fair value to the assets and liabilities acquired by Zopt.

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial 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 chum estimated rates, when considered prudent, and (ii) an annual price increase which corresponds, over the period 2017 to 2021, to an average of 75% of the inflation rate, since, considering the nature of the activity carried out by the companies, especially in Angola and in line with the price increases in previous years, it is not expected that companies will be able to reflect in their prices the total inflation in the country.

The business plans consider yet a growth rate in perpetuity of 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 19.21% (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 not result in additional impairments. However, that the current economic conditions of uncertainty in these markets, particularly in the foreign exchange market and the limitation of currency transfer, particularly in Angola, introduces an additional degree of variability to the assumptions, which could significantly impact of the estimates considered, in terms of of the rate of inflation and the ability to reflect the rate in price increases. Were used intervals above the usual in the sensivity analyses, in wich variations of 2pp in WACC and 0.5 pp in the perpetuity growth rate allow us to conclude that in extreme situations, with a high rate of inflation and a lower capacity of the company to reflect a higher price increase (analyzed scenarios of price repercussion between 50% and 100% of the inflation rate, being this the most critical variable with impacts in variation of 82% and 123% of the book value), the valuation would't support the assets' value, varying between 74% and 157% of the book value. Therefore, it 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 not for which they were not considered, there was not result impairments.

a) Zopt Group provision's

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 Euro 5.3 million, 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 Euro 26 million (from August 2011 and May 2014), in the case of NOS Açores, in the amount of Euro 195 thousand and NOS Madeira, amounting to Euro 817 thousand.

- In 2011, NOS SA brought an action in the Lisbon Judicial Court against MEO (PT), claiming payment of Euro 22.4 million, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, which is currently underway, the expert report having been notified to the

parties and the parties have submitted their requests for clarification to the experts. At the same time, 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 Euros 1,150 million.

2. Action against NOS SA

In 2014, a NOS SGPS providers of marketing services has brought a civil lawsuit seeking a payment of about Euro 1,243 thousand, by the alleged early termination of contract and for compensation. This instance was acquitted due to passive illegitimacy of NOS SGPS, decision confirmed by superior Courts and that, meanwhile, was concluded. Afterwards, the same company brought a new civil lawsuit based on the same facts, but this time, against NOS Comunicações. NOS appealed in September 2016.

3. 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.

4. 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-

5. 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 unfavorably, in March 2014. The company has appealed.

6. 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

7. 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.

8. 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 Euro 7.7 million. This amount was recorded as "taxes receivable" non-current net of the provision recorded.

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

9. 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, awaiting 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 favourably outcome, not estimating impacts in the accounts, in addition to those already registered.

10. 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.

11. 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 favorable 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.

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

c) Other commitments Zopt Group

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

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

1) Television and multimedia rights of home games of the Sporting SAD senior team;
2) Right to explore the static and virtual advertising of José 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.

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

Seasons	2016/17	following
Estimated cash flows with the contracts signed by NOS with the sports entities*	Euro 41 million	Euro 1,150 million
NOS estimated cash flows for the contracts signed by NOS (net of the amounts charged to the operators) and for the contracts signed by the remaining operators	Euro 24 million	Euro 660 million

*Includes games and channels broadcasting rights, advertising and othes.

In August 2016, an agreement was achieved so that the shareholder structure of Sport TV can be owned in equal parts by NOS, MEO, Vodafone and Olivedesportos. On 24 February 2017, MEO entered into the share capital of Sport TV.

9. Financial assets at fair value through profit or loss

Sonaecom Group began to hold NOS shares recorded at fair value through profit or loss, as a result of the merger between Optimus SGPS and Zon, since it is the initial classification of an asset held for a sale purpose in a short-time. In accordance with the 'Shareholders Agreement', these shares neither concedes any additional vote right or affect the shared control situation with ZOPT. Some of these shares were used as part of the General Public and Voluntary Offer acquisition of own shares.

The movements occurred in financial assets at fair value through profit or loss, on 31 December 2016 and 2015 were as follows:

					2016
Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 33)	Increase and decrease in fair value of shares intended to cover MTIP*	Closing balance
NOS	79,796,807	(64,114,961)	(15,681,846)	-	-
Sonae SGPS	144,477	(146,683)	2,206	-	-
	79,941,284	(64,261,644)	(15,679,640)	-	-

*Incentive medium-term plans

Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 33)	Increase and decrease in fair value of shares intended to cover MTIP*	2015 Closing balance
NOS	57,661,618	-	22,135,189	-	79,796,807
Sonae SGPS	2,303,954	(2,736,246)	209,672	367,097	144,477
	59,965,572	(2,736,246)	22,344,861	367,097	79,941,284
Recorded under the caption non current assets (note 4)					144,477
Recorded under the caption current assets (note 4)					79,796,807

*Incentive medium-term plans

The increases and decreases in the fair value adjustments are recorded under the caption 'Gains and losses on Group companies' in Profit and Loss Statement (note 33). With the exception of the increases and decreases in the fair value of shares allocated to cover the medium-term incentive plans whose value is recorded under "Other operating expenses" and "Other financial expenses" in the income statement.

The decreases on 31 December 2016 and 2015, in the investment in Sonae SGPS shares, correspond essentially to the payment of the medium-term incentive plan that expired in the year ended on 31 December 2016 and 2015, respectively.

On 31 December 2016, the decreases of the investment in NOS shares correspond to the sold of all the direct participation of Sonaecom in NOS (2.14%) to ZOPT, as mentioned in the note 8 "investments in associated companies and companies jointly controlled". For the determination of the fair value of NOS shares at the date of sale, 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 sale. The fair value calculation resulted in a loss of Euro 15,681,846 (recorded in "Gains and losses on investments recorded at fair value through profit and loss").

The evaluation of fair value of the investment on 31 December 2015 is detail as follows:

2015	NOS	Sonae SGPS
Shares	11,012,532	137,859
Level of inputs in the hierarchy of fair value	Level 1**	
Valuation method	Quoted price on the stock exchange	
Quoted price*	7.246	1.048
Fair value	79,796,807	144,477

* Used the share price of 31 December 2015 in the determination of the fair value.

**Level 1: Fair value is determined based on active market prices.

10. Investments available for sale

On 31 December 2016 and 2015, this caption included investments classified as available-for-sale and was made up as follows:

	%	2016	2015
Lusa – Agência de Notícias e Portugal, S.A.	1.38%	197,344	197,347
VISAPRESS - Gestão de Conteúdos dos Média, CRL	10.00%	5,000	5,000
StyleSage (note 3c)	5.00%	448,835	-
Others		10,710	10,707
Impairment losses		(122,275)	(122,275)
		539,614	90,779

On 31 December 2016, these investments correspond to shareholdings of immaterial amount, in unlisted companies, in which the Group has no significant influence, and in which the acquisition cost of such investments is a reasonable estimation of their fair value, adjusted where applicable, by the respective impairment losses.

The acquisition of the investment classified as available for sale in Style Sage by Sonae IM through the purchase of preferred shares of the company representing 5% of its Capital occurred in October 2016 for the value of Euro 448,835.

The assessment of impairment in the investments described above is performed through comparisons with the value of the percentage of share capital detained by the Group and with multiples of sales and EBITDA of companies of the same sector.

The financial information regarding these investments is detailed below (in thousands of euro):

	Assets	Shareholders' funds	Gross debt	Turnover	Operational results	Net income
Lusa – Agência de Notícias de Portugal, S.A. (1)	11,361	3,017	403	14,832	495	(6)
VISAPRESS - Gestão de Conteúdos dos Média, CRL (1)	253	4	-	46	(2)	(3)
StyleSage, Inc. (1)	119	(719)	815	176	(550)	(553)

(1) Amounts expressed in thousands euro at 31 December 2015.

11. Deferred taxes

Deferred tax assets on 31 December 2016 and 2015, amounted to Euro 9,314,972 and Euro 6,098,375 respectively, and arose, mainly, from tax losses carried forward, from tax benefits, from differences between the accounting and tax amount of some fixed assets and from others temporary differences. The movements in deferred tax assets in the years ended on 31 December 2016 and 2015 were as follows:

					2016
	Balance at 31 December 2015	Movements in deferred tax of the year	Utilization of deferred tax	Record/(reverse) of deferred tax of previous years	Balance at 31 December 2016
Tax losses	3,502,971	2,059,781	-	250,630	5,813,382
Tax provisions not accepted and other temporary differences	1,478,049	901,812	-	488,802	2,868,663
Tax benefits (SIFIDE, RFAI and CFEI)	1,083,280	105,199	(1,798,993)	1,115,762	505,248
Effect on results (note 34)	6,064,300	3,066,792	(1,798,993)	1,855,194	9,187,293
Others	34,075	93,604	-	-	127,679
Closing balance	6,098,375	3,160,396	(1,798,993)	1,855,194	9,314,972

					2015
	Balance at 31 December 2014	Movements in deferred tax of the year	Utilization of deferred tax	Record/(reverse) of deferred tax of previous years	Balance at 31 December 2015
Tax losses	2,459,918	1,159,957	-	(116,904)	3,502,971
Tax provisions not accepted and other temporary differences	1,658,953	(177,251)	-	100,528	1,582,230
Tax benefits (SIFIDE, RFAI and CFEI)	1,183,946	90,906	(1,116,984)	990,779	1,148,647
Differences between the tax and accounting amount of certain fixed assets and others	1,745,300	(1,745,300)	-	-	-
Effect on results (note 34)	7,048,117	(671,688)	(1,116,984)	974,403	6,233,848
Discontinued operations	(169,548)	-	-	-	(169,548)
Others	(41,339)	75,414	-	-	34,075
Closing balance	6,837,230	(596,274)	(1,116,984)	974,403	6,098,375

On 31 December 2016 and 2015, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated. The main criteria used in those business plans are described in note 7.

The rate used on 31 December 2016 and 2015, in Portuguese companies, to calculate the deferred tax assets relating to tax losses carried forward was 21%. The rate used in 2015 and 2016 to calculate the temporary differences in Portuguese companies, including provisions not accepted and impairment losses, was 22.5%. It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable. Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits. For foreign companies was used the rate in force in each country.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets, by nature, on 31 December 2016 was as follows:

													2016
Nature	Companies included in the tax group	Digitmarket	We Do Brasil	We Do USA	We Do Egipto	SSI Espanã	We Do Mexico	Saphety Brasil	S21 Sec Gestion	S21 Sec Labs	S21 Sec SA CV	Total	Total Sonaecom Group
Tax losses:													
To be used until 2018	125,646	-	-	-	-	-	-	-	-	-	-	-	125,646
To be used until 2021	-	-	-	-	-	-	26,499	-	-	-	-	26,499	26,499
To be used until 2022	-	-	-	-	-	-	26,517	-	-	-	211,296	237,813	237,813
To be used until 2023	-	-	-	-	-	-	183,770	-	-	-	71,243	255,013	255,013
To be used until 2025	-	-	-	-	-	-	71,135	-	-	-	52,119	123,254	123,254
To be used until 2026	-	-	-	-	-	-	343,204	-	-	-	-	343,204	343,204
To be used until 2027	-	-	-	-	-	-	-	-	-	45,833	-	45,833	45,833
To be used until 2028	-	-	-	-	-	-	-	-	612,877	12,017	-	624,894	624,894
To be used until 2029	-	-	-	-	-	-	-	-	253,352	-	-	253,352	253,352
To be used until 2030	-	-	-	163,112	-	-	-	-	-	-	-	163,112	163,112
To be used until 2033	-	-	-	123,413	-	-	-	-	-	-	-	123,413	123,413
To be used until 2034	-	-	-	736,686	-	-	-	-	-	-	-	736,686	736,686
To be used until 2035	-	-	-	861,571	-	-	-	-	-	-	-	861,571	861,571
To be used until 2036	-	-	-	1,708,893	-	-	-	-	-	-	-	1,708,893	1,708,893
Unlimited	-	-	-	-	-	184,199	-	-	-	-	-	184,199	184,199
Tax losses	125,646	-	-	3,593,675	-	184,199	651,125	-	866,229	57,850	334,658	5,687,736	5,813,382
Provisions not accepted and other temporary differences	2,075,509	11,372	328,101	149,779	128,585	-	147,080	28,237	-	-	-	793,154	2,868,663
Tax benefits (SIFIDE, RFAI and CFEI)	350,513	28,519	-	126,216	-	-	-	-	-	-	-	154,735	505,248
Others	-	-	(6,724)	206,247	-	-	(71,996)	152	-	-	-	127,679	127,679
Total	2,551,668	39,891	321,377	4,075,917	128,585	184,199	726,209	28,389	866,229	57,850	334,658	6,763,304	9,314,972

On 31 December 2016 and 2015, the Group has other situations where potential deferred tax assets could be recognised, but since it is not expected that sufficient taxable profits will be generated in the future to cover those losses, such deferred tax assets were not recorded:

	2016	2015
Tax losses	6,897,978	7,257,283
Temporary differences (provisions not accepted for tax purposes and other temporary diferences)	27,840,084	32,012,564
Others	12,403,119	12,909,739
	47,141,181	52,179,586

On 31 December 2016 and 2015, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2016	2015
2016	-	269,298
2017	1,019	159,865
2018	78,209	292,890
2019	30,468	371,485
2020	123,013	145,984
2021	89,127	92,238
2022	68,615	322,068
2023	114,036	88,214
2024	58,418	83,707
2025	318,078	374,102
2026	988,584	454,918
2027	339,180	283,013
2028	39,603	39,603
2029	878,680	878,680
2030	74,473	766,054
2031	120,896	-
Unlimited	3,575,579	2,635,164
	6,897,978	7,257,283

The years 2029 and following are applicable to the subsidiaries incorporated in countries in which the reporting period of tax losses is greater than twelve years.

The movement that occurred in deferred tax liabilities in the years ended on 31 december 2016 and 2015 were as follows:

	2016	2015
Opening balance	-	-
Temporary differences between accounting and tax result	(8,263,418)	-
Sub-total effect on results (note 34)	(8,263,418)	-
Others	-	-
Closing balance	(8,263,418)	-

On 31 December 2016, the deferred liabilities result from the negative goodwill generated on the purchase of the shares in Armilar, Armilar II, Armilar III and ESVINT (notes 8 and 33).

The reconciliation between the earnings before taxes and the taxes recorded for the years ended on 31 December 2016 and 2015 is as follows:

	2016	2015
Earnings before taxes	33,883,022	35,442,512
Income taxation (21%)	(7,115,435)	(7,442,928)
Deferred tax assets not recognised in the individual accounts and / or resulting from consolidation adjustments, autonomous taxation, surcharge and other non-deductible accounting adjustments	2,019,956	3,070,962
Record/(reverse) of deferred tax assets related to previous years and tax benefits	1,855,194	1,287
Use of tax losses and tax benefits without record of deferred tax asset in previous years	30,944	2,030,314
Impact of companies' liquidation	17,547,730	-
Temporary differences for the year without record of deferred tax assets	(444,256)	50,871
Income taxation recorded in the year (note 34)	13,894,133	(2,289,494)

In the year ended on 31 December 2016, the caption 'Impact of companies' liquidation' refers to the tax impact of the liquidation of the subsidiaries SonaecomBV and SonaetelecomBV.

In addition, in the year ended on 31 December 2016, the caption "Deferred tax assets not recorded in the individual accounts and / or resulting from consolidation adjustments, autonomous taxation, rates and other accounting adjustments not accepted for tax purposes" includes the amount of Euro 1,966,218 related to the 50% of the capital gain generated by the sale of the direct participation of Sonaecom in NOS (2.14%) to Zopt (note 8), an adjustment that does not contribute to the formation of taxable income for the year.

The tax rate used to reconcile the tax expense and the accounting profit is 21% in 2015 and 2016 because it is the standard rate of the corporate income tax in Portugal, country where almost all of the income of Sonaecom group are taxed.

Portuguese Tax Authorities can review the income tax returns of the Company and of its subsidiaries with head office in Portugal for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in course, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not have a significant impact on the accompanying consolidated financial statements.

Supported by the Company's lawyers and Tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the consolidated financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, on 31 December 2016.

12. Inventories

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

	2016	2015
Raw materials	227,177	282,324
Goods	93,134	151,587
	320,311	433,911
Accumulated impairment losses on inventories (note 22)	(35,000)	(35,000)
	285,311	398,911

The cost of goods sold in the years ended on 31 December 2016 and 2015 amounted to Euro 32,429,804 and Euro 32,184,381 respectively and was determined as follows:

	2016	2015
Opening inventories	433,911	1,102,458
Purchases	32,258,218	33,151,366
Increase of accumulated impairment losses on inventories (note 22)	-	10,000
Inventory adjustments	57,986	(1,645,532)
Closing inventories	(320,311)	(433,911)
	32,429,804	32,184,381

The accumulated impairment losses on inventories reflect the difference between the acquisition cost and market net realisable value of the inventory, as well as the estimate of impairment losses due to low stock turnover, obsolescence and deterioration. The accumulated impairment losses are registered in the caption 'Cost of sales' (note 1.i).

13. Trade debtors

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

	2016	2015
Trade debtors:		
Information Systems	41,843,682	36,083,267
Multimedia and others	5,299,810	4,031,608
	47,143,492	40,114,875
Doubtful debtors	2,713,099	2,625,442
	49,856,591	42,740,317
Impairment losses in accounts receivable (note 22)	(2,713,099)	(2,625,442)
	47,143,492	40,114,875

On 31 December 2016 and 2015, the accumulated impairment losses by segment were made up as follows:

	2016	2015
Impairment losses in accounts receivable:		
Information Systems	1,879,612	1,660,732
Multimedia and others	833,487	964,710
	2,713,099	2,625,442

The Group's exposure to credit risk is mainly related to accounts receivable arising from its operational activity. The amounts included in the balance sheet are net of cumulative doubtful debtors impairment losses that were estimated by the Group, taking into consideration its past experience and an assessment of the current macroeconomic environment. The Board of Directors believes that the book value of the accounts receivable does not differ significantly from its fair value.

Trade debtors by age on 31 December 2016 and 2015 were as follows:

		Due without impairment				Due with impairment			
	Total	Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
2016									
Trade debtors	49,856,591	27,148,577	5,629,412	4,688,396	9,677,107	-	-	56,867	2,656,232
2015									
Trade debtors	42,740,317	21,176,821	5,545,417	2,806,457	10,596,053	17,997	-	141,184	2,456,388

On 31 December 2016, where applicable, of the total amount of accounts receivable impaired are net of VAT, that the Group expects and makes efforts to recover.

Credit risk monitoring, which is performed on a continuous basis, can be resumed as follows:

(i) In the case of regular customers, impairment adjustment is calculated by applying an uncollectibility percentage based on historical data regarding collections, to the accounts receivables overdue.

(ii) In the case of the remaining accounts receivable, impairment adjustments are determined on a stand-alone basis, based on the age of the receivables, net of the amounts payable and the information of the financial situation of the debtor.

14. Other current debtors

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

	2016	2015
State and other public entities	603,350	719,679
Advances to suppliers	294,812	763,833
Other debtors	19,864,753	2,944,909
Accumulated impairment losses in accounts receivable (note 22)	(130,356)	(94,422)
	20,632,559	4,333,999

On 31 December 2016, the caption "Other debtors" includes the amount of Euro 17,285,277 (425,833 euros on 31 December 2015) to be received from Sonae SGPS, in relation to income tax rate from companies that include in the special regime for the taxation of groups of companies, whose this company is leader. The amount receivable for 2016 is associated to the tax effect of Sonaecom BV and SonaetelecomBV liquidation's (Euro 17,547,730).

Other debtors and advances to suppliers by age on 31 December 2016 and 2015 are as follows:

		Due without impairment				Due with impairment			
	Total	Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
2016									
Advances to suppliers	294,812	65,011	60,416	94,106	75,279	-	-	-	-
Other debtors	19,864,753	17,356,117	411,917	95,298	1,672,556	-	-	256,454	72,411
	20,159,565	17,421,128	472,333	189,404	1,747,835	-	-	256,454	72,411
2015									
Advances to suppliers	763,833	-	-	-	763,582	251	-	-	-
Other debtors	2,944,909	32,016	500	1,089,068	1,728,903	3,529	-	-	90,893
	3,708,742	32,016	500	1,089,068	2,492,485	3,780	-	-	90,893

The amounts due and without impairment correspond, mostly, to Sonae Group companies and other entities, without credit risk.

15. Other current assets

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

	2016	2015
Invoices to be issued to clients for services rendered (note 28)	8,053,359	7,655,975
Specialised work paid in advance	1,051,771	1,281,027
Other costs paid in advance	470,934	387,788
Prepaid rents	238,460	281,815
Other accrued income	297,120	616,024
Other current assets	163,249	127,701
Rappel discounts	6,173	7,625
	10,281,066	10,357,955

16. Cash and cash equivalents

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

	2016	2015
Cash in hand	22,336	17,536
Bank deposits repayable on demand	87,131,132	24,934,850
Treasury applications	123,102,870	156,167,674
Cash and cash equivalents	210,256,338	181,120,060
Bank overdrafts (note 20)	(653)	(32,083)
	210,255,685	181,087,977

In year ended on 31 December 2016, Sonaecom entered into financial transaction contracts with Sonae, SGPS. On 31 December 2016 and 2015, the caption "Treasury Applications" matched only bank applications.

The above mentioned applications were paid and, during the year ended on 31 December 2015, the interest tax rate in force was 0.664% (0.59% in 2015) being, in the referred date, distributed by five financial institutions.

17. Share capital

On 31 December 2016 and 2015, the share capital of Sonaecom was comprised by 311,340,037 ordinary registered shares, of Euro 0.74 each.

At those dates, the Shareholder structure was as follows:

	2016		2015	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 18)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorized, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

18. Own shares

During the year ended on 31 December 2016, Sonaecom did not acquire, sold or delivered own actions, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.380.

19. Non-controlling interests

Non-controlling interests on 31 December 2016 and 2015 are made up as follows:

	2015	Result attributed	Others	2016	% held
Digitmarket	447,035	76,712	(345,831)	177,916	24.90%
Saphety Colômbia	(55,467)	(20,411)	(6,801)	(82,679)	13.01%
Saphety	(5,323)	113,255	236,067	343,999	13.01%
Saphety Brasil	(64,410)	(28,270)	2,272	(90,408)	13.02%
S21 Sec Brasil	(65,308)	8,391	65,308	8,391	0.00%
S21 Sec Labs	(293,422)	(293)	293,422	(293)	0.00%
S21 Sec Gestion (note 3.d))	(1,639,672)	(539,538)	1,628,473	(550,737)	0.00%
Tecnológica	(2,489)	(7)	17	(2,479)	10,,18%
Wedo Brasil	4,598	711	863	6,172	0.09%
Sec S. A. de CV	6,413	55,288	(6,413)	55,288	0.00%
Sec Mexico	(2,222)	(257)	2,222	(257)	0.00%
Ciberseguridad	(36,180)	(19,967)	36,180	(19,967)	0.00%
	(1,706,447)	(354,386)	1,905,779	(155,054)	-

	2014	Result attributed	Others	2015	% held
Digitmarket	422,253	62,132	(37,350)	447,035	24.90%
Saphety Colômbia	(35,341)	(29,276)	9,149	(55,467)	13.01%
Saphety	(37,039)	31,760	(43)	(5,323)	13.01%
Saphety Brasil	(48,982)	(13,822)	(1,606)	(64,410)	13.02%
S21 Sec Brasil	(60,983)	(36,098)	31,772	(65,308)	22.20%
S21 Sec Labs	(208,676)	(175,949)	91,203	(293,422)	22.20%
S21 Sec Gestion (note 3.d))	(678,123)	(1,252,389)	290,840	(1,639,672)	22.20%
Tecnológica	(2,447)	(14)	(28)	(2,489)	10,,18%
Wedo Brasil	4,261	1,209	(872)	4,598	0.09%
Sec S. A. de CV	6,356	4,793	(4,736)	6,413	22.20%
Sec Mexico	(4,340)	(1,222)	3,340	(2,222)	22.20%
Ciberseguridad	-	(48,149)	11,969	(36,180)	22.20%
SEC FRM (note 3.d))	203,201	-	(203,201)	-	0%
SEC Institute (note 3.d))	(12,838)	-	12,838	-	0%
Lookwise (note 3.d))	(359,242)	-	359,242	-	0%
Sec Barcelona (note 3.b))	180,018	-	(180,018)	-	0%
SIEG (note 3.d))	(1,537)	-	1,537	-	0%
Sec Inc (note 3.b))	1,458	-	(1,458)	-	0%
	(632,000)	(1,457,024)	382,577	(1,706,447)	-

In April 2016, the company S21 Sec Gestion carried out a capital reduction to cover losses, immediately followed by an increase in the share capital fully subscribed and paid by Sonaecom CSI, which to holds 100% of the share capital of its subsidiary. On 31 December 2016, there are no minority interests in S21Sec Gestión and, therefore, in all its subsidiaries (S21 Sec Brasil, S21 Sec Labs, Sec SA de CV, Sec Mexico and Ciberseguridad), movement reflected in the "Others".

For the year ended on 31 December 2015, non-controlling interests of the companies merged into S21 Sec Gestion (note 3.d)) - S21sec FRM, Lookwise, S21sec Institute and SIEG - have no contribution to Sonaecom consolidated because it is reflected in the contribution of S21sec Gestion, under the merger (note 3.d)) in the amount of Euro -1,803,512 .

20. Loans

On 31 December 2016 and 2015, the caption loans had the following breakdown:

a) Medium and long-term loans

						Amount outstanding
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2016	2015
S21 Sec Gestion	Bank loan	1,229,223	Jul-21	Parcel	-	1,229,223
S21 Sec Gestion	Bank loan	600,919	Jul-21	Parcel	-	600,919
S21 Sec Gestion	Bank loan	573,839	Jul-21	Parcel	-	573,839
S21 Sec Gestion	Bank loan	547,000	Jul-21	Parcel	-	547,000
S21 Sec Gestion	Bank loan	309,000	Jul-21	Parcel	-	309,000
S21 Sec Gestion	Bank loan	296,000	Jul-21	Parcel	-	296,000
S21 Sec Gestion	Bank loan	192,000	Jul-21	Parcel	-	192,000
S21 Sec Labs	Repayable subsidies	-	Jun-24	Parcel	1,482,164	1,874,555
S21 Sec Gestion	Repayable subsidies	-	Jun-25	Parcel	1,859,416	2,525,634
Saphety	Minority Shareholder loans	-	-	-	412,322	451,322
	Costs associated with financing set-up	-	-	-	-	(80,144)
	Interests incurred but not yet due	-	-	-	2,879	45,827
					3,756,781	8,565,175

Between the end of the month of January and beginning of February 2016, S21 SEC Gestion made the early repayment of all medium and long term loans in the amount of Euro 3.75 million with maturiy in July 2021.

The average interest rate on 31 December 2015 was 3%.

On 31 December 2016, the main covenants included in debt agreements are related to Negative pledge clauses, which impose certain restrictions, namely, constitutuion of real guarantees on goods, assets of he subsidiaries to the change of the main companies activities, to the issuance of new shares or alteration of the shareholders' rights. The penalties applicable in the event of non-compliance with these financial constraints generally result in the advance payment of the loan.

b) Short-term loans

						Amount outstanding
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2016	2015
S21 Sec Gestion	Overdraft facilities	200,000	Jul/16	-	-	199,912
S21 Sec Gestion	Overdraft facilities	150,000	Jul/16	-	-	150,000
S21 Sec Gestion	Overdraft facilities	150,000	Jul/16	-	-	139,847
S21 Sec Gestion	Overdraft facilities	100,000	Jul/16	-	-	46,226
S21 Sec Gestion	Overdraft facilities	500,000	Jul/16	-	-	488,000
S21 Sec Gestion	Factoring	1,135,000	Jul/16	-	-	305,058
S21 Sec Labs	Reimbursable grants	-	Nov17	-	445,129	239,086
S21 Sec Gestion	Reimbursable grants	-	Oct-17	-	756,542	569,102
Several	Bank overdrafts (note 16)	-	-	-	653	32,083
Several	Interests incurred but not yet due	-	-	-	38,783	-
					1,241,107	2,169,314

Grants

On 31 December 2016 the Group had grants obtained from dependent entities of the Government of Navarra, CDTI and 'Ministerio de Ciencia y Tecnología'. These subsidies are recorded at amortized cost in accordance with the method of effective interest rate and have the following repayment plan:

	2016
2017	1,201,671
2018	1,184,738
2019	780,691
2020	610,139
2021 and follows	766,012
	4,543,251

These subsidies bear interest at rates between 0% and 4%.

Bank credit lines of short-term portion

Sonaecom has also a short term bank credit line, in the form of current or overdraft account commitment, in the amount of Euro 1 million.

Between the end of the month of January and beginning of February 2016, S21 SEC Gestion made the repayment and cancellation of its overdrafts, whose maximum amounted to Euro 1.3 million. Ate the repayment date the amounts used amounted to Euro 1.1 million.

All these bank credit lines of short-term portion bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in Euro.

On 31 December 2016 and 2015, the available bank credit lines of the Group were as follows:

						Maturity
Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2016						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
Others	Several	-	653	-	x	
		1,000,000	653	1,000,000		
2015						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
S21 Sec Gestion	Overdraft facilities	200,000	199,912	88	x	
S21 Sec Gestion	Overdraft facilities	150,000	150,000	-	x	
S21 Sec Gestion	Overdraft facilities	150,000	139,847	10,153	x	
S21 Sec Gestion	Overdraft facilities	125,457	-	125,457		x
S21 Sec Gestion	Overdraft facilities	100,000	46,226	53,774	x	
S21 Sec Gestion	Overdraft facilities	30,191	-	30,191		x
S21 Sec Gestion	Overdraft facilities	500,000	488,000	12,000	x	
S21 Sec Gestion	Bank loan	1,229,223	1,229,223	-		x
S21 Sec Gestion	Bank loan	600,919	600,919	-		x
S21 Sec Gestion	Bank loan	573,839	573,839	-		x
S21 Sec Gestion	Bank loan	547,000	547,000	-		x
S21 Sec Gestion	Bank loan	309,000	309,000	-		x
S21 Sec Gestion	Bank loan	296,000	296,000	-		x
S21 Sec Gestion	Bank loan	192,000	192,000	-		x
S21 Sec Gestion	Factoring	500,000	-	500,000		x
S21 Sec Gestion	Factoring	1,135,000	305,058	829,942	x	
Others	Several	-	32,083	-	x	
		7,638,629	5,109,107	2,561,605		

On 31 December 2016 and 2015, there is no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

Based on the debt exposed to variable rates at the end of 2016, including the debt on finance lease, and considering the applications and bank balances at the same date, if market interest rates has rised (fallen), in average, 25bp during the year 2016, the interest paid that year would be decreased (increased) in an amount of approximately Euro 293,000 (Euro 360,000 in 2015).

21. Other non-current financial liabilities

On 31 December 2016 and 2015, this caption was made up of accounts payable to tangible and intangible assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 509,530 and Euro 798,762, respectively.

On 31 December 2016 and 2015, the payment of these amounts was due as follows:

	2016		2015	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2016			576,362	520,461
2017	559,443	519,787	478,416	454,123
2018	368,598	358,045	245,069	236,607
2019	154,223	151,485	109,946	108,032
	1,082,264	1,029,317	1,409,793	1,319,223
Interests	(52,946)	-	(90,570)	-
	1,029,318	1,029,317	1,319,223	1,319,223
Short-term liability (note 25)	-	(519,787)	-	(520,461)
	1,029,318	509,530	1,319,223	798,762

22. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended on 31 December 2016 and 2015 were as follows:

	Opening balance	Companies included in the consolidation perimeter (note 3.c)	Increases	Decreases	Utilisations and Transfers	Closing balance
2016						
Accumulated impairment losses on trade debtors (note 13)	2,625,442	40,456	322,185	(45,420)	(229,564)	2,713,099
Accumulated impairment losses on other current debtors (note 14)	94,422		44,042	-	(8,108)	130,356
Accumulated impairment losses on inventories (note 12)	35,000	-	-	-	-	35,000
Provisions for other liabilities and charges	4,292,553	-	2,989,014	(494,297)	(1,867,601)	4,919,669
	7,047,417	40,456	3,355,241	(539,717)	(2,105,273)	7,798,124
2015						
Accumulated impairment losses on trade debtors (note 13)	3,704,428	-	431,584	(284,141)	(1,226,429)	2,625,442
Accumulated impairment losses on other current debtors (note 14)	109,625	-	-	-	(15,203)	94,422
Accumulated impairment losses on inventories (note 12)	25,000	-	10,000	-	-	35,000
Provisions for other liabilities and charges	2,579,321	-	3,293,392	(1,421,916)	(158,244)	4,292,553
	6,418,374	-	3,734,976	(1,706,057)	(1,399,876)	7,047,417

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, on 31 December 2016 and 2015, are detailed as follows:

	2016		2015	
Accumulated impairment losses on accounts receivables	Increases	Decreases	Increases	Decreases
Registed in the line 'Provisions and accumulated impairment losses' (increases) and in 'Other operating costs' (decreases)	322,185	(45,420)	431,584	(284,141)
Total increases/(decreases) of accumulated impairment losses on accounts receivables	322,185	(45,420)	431,584	(284,141)
Provisions for other liabilities and charges	Increases	Decreases	Increases	Decreases
Recorded in the income statement, under the caption 'Income Tax ' (note 34)	1,192,744	(213,893)	1,119,299	(1,232,881)
Recorded in balance sheet, under the caption Taxes	523,548	-	-	-
Recorded in 'Fixed Assets' regard to the provision for dismantling and abandonment of offices net value recorded in 'Other financial expenses' related to the financial actualization of the provision for dismantling as foreseen in IAS 16 - 'Fixed Assets' (note 1.c)	1,753	-	1,694	-
Recorded in the income statement in 'Gains and losses of associates and jointly controlled entities' related to the registration of the provision resulting from the application of the equity method (note 8)	10,568	(37,102)	11,447	(3,191)
Recorded in the income statement 'Staff expenses' related to the provisions for redundancy paments	739,755	(206,502)	2,089,303	(56,000)
Other increses and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases)	520,646	(36,800)	71,649	(129,845)
Total increases/(decreases) of provisions for other liabilities and charges	2,989,014	(494,297)	3,293,392	(1,421,916)
Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases)	842,831	(82,220)	503,233	(413,986)

On 31 December 2016 and 2015, the breakdown of the provisions for other liabilities and charges is as follows:

	2016	2015
Several contingencies	3,270,741	1,660,398
Legal processes in progress	137,350	117,095
Dismantling	51,944	50,191
Other responsibilities	1,459,634	2,464,869
	4,919,669	4,292,553

On 31 December 2016 and 2015, the value of provisions for the dismantling is recorded at its present value, accordingly with the dates of its utilization in accordance with IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'.

The heading 'Several contingencies' relates to contingent liabilities arising from transactions carried out in previous years and for which an outflow of funds is probable.

In relation to the provisions recorded for legal processes in progress and other responsabilities, given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used and therefore no financial actualisation was carried out.

In the caption "Other liabilities" are included provisions for restructuring an amount of Euro 733,040 associated with severance payment (Euro 2,033,303 in 2015).

23. Other non-current liabilities

On 31 December 2016 and 2015, the caption 'Other non-current liabilities' is as follows:

	2016	2015
Medium Term Incentive Plan (note 39)	1,120,207	1,384,978
Others	1,162,090	44,757
	2,282,297	1,429,735

The "Other" caption includes the medium and long-term phased price payable by Inovretail and Sysvalue in the amount of Euro 722,772 and Euro 383,213, respectively, which was measured using the amortized cost method (note 3.c).

24. Trade creditors

On 31 December 2016 and 2015, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2016				
Suppliers – current account	12,626,016	12,626,016	-	-
Intangible and tangible assets suppliers	387,471	387,471	-	-
Suppliers – invoices pending approval	2,602,267	2,602,267	-	-
	15,615,754	15,615,754	-	-
2015				
Suppliers – current account	16,566,682	16,566,682	-	-
Intangible and tangible assets suppliers	253,661	253,661	-	-
Suppliers – invoices pending approval	2,171,695	2,171,695	-	-
	18,992,038	18,992,038	-	-

On 31 December 2016 and 2015, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of intangible and tangible assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

25. Other financial liabilities

On 31 December 2016, this heading "Other finantial liabilities" includes the amount of Euro 519,787 (Euro 520,461 in 2015) related to the short term portion of lease contracts (note 21).

26. Other creditors

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

	2016	2015
State and other public entities	3,846,142	3,192,410
Other creditors	687,165	113,373
	4,533,307	3,305,783

The liability to other creditors matures as follows:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2016				
Other creditors	687,165	687,165	-	-
2015				
Other creditors	113,373	113,373	–	–

The liability to other creditors does not incorporate any interest. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

On 31 December 2016 and 2015, the caption 'State and other public entities' can be detailed as follow:

	2016	2015
Value-added tax	2,152,158	1,524,040
Cocial security contributions	890,782	858,946
Personal Income Tax (IRS)	676,692	727,070
Withheld Taxes (IRRF, INSS ans several contributions)	72,542	45,873
Taxes on invoicing (ISS/PIS/COFINS)	46,475	12,449
Other taxes	7,493	24,031
	3,846,142	3,192,410

27. Other current liabilities

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

	2016	2015
Costs:		
Personnel costs	10,110,785	11,247,361
Medium Term Incentive Plans (note 39)	1,245,853	743,792
Specialised works	1,173,578	869,696
Other costs	700,531	1,094,057
Advertising and promotion	453,671	435,419
Tangible and intangible assets	144,320	64,510
Rents	133,189	78,131
Rappel discounts (annual quantity discounts)	113,155	56,778
Stocks	755	52,479
Other external suppliers and services	2,649,858	2,615,435
	16,725,695	17,257,658
Deferred income:		
Customer advance payments related projects in progress (note 28)	9,345,096	7,259,641
Other customer advance payments	2,143,827	421,075
Other deferred income	1,303,894	1,153,806
	12,792,817	8,834,522
	29,518,512	26,092,180

28. Sales and services rendered

On 31 December 2016 and 2015, the caption 'Sales and services rendered' was made up as follows:

	2016	2015
Information Systems	116,086,895	114,837,453
Multimedia and others	14,445,877	14,676,451
	130,532,772	129,513,904

The results related to projects carried out by the area of information systems are recognized based on the percentage of completion of the same.

On 31 December 2016 and 2015, projects in progress can be summarized as follows:

	2016	2015
Number of projects in progress	1,172	1033
Total costs recognised in the year	42,388,920	41,256,817
Total revenues recognised in the year	78,920,956	77,889,086
Total deferred revenues (note 27)	9,345,096	7,259,641
Total accrued revenues (note 15)	8,053,359	7,655,975

Bank guarantees were provided for "Good execution of work to be performed" (note 36).

29. Other operating revenues

On 31 December 2016 and 2015, the caption 'Other operating revenues' was made up as follows:

	2016	2015
Supplementary income	522,753	614,945
Reversal of provisions (note 22)	82,220	413,986
Allowances	68,595	-
Others	838,426	1,342,363
	1,511,994	2,371,294

30. External supplies and services

'External supplies and services' for the years ended on 31 December 2016 and 2015 had the following composition:

	2016	2015
Subcontracts	20,308,320	19,334,262
Specialised works	6,237,938	5,764,370
Rents	5,235,610	4,995,378
Travelling costs	4,687,650	5,037,441
Advertising and promotion	3,799,481	3,130,879
Fees	1,238,772	1,492,747
Communications	1,158,313	1,266,272
Fuel	429,825	411,696
Energy	405,130	361,022
Maintenance and repairs	206,603	242,852
Commissions	294,363	462,539
Security	136,004	120,331
Others	1,422,443	1,319,527
	45,560,452	43,939,316

The commitments assumed by the Group on 31 December 2016 and 2015 related to operational leases are as follows:

	2016	2015
Minimum payments of operational lease:		
2016	-	2,999,162
2017	3,649,239	2,530,522
2018	2,799,418	1,745,844
2019	1,301,194	412,423
2020 onwards	1,047,084	136,928
Renewable by periods of one year	872,825	1,130,817
	9,669,760	8,955,696

During the years ended on 31 December 2016, an amount of Euro 4,985,961 (Euro 4,584,901 on 31 December 2015) was recorded in the heading 'External supplies and services' related with operational leasing rents, recorded in 'Rents'. The operating leases essentially relate to vehicles, rental of buildings and equipment rentals.

31. Other operating costs

On 31 December 2016 and 2015, the caption 'Other operating costs' was made up as follows:

	2016	2015
Taxes	209,159	143,049
Others	607,875	178,911
	817,034	321,960

32. Financial results

Net financial results for the years ended on 31 December 2016 and 2015 were made up as follows ((costs) / gains):

	2016	2015
Financial expenses:		
Interest expenses:	(371,912)	(531,724)
Bank loans	(49,154)	(324,857)
Leasing	(53,357)	(43,609)
Other interests	(269,401)	(163,258)
Foreign exchange losses	(3,722,161)	-
Other financial expenses	(393,236)	(321,500)
	(4,487,309)	(853,224)
Financial income:		
Interest income	1,288,056	1,136,395
Foreign exchange gains	2,331,145	211,601
Others financial gains	115,362	374,973
	3,734,563	1,722,969

During the years ended on 31 December 2016 and 2015, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications (note 16 and 35).

33. Gains and losses on Investments

Gains and losses on investments for the years ended on 31 December 2016 and 2015 are as follows ((expenses) / revenues):

	2016	2015
Financial results of associates and jointly controlled companies:		
Gains and losses related with the aplication of the equity method (note 8)	17,124,008	17,843,497
Gains on acquisitions of associates companies (note 8)	36,726,301	-
	53,850,309	17,843,497
Gains and losses on financial assets at fair value through profit or loss		
Gains and losses on financial assets at fair value through profit or loss (note 9)	(15,679,640)	22,344,861
Gains on disposal of financial assets at fair value through profit or loss (note 8)	9,362,943	-
Dividends obtained	1,762,163	1,541,754
	(4,554,534)	23,886,616

During the period on 31 December 2016 the caption "Gains on disposal of financial assets at fair value through profit or loss" includes the gain generated from the sale of the NOS shares (Euro 9,362,943) as described in note 8 "Investments in associated companies and companies jointly controlled".

34. Income taxation

Income taxes recognised during the years ended on 31 December 2016 and 2015 were made up as follows ((costs) / gains):

	2016	2015
Current tax	18,107,845	(1,588,413)
Tax provision net of reduction (note 22)	978,851	113,582
Deferred tax assets (note 11)	3,070,855	(814,663)
Deferred tax liabilites (note 11)	(8,263,418)	-
	13,894,133	(2,289,494)

The amount of current tax for the year 2016 is mainly due to the impact of liquidation's subsidiaries (note 11).

35. Related parties

During the years ended on 31 December 2016 and 2015, the balances and transactions maintained with related parties were mainly associated with the normal operational activity of the Group and to the concession and obtainment of loans.

The most significant balances and transactions with related parties, which are listed in the appendix to this report, during the years ended on 31 December 2016 and 2015 were as follows:

	Balances at 31 December 2016		
	Accounts receivable (notes 13 and 14)	Accounts payable (note 24 e 26)	Other assets/(liabilities) (notes 15, 23 and 27)
Parent company	18,454,597	129,615	(153)
Companies jointly controlled	1,024,602	584,554	(23,250)
Associated companies	-	-	2,778,027
Other related parties	12,397,109	527,511	(6,968,089)
	31,876,308	1,241,680	(4,213,465)

	Balances at 31 December 2015		
	Accounts receivable (notes 13 and 14)	Accounts payable (note 24 e 26)	Other assets / (liabilities) (notes 15, 23 and 27)
Parent company	1	990,196	(130,048)
Companies jointly controlled	407,258	479,277	11,520
Associated companies	-	-	-
Other related parties	5,442,876	1,040,957	(3,986,155)
	5,850,135	2,510,430	(4,104,683)

	Transactions at 31 December 2016			
	Sales and services rendered (note 28)	Supplies and services received (note 30)	Interest and similar income / (expense) (note 32)	Supplementary income (note 29)
Parent company	2,871	-	1,192,276	(26)
Companies jointly controlled	15,383	493,804	6,842	310,784
Other related parties	29,998,921	2,227,190	-	51,317
	30,017,175	2,720,994	1,199,118	362,075

	Transactions at 31 December 2015			
	Sales and services rendered (note 28)	Supplies and services received (note 30)	Interest and similar income / (expense) (note 32)	Supplementary income (note 29)
Parent company	70	50,000	851,073	26
Companies jointly controlled	62,459	477,795	-	314,404
Other related parties	31,792,525	1,775,932	-	406,892
	31,855,054	2,303,727	851,073	721,322

During the years ended on 31 December 2016, the company distributed as dividends the amount of Euro 4,699,332, to Sonae SGPS (Euro 3,646,033 on 31 December 2015) and Euro 11,255,661 to Sontel BV (Euro 8,732,840 on 31 December 2015).

During the year ended on 31 December 2016, Sonaecom sold its all direct participation in NOS (2.14%) to Zopt. This transaction generated a capital gain of 18,725,887 being 50% of the capital gain annulled through Reserves and the other 50% registered in Gains and losses on financial assets at fair value through profit or loss (note 9).

The transactions between Group companies were eliminated in consolidation, and therefore are not disclosed in this note.

All the above transactions were made at market prices.

Both income and outcome will be paid in cash and have no guaranties attached.

During the years ended on 31 December 2016 and 2015, no imparity losses have been recognized on the income to be made by other entities.

Remuneration attributed to "key personnel" is disclosed in note 40.

36. Guarantees provided to third parties

Guarantees provided to third parties on 31 December 2016 and 2015 were as follows:

Company	Beneficiary	Description	2016	2015
Saphety, S21 Sec Gestion; WeDo and WeDo Egypt	Administrador de Infraestructuras Ferroviarias; Arrow Ecs Internet Security, S.L.; Asiacell Communications; Barcelona Serveis Municipals; Comunidade Intermunicipal do Médio Tejo; CTT Correios de Portugal, S.A.; Digi Tecommunications; Emirates Telecom. Corp.; Empresa de Telecommunicaciones Nuevatel; Etihad Etisalat Company; ETISALAT; ETISALAT UAE; Instituto Nacional de Ciberseguridad de España, SA; Oficina de Control Económico del Departamento de Hacienda y Finanzas; Omani Qatari Telecommunications Company S.A.O.G; Packet One Networks; Red Nacional de Ferrocarriles Españoles; Renfe Operadora; REPSOL; Tunisie Telecom; U Mobile; Viva Bahrain and Zain Jordan	Completion of work to be done	1,636,069	1,127,902
Inovretail, S21 Sec Gestion and S21 Sec Labs	Agencia para o Desenvolvimento e Coesao, I.P.; Centro para Desarrollo Tecnológico Industrial; CDTI; Direccion General del Ministerio; ICT; Ingenieria de Sistemas para la Defensa de España and Ministerio de Indústria	Grants	791,869	1,007,887
Sonaecom and Público	Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities)	IRC, IS, IVA – Tax assessment	240,622	240,622
We Do and Saphety	IAPMEI	HERMES' project and 'Value4cuopons' project - QREN	-	42,501
Several	Others		665,020	634,917
			3,333,580	3,053,829

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 28,727,104 and Sonaecom SGPS consisted of Público for the amount of Euro 564,900.

On 31 December 2016, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the consolidated financial statements.

37. Information by business segment

During the years ended on 31 December 2016 and 2015 were identified the following business segments:

– Multimedia;

– Information systems; and

– Holding activities.

These segments were identified taking into consideration the following criteria/conditions: the fact of being group units that develop activities where we can separately identify revenues and expenses, for which financial information is separately developed and their operating results are regularly reviewed by management and over which decisions are made. For example, decisions about allocation of resources, for having similar products/services and also taking into consideration the quantitative threshold (in accordance with IFRS 8).

The segment 'Holding activities' includes the operations of the Group companies that have as their main activity the management of shareholdings.

Excluding the ones mentioned above, the remaining activities of the Group have been classified as unallocated.

Inter-segment transactions during the years ended on 31 December 2016 and 2015 were eliminated in the consolidation process. All these transactions were made at market prices.

Inter-segment transfers or transactions were entered under the normal commercial terms and conditions that would also be available to unrelated third parties and were mainly related to interest on treasury applications and management fees.

Overall information by business segment on 31 December 2016 and 2015, prepared in accordance with the same accounting policies and measurement criteria adopted in the preparation of the consolidated financial statements, can be summarised as follows:

	Multimedia		Information Systems		Holding Activities		Subtotal		Eliminations and others		Total	
	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015	December 2016	December 2015
Revenues:												
Sales and services rendered	14,444,550	14,998,146	116,708,126	114,837,453	253,325	338,240	131,406,001	130,173,839	(873,229)	(659,935)	130,532,772	129,513,904
Reversal of provisions	-	3,845	82,135	347,141	1,800	63,000	83,935	413,986	-	-	83,935	413,986
Other operating revenues	369,920	320,817	914,665	1,529,209	118,777	178,089	1,403,362	2,028,115	24,697	(70,807)	1,428,059	1,957,308
Total revenues	14,814,470	15,322,808	117,704,926	116,713,803	373,902	579,329	132,893,298	132,615,940	(848,532)	(730,742)	132,044,766	131,885,198
Depreciation and amortisation	(677,171)	(675,007)	(25,224,049)	(7,463,505)	(13,726)	(15,084)	(25,914,946)	(8,153,596)	10,451,699	(2,645,721)	(15,463,247)	(10,799,317)
Provisions and impairment losses	(370,221)	(387,238)	(459,985)	(115,995)	(36,505)	-	(866,711)	(503,233)	(20,162)	-	(886,873)	(503,233)
Net operating income / (loss) for the segment	(4,733,105)	(5,778,764)	(20,560,324)	2,417,005	(1,286,592)	(1,464,528)	(26,580,021)	(4,826,287)	11,920,015	(2,331,059)	(14,660,007)	(7,157,346)
Interest income	476	59	44,439	111,289	2,188,901	1,765,353	2,233,816	1,876,701	(945,760)	(740,306)	1,288,056	1,136,395
Interest expenses	(265,798)	(318,520)	(975,632)	(843,906)	(6,998)	(64,583)	(1,248,428)	(1,227,009)	891,980	695,285	(356,448)	(531,724)
Gains and losses on financial assets at fair value through profit or loss	-	-	-	-	(4,554,534)	23,886,616	(4,554,534)	23,886,616	-	-	(4,554,534)	23,886,616
Gains and losses in assosiated companies	49,054	(4,231)	36,725,611	(150,262)	17,075,644	17,997,990	53,850,309	17,843,497	-	-	53,850,309	17,843,497
Other financial results	(1,918)	(5,397)	(1,671,253)	19,500	(7,287,579)	(6,313,123)	(8,960,750)	(6,299,020)	7,276,395	6,564,094	(1,684,354)	265,074
Income taxation	1,656,092	536,796	2,332,886	(3,233,872)	18,161,790	451,581	22,150,768	(2,245,495)	6,784	(43,999)	22,157,551	(2,289,494)
Consolidated net income/(loss) for the year excluding discontinued operations	(3,295,199)	(5,570,057)	15,895,727	(1,680,246)	24,290,632	36,259,306	36,891,160	29,009,003	19,149,414	4,144,015	56,040,573	33,153,018
Consolidated net income/(loss) for the year of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to:												
Shareholders of parent company	(3,295,199)	(5,570,057)	16,227,370	(257,269)	24,290,632	36,259,306	37,222,803	30,431,980	19,172,157	4,178,062	56,394,959	34,610,042
Non-controlling interests	-	-	(331,643)	(1,422,977)	-	-	(331,643)	(1,422,977)	(22,743)	(34,047)	(354,386)	(1,457,024)
Assets:												
Tangible and intangible assets and goodwill	276,937	4,950,731	65,397,974	78,036,472	15,620	28,885	65,690,531	83,016,088	(11,923,694)	(27,236,395)	53,766,837	55,779,693
Inventories	192,177	247,324	93,134	151,587	-	-	285,311	398,911	-	-	285,311	398,911
Investments in associated companies and companies jointly controlled	733,942	731,008	68,475,639	-	676,799,210	710,450,610	746,008,791	711,181,618	52,944	52,975	746,061,735	711,234,593
Other investments	90,679	90,679	448,935	100	46,241,587	45,897,883	46,781,201	45,988,662	(46,241,587)	(45,753,406)	539,614	235,256
Other non-current assets	346,271	3,570	11,980,583	6,371,425	103,611,830	56,211,642	115,938,684	62,586,637	(103,500,425)	(56,204,862)	12,438,259	6,381,775
Other current assets of the segment	6,903,049	5,388,085	59,228,435	53,668,966	230,027,029	263,291,420	296,158,513	322,348,471	(4,789,431)	(3,708,834)	291,369,082	318,639,637
Liabilities:												
Liabilities of the segment	10,977,387	13,910,539	92,341,767	76,292,229	1,373,266	2,174,739	104,692,420	92,377,507	(41,625,174)	(24,925,216)	63,067,246	67,452,291
CAPEX	682,286	592,334	44,573,095	7,542,598	461	(789)	45,255,842	8,134,143	198,656	436,745	45,454,498	8,570,888

During the years ended on 31 December 2016 and 2015, the inter-segments sales and services were as follows:

	Multimedia	Information Systems	Holding Activities
2016			
Multimedia	-	361,661	-
Information Systems	-	-	253,325
Holding Activities	-	67,568	-
External trade debtors	14,444,550	116,278,897	-
	14,444,550	116,708,126	253,325
2015			
Multimedia	-	144,986	-
Information Systems	5,622	-	322,374
Holding Activities	488	65,734	-
External trade debtors	14,992,036	114,626,733	15,866
	14,998,146	114,837,453	338,240

During the years ended on 31 December 2016 and 2015, sales and services rendered of the segments of Multimedia and Activities Holding were obtained predominantly in the Portuguese market, this market represents more than 100% of revenue.

During the years ended on 31 December 2016, for the Information Systems segment, also the Portuguese market is dominant, accounting for 47.1% of revenue (46.2% in 2015) followed by the Spanish and Brazilian markets, representing 11.6% of revenue (10.4% in 2015).

During the years ended on 31 December 2016 and 2015, inter-segment sales and services by geographic market can be detailed as follows:

	Information systems		Multimedia		Holding activities	
Country	Dec-16	Dec-15	Dec-16	Dec-15	Dec-16	Dec-15
Portugal	54,098,958	52,995,241	14,308,389	14,821,725	253,325	338,240
Spain	13,786,336	11,898,335	5,546	31,638	-	-
Brazil	5,877,317	9,391,922	4,503	3,705	-	-
United States of America	4,850,191	5,640,366	9,331	2,698	-	-
South America	4,382,309	1,441,133	-	-	-	-
Angola	3,715,752	5,211,334	-	-	-	-
German	2,721,221	2,862,883	28	126	-	-
Malaysia	2,032,920	182,563	-	-	-	-
United Kingdom	1,884,404	1,807,819	16,931	7,363	-	-
Sweden	1,690,745	1,098,107	(1)	-	-	-
Mexico	1,652,458	2,274,293	-	-	-	-
Iceland	1,224,887	1,329,580	15,461	8,290	-	-
Luxembourg	1,084,490	1,414,973	83,679	78,028	-	-
Turkey	1,036,734	780,927	-	-	-	-
Egypt	1,018,757	855,184	-	-	-	-
Rest of the world	11,048,143	10,827,604	4,936	5,618	-	-
Other countries in Europe	4,602,505	4,825,189	(4,253)	38,953	-	-
Total	116,708,126	114,837,453	14,444,550	14,998,146	253,325	338,240

During the years ended on 31 December 2016 and 2015, non-current inter-segment assets by geographic market may be broken down as follows:

	Multimedia		Information systems		Holding activities	
Country	Dec-16	Dec-15	Dec-16	Dec-15	Dec-16	Dec-15
Portugal	287,690	4,954,301	56,428,820	64,371,644	103,532,976	56,240,527
United States of America	-	-	7,577,547	7,508,755	-	-
Spain	-	-	4,094,415	6,004,570	-	-
Brazil	-	-	272,933	286,654	-	-
Mexico	-	-	126,848	138,260	-	-
United Kingdom	-	-	3,638	5,045	-	-
Egypt	-	-	3,443	-	-	-
Colombia	-	-	3,063	1,199	-	-
Netherlands	-	-	907	0	-	-
Ireland	-	-	323	206	-	-
Australia	-	-	271	-	-	-
Total	287,690	4,954,301	68,512,209	78,316,333	103,532,976	56,240,527

The consolidated financial statements of NOS on 31 December 2016 and 2015 incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method (note 8), can be summarized as follows:

Condensed consolidated balance sheets

(Amounts expressed in of Euro)	December 2016	December 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 debtors	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		
Loans	972,003	979,422
Provisions for other liabilities and charges	146,287	139,484
Other non-current liabilities	50,406	31,837
Non-current liabilities	1,168,696	1,150,743
Loans	224,692	178,022
Trade creditors	238,828	327,485
Other current liabilities	297,327	256,722
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

Condensed consolidated statements of income by nature

(Amounts expressed in of Euro)	December 2016	December 2015
Total revenue	1,514,969	1,444,305
Costs and losses		
Direct costs and External supplies and services	(642,190)	(620,424)
Depreciation and amortisation	(391,555)	(366,406)
Other operating costs	(338,452)	(310,700)
	(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	89,996	82,492
Consolidated net income/(loss) for the year attributed to non-controlling interests	(385)	(228)
Attributed to shareholders of parent company	90,381	82,720

38. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 48,131,541 in 2016 and Euro 34,610,042 in 2015) by the average number of shares outstanding during the year ended 31 December 2016 and 2015, net of own shares (305,769,023 in 2016 and 2015).

39. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan, for more senior employees, based on Sonaecom options and shares and Sonae-SGPS, S.A. shares, being on 10 March 2014, Sonaecom shares plans were fully converted into Sonae SGPS shares. The exercise of the rights occurs three years after their attribution, provided that the employee stays in the company during that period.

The 2011 plan was delivered in March 2015 for all companies except for Sonaecom employees, whose delivery was made in May 2015..

The 2012 plan was delivered in March 2016 to all companies.

Accordingly, the plans outstanding on 31 December 2016 are as follows:

			Vesting period	31 December 2016	
	Share price 30.12.2016	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2013 Plan	0.874	10-Mar-14	10-Mar-17	168	1,512,924
2014 Plan	0.874	10-Mar-15	10-Mar-18	177	1,460,542
2015 Plan	0.874	10-Mar-16	10-Mar-19	192	1,757,693

During the year ended on 31 December 2016, the movements that occurred in the plans can be summarised as follows:

	Sonae SGPS shares	
	Number of participants	Number of shares
Outstanding at 31 December 2015:		
Unvested	402	4,042,703
Total	402	4,042,703
Movements in the year:		
Award	206	1,854,960
Vested	(25)	(756,678)
Cancelled / elapsed / corrected / transfers (1)	(46)	(409,826)
Outstanding at 31 December 2016:		
Unvested	537	4,731,159
Total	537	4,731,159

(1) Corrections are made for dividends paid and changes to capital and other adjustments including those resulting from changes in the maturity of the MTIP, which may now be made through shares at a discount.

The responsibility of the plans was recognized under the caption 'Other current liabilities' and 'Other non-current liabilities'.

For the Sonae SGPS shares plans, the group entered into hedging contracts with external entities, and the liabilities are calculated based on the agreed price. The coverage agreements above referred, were used to cover the delivery of the 2011 plan and the 2012 plan. Thus, in the year ended on 31 December 2016, there are no open coverage contracts.

Share plans costs are recognised in the accounts over the year between the award and the vesting date of those shares. The costs recognised for the open plans and for the plans vested in previous years and in the year ended on 31 December 2016, were as follows:

	Value
Costs recognised in previous years	2,119,334
Costs recognised in the year	1,034,844
Costs of plans vested in the year	(788,118)
Total cost of the plans	2,366,060
Recorded in 'Other current liabilities	1,245,853
Recorded in 'Other non-current liabilities	1,120,207

40. Staff expenses

For the years ended on 31 December 2016 and 2015, the caption 'Staff expenses' was as follows:

	2016	2015
Remuneration	46,175,519	44,461,312
Charges on remuneration	8,663,195	8,375,713
Medium Term Incentive Plans (note 39)	1,034,844	1,615,600
Works for own company	(5,484,595)	(5,079,357)
Others	1,158,400	1,921,069
	51,547,363	51,294,337

During 2016 and 2015, the remunerations paid to Directors and other members of key management in functions at the years ended on 31 December 2016 and 2015 (10 managers in 2016 and 10 managers in 2015) were as follows:

	2016	2015
Short-term employee benefits	1,497,764	1,638,990
Share-based payments	355,214	364,735
	1,852,978	2,003,725

The short-term employee benefits, which include the salary and performance bonus, were calculated on an accruals basis. The share-based payments for 2016 and 2015 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2017, in respect of performance during 2016 (and the Medium Term Incentive Plan awarded in 2016 in respect of performance during 2015, for the 2015 amounts), whose shares, or the cash equivalent, will be delivered in March 2020 and March 2019, respectively and for which expenses is recorded over the period 2017 to 2020 (2016 to 2019 for 2015). Full details on the Group remuneration policy are disclosed in the Corporate Governance.

41. Fees of Statutory Auditor

During the year ended on 31 December 2016, the Group paid as fees to ROC, PricewaterhouseCoopers SROC the amount of Euro 131,273. During the year ended on 31 December 2015, paid as fees to ROC, Deloitte SROC, the amount of Euro 131,838.

The details of the services provided during the year in 2016 are as follows:

	Sonaecom		Other companies in the group		Total
	PwC SROC	Other companies in the network	PwC SROC	Other companies in the network	
Statutory audit	17,138	-	43,897	57,238	118,273
Other assurance services	-	-	2,900	10,100	13,000
Total	17,138	-	62,547	67,338	131,273

The guarantee and assurance services provided in 2016 relate to an intercalar audit certification and a limited review of subsidiaries.

42. Average number of employees

During the years ended on 31 December 2016 and 2015, the companies included in the consolidation employed an average number of 1,286 and 1,173 respectively. On 31 December 2016, the number of employees was 1,264.

43. Subsquent events

On the meeting of the Board of Directors held on 13 March 2017, a resolution was taken to constitute an Executive Committee and to appoint, for the current four-year mandate 2016-2019, the following members of the Board of Directors to compose the mentioned Committee: i) Chairman - Ângelo Gabriel Ribeirinho dos Santos Paupério; and ii) Maria Cláudia Teixeira de Azevedo.

These financial consolidated presentations have been approved by the Executive Board and authorized to be issued on 13 March 2017.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

1.3. Sonaecom individual financial statements

Statement of financial position

For the years ended at 31 December 2016 and 2015

(Amounts expressed in Euro)	Notes	December 2016	December 2015
Assets			
Non-current assets			
Tangible assets	1.a, 1.f, 1.t and 2	13,416	24,977
Intangible assets	1.b, 1.t and 3	2,204	3,907
Investments in Group companies	1.c and 5	52,291,587	49,347,142
Companies jointly controlled	1.d and 6	597,666,944	597,666,944
Financial assets at fair value through profit or loss	1.e, 4 and 7	-	144,477
Other non-current assets	1.c, 1.n, 4, 8 and 26	212,467,355	165,849,237
Deferred tax assets	1.m, 9	94,475	-
Total non-current assets		862,535,981	813,036,684
Current assets			
Financial assets at fair value through profit or loss	1.e, 4 and 7	-	79,796,807
Income tax receivable	1 m	803,609	541,716
Other current debtors	1.e, 1.g, 4, 10 and 26	17,797,134	2,463,545
Other current assets	1.e, 1.n, 4, 11 and 26	478,861	378,552
Cash and cash equivalents	1.e, 1.h, 4, 12 and 26	210,933,723	179,448,314
Total current assets		230,013,327	262,628,934
Total assets		1,092,549,308	1,075,665,618
Shareholder' funds and liabilities			
Shareholders' funds			
Share capital	13	230,391,627	230,391,627
Own shares	1.r and 14	(8,441,804)	(8,441,804)
Reserves	1.q	834,236,219	817,581,760
Net income / (loss) for the year		35,003,700	34,389,062
Total Shareholders' funds		1,091,189,742	1,073,920,645
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	1.l and 16	214,777	241,811
Other non-current liabilities	1.n, 1.u, 4 and 17	133,633	222,526
Total non-current liabilities		348,410	464,337
Current liabilities			
Other creditors	4, 18 and 26	359,423	200,693
Other current liabilities	1.n, 1.u, 4, 19 and 26	651,733	1,079,943
Total current liabilities		1,011,156	1,280,636
Total Shareholders' funds and liabilities		1,092,549,308	1,075,665,618

The notes are an integral part of the financial statements at 31 December 2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

António Bernardo Aranha da Gama Lobo Xavier

Profit and Loss account by nature

For the years ended at 31 December2016 and 2015

(Amounts expressed in Euro)	Notes	December 2016	September to December 2016 (not audited)	December 2015	September to December 2015 (not audited)
Services rendered	1.o, 20 and 26	253,325	41,641	338,240	80,595
Other operating revenues	1.o, 21 and 26	139,001	19,052	241,085	65,066
		392,326	60,693	579,325	145,661
External supplies and services	1.f, 22 and 26	(777,902)	(200,052)	(723,241)	(166,891)
Staff expenses	1.u, 29,30 and 31	(696,471)	(191,343)	(1,155,774)	(313,131)
Depreciation and amortisation	1.a, 1.b, 2 and 3	(13,726)	(3,440)	(15,084)	(3,866)
Provisions and impairment losses	1.l, 1.t e 16	(36,505)	12,004	-	46,490
Other operating costs		(129,417)	(8,807)	(63,231)	17,028
		(1,654,021)	(391,638)	(1,957,330)	(420,370)
Gains and losses on Group companies and companies jointly controlled	1.o, 5, 8 and 23	11,119,809	(2,747,138)	9,450,500	(3,635,000)
Gains and losses on financial assets at fair value through profit or loss	1.o, 5, 7 and 23	4,808,250	-	23,886,615	(1,383,702)
Other financial expenses	1.c, 1.i, 1.j, 1.s, 1.t, 15 and 24	(98,457)	(36,330)	(135,054)	(38,571)
Other financial income	1.s, 5 and 24	2,274,003	514,116	2,113,424	153,851
Earnings before taxes		16,841,910	(2,600,297)	33,937,480	(5,178,131)
Income taxation	1.m, 9 and 25	18,161,790	17,447,788	451,582	470,728
Net income / (loss) for the year		35,003,700	14,847,491	34,389,062	(4,707,403)
Earnings per share	28				
Including discontinued operations:					
Basic		0.11	0.05	0.11	(0.02)
Diluted		0.11	0.05	0.11	(0.02)
Excluding discontinued operations:					
Basic		0.11	0.05	0.11	(0.02)
Diluted		0.11	0.05	0.11	(0.02)

The notes are an integral part of the financial statements at 31 December2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

António Bernardo Aranha da Gama Lobo Xavier

Statement of comprehensive income

For the years ended at 31 December2016 and 2015

(Amounts expressed in Euro)	Notes	December 2016	September to December 2016 (not audited)	December 2015	September to December 2015 (not audited)
Net income / (loss) for the year		35,003,700	14,847,491	34,389,062	(4,707,403)
Components of other comprehensive income, net of tax		-	-	-	-
Comprehensive income for the year		35,003,700	14,847,491	34,389,062	(4,707,403)

The notes are an integral part of the financial statements at 31 December2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

António Bernardo Aranha da Gama Lobo Xavier

Movements in Shareholders' funds

For the years ended at 31 December2016 and 2015

(Amounts expressed in Euro)			Reserves						
	Share capital	Own shares (note 13)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves	Net income / (loss)	Total
2016									
Balance at 31 December 2015	230,391,627	(8,441,804)	775,290,377	13,443,724	8,441,804	20,405,855	817,581,760	34,389,062	1,073,920,645
Appropriation of result of 2015									
Transfer to legal reserves and other reserves	-	-	-	1,719,453	-	32,669,609	34,389,062	(34,389,062)	-
Dividend Distribution	-	-	-	-	-	(17,734,603)	(17,734,603)	-	(17,734,603)
Comprehensive income for the year ended at 31 December 2016	-	-	-	-	-	-	-	35,003,700	35,003,700
Balance at 31 December 2016	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	35,340,861	834,236,219	35,003,700	1,091,189,742
	-	-			-		-	-	-

(Amounts expressed in Euro)			Reserves						
	Share capital	Own shares (note 13)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves	Net income / (loss)	Total
2015									
Balance at 31 December 2014	230,391,627	(8,441,804)	775,290,377	13,152,684	8,441,804	28,635,701	825,520,566	5,820,800	1,053,291,189
Appropriation of result of 2014									
Transfer to legal reserves and other reserves	-	-	-	291,040	-	5,529,760	5,820,800	(5,820,800)	-
Dividend Distribution	-	-	-	-	-	(13,759,606)	(13,759,606)	-	(13,759,606)
Comprehensive income for the year at 31 December 2015	-	-	-	-	-	-	-	34,389,062	34,389,062
Balance at 31 December 2015	230,391,627	(8,441,804)	775,290,377	13,443,724	8,441,804	20,405,855	817,581,760	34,389,062	1,073,920,645

The notes are an integral part of the financial statements at 31 December2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

António Bernardo Aranha da Gama Lobo Xavier

Cash Flow statements

For the years ended at 31 December2016 and 2015

(Amounts expresses in Euro)	Notes	December 2016		December 2015	
Operating activities					
Payments to employees		(1,391,746)		(2,008,996)	
Cash flows from operating activities		(1,391,746)		(2,008,996)	
Payments / receipts relating to income taxes		1,651,059		2,331,540	
Other payments / receipts relating to operating activities		1,137,598		(3,811,486)	
Cash flows from operating activities (1)			1,396,911		(3,488,942)
Investing activities					
Receipts from:					
Financial Investments	8	12,929,540		3,157,000	
Interest and similar income		1,669,675		3,427,938	
Dividends	26	20,073,952		17,357,254	
Disposals of investments at fair value	6	82,840,847		-	
Other Revenues		92,607		-	
Payments for:					
Tangible assets		(225)		-	
Intangible assets		(461)		-	
Financial Investments	8	(50,466,850)		(3,550,000)	
Loans granted	6	(19,310,000)		90,000	
Cash flows from investing activities (2)			47,829,085		20,482,192
Financing activities					
Payments for:					
Interest and similar expenses		(5,984)		(585,366)	
Dividends	26	(17,734,603)		(13,759,606)	
Cash flows from financing activities (3)			(17,740,587)		(14,344,972)
Net cash flows (4)=(1)+(2)+(3)			31,485,409		2,648,278
Cash and cash equivalents at the beginning of the year	4		179,448,314		176,800,036
Cash and cash equivalents at year end	4		210,933,723		179,448,314

The notes are an integral part of the financial statements at 31 December2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

António Bernardo Aranha da Gama Lobo Xavier

Notes to the cash flow statements

For the years ended at 31 December2016 and 2015.

	Notes	December 2016	December 2015
1. Acquisition or sale of subsidiaries or other businesses			
a) Receipts from other business activities			
Reimbursement of supplementary capital from Público - Comunicação Social, S.A.	8	11,077,405	-
Reimbursement of supplementary capital from PCJ - Público, Comunicação e Jornalismo, S.A.	8	1,839,445	-
Liquidation of Sonaetelecom BV		12,690	-
Reimbursement of Issue premiun of Sonaecom BV	5	-	200,000
Reimbursement of supplementary capital from Sonae Investment Management - Software and Technology, SGPS, S.A.	8	-	2,957,000
	-	12,929,540	3,157,000
b) Payments from other business activities	-		
Supplementary capital to Sonae Investment Management - Software and Technology, SGPS, S.A.	8	34,530,000	-
Cash outflow to coverage losses of Público - Comunicação Social, S.A.	5	11,077,405	-
Cash outflow to coverage losses of PCJ - Público, Comunicação e Jornalismo, S.A.	5	1,839,445	-
Supplementary capital to Público - Comunicação Social, S.A.	8	2,900,000	3,550,000
Supplementary capital to PCJ - Público, Comunicação e Jornalismo, S.A.	8	100,000	-
Supplementary capital to Sonaetelecom BV		20,000	-
		50,466,850	3,550,000
c) Dividends received			
ZOPT, SGPS, S.A.	26	18,311,947	15,815,500
NOS, SGPS, S.A.	26	1,762,005	1,541,754
		20,073,952	17,357,254

	Notes	December 2016	December 2015
2. Description of non-monetary financing activities			
a) Bank credit obtained and not used		1,000,000	1,000,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

The notes are an integral part of the financial statements at 31 December 2016.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

António Bernardo Aranha da Gama Lobo Xavier

1.4. Notes to the individual financial statements of Sonaecom

SONAECOM, SGPS, S.A., (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal.

Sonaecom is owned directly by Sontel BV and Sonae SGPS, SA is the ultimate beneficial owner to Efanor Investimentos SGPS, S.A..

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

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

On 1 June 2000, the Company carried out a Combined Share Offer, involving the following:

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

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

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

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

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

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

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

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

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital.
The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

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

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

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

The financial statements are presented in euro, rounded at unit.

1. Basis of presentation

The accompanying financial statements have been prepared on a going concern basis, based on the Company's accounting records in accordance with International Financial Reporting Standards (IFRS), as adopted and effective in the European Union on 1 January 2016. These financial statements were prepared based on historical cost, except for the revaluation of certain financial instruments.

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

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union, and have mandatory application to financial years beginning on or after 1 January 2016 and were first adopted in the year ended at 31 December 2016:

Standard/Information	Effective date (annual periods beginning on or after)
IAS 19 - Amendments (Defined Benefit Plans: Employee Contributions) The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.	1-Feb-15
Annual Improvements to IFRSs 2010-2012 Cycle Annual Improvements to IFRSs 2010-2012 Cycle is a collection of amendments to IFRSs in response to eight issues addressed during the 2010-2012 cycle for annual improvements to IFRSs.	1-Feb-15
Amendments to IAS 1: Disclosure Initiative The amendment introduces a set of directions and guidelines to improve and simplify the disclosures in the context of current IFRS reporting requirements.	1-Jan-16
Annual Improvements to IFRSs 2012-2014 Cycle Annual Improvements to IFRSs 2012-2014 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2012-2014 cycle for annual improvements to IFRSs.	1-Jan-16
IAS 16 and IAS 38 - Amendments (Clarification of Acceptable Methods of Depreciation and Amortisation) The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects more factors other than the consumption of the economic benefits embodied in the asset.	1-Jan-16
IFRS 11 - Amendments (Accounting for Acquisitions of Interests in Joint Operations) The objective was to add new guidance on the accounting for the acquisition of an interest in a joint by controlled operation that constitutes a business. The IASB decided which acquirers of such interests shall apply all the principles applied to business combinations accounting as established in IFRS 3 - "Business Combinations", and other IFRSs, that do not conflict with the guidance provided in IFRS 11.	1-Jan-16
IAS 27: Amendments (Equity Method in Separate Financial Statements) This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1-Jan-16
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities.	1-Jan-16

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

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

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 15 (Revenue from Contracts with Customers - issued on 28 May 2014) IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	1-Jan-18
IFRS 9 Financial instruments This standard introduces new requirements for classifying and measuring financial assets.	1-Jan-18

These standards, although endorsed by the European Union, were not adopted by the Company for the year ended at 31 December 2016, since their application is not yet mandatory.

There are process of analysis the effects of these standards.

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

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 and IAS 28 - Amendments(Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	undefined
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those established in IAS 28 (2011), when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	
Amendments to IFRS 15 (Revenue from Contracts with Customers - issued on 12 April 2016)	1-Jan-18
Review of accounting treatment for license revenue, definition of agency and transitory regime.	
IFRS 16 – Leases	1-Jan-19
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases, replacing IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.	
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses	1-Jan-17
Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	
Amendments to IAS 7 - Disclosure Initiative	1-Jan-17
Amendments to AS 7 - Disclosure Initiative intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities	
Amendments to IFRS 2 - Share-based Payment	1-Jan-18
The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	
Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	1-Jan-18
The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments	
Annual Improvements to IFRS Standards 2014-2016 Cycle	1-Jan-18
Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18
IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	
Amendments to IAS 40: Transfers of Investment Property	1-Jan-18
Amendments to IAS 40 clarifies the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.	

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the company for the period ended at 31 December 2016.

It is estimated that the application of these standards and interpretations, except of IFRS 9, IFRS 15 and IFRS 16, when applicable to the group, will have no material effect on future consolidated financial statements, lying in analysis process the effects of these standards.

The accounting policies and measurement criteria adopted by the Group on 31 December 2016 are comparable with those used in the preparation of 31 December 2015 financial statements.

Main accounting policies

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

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

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

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

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

	Years of useful life
Buildings and others constructions	10-20
Plant and machinery	5
Vehicles	4
Fixtures and fittings	4-8

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

b) Intangible assets

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

Intangible assets correspond, essentially, to software and industrial property.

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (one to five years) as from the month in which the corresponding expenses are incurred.

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

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

c) Investments in Group companies and other non-current assets

Sonaecom has control of subsidiaries in situations that cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights to, variable results via its relationship with the subsidiary; and iii) is able to use its power over the investee to affect the amount of your results. Financial investments in equity investments in group companies, are recorded under "Investments in group companies', at cost of acquisition.

The acquisition cost is the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of acquisition or establishment or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of IFRS 2.

The consideration transferred may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair value at the acquisition date (for example, non-monetary assets or a business of the acquirer). If so, the acquirer must re-measure the assets and liabilities transferred at their fair value at the acquisition date and recognize the resulting gains or losses, if any, in the income statement.

However, sometimes the transferred assets or liabilities remain in the entity acquired after the completion of the business and therefore the buyer retains control over them. In this situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognize any gain or loss in the income statement for assets or liabilities it controls both before and after the completion of the deal.

Loans and supplementary capital granted to affiliated companies with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to Group companies are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to Group companies are recorded, in the period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

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

d) Investments in companies jointly controlled

Investments in companies jointly controlled (companies in which the Company has, direct or indirect, 50% of the voting rights in the Shareholders' General Meeting of or in which it has the control over the financial and operating policies), are recorded under the caption 'Investments in companies jointly controlled, at acquisition cost in accordance with IAS 27, as such, Sonaecom presents, separately, consolidated financial statements in accordance with IAS / IFRS.

Loans and supplementary capital granted to companies jointly controlled , with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to companies jointly controlled are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to companies jointly controlled are recorded, in the the

period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.
The expenses incurred with the acquisition of investments in companies jointly controlled are recorded as cost when they are incurred.

e) Financial instruments
The Company classifies its financial instruments in the following categories: 'financial assets at fair value through profit or loss', 'loans and receivables', 'held-to-maturity investments', 'available-for-sale financial assets', 'Cash and cash equivalents' (Note 1.h)), 'Loans' (Note 1.i)), 'Derivative financial instruments' (Note 1.k)) .

Investments

(i) 'Financial assets at fair value through profit or loss'
Financial assets at fair value through profit or loss include financial assets held for trading that the Group acquires with the purpose of trading in the short term. This category also includes derivatives that do not qualify for hedging purposes.
Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the date of the statement of financial position.

Gains or losses, realized or not, arising from a change in fair value of 'Financial assets at fair value through profit or loss' are recorded under the caption 'Gains and losses on financial assets at fair value through profit and loss'.

(ii) 'Held-to-maturity investments'
Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the statement of financial position date, being recorded under this caption investments with defined maturity and for which it is the intention of the Board of Directors to hold them until the maturity date.
On 31 December 2016, the company did not hold any 'Held-to-maturity investment'.

(iii) 'Available-for-sale financial assets'
Financial assets available for sale are non-derivative financial assets which:

(i) are designated as available for sale at the time of their initial recognition; or
(ii) do not fit into the other categories of financial assets above.

They are recognized as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position. Equity holdings other than participations in Group companies, jointly controlled companies or associated companies are classified as financial investments available for sale and are recorded in the statement of financial position as non-current assets.
Investments are initially recorded at their acquisition cost. After initial recognition, the investments available for sale are revalued at their fair value by reference to their market value at the date of the statement of financial position, without any deduction regarding transaction costs that may occur until their sale. The available-for-sale financial assets not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

Gains or losses arising from a change in the fair value of available-for-sale investments are recorded in equity until the investment is sold , received or otherwise disposed of, or until it is determined to be impaired, at which time the accumulated gain or loss is recorded in the profit and loss statement.

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or variable refunds that are not quoted in an active market and they are carried at amortised cost using the effective interest method, deducted from any impairment losses.
These financial investments arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are recorded as current assets, except when their maturity is greater than 12 months of the statement of financial position date, a situation in which they are classified as non-current assets. Loans and receivables are included in the captions 'Trade debtors' and 'Other current debtors' in the statement of financial position.

Assets and liabilities due in more than one year from the statement of financial position date are classified, respectively, as non-current assets and liabilities.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, being the only exception the financial assets at fair value through profit or loss. In this case, the investments are initially recognised at fair value and the transaction costs are recorded in the profit and loss statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of their ownership have been transferred.

f) Financial and operational leases

Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

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

Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

g) Other current debtors

Other current debtors are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

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

The amount relating to this caption is presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption in other operating revenue.

h) Cash and cash equivalents

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications with a maturity of less than 3 months, where the risk of any change in value is insignificant.

The cash flow statement has been prepared in accordance with IAS 7 –'Statement of Cash Flow', using the direct method. The Company classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the statement of financial position caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions in quality of shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

i) Loans

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the financing, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

j) Financial expenses relating to loans obtained

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

k) Derivatives

The Company only uses derivatives in the management of its financial risks to hedge against such risks. The Company does not use derivatives for trading purposes.

The cash flow hedges used by the Company are related to:

(i) Interest rate swaps operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are similar in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against a corresponding entry under the caption 'Hedging reserves' in Shareholders' funds.

(ii) Forward's exchange rate for hedging foreign exchange risk. The values and times periods involved are identical to the amounts invoiced and their maturities.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

At 31 of December 2016 and 2015, the Company did not have any derivative.

l) Provisions and contingencies
Provisions are recognised when, and only when, the Company has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated.

Provisions are reviewed at the statement of financial position date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Company has a detailed plan and if that plan has already been communicated to the parties involved.

Contingent liabilities are not recognised in the financial statements but are disclosed in the notes, except if the possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed in the notes when future economic benefits are likely to occur.

m) Income Tax
'Income tax' expense represents the sum of the tax currently payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom has adopted, since January 2008, the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime, in accordance with such rules. However, for the year ended at 31 December 2015, the Sonaecom Group, stopped having an independent group of companies covered by the special regime for taxation due to of having passed to integrate the special regime for taxation of groups of Sonae companies.

Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company since 1 January 2015. Sonaecom records the income tax on their individual accounts and the tax calculated is record under the caption of group companies. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements. Deferred taxes are calculated using the liability method and reflect the timing differences between the amount of assets and liabilities for accounting purposes and the respective amounts for tax purposes.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each period, the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are likely enabling the recovery of such assets (note 9).

Deferred taxes are calculated with the tax rate that is expected to be in effect at the time the asset or liability is realized, based on the rates that have been enacted or substantially enacted at the statement of financial position date.

Whenever deferred taxes derive from assets or liabilities directly registered in Shareholders' funds, its recording is also made under the Shareholders' funds caption. In all other situations, deferred taxes are always registered in the profit and loss statement.

n) Accrual basis
Expenses and income are recorded in the period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

The captions 'Other non-current assets', 'Other current assets', 'Other non-current liabilities' and 'Other current liabilities' include expenses and income relating to the current period, where payment and receipt will occur in future periods, as well as payments and receipts in the current period but which relate to future periods. The latter shall be included by the corresponding amount in the results of the periods to which they relate to.

The costs attributable to current period and whose expenses will only occur in future periods are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.l).

o) Revenue

Revenue should be measured at the fair value of the consideration received or receivable for the sale or rendering of services resulting from the normal activity of the company. The revenue is recognized net from taxes and taking into account the amount of any trade discounts and volume rebates allowed by the entity.

Dividends

Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

p) Fair value

The measurement of fair value presumes that an asset or liability is changed in an orderly transaction between market participants to see the asset or transfer the liability at the measurement date, under current market conditions.

The measurement of fair value is based on the assumption that the transaction of sell the asset or transfer the liability may occur:

(i) In the main asset and liability market, or
(ii) The principal (or most advantageous) market in which an orderly transaction would take place for the asset or liability

The Company use valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which classifies into three levels the data to be used in the fair value measurement, detailed below:

Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;

Level 2 - Valuation techniques that use inputs that are not quoted are directly or indirectly observable;

Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data;

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

q) Reserves

Legal reserve

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

Share premiums

The share premiums relate to premiums generated in the issuance of capital or in capital increases. According to Portuguese law, share premiums follow the same requirements of 'Legal reserves', i.e., they are not distributable, except in case of liquidation, but they can be used to absorb losses, after all the other reserves are exhausted or to increase share capital.

Hedging reserve

Hedging reserve reflects the changes in fair value of 'cash-flow' hedges derivatives that are considered effective (note 1.k)) and it is non-distributable nor can it be used to absorb losses, before being realizable.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and follows the same requirements of legal reserve.

Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, at 31 December 2016, Sonaecom, have free reserves distributable amounting approximately Euro 67,3 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the year ended 31 December 2016.

Other reserves

This caption includes retained earnings from previous years and accumulated exchange differences.

r) Own shares

Own shares are recorded as a deduction of Shareholders' funds. Gains or losses related to the sale of own shares are recorded under the caption 'Other reserves'.

s) Balances and transactions in foreign currency

All transactions in foreign currency are translated for the functional currency at the exchange rate of the transaction date. At each closing date, the exchange restatement of outstanding balances is carried out, applying the exchange rate in effect at that date.

Favourable and unfavourable foreign exchange differences resulting from changes in the rates in force at transaction date and those in force at the date of collection, payment or at the statement financial position date are recorded as income and expenses in the profit and loss statement in financial results.

The following rates were used for the translation into Euro:

	2016		2015	
	31 December	Average	31 December	Average
Pounds Sterling	1.1680	1.2239	1.3625	1.3780
American Dollar	0.9487	0.9041	0.9185	0.9018

t) Assets impairment

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and intangible assets for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment

Impairment tests are performed for assets with undefined useful life at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

The amount recoverable is the greater of the net selling price and the value of use. Net selling price is the amount obtained upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value of use is the present amount of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For the value of Investments in associated companies, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Company's Board of Directors. For Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Company's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Financial assets impairment

The company evaluate at each reporting date the existence of impairment in financial assets at amortized cost.

A financial asset is impaired if events occurring after initial recognition have an impact on estimated cash flows of the assets that can be reasonably estimated.

Evidence of the existence of impairment in accounts receivables appears when:

(i) the counterparty presents significant financial difficulties;

(ii) there are significant delays in interest payments and in other leading payments from the counterparty;

(iii) it is possible that the debtor goes into liquidation or into a financial restructuring.

For certain categories of financial assets for which it is not possible to determine the impairment for each asset individually, the analysis is made for a group of assets. Evidence of an impairment loss in a portfolio of accounts receivable may include past experience in terms of collections, increasing number of delays in collections, as well as changes in national or local economic conditions that are related with the collections capacity.

For Accounts receivables, the Company uses historical and statistical information to estimate the amounts in impairment.

u) Medium-term incentive plans

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the Company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Reserves – Medium Term Incentive Plans', within the caption 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on its fair value at the attribution date and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point in time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plan, the above accounting treatment is subject to the following changes:

(i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';

(ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the statement of financial position as either 'Other non-current assets' or 'Other current assets';

(iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';

(iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

For plans settled in cash, the estimated liability is recorded under the statement of financial position captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the statement of financial position captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

At 31 December 2016, the plans granted during the year 2014, 2015 and 2016 are not covered, and the liability is recorded at fair value. The liability of all plans is recorded under the captions 'Other non-current liabilities' and 'Other current liabilities' (Notes 17 and 19).The cost is recognized on the income statement under the caption 'Staff expenses'.

v) Subsequent events
Events occurring after the date of the statement of financial position which provide additional information about conditions prevailing at the time of the statement of financial position (adjusting events) are reflected in the financial statements. Events occurring after the statement of financial position date that provide information on post- statement of financial position conditions (non-adjusting events), when material, are disclosed in the notes to the financial statements.

w) Judgements and estimates
The most significant accounting estimates reflected in the consolidated financial statements of the years ended on 31 December 2016 and 2015 are as follows:

(i) Useful lives of tangible and intangible assets (note 1a and 1b);

(ii) Impairment analysis of investments in group companies and joint ventures and of other tangible and intangible assets;

(iii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities;

(iv) Recoverability of deferred tax assets (note 9); and

(v) Valuation at fair value of assets, liabilities and contigent liabilities in operations of concentration of business activities.

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

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

x) Financial risk management
The Company's activities expose it to a variety of financial risks such as market risk, liquidity risk and credit risk.

These risks arise from the unpredictability of financial markets, which affect the capacity to project cash flows and profits. The Company's financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, every time it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.k).

The Company is also exposed to equity price risks arising from equity investments, although they are usually maintained for strategic purposes.

Market risk

a) Foreign exchange risk
Foreign exchange risk management seeks to minimise the volatility of investments and transactions made in foreign currency and contributes to reduce the sensitivity of results to changes in foreign exchange rates.
Whenever possible, the Company uses natural hedges to manage exposure, by offsetting credits granted and credits

received expressed in the same currency. When such procedure is not possible, the Company adopts derivative financial hedging instruments (note 1. k).

Considering the reduced values of assets and liabilities in foreign currency, the impact of a change in exchange rate will not have significant impacts on the financial statements.

b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility in the Company results or in its Shareholders´ funds is mitigated by the effect of the following factors: (i) relatively low level of financial leverage; (ii) possibility to use derivative instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth the latter having a positive effect in other lines of the Company's results, and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Company only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

(i) For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;

(ii) Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility / transaction which is being hedged;

(iii) As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Company's business plan.

In 2016, Sonaecom has no indebtedness. However, as all Sonaecom's borrowings (note 15) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments, when it is considered necessary. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions.
In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

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

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Company, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

At 31 December 2016, are not contracted any derivatives instruments of hedging of the interest rate changes.

Liquidity risk

The existence of liquidity in the Company requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related with that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments in the respective dates of maturity as well as any eventual not forecasted requests for funds, in the deadlines set for this; (ii) Safety, i.e., to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial efficiency, i.e., to ensure that the Company maximises the value / minimise the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity should be applied to the alternatives and by the order described below:

(i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;

(ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and

(iii) Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board of Directors and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to assure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equalise the forecasted payments (or the applications should be easily convertible, in case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the treasury estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

The maturity of each class of financial liabilities is presented in note 10 and 18.

Taking into account the low value of the liabilities of the Company is understood that the liquidity risk is very low.

Credit risk

The Companys's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities and cash investments. The credit risk associated to financial institutions is limited by the management of risks concentration and a rigorous selection of counterparties that presents a high prestige and international recognition and based on their ratings, taking into account the nature, maturity and size of operations.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Group. The Group uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amounts included in the financial statements related to trade debtors and other debtors, net of impairment losses, represent the maximum exposure of the Company to credit risk.

There are no situations of credit risk concentrations.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximizes shareholder returns and optimizes the cost of financing.

Risks, opportunities and necessary adjustment measures in order to achieve the referred objectives are periodically monotirized by Sonaecom.

In 2016, Sonaecom reported an negative average gearing (accounting) of 21%. The average gearing in market values in 2016 was negative in 27.8%.

2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2016 and 2015 was as follows:

								2016
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets								
Balance at 31 December 2015	347,208	43,858	22,060	171	243,696	104	-	657,097
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Balance at 31 December 2016	347,208	43,858	22,060	171	243,696	104	-	657,097
Accumulated depreciation and impairment losses								
Balance at 31 December 2015	334,022	43,787	13,328	171	240,708	104	-	632,120
Depreciation for the year	4,213	71	5,516	-	1,761	-	-	11,561
Balance at 31 December 2016	338,235	43,858	18,844	171	242,469	104	-	643,681
Net value	8,973	-	3,216	-	1,227	-	-	13,416

								2015
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets								
Balance at 31 December 2014	347,208	43,858	22,060	171	242,718	104	1,600	657,719
Additions	-	-	-	-	978	-	-	978
Disposals	-	-	-	-	-	-	(1,600)	(1,600)
Balance at 31 December 2015	347,208	43,858	22,060	171	243,696	104	-	657,097
Accumulated depreciation and impairment losses								
Balance at 31 December 2014	329,809	43,715	7,813	171	237,435	104	-	619,047
Depreciation for the year	4,213	72	5,515	-	3,273	-	-	13,073
Balance at 31 December 2015	334,022	43,787	13,328	171	240,708	104	-	632,120
Net value	13,186	71	8,732	-	2,988	-	-	24,977

3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2016 and 2015 was as follows:

				2016
	Brands patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2015	9,719	192,552	183	202,454
Adictions	70	168	224	462
Transfers	-	407	(407)	-
Balance at 31 December 2016	9,789	193,127	-	202,916
Accumulated amortisation and impairment losses				
Balance at 31 December 2015	9,719	188,828	-	198,547
Amortisation for the year	64	2,101	-	2,165
Balance at 31 December 2016	9,783	190,929	-	200,712
Net value	6	2,198	-	2,204

				2015
	Brands patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2014	9,719	192,404	498	202,621
Adictions	-	-	(167)	(167)
Transfers	-	148	(148)	-
Balance at 31 December 2015	9,719	192,552	183	202,454
Accumulated amortisation and impairment losses				
Balance at 31 December 2014	9,719	186,817	-	196,536
Amortisation for the year	-	2,011	-	2,011
Balance at 31 December 2015	9,719	188,828	-	198,547
Net value	-	3,724	183	3,907

4. Breakdown of financial instruments

At 31 December 2016 and 2015, the breakdown of financial instruments was as follows:

						2016
	Loans and receivables	Financial assets at fair value through profit or	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets						
Other non-current assets (note 8)	212,467,355	-	-	212,467,355	-	212,467,355
	212,467,355	-	-	212,467,355	-	212,467,355
Current assets						
Income tax receivable	-	-	-	-	803,609	803,609
Other trade debtors (note 10)	17,681,309	-	-	17,681,309	115,825	17,797,134
Other current assets (note 11)	-	-	440,356	440,356	38,505	478,861
Cash and cash equivalents (note 12)	210,933,723	-	-	210,933,723	-	210,933,723
	228,615,032	-	440,356	229,055,388	957,939	230,013,327

						2015
	Loans and receivables	Financial assets at fair value through profit or	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets						
Financial assets at fair value through profit or loss (note 7)	-	144,477	-	144,477	-	144,477
Other non-current assets (note 8)	165,849,237	-	-	165,849,237	-	165,849,237
	165,849,237	144,477	-	165,993,714	-	165,993,714
Current assets						
Financial assets at fair value through profit or loss (note 7)	-	79,796,807	-	79,796,807	-	79,796,807
Income tax receivable	-	-	-	-	541,716	541,716
Other trade debtors (note 10)	2,405,350	-	-	2,405,350	58,195	2,463,545
Other current assets (note 11)	-	-	321,428	321,428	57,124	378,552
Cash and cash equivalents (note 12)	179,448,314	-	-	179,448,314	-	179,448,314
	181,853,664	79,796,807	321,428	261,971,899	657,035	262,628,934

					2016
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IAS 39	Total
Non-current liabilities					
Other non-current liabilities (note 17)	-	-	-	133,633	133,633
	-	-	-	-	-
Current liabilities					
Other creditors (note 18)	-	332,169	332,169	27,254	359,423
Other current liabilities (note 19)	-	405,501	405,501	246,232	651,733
	-	737,670	737,670	273,486	1,748,826

					2015
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IAS 39	Total
Non-current liabilities					
Other non-current liabilities (note 17)	-	-	-	222,526	222,526
	-	-	-	222,526	222,526
Current liabilities					
Other creditors (note 18)	-	187,429	187,429	13,264	200,693
Other current liabilities (note 19)	-	582,763	582,763	497,180	1,079,943
	-	770,192	770,192	510,444	1,280,636

The receivable and payable balances from the State and other public entities, as well as the specialized costs with the action plan, given its nature, were considered as financial instruments not covered by IAS 39. In turn, deferred costs and income, recorded under other current and non-current assets and liabilities, were considered as non-financial instruments.

The Sonaecom's Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

5. Investments in Group companies

At 31 December 2016 and 2015, this caption included the following investments in Group companies was as follows:

Company	2016	2015
Sonae IM*	52,241,587	52,241,587
Público - Comunicação Social S.A. ('Público')	21,305,000	10,227,595
PCJ - Público Comunicação e Jornalismo S.A. ('PCJ')	13,690,000	11,850,557
Sonaecom - Serviços Partilhados S.A. ('Sonaecom SP')	50,000	50,000
Sonaetelecom BV	-	73,460,618
Sonaecom BV	-	10,100,000
	87,286,587	157,930,357
Impairment losses (note 16)	(34,995,000)	(108,583,215)
Total investments in Group companies	52,291,587	49,347,142

*This company changed its name from Sonae Sistemas de Informação SGPS, S.A. to Sonae Investment Management – Software and Technology, SGPS, S.A. in 2015.

The movements that occurred in investments in this caption during the years ended at 31 December2016 and 2015 were as follows:

Company	Balance at 31 December 2015	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2016
Sonaetelecom BV	73,460,618	-	(73,460,618)	-	-
Sonae IM*	52,241,587	-	-	-	52,241,587
PCJ	11,850,555	1,839,445	-	-	13,690,000
Sonaecom BV	10,100,000	-	(10,100,000)	-	-
Público	10,227,595	11,077,405	-	-	21,305,000
Sonaecom Sp	50,000	-	-	-	50,000
	157,930,355	12,916,850	(83,560,618)	-	87,286,587
Impairment losses (note 16)	(108,583,213)	(3,530,000)	83,560,618	(6,442,405)	(34,995,000)
Total investments in Group companies	49,347,142	9,386,850	-	(6,442,405)	52,291,587

*This company changed its name from Sonae Sistemas de Informação SGPS, S.A. to Sonae Investment Management – Software and Technology, SGPS, S.A. in 2015.

Company	Balance at 31 December 2014	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2015
Sonaetelecom BV	73,460,618	-	-	-	73,460,618
Sonae IM*	52,241,587	-	-	-	52,241,587
PCJ	11,850,557	-	-	-	11,850,557
Sonaecom BV	10,300,000	-	(200,000)	-	10,100,000
Público	10,227,595	-	-	-	10,227,595
Sonaecom Sp	50,000	-	-	-	50,000
	158,130,357	-	(200,000)	-	157,930,357
Impairment losses (note 16)	(105,338,215)	(3,445,000)	200,000	-	(108,583,215)
Total investments in Group companies	52,792,142	(3,445,000)	-	-	49,347,142

*This company changed its name from Sonae Sistemas de Informação SGPS, S.A. to Sonae Investment Management – Software and Technology, SGPS, S.A. in 2015.

The amount of Euro 6,442,405 refers to the reallocation of the impairment of the caption 'Other non-current assets' to the caption 'Investments in group companies' (note 16).

In the year ended at 31 December 2016, the additions on the amounts of Euro 11,077,405 and Euro 1,839,445 in Público and PCJ, respectively, correspond to increases in capital to cover losses.

In the year ended at 31 December 2016, the increases in the amount of Euro 3,530,000 corresponds to the provision of financial investments in PCJ (note 16).

In the year ended at 31 December 2016, the amounts of Euro 73,460,618 and Euro 10,100,000 decreases correspond to the liquidation of Sonaetelecom BV and Sonaecom BV, respectively.

In the year ended at 31 December 2015, the decreases in the amount of Euro 200,000 in Sonaecom BV corresponds to the reimbursement of share premium.

At 31 December 2016 and 2015, the main financial information regarding the subsidiaries and jointly controlled directly owned by the company is as follows (values in accordance with IFRS):

			2016			2015	
Company	Head office	% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
ZOPT (a) (note 6)*	Matosinhos	50%	2,505,351	68,260	50%	2,350,556	71,809
Sonae IM (a)	Maia	100%	105,109,058	7,963,952	100%	63,650,315	(257,269)
PCJ	Maia	100%	26,067	(3,150,525)	100%	26,593	(2,127,415)
Sonaecom BV**	Amsterdam	-	-	-	100%	109,229	(48,050)
Sonaetelecom BV**	Amsterdam	-	-	-	100%	4,595	(41,922)
Sonaecom SP	Maia	100%	209,891	83,573	100%	126,318	42,325
Público	Maia	100%	70,497	(3,704,383)	100%	34,880	(5,948,383)

(a) Consolidated Financial Statements
* At 31 December 2016, the market capitalization of NOS amounted to 2,904million euros.
** Companies liquidated in December 2016

The evaluation of the existence of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis unless there is evidence of impairment and prepared according to cash flow projections for periods of five years. In the area of information systems, the assumptions used are essentially based on the various businesses of the Group and the growth of the several geographic areas where the Group operates. For the Media sector, the average growth rate used was circa of 2%. The discount rates used were based on the estimated weighted average cost of capital, which depends on the business segment of each subsidiary, as indicated in the table below. In perpetuity, the Group considered a growth rate between 1% and 3% in the area of information systems and 0% in Multimedia area. In situations where the measurement of the existence, or not, of impairment is made based on the net selling price, values of similar transactions and other proposals made are used.

Assumptions	Sonae IM (Information Systems)	Público e PCJ (Multimedia)
Basis of recoverable amount	Value in use	Value in use
Discount rate	10.50%	9.0%
Growth rate in perpetuity	1.0%	0.0%

For the sector of Information Systems, in digital security area (Cybersecurity), a growth rate used was 3%. Additionally, for the company Digitmarket a growth rate of 2% was used.

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended at 31 December 2016. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoveries, so not result material additional impairments.

6. Investments in companies jointly controlled

At 31 December2016 and 2015, this caption included the following investments in companies jointly controlled:

Company	2016	2015
ZOPT SGPS S.A. ('ZOPT')	597,666,944	597,666,944

The movements that occurred in this caption during the years ended at 31 December 2016 and 2015 were as follows:

Company	Balance at 31 December 2015	Additions	Disposals	Transfers	Balance at 31 December 2016
ZOPT	597,666,944	-	-	-	597,666,944

Company	Balance at 31 December 2014	Additions	Disposals	Transfers	Balance at 31 December 2015
ZOPT	597,666,944	-	-	-	597,666,944

ZOPT is a joint venture of Sonaecom, Kento Holding Limited and Unitel International Holdings BV, created for detention of the participation in NOS SGPS, SA ("NOS"). At the period ended at 31 December 2016 ZOPT held 52.15% (50.01% at 31 December 2015) of participation in NOS. At 14 June 2016, Sonaecom sold all its direct participation in NOS (2.14%) to ZOPT, as established in the shareholders agreement between Sonaecom, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV), for the amount of Euro 82,840,847. This operation resulted in the change of the title of attribution of the participation voting rights and ZOPT became a direct holder of 52.15% of the share capital of NOS (note 7).

Gauging the existence or not of impairment in the value of this contribution is determined in consideration of various information such as the business plan approved by the Board of the NOS, which implied an average growth rate of operating margin amounts to 4.8%, and the average assessments conducted by external reviewers (researches).

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	7,3%
Growth rate in perpetuity	1,5%

7. Financial assets at fair value through profit or loss

As a result of the merger between Optimus SGPS and Zon, the Sonaecom it now holds NOS shares at fair value through profit or loss, since it is the initial classification of an asset held for a sale purpose in a short-time. In accordance with the 'Shareholders Agreement', these shares neither concedes any additional vote right or affect the shared control situation with NOS.

The movements occurred in this caption during the year ended at 31 December 2016 and 2015 were as follows:

					2016
Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 23)	Increase and decrease in fair value of shares intended to cover MTIP	Closing balance
NOS	79,796,807	(64,114,961)	(15,681,846)	-	-
Sonae SGPS	144,477	(146,683)	2,206	-	-
	79,941,284	(64,261,644)	(15,679,640)	-	-

					2015
Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 23)	Increase and decrease in fair value of shares intended to cover MTIP	Closing balance
NOS	57,661,618	-	22,135,189	-	79,796,807
Sonae SGPS	2,303,954	(2,736,246)	209,672	367,097	144,477
	59,965,572	(2,736,246)	22,344,861	367,097	79,941,284
Recorded under the caption non current assets					144,477
Recorded under the caption current assets					79,796,807

The fair value adjustments are recorded under the caption "Gains and losses of investments recorded at fair value through profit or loss" in Profit and Loss Statement (note 23). With the exception of the increases and decreases in the fair value of shares allocated to cover the medium-term incentive plans whose value is recorded under "Other operating expenses" and "Other financial expenses" in the income statement.

The decreases at 31 December 2016 and 2015, in the investment in Sonae SGPS shares, correspond essentially to the payment of the medium-term incentive plan, which expired in the year ended at 31 December 2016 and 2015.

At 31 December 2016, the decreases in investment in NOS shares corresponds to the sold of all the direct participation of Sonaecom in NOS (2.14%) to ZOPT, as mentioned in note 6 "Investments in companies jointly controlled". For the determination of the fair value of the NOS shares at the date of sale, it was used the share price of the day on 14 June 2016 (5.822) for the 11,012,532 treasury shares in the portfolio at the moment of sale. Consequently, operation resulted in a capital again of Euro 18,725,886 recorded under the caption 'Gains and losses on investments at fair value through profit or loss' (note 23).

The year ended at 31 December2015, the evaluation of fair value of the investment is detail as follows:

2015	NOS	Sonae SGPS
Shares	11,012,532	137,860
Level of inputs in the hierarchy of fair value	Level 1 **	
Valuation method	Quoted price on the stock exchange	
Quoted price*	7.246	1.048
Fair value	79,796,807	144,477

* Used the share price of 31 December 2015 in the determination of the fair value.

** Level 1 :The Fair value is determined based on active market prices

8. Other non-current assets

At 31 December 2016 and 2015, this caption was made up as follows:

	2016	2015
Financial assets		
Medium and long-term loans granted to group companies and joint-ventures:		
Sonae IM	32,415,000	15,315,000
Público	2,335,000	165,000
PCJ	-	3,690,000
Sonaecom SP	-	160,000
	34,750,000	19,330,000
Supplementary capital:		
Zopt	115,000,000	115,000,000
Sonae IM	64,049,791	29,519,792
Público	3,740,000	11,077,405
PCJ	3,150,000	1,839,445
	185,939,791	157,436,642
	220,689,791	176,766,642
Accumulated impairment losses (note 16)	(8,222,436)	(10,917,405)
	212,467,355	165,849,237

During the years ended at 31 December2016 and 2015, the movements that occurred in 'Medium and long-term loans granted' to Group companies and companies jointly controlled were as follows:

				2016
Empresa	Saldo inicial	Aumentos	Diminuições	Saldo final
Sonae IM	15,315,000	18,665,000	(1,565,000)	32,415,000
PCJ	3,690,000	-	(3,690,000)	-
Público	165,000	3,010,000	(840,000)	2,335,000
Sonaecom SP	160,000	-	(160,000)	-
	19,330,000	21,675,000	(6,255,000)	34,750,000

				2015
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	12,220,000	3,095,000	-	15,315,000
PCJ	4,345,000	-	(655,000)	3,690,000
Público	2,435,000	-	(2,270,000)	165,000
Sonaecom SP	420,000	-	(260,000)	160,000
	19,420,000	3,095,000	(3,185,000)	19,330,000

During the years ended at 31 December2016 and 2015, the movements in 'Supplementary capital' were as follows:

				2016
Company	Opening balance	Increases	Decreases	Closing balance
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	29,519,791	34,530,000	-	64,049,791
Público	11,077,405	3,740,000	(11,077,405)	3,740,000
PCJ	1,839,445	3,150,000	(1,839,445)	3,150,000
	157,436,641	41,420,000	(12,916,850)	185,939,791

				2015
Company	Opening balance	Increases	Decreases	Closing balance
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	32,476,791	-	(2,956,999)	29,519,792
Público	5,362,405	5,715,000	-	11,077,405
PCJ	1,189,445	650,000	-	1,839,445
	154,028,641	6,365,000	(2,956,999)	157,436,642

Loans granted to Group companies and Supplementary capital, do not have a defined maturity, therefore no information about the aging of these loans is presented.

During the year ended at 31 December 2016 and 2015, the loans granted to Group companies and companies jointly controlled earned interest at market rates with an average interest rate of 2.48% and 3.06%, respectively. Supplementary capital is non-interest bearing and have no reimbursement turn.

In the year ended at 31 December 2016 the amounts of Euro 11,077,405 and 1,839,445 of decreases in Publico and PCJ, respectively, correspond to the reimbursement of supplementary capital.

During the year ended at 31 December 2015 the group proceeded to the revaluation of the terms and conditions prevailing in the market, in a perspective to renegotiate in agreement, the terms and conditions attached to the financing agreed with subsidiaries. In this sense, it proceeded to update the interest rates for all loans between group companies.

The evaluation of the existence of impairment losses for the loans made to Group companies was based on the most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used and the perpetuity growth considered are presented in the note 5 and 6. .

9. Deferred taxes

The changes in deferred tax assets for the years ended at 31 December 2016 and 2015 were as follows:

	2016	2015
Opening balance	-	-
Impact on results		
Record of deferred tax assets	94,475	-
Closing balance	94,475	-

At 31 December 2016 and 2015, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated

At 31 December 2016 and 2015, the value of deferred taxes assets not recorded were Euro 1,989,007 and Euro 2,166,277, respectively - generated in 2014. In addition there are impairment losses in amount of Euro 43,577,323 (Euro 120,683,314 in 2015) that did not give rise to the registration of deferred tax assets, but which could be used in the case of liquidation of the companies. At 31 December 2015, there were still Euro 151 related to the non-registered CFEI.

At 31 December 2016 and 2015, the tax rate used to calculate deferred tax assets related to tax losses was 21%. In the case of temporary differences, in particular of provisions not accepted and impairment losses, the rate used in 2016 and 2015 was 22.5%.

Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits.

It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable.

The reconciliation between the earnings before tax and the tax recorded for the years ended at 31 December 2016 and 2015 is as follows:

	2016	2015
Earnings before tax	16,841,912	33,937,480
Tax	(3,536,802)	(7,126,871)
Autonomous taxation surcharge and correction of the tax of the previous year	709,178	451,582
Tax provision (notes 16 and 25)	63,539	-
Impact of the liquidation of companies	17,547,730	-
Temporary differences from the exercise without record deferred tax assets	(1,563,632)	(1,154,598)
Adjustments of results not tax deductible	4,847,302	8,280,219
Recorded of deferred tax assets	94,475	-
Use of losses carried forward which deferred taxes were not recorded	-	1,250
Income taxation recorded in the year (note 25)	18,161,790	451,582

The tax rate used to reconcile the tax expense and the accounting profit was 21% in the year of 2016 and 2015 because it are the standards rates of the corporate income tax in Portugal in 2016 and 2015.

In the year ended at 31 December 2016, the caption "Impact of liquidation of companies" refers to the tax impact of the liquidation of the subsidiaries Sonaecom BV and Sonaetelecom BV.

In the year ended at 31 December 2016, the "Adjustments of results not tax deductible" item includes the amount of Euro 3,932,436 related to the capital gain generated by the sale of the direct participation of Sonaecom in NOS (2.14%) to Zopt (note 7). In addition, in 2016 and 2015 this caption includes Euro 3,293,188 and Euro 4,648,390, respectively, related to the impact of the fair value of the NOS shares (note 7) and also Euro 4,215,530 and Euro 3,645,023, respectively, to dividends received from ZOPT and NOS (note 23), among other adjustments that do not contribute to the formation of taxable income for the year.

Tax administration can review the income tax returns of the Company for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in progress, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not produce a significant impact in the accompanying financial statements.

Supported by the Company's lawyers and tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the financial statements, associated to probable tax contingencies that should have been recorded or disclosed in the accompanying financial statements, at 31 December2016.

10. Other current debtors

At 31 December 2016 and 2015, this caption was made up as follows:

	2016	2015
State and other public entities	115,825	58,195
Trade debtors (note 26)	17,681,309	2,405,350
	17,797,134	2,463,545

At 31 December 2016, the caption "Other debtors" includes the amount of Euro 17,285,277 (425,833 euros on 31 December2015) to be received from Sonae SGPS, in relation to tax rate from companies that include in the special regime for the taxation of groups of companies, whose this company is leader. The amount receivable for 2016 is associated to the tax effect of Sonaecom BV and Sonaetelecom BV liquidation's (Euro 17,547,730).

At 31 December 2016 and 2015, the caption 'Tarde debtors' included amounts to be received from Group companies related to interests receivable from subsidiaries on Shareholders' loans, interest on treasury applications and services rendered (notes 24 and 26).

The caption 'State and other public entities', at 31 December 2016 and 2015, refers essentially to value added tax.

Other debtors and advances to suppliers by age at 31 December 2016 and 2015 are as follows:

	Due without impairment					Due and with impairment			
	Total	Not due	Until 30 days	From 30 to 90 days	More than 90 days	Until 90 days	From 90 to 180 days	From 180 to 360 days	More than 360 days
2016									
Other debtors	17,681,309	16,726,119	913,635	6,485	35,070	-	-	-	-
2015									
Other debtors	2,405,350	50,246	259,936	1,377,569	717,599	-	-	-	-

At the year ended at 31 December 2016, the amounts due without impairment to more than 90 days correspond, mostly, to amounts receiving from Group companies.

The debts of the state and other public entities were not subject detail above, for not being financial assets.

11. Other current assets

At 31 December 2016 and 2015, this caption was made up as follows:

	2016	2015
Accrued income		
Interest receivable	223,818	169,051
Invoices to be issued	213,377	145,608
Other accrued income	3,159	6,769
	440,354	321,428
Pluriannual costs		
Insurance	31,274	28,693
Rents	-	7,133
Other pluriannual costs	7,233	21,298
	38,507	57,124
	478,861	378,552

12. Cash and cash equivalents

At 31 December 2016 and 2015, the breakdown of cash and cash equivalents was as follows:

	2016	2015
Cash	679	475
Bank deposits repayable on demand	83,913,044	22,762,839
Treasury applications	127,020,000	156,685,000
	210,933,723	179,448,314

At 31 December 2016 and 2015, the caption 'Treasury applications' had the following breakdown:

	2016	2015
Bank applications	123,000,000	155,400,000
Sonae IM*	3,165,000	-
Público	855,000	610,000
Sonaecom SP	-	665,000
PCJ	-	10,000
	127,020,000	156,685,000

*This company changed its name from Sonae Sistemas de Informação SGPS, S.A. to Sonae Investment Management – Software and Technology, SGPS, S.A. in 2015.

In the year ended at 31 December 2016, Sonaecom entered into financial transaction contracts with Sonae, SGPS, Sonae Investment Management - Software and Technology, SGPS, SA, Público- Comunicação Social, SA, PCJ - Público, Comunicação e Jornalismo, SA and Sonaecom - Serviços Partilhados, SA. The treasury applications immediately available, mentioned above, are remunerated during the year ended at 31 December 2016, with an interest average rate of 0.76% (0.64% in 2015).

13. Share capital

At 31 December2016 and 2015, the share capital of Sonaecom was comprised by 311,340,037 ordinary shares registered of Euro 0.74 each. At those dates, the Shareholder structure was as follows:

	2016		2015	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 14)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorised, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

14. Own shares

During the year ended at 31 December 2016, Sonaecom did not acquire, sold or delivered own shares, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.515.

15. Loans

Short-term loans and other loans

At 31 December 2016 and 2015, The Sonaecom is not using a short-term credit line, although it has a bank credit line in the form of current or overdraft account commitments, in the amount of Euro 1 million.This credit line has maturities up to one year, automatically renewable, except in case of termination by either party, with some periods of notice.

The credit line bear interest at market rates, indexed to the EURIBOR of the respective term.

At 31 December 2016 and 2015, the available credit lines are as follows:

					Maturity
Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2016					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		
2015					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		

At 31 December2016 and 2015, there are no financial instruments of interest rate hedging.

16. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December2016 and 2015 were as follows:

	Opening balance	Increases	Reductions	Transfers and utilizations	Closing balance
2016					
Accumulated impairment losses on investments in Group companies (notes 5 and 23)	108,583,213	3,530,000	(83,560,618)	6,442,405	34,995,000
Accumulated impairment losses on other non-current assets (notes 8 and 23)	10,917,405	3,747,436	-	(6,442,405)	8,222,436
Provisions for other liabilities and charges	241,811	36,505	(63,539)	-	214,777
	119,742,429	7,313,941	(83,624,157)	-	43,432,213
2015					
Accumulated impairment losses on investments in Group companies (notes 5 and 23)	105,338,215	3,425,000	(200,000)	20,000	108,583,215
Accumulated impairment losses on other non-current assets (notes 8 and 23)	7,797,405	3,140,000	-	(20,000)	10,917,405
Provisions for other liabilities and charges	304,811	46,490	(109,490)	-	241,811
	113,440,431	6,611,490	(309,490)	-	119,742,431

The increases in provisions and impairment losses are recorded under the caption "Provisions and impairment losses" in the profit and loss statement with the exception of the impairment losses in investments in Group companies and other non-current assets, which, due to their nature, are recorded under the caption "Gains and losses on Group companies"(note 23).

At 31 December2016, the decreases in the caption "Accumulated impairment losses on investments in group companies" correspond to the liquidation of Sonaetelecom BV and Sonaecom BV in the amounts of Euro 73,460,618 and Euro 10,100,000, respectively.

At 31 December 2016, the change in the caption "Provisions for other liabilities and charges" includes the amount of Euro 63,539 recorded, in the profit and loss statement, in "Income taxation", due to its nature (note 25), and the negative amount of Euro 36,505, recorded in the profit and loss statement in "Provisions and impairment losses".

At 31 December 2016, the increase in the caption 'Accumulated impairment losses on other non-current assets' includes amounts related to impairment and adjustments of financial investments in Publico and PCJ.

At 31 December 2015, the increase in the caption 'Accumulated impairment losses on other non-current assets' includes amounts related to impairment and adjustments of financial investments in PCJ.

At 31 December 2015, the change in the caption "Provisions for other liabilities and charges" in the amount of Euro 63,000 is recorded in the income statement under "Other operating income".

17. Other non-current liabilities

This caption, in the amounts of Euro 133.633 and Euro 222.526 at 31 December 2016 and 2015, respectively, corresponds to the medium and long-term amounts associated with the Medium Term Incentive Plans (note 29).

18. Other creditors

At 31 December 2016 and 2015, this caption was made up as follows:

	2016	2015
Other creditors (note 26)	332,169	187,429
State and other public entities	27,254	13,264
	359,423	200,693

The liability to other creditors matures as follows:

	Total	Until 90 days	From 90 to 180 days	More than 180 days
2016				
Other creditors	332,169	332,169	-	–
	332,169	332,169	–	–
2015				
Other creditors	187,429	187,429	-	–
	187,429	187,429	–	–

19. Other current liabilities

At 31 December 2016 and 2015, this caption was made up as follows:

	2016	2015
Accrued costs		
Staff expenses	176,888	382,998
Medium Term Incentive Plans (note 29)	246,232	497,180
Consultancy	75,582	113,179
Other accrued costs	153,031	86,586
	651,733	1,079,943

20. Services rendered

At 31 December 2016 and 2015, the caption 'Services rendered' was comprised by the charge of management fees to subsidiaries (note 26).

21. Other operating revenues

At 31 December 2016 and 2015, the caption 'Other operating revenues' was made up as follows:

	2016	2015
Supplementary income	20,229	74,496
Others	118,772	166,589
	139,001	241,085

At 31 December 2016 and 2015, the heading 'Supplementary income' is, mostly, composed of income associated with guarantees that Sonaecom secured on behalf of its subsidiaries.

22. External supplies and services

At 31 December 2016 and 2015, this caption was made up as follows:

	2016	2015
Specialised work	492,383	525,856
Travel and accommodation	86,279	48,137
Other external supplies and services	84,863	62,956
Insurance	48,980	49,467
Rents	34,056	15,194
Communications	31,341	21,131
Fees	-	500
	777,902	723,241

The commitments assumed by the company at 31 December 2016 and 2015 related to operational leases are as follows:

	2016	2015
Minimum payments of operational leases:		
2016	-	7,473
2017	22,429	518
2018	24,880	518
2019	24,880	518
2020	24,880	518
2021	24,880	-
Renewable by periods of one year	-	-
	121,949	9,545

23. Gains and losses on investments

At 31 December 2016 and 2015, these captions "Gains and losses on investments in group companies and joint ventures" and "Gains and losses on investments recorded at fair value through profit or loss" were made up as follows:

	2016	2015
Gains and losses on investments in Group companies		
Losses related to Group companies (notes 5, 8 and 16)	(7,284,746)	(6,565,000)
Gains related to Group companies (note 16)	92,608	200,000
Dividends obtained (note 26)	18,311,947	15,815,500
	11,119,809	9,450,500
Gains and losses on financial assets at fair value through profit or loss		
Gains and losses on financial assets at fair value through profit or loss (note 7)	(15,679,641)	22,344,861
Dividends obtained (note 26)	1,762,005	1,541,754
Gains on disposals of financial assets at fair value through profit or loss (note 7)	18,725,886	-
	4,808,250	23,886,615

At 31 December2016, losses on the Group companies include the reinforcement of impairment losses on other non-current assets (notes 8 and 16), in the amount of Euro 3,747,436 (euro 3,140,000 in 2015) and the reinforcement of impairment losses on investments in companies group in the amount of Euro 3,530,000 (Euro 3,425,000 in 2015) (notes 5 and 16) and also the loss resulting from the liquidation of Sonae Telecom BV in the amount of Euro 7,310.

At 31 December 2016, gains related to group companies include the gain resulting from the liquidation of Sonaecom BV in the amount of Euro 92,608 and at 31 December 2015 include the reversal of impairment losses on investments in group companies in the amount of Euro 200,000.

In the year ended at 31 December2016, the caption 'Gains from disposal of investments recorded at fair value through profit or loss' includes the capital gain generated by the sale of NOS shares (18,725,886 euros) as described in note 7 'Investments recorded at fair value through profit or loss'.

At 31 December 2016 and 2015, gains related to dividends received from investments in Group companies and in joi companies jointly controlled are associated with dividends received from Zopt. The gains related to dividends received from investments at fair value through profit or loss are associated with dividends received from NOS (note 26).

24. Financial results

Net financial results for the years ended at 31 December2016 and 2015 are made up as follows ((costs)/gains):

	2016	2015
Other financial expenses		
Interest expenses:		
Other loans	-	(6,340)
Others	-	(25,250)
	-	(31,590)
Foreign currency exchange losses	(669)	-
Other financial expenses	(97,788)	(103,464)
	(98,457)	(135,054)
Other financial income		
Interest income (note 26)	2,188,901	1,765,463
Foreign currency exchange gains	-	702
Other financial income	85,102	347,259
	2,274,003	2,113,424

25. Income Taxation

Income taxes recognized during the years ended at 31 December2016 and 2015 were made up as follows ((costs) / gains):

	2016	2015
Current tax (note 9)	18,003,776	451,582
Tax provision (notes 9 and 16)	63,539	-
Deferred tax assets	94,475	-
Closing balance	18,161,790	451,582

26. Related parties

The most significant balances and transactions with related parties at 31 December2016 and 2015 were as follows:

					Balances at 31 December 2016
	Accounts receivable (note 10)	Accounts payable (note 18)	Treasury applications (note 12)	Other assets / (liabilities) (note 11 and 19)	Loans granted (note 8)
Parent Company	17,500,764	-	-	(153)	-
Companies jointly controlled	657,869	-	-	-	-
Associated companies	-	-	-	-	-
Others related parties	(14,210)	15,161	-	695,300	-
Subsidiaries	(471,224)	40,209	4,020,000	(452,253)	34,750,000
	17,673,199	55,370	4,020,000	242,894	34,750,000

					Balances at 31 December 2015
	Accounts receivable (note 10)	Accounts payable (note 18)	Treasury applications (note 12)	Other assets / (liabilities) (note 11 and 19)	Loans granted (note 8)
Parent Company	-	(324,543)	-	(130,048)	-
Companies jointly controlled	14,391	-	-	-	-
Associated companies	-	-	-	-	-
Others related parties	44,311	103,242	-	636,015	-
Subsidiaries	2,345,882	397,480	1,285,000	(307,988)	19,330,000
	2,404,584	176,179	1,285,000	197,979	19,330,000

				Transactions at 31 December 2016
	Sales and services rendered (note 20)	Supplies and services received (note 22)	Interest and similar income / (expense) (note 24)	Supplementary income (note 21)
Parent Company	-	-	1,192,276	(26)
Companies jointly controlled	-	-	6,842	-
Associated companies	-	-	-	-
Others related parties	-	131,773	-	14,891
Subsidiaries	253,325	103,932	945,761	3,133
	253,325	235,705	2,144,879	17,998

				Transactions at 31 December 2015
	Sales and services rendered (note 20)	Supplies and services received (note 22)	Interest and similar income / (expense) (note 24)	Supplementary income (note 21)
Parent Company	-	50,000	851,073	56,806
Companies jointly controlled	-	-	-	-
Associated companies	-	-	-	-
Others related parties	15,867	97,694	(46,842)	71,294
Subsidiaries	322,373	291,306	740,427	3,177
	338,240	439,000	1,544,658	131,277

During the year ended at 31 December 2016, Sonaecom sold its direct participation in NOS (2.14%) to ZOPT. This operation generated an added value of Euro 18,725,887 recorded under 'Gains and losses on investments recorded at fair value through results' (note 23).

During the year ended at 31 December 2016, the company distributed dividends , in the amount of Euro 4,699,332 to Sonae SGPS (Euro 3,646,033 at 31 December 2015) and Euro 11,255,661 to Sontel BV (Euro 8,732,840 at 31 December2015).

During the year ended at 31 December 2016 and 2015, Sonaecom recognized in the amount of Euro 18,311,947 and Euro 15,815,00, respectively, related to dividends joint-venture companies (Note 23).

During the year ended at 31 December 2016 and 2015, Sonaecom recognized in the amount of Euro 1,762,005 and Euro 1,541,754, respectively, related to dividends associate companies (Note 23).

All the above transactions were made at market prices.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees.

Remuneration attributed to "key personnel" is disclosed in note 30.

27. Guarantees provided to third parties

Guarantees provided to third parties at 31 December2016 and 2015 were as follows:

Beneficiary	Description	2016	2015
Direção de Contribuições e Impostos (Portuguese tax authorities)	Additional tax assessments (VAT Stamp and Income tax)	222,622	222,622
		222,622	222,622

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom surety to the amount of Euro 28,727,104 and Sonaecom of Público surety for the amount of Euro 564,900.

At 31 December 2016, the Board of Directors of the Company believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the financial statements.

28. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (Euro 35,003,700 in 2016 and Euro 34,389,062 in 2015) by the average number of shares outstanding during the years ended at 31 December 2016 and 2015, net of own shares (305,769,023 in 2016 and 2015).

29. Medium Term Incentive Plans

In June 2000, the Company created a discretionary Medium Term Incentive Plan for more senior employees, based on Sonaecom options and shares and Sonae, S.A. shares which on 10 March 2014 Sonaecom plans been converted to Sonae shares. The vesting occurs three years after the award of each plan, assuming that the employees are still employed in the Company.

The 2011 plan was delivered in March 2015 for all companies except for employees of Sonaecom, whose delivery was made in May 2015.The 2012 plan was delivered in March 2016 to all companies.

Therefore, the outstanding plans at 31 December 2016 are as follows:

		Vesting period		31 December 2016	
	Share price 31.12.2016	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2013 Plan	0.874	10-Mar-14	10-Mar-17	2	303,888
2014 Plan	0.874	10-Apr-15	10-Apr-18	2	167,408
2015 Plan	0.874	10-Mar-16	10-Mar-19	2	227,525

During the year ended at 31 December2016, the movements that occurred in the plans can be summarized as follows:

	Sonae SGPS shares	
	Aggregate number of participations	Number of shares
Outstanding at 31 December 2015:		
Unvested	8	943,219
Total	8	943,219
Movements in year:		
Awarded	2	227,525
Vested	(4)	(471,923)
Outstanding at 31 December 2016:		
Unvested	6	698,821
Total	6	698,821

The responsibility for all plans was recognized under 'Other current liabilities' and 'Other non-current liabilities'.

For Sonae SGPS share plans, except for the converted plans the Group entered into hedging contract with external entities, and the responsibilities are calculated based on the prices agreed on those contracts. These hedging contracts were used to cover the delivery of the 2011 plan and the 2012 plan. This way, at the period ended 31 December 2016 there are no open hedging contracts.

Share plan costs are recognised in the accounts over the period between the award and the vesting date of those plans. The costs recognised in previous years and in the period ended at 31 December 2016, were as follows:

	Value
Costs recognised in previous years	669,098
Costs recognised in the year	195,907
Costs of plans vested in the year	(485,140)
Total cost of the plans	379,865
Recorded in 'Other current liabilities´ (note 19)	246,232
Recorded in 'Other non-current liabilities´ (note 17)	133,633

30. Staff expenses

During the years ended at 31 December 2016 and 2015, the caption "Staff expenses" was made up as follows:

	2016	2015
Remuneration	431,172	615,962
Charges on remuneration	113,261	118,512
Medium Term Incentive Plan (note 29)	135,419	382,510
Others	16,619	38,790
	696,471	1,155,774

During 2016 and 2015, the remunerations paid to Directors and other members of key management in functions were as follows:

	2016	2015
Short-term employee benefits	569,100	705,252
Share-based payments	205,400	220,700
	774,500	925,952

The short-term employee benefits, which include the salary and performance bonus, were calculated on an accruals basis. The share-based payments for 2016 and 2015 correspond to the value of the Medium Term Incentive Plan and will be awarded in 2017, in respect of performance during 2016 (and the Medium Term Incentive Plan awarded in 2016 in respect of performance during 2015, for the 2015 amounts), whose shares, or the cash equivalent, will be delivered in March 2020 and March 2019, respectively and for which expenses is recorded over the period 2017 to 2020 (2016 to 2019 for 2015).

31. Average number of employees

During the years ended at 31 December 2016 and 2015, the company employed an average number of 3 in two years. At 31 December 2016, the number of employees was 3.

32. Fees of Statutory Auditor

During the year ended at 31 December 2016 the company paid, as a fee to the ROC, PricewaterhouseCoopers SROC the amount of Euro 17,138. During the year ended at 31 December 2015, paid as a fee to the ROC, Deloitte SROC, and the amount of Euro 17,416.

Details of the services provided during the 2016 financial year are as follows:

	2016
Statutory audit	17,138
Total	17,138

33. Subsequent events

On the meeting of the Board of Directors held on 13 March 2017, a resolution was taken to constitute an Executive Committee and to appoint, for the current four-year mandate 2016-2019, the following members of the Board of Directors to compose the mentioned Committee: i) Chairman - Ângelo Gabriel Ribeirinho dos Santos Paupério; and ii) Maria Cláudia Teixeira de Azevedo.

These financial statements were approved by the Board of Directors on 13 March 2017, being its conviction that these will be approved at Shareholders General Meeting.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

ANNUAL REPORT 2016

IV

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sonaecom, S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at 31st December 2016 (which shows total assets of Euro 1,104,460,838 and total shareholders' equity of Euro 1,033,130,174 including a net profit of Euro 48,131,541), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonaecom, S.G.P.S., S.A. as at 31st December 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

Key Audit Matter	*Summary of the Audit Approach*
Measurement of investments in jointly controlled and associated companies As mentioned in Note 8 to the consolidated financial statements, the group holds investments in the joint venture ZOPT in the amount of Euro 676.8 million (which, holds investments in Angolan and Mozambican associates Finstar, Mistar and Zap Media, in the amount of Euro 172.7 million) and in the associates Armilar II, Armilar III and ESVINT, in the amount of Euro 68.5 million, acquired at the end of 2016, and which the related acquisition resulted in a provisional negative Goodwill gain of Euro 36.7 million (Notes 3.c) and 33). As mentioned in Note 1.b), investments in associates and joint ventures are recorded under the equity method. As recommended in IAS 36, impairment tests are performed whenever there is evidence of impairment, and business plans are prepared for this purpose. Considering the inherent subjectivity of the assumptions used in determining the recoverability of the referred values, which in the case of Angola and Mozambique are still subject to country-specific issues, as well as to the assumptions used in determining the associates' fair value, we consider these investments to be a key audit matter.	We have obtained the financial statements of associates and jointly-controlled companies. For ZOPT we have also obtained the respective audit report issued by another auditor. As the financial statements of the joint venture are audited by another auditor, we interacted with the respective auditor, evaluated the strategy and the audit plan, as well as the tests performed for the significant areas and the conclusions reached. We have also performed some auditing procedures, from which we highlight: - reasonableness analysis of the assumptions used in the impairment tests of the joint venture; - comparing NOS book value with its market value; - validation of the effects of sensitivity analysis, in particular as regards to the African components, and found that their effects may change their value from 74% to 157% of their book value. As mentioned in Note 8 to the consolidated financial statements, the current economic uncertainty conditions in those markets may significantly impact these estimates; - validation of the application of the equity method; - validation of the correction of the negative Goodwill calculation, as well as the reasons supporting its calculation is still provisional; - verification of the adequacy of the disclosures related to joint ventures and associates, contained in Notes 1.b), 3.c), 8 and 33 of the consolidated financial statements.

Key Audit Matter	*Summary of the Audit Approach*
Goodwill recoverability As disclosed in Note 7 to the consolidated financial statements, the statement of financial position has a Goodwill of Euro 23.7 million and the consolidated income statement includes an impairment loss of Euro 4.9 million (see Note 7) . As mentioned in Note 1.f), Goodwill is not amortized and it is tested annually, or whenever there are signs of impairment, to verify if there are any losses to be recognized. The recoverable amount is determined based on the business plans used by Sonaecom's management. Considering the significance of this amount and the complexity and level of inherent judgment in the model adopted for the calculation of impairment and the identification and aggregation of cash-generating units (CGUs), this issue was a key matter for the purposes of our audit.	In order to evaluate the recoverability of these assets, we have obtained and analyzed the impairment tests prepared by the Group. Considering the identification and aggregation of the CGUs, we performed the following auditing procedures: - reasonableness analysis of the assumptions used in the forecasts made, the market conditions, the sensitivity analysis and the historical accuracy of the Group in preparing forecasts and budgets; - analysis of the reasonableness of the discount rates used, as well as the growth rates; - recalculation of the model; - validation of the disclosures included in Notes 1.f) and 7 of the consolidated financial statements.

Key Audit Matter	*Summary of the Audit Approach*
Revenue recognition As disclosed in Note 28 to the consolidated financial statements, the income from projects in the segment of information systems amounts to Euro 78.9 million. As mentioned in Note 1. s), the income and expenses of the consulting projects are recognized each year, based on the percentage of completion, which is obtained through the percentage of expenses incurred on the estimated costs of the transaction, based on budgets prepared for this purpose, according to management's best knowledge for each project. Project schedules supporting the revenue recognition based on the stage of completion of consulting projects have several assumptions, essentially relating to the overall budget of project expenditures and expenses to be incurred. Given the inherent uncertainty in the estimates of the expenses to be incurred, they have to be continually reviewed and, as such, we consider a key matter for the purposes of our audit.	We obtained the project schedules and performed the following audit procedures: - reconciliation of the schedules with the values of the statement of financial position and the income statement; - review of contracts to support project schedules; - reasonableness analysis of the stage of completion considered, taking into account the underlying assumptions; - comparison of the results obtained with the recognized revenue; - to validate management's assumptions, regarding the recognized margin, analysis of available information, essentially as it relates to the terms of the contracts, the latest projections, the completion status of the projects, the billings made and the reasonableness of the budgets in the past, compared to actual values; - validation of the respective disclosures included in Notes 1.s) and 28 of the consolidated financial statements.

Key Audit Matter	***Summary of the Audit Approach***
Development expenses capitalization The group has internally developed intangible assets. As mentioned in Notes 6 and 40 of the consolidated financial statements, the value of capitalized expenses in 2016 amounted to Euro 5.5 million. As mentioned in Note 1.d), expenditures on internally generated intangible assets are capitalized to the extent that the ability to complete the asset is demonstrated, so that it will be available for use or commercialization. The decision to capitalize or expend the associated expenses involves a significant judgment by management, in assessing the moment in which the development of the project begins, its economic viability and the determination of the amount of expenses to be capitalized.	In order to validate the reasonableness of the capitalized amounts, we performed the following auditing procedures: - evaluation of the relevant controls in the process for capitalization of assets; - measurement of the adequacy of the capitalization policies for expenses, in accordance with the applicable accounting regulations; - evaluation of the nature of capitalized expenditures and their classification as development of intangible assets; - performing detailed tests on the amounts of expenses capitalized in the period; - validation of the disclosures associated with the capitalization of development expenses, included in Notes 1.d) and 6 of the consolidated financial statements.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;

g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board on this date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

24th March 2016

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hermínio António Paulos Afonso, R.O.C.

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sonaecom, S.G.P.S., S.A. (the Entity), which comprise the statement of financial position as at 31st December 2016 (which shows total assets of Euro 1.092.549.308 and total shareholders' equity of Euro 1.091.189.742 including a net profit of Euro 35.003.700), the statement of income by nature, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonaecom, S.G.P.S., S.A as at 31st December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	***Summary of the Audit Approach***
Recoverability of investments in group companies and jointly controlled companies As mentioned in Notes 5 and 6 to the financial statements, on December 31, 2016, Sonaecom, SGPS, SA holds financial interests in group companies and joint ventures in the amount of Euro 52.3 million and Euro 597.7 million, respectively, which are measured at acquisition cost. As mentioned in Notes 1.c) and 1.d) a valuation of the investments is made when there are indicators that the asset may be impaired or when the impairments recognized in previous years cease to exist. The valuation of financial investments is considered to be a key audit matter, given that changes caused by events or circumstances that adversely influence the performance of the investees may result in the non-recoverability of the book value of these assets. The valuation model used is the discounted cash flow model. To prepare this model, management incorporates judgments based on assumptions in the cash flows forecasts, growth rates and discount rates to be applied.	In order to validate the assumptions and judgments made by management in the valuation of financial investments, we performed the following procedures: a) assessment of whether or not there is evidence of impairment in financial investments; and b) obtaining and analyzing the impairment tests for financial investments, when applicable. The analysis of impairment tests, based on discounted cash flow models, involved auditing procedures that included (a) the evaluation of the method used to quantify the fair value of the investment, as well as; (b) evaluation of the assumptions used in the calculation, in order to assess the reasonableness of these assumptions, in particular the sales growth, gross margin and discount rate implicit in the valuation model. We compared the recoverable amount obtained in the valuations with the book value of the investment and assessed the reasonableness of the impairment losses recorded by the Entity. Emphasis was also placed on the adequacy of disclosures in Notes 1.c), 1.d), 5 and 6 of the financial statements.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria;

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure;

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our understanding that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board on this date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

24th March 2016

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Hermínio António Paulos Afonso, R.O.C.

ANNUAL REPORT 2016

V

REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

Report and opinion of the Statutory Audit Board of Sonaecom, SGPS,SA

To the Shareholders

1 – Report

1.1 - Introduction
In compliance with the applicable legislation and according with the terms of the mandate given to the Statutory Audit Board, we hereby issues our Report and Opinion of the audit performed, as well the documentation concerning the individual and consolidated accounts, for the year ended at 31 December 2016, which are of the responsibility of the Company's Board of Directors.

1.2 – Supervisory activities
The Statutory Audit Board, during the year under review, accompanied under its competences the management of the company and its subsidiaries, examined the evolution of the company, the validity of accounting records, the quality of the preparation and financial information disclosure process and the compliance with legal regulations and laws. The Statutory Audit Board also verified the effectiveness of risk management and internal control systems. Had meetings on a quarterly frequency, which, were attended by the Board and personnel responsible for financial operations, accounting, planning and control, treasury and finance and for internal audit. The Statutory Audit Board also met with the Society of Statutory Auditor and the External Auditor in order to obtain all the information and explanations about the planning process as well in relation with the nature and the conclusions of the reports on the audits performed, and provided the Board of Directors with information related to the conclusions and the quality of the statutory audit process as well to the intervention of the Statutory Audit Board in this process. Additionally, the Statutory Audit Board attended the meeting of the Board of Directors which approved the management report and accounts for the year.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that had material impact on the evolution of the financial statements and exercised them competence regards the qualifications and independence of the Society of Statutory Auditor and the External Auditor and, in this terms, analyzed, on favorable terms, the additional services rendered to audit and the assurance of reliability.

As part of its responsibilities, the Statutory Audit Board examined the individual and consolidated balance sheets, the individual and consolidated profit and loss accounts by nature, cash flow statements, statements of comprehensive income, movements in shareholders´ funds and related annexes for the year ended at 31 December 2016.

The Statutory Audit Board has complied with CMVM Recommendation V.2, in accordance with the criteria described in paragraphs 3 to 5 of article 4 of its Regulations, in order to characterize the relevant level of transactions concluded with shareholders holding qualifying holdings or with entities in any of the relations established in paragraph 1 of article 20 of the Securities Market Code (Código dos Valores Mobiliários), not having identified any relevant transactions in the light of those criteria or any conflicts of interest.
The Statutory Audit Board has complied with CMVM Recommendations II.2.1, II.2.2, II.2.3, II.2.4 and II.2.5, relating to Corporate Governance. As a fully integrated body of independent members in the light of legal criteria and professionally qualified to perform their duties, the Statutory Audit Board developed its skills

and interrelationships with the other board members and services of the company in accordance with the principles and conduct recommended in those devices.

Furthermore, the Statutory Audit Board appreciated the Corporate Governance Report which is attached to the company's Management Report, regarding the consolidated financial accounts, under the terms and for the purpose of No. 5 of Art. 420 of the Portuguese Commercial Code (Código das Sociedades Comerciais), having concluded that the report includes the elements referred to in Art. 245 – A of the Securities Market Code (Código dos Valores Mobiliários).

Additionally, the Statutory Audit Board examined the management report and other documentation concerning the individual and consolidated accounts, prepared by the Board of Directors, considering that the information disclosed satisfies the legal standards and is appropriate for understanding the financial position and results of the company and its consolidation universe, and analyzed the legal certification of accounts and audit report, issued by the society of the statutory auditor, to which it has given consent.

2 **– Opinion**

In the light of the above mentioned, the Statutory Audit Board is of the opinion that there are the conditions for the Shareholders' General Meeting to approve:

a) The management report;
b) The individual and consolidated balance sheets, the individual and consolidated profit and loss accounts by nature, statements of comprehensive income, movements in shareholders´ funds and cash flow statements and related annexes for the year ended at 31 December 2016.
c) The proposal for the application of results presented by the Board of Directors.

3 **– Statement of Responsibility**

In accordance with point c) of paragraph 1 of Art. 245 of the Portuguese Securities Market Code, we declare that, to the best of our knowledge, the consolidated and individual financial statements were prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and results of Sonaecom, SGPS, S.A. and the main companies included in the consolidation perimeter, and that the Management Report faithfully describes the business performance and position of the issuer and of the companies included in the consolidation perimeter containing a description of the major risks and uncertainties that they face. Further, we inform that the Corporate Governance report issued complies with the Art. 245-A of the Portuguese Securities Code.

Maia, 24 March 2017

The Statutory Audit Board

João Manuel Gonçalves Bastos

Óscar José Alçada da Quinta

Maria José Martins Lourenço da Fonseca

Sonaecom SGPS is listed on the Euronext Stock Exchange. Information is available on Reuters under the symbol SNC.LS and on Bloomberg under the symbol SNC:PL.

SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the telecommunications industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, analysts and, generally, the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

Report available on Sonaecom's corporate website

www.sonae.com

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