

RESULTS
ANNOUNCEMENT

1H17



The consolidated financial information disclosed in this report is based on unaudited financial statements, prepared in accordance with the International Financial Reporting Standards (IAS/IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the European Union.



1. Main Highlights

Consolidated turnover of 76.4 million euros increasing 13.1% y.o.y driven mainly by the technology area

NOS reinforcing growth in the 2Q17 in all business segments, both in terms of revenues and in number of customers

Technology area revenues reaching 69.4 million euros, growing 14.5% y.o.y., with International markets weighting 45.4%

Net income reaching 13.6 million, significantly above 1H16

2. Sonaecom Consolidated Results

Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method - which owns 52.15% stake in NOS, continues to strengthen market share in almost all of its core services.

Operating Revenues grew by 3.5% to 769.4 million euros driven by a 5.8% growth in the number of RGUs. EBITDA showed another quarter with robust growth despite the increase in premium sports content costs.

Technology area continued to pursue its active portfolio strategy, managing more than 60 active processes across all investment stages.

Turnover

Consolidated turnover in 1H17 reached 76.4 million euros, increasing 13.1% when compared to 1H16, with both Technology and Media areas contributing positively.

Operating costs

Operating costs amounted to 76.4 million euros, 12.7% above 1H16. Personnel costs grew 15.7% reflecting the increase in the average number of employees. Commercial costs increased 45.9% to 30.8 million euros, driven by the increase in cost of goods sold, aligned with the higher level of sales. The decline in other operating costs is mainly explained by the lower level of Outsourcing services.

EBITDA

Total EBITDA stood at 17.3 million euros, 61.1% above 1H16, essentially on the back of equity results increase, impacted mostly by ZOPT contribution which, in turn, depends on NOS net income evolution. Underlying EBITDA more than doubled to 1.1 million euros.

Net results

Sonaecom's EBIT increased 102.0% to 12.4 million euros, mainly explained by the higher level of EBITDA.

Net financial results reached negative 0.3 million euros in 1H17. In 1H16, net financial results were negatively impacted by NOS direct stake fair value adjustment at market price (until its sale in June 2016), 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.

Sonaecom's earnings before tax (EBT) increased to 12.2 million euros, mainly driven by the higher net financial results.

Indirect results of negative 0.3 million euros are related with the Armilar Venture Funds and its portfolio fair value adjustments.

Net results group share stood at 13.6 million euros, which compares with 3.5 million euros in 1H16.

Operating CAPEX

Sonaecom's operating CAPEX decreased to 4.5 million euros, reaching 5.9% of turnover, 1.3 p.p. below 1H16.

Capital structure

The cash position stood at 183.8 million euros, decreasing 50.2 million euros since June 2016, driven namely by 23.5 million euros of dividends distribution.

2.1 Telecommunications

NOS operating revenues were 769.4 million euros in 1H17, growing 3.5% y.o.y. EBITDA reached 300.3 million euros, increasing 4.8% when compared to 1H16 and representing a 39.0% EBITDA margin. CAPEX amounted to 172.8 million euros in 1H17, a decrease of 11.9% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA-CAPEX increased 41.0%.

At the end of 1H17, net financial debt totalled 1,114.2 million euros, equal to 2.0x EBITDA, a conservative ratio compared to its peers in the sector.

NOS published its 1H17 results on 20th July, 2017, which are available at www.nos.pt.

During 1H17, NOS share price decreased 5.7% from €5.638 to €5.314, whilst PSI20 increased by 10.1%.

Operational Indicators

Operational Indicators ('000)	2016	2017	Δ 17/16	1Q17	q.o.q.	1H16	1H17	Δ 17/16
Total RGUs	8,746.4	9,254.3	5.8%	9,155.2	1.1%	8,746.4	9,254.3	5.8%
Convergent RGUs	3,155.6	3,585.9	13.6%	3,509.0	2.2%	3,155.6	3,585.9	13.6%

Financial indicators

Million euros	2016	2017	Δ 17/16	1Q17	q.o.q.	1H16	1H17	Δ 17/16
NOS HIGHLIGHTS								
Operating Revenues	372.8	388.4	4.2%	381.0	1.9%	743.1	769.4	3.5%
EBITDA	148.7	156.7	5.4%	143.6	9.2%	286.5	300.3	4.8%
EBITDA margin (%)	39.9%	40.4%	0.5pp	37.7%	2.7pp	38.6%	39.0%	0.5pp
Net Income	26.5	40.4	52.5%	31.4	28.5%	50.9	71.8	41.1%
CAPEX	101.0	85.7	-15.1%	87.1	-1.7%	196.1	172.8	-11.9%
EBITDA-CAPEX	47.7	71.1	49.0%	56.5	25.8%	90.5	127.5	41.0%



2.2 Technology

The Technology area aims to build and manage a portfolio of technology businesses around retail and telecommunications with an international scale. This area currently comprises, alongside with minority stakes and Bright Pixel, five controlled companies – WeDo Technologies, S21Sec, Saphety, Bizdirect and Inovretail - that generated circa 45.4% of its revenues outside the Portuguese market with 39% out of the total 1,002 employees based abroad.

WeDo Technologies is a worldwide leader in Revenue Assurance and Fraud Management that works with more than 180 telecommunications operators in over 100 countries. The international markets represented 76.5% of its first-half turnover.

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

During 1H17, WeDo Technologies hosted a regional event in Malaysia, with over 85 attendees, including 17 Telecom Operators and held its Worldwide User Group in Lisbon with more than 300 attendees and more than 65 telecom operators. It also marked its presence at the Mobile World Congress in Barcelona, where it launched an online platform for Telecom Operators, so that they can take advantage of a series of cloud-based applications, RAID.Cloud, that tackle fraud, revenue loss and other telecom operational issues.

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

During this semester, the company acquired nine new telecom customers - Moldova, Greece, Australia, Sri Lanka, Vietnam, USA, Benin, Georgia and UK.

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

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

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

During 1H17, the company worked on Sigma21 positioning review to focus as MSSP (Managed Security Services Provider), all the services provided are built around continuity with customers. In what concerns its own product Lookwise Device Manager (LDM), a world-class product for the ATM Protection market, the strategy also evolved very positively with relevant contracts being signed with Mexican Banks and with a leading global Bank, the latter with a project including a significant number of licenses. Despite the growing number of cyber-attacks, no S21sec customer was affected by the 2 global attacks, WannaCry and Petya, occurred in the 1H17.

With a positive impact on brand visibility, S21sec powered Donostia Cyber Sec Event 2017 in San Sebastián and participated in several relevant events for the sector like "Mundo HackerDay", "Infosecurity Europe 2017", "Secure Payments & ID Congress 2017".

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 market share reinforcement at Saphety GOV with 98 new customers. Saphety DOC also presented growth while EBP (Electronic Billing Presentment) project at Oi is being deployed. After being homologated as an eInvoice platform by Colombian tax authorities in 2016, during this semester Saphety closed its first Saphety DOC contracts in the country, which shows a favorable local market acceptance of the defined market strategy.

Saphety's customer base has now over 8,500 customers and 130,000 users in 34 countries with international markets representing almost 28% of total revenues.

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

During 1H17 Bizdirect revenues grew 23% versus 1H16 while the Cloud business unit, focused in Microsoft contract management, infrastructure sale and Cloud products and services, grew more than 20%, when compared with 1H16. Nearshore business unit, supported by Bizdirect Competence Center in Viseu, won 6 new customers.

International revenues represented 7.1% of total Turnover as Bizdirect notoriety in the European market is growing. Nearshore already counts with 31 international customers across 15 countries.

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



Bright Pixel, publicly launched in April 2016, 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. *Probe.ly*, having started as an internal project, won the *Caixa Capital Empreender Award 2017*, has recently stepped from MVP (minimum valuable product) to an independent startup.

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

Armillar 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.

Financial indicators

Million euros

TECHNOLOGY AREA	2016	2017	Δ 17/16	1Q17	q.o.q.	1H16	1H17	Δ 17/16
Turnover	34.1	36.5	7.1%	32.9	10.8%	60.6	69.4	14.5%
Service Revenues	22.7	21.2	-6.8%	19.9	6.7%	42.0	41.1	-2.2%
Sales	11.3	15.3	35.0%	13.1	17.0%	18.6	28.3	52.1%
Other Revenues	0.2	0.4	88.2%	0.3	33.8%	0.4	0.6	41.3%
Operating Costs	32.9	35.1	6.6%	32.5	7.9%	59.2	67.6	14.2%
Personnel Costs	9.7	11.6	20.0%	11.8	-1.2%	19.8	23.4	18.6%
Commercial Costs ⁽¹⁾	11.8	15.6	31.7%	13.0	20.1%	19.2	28.6	49.3%
Other Operating Costs ⁽²⁾	11.3	7.8	-31.0%	7.7	1.4%	20.2	15.5	-23.3%
EBITDA	1.4	1.8	28.9%	0.7	152.8%	1.9	2.4	29.0%
EBITDA Margin (%)	4.0%	4.8%	0.8pp	2.1%	2.7pp	3.1%	3.5%	0.4pp
Operating CAPEX ⁽³⁾	2.8	2.1	-26.3%	1.8	14.0%	4.6	3.9	-15.3%
Operating CAPEX as % of Turnover	8.2%	5.6%	-2.6pp	5.5%	0.2pp	7.5%	5.6%	-2.0pp
EBITDA - Operating CAPEX	-1.4	-0.3	78.8%	-1.1	72.7%	-2.7	-1.4	46.8%
Total CAPEX	3.7	3.0	-19.1%	2.4	23.9%	5.5	5.5	-0.8%

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

(3) Operating CAPEX excludes Financial Investments.

Turnover

Turnover increased 14.5% y.o.y., to 69.4 million euros.

Operating costs

Operating costs increased 14.2%, reaching 67.6 million euros, impacted by higher staff costs and higher commercial costs, despite lower other operational costs. Staff costs increased 18.6% driven by the growth in the number of employees. Commercial costs increased 49.3% driven by cost of goods sold, aligned with the higher level of sales, and other operating costs decreased 23.3%, mainly explained by lower levels of outsourcing costs.

EBITDA

EBITDA reached 2.4 million euros, increasing 29.0% y.o.y., and reaching a margin of 3.5%.

EBITDA-operating CAPEX

EBITDA-operating CAPEX stood at negative 1.4 million euros, increasing when compared to 1H16, explained by the higher level of EBITDA and the lower level of CAPEX.



2.3 Media

During 1H17, Público continued to follow its digital strategy reinforcing digital competencies and presence in online platforms. Moreover, the company continued to be recognized by SND (Society for News Design), that had already attributed an Award of Excellence, in the 2016 Best of Digital Design competition. During 1H17, Público was also awarded by “Prémio 5 Estrelas”, in the Social Communication Players category, as one of the preferred brands in Portugal.

Since October 2016, with the new Editorial Direction, the company has been able to implement important initiatives aimed at strengthening Público as the reference Portuguese speaking news organisation: editorial newsletters launch, opinion panel renovation, offline distribution improvement and digital skills reinforcement, while developing three digital media projects funded by Google DNI (Digital News Initiatives) Innovation Funds.

The positive performance of online advertising revenues coupled with online subscriptions growth more than offset offline circulation and advertising decline, having translated into an overall 5.0% revenue growth, when compared to 1H16, bucking the market trend. Recurrent EBITDA, despite negative, increased 27.0%, when compared to the same period last year.

3. Appendix

Consolidated income statement

Million euros

CONSOLIDATED INCOME STATEMENT	2016	2017	Δ 17/16	1017	q.o.q.	1H16	1H17	Δ 17/16
Turnover	37.8	40.3	6.6%	36.1	11.5%	67.6	76.4	13.1%
Service Revenues	24.5	22.9	-6.5%	21.1	8.5%	45.0	44.0	-2.1%
Sales	13.3	17.4	30.8%	15.0	15.7%	22.6	32.4	43.3%
Other Revenues	0.3	0.6	113.9%	0.4	36.6%	0.7	1.0	49.4%
Operating Costs	37.2	39.5	6.3%	36.9	7.0%	67.8	76.4	12.7%
Personnel Costs	11.9	13.8	16.5%	14.4	-3.7%	24.3	28.2	15.7%
Commercial Costs ⁽¹⁾	12.8	16.7	30.4%	14.1	18.7%	21.1	30.8	45.9%
Other Operating Costs ⁽²⁾	12.5	8.9	-28.3%	8.5	5.5%	22.3	17.4	-22.1%
EBITDA	6.3	10.5	67.2%	6.8	55.0%	10.8	17.3	61.1%
Underlying EBITDA ⁽³⁾	0.9	1.4	53.2%	-0.3	-	0.5	1.1	119.3%
Equity method ⁽⁴⁾	5.4	9.1	69.6%	7.1	27.8%	10.3	16.2	58.3%
Underlying EBITDA Margin (%)	2.4%	3.5%	1.1pp	-0.9%	4.4pp	0.7%	1.4%	0.7pp
Depreciation & Amortization	2.2	2.4	12.5%	2.5	-1.5%	4.6	4.9	6.4%
EBIT	4.1	8.1	95.8%	4.3	87.1%	6.1	12.4	102.0%
Net Financial Results	10.9	-0.4	-	0.1	-	-5.0	-0.3	94.7%
Financial Income	11.7	1.5	-87.3%	0.8	80.0%	12.9	2.3	-82.1%
Financial Expenses	0.8	1.8	120.3%	0.7	152.4%	17.9	2.6	-85.6%
EBT	15.0	7.7	-48.4%	4.4	75.0%	1.1	12.2	-
Tax results	0.9	1.5	72.2%	0.3	-	2.0	1.8	-12.4%
Direct Results	15.9	9.2	-41.8%	4.7	97.4%	3.1	13.9	-
Indirect Results ⁽⁵⁾	-	-0.1	-	-0.2	-	-	-0.3	-
Net Income	15.9	9.1	-	4.5	-	3.1	13.6	-
Group Share	15.9	9.1	-42.6%	4.5	103.7%	3.5	13.6	-
Attributable to Non-Controlling Interests	0.0	0.0	-	0.0	-24.9%	-0.4	0.1	-

(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 and the 50% holding in ZOPT;

(5) Includes goodwill related with AVP funds.

Consolidated balance sheet

Million euros

CONSOLIDATED BALANCE SHEET	2016	2017	Δ 17/16	1Q17	q.o.q.	1H16	1H17	Δ 17/16
Total Net Assets	1,058.0	1,097.7	3.8%	1,108.5	-1.0%	1,058.0	1,097.7	3.8%
Non Current Assets	744.0	819.8	10.2%	820.3	-0.1%	744.0	819.8	10.2%
Tangible and Intangible Assets	29.3	28.9	-1.4%	29.6	-2.2%	29.3	28.9	-1.4%
Goodwill	27.2	23.5	-13.8%	23.7	-0.7%	27.2	23.5	-13.8%
Investments	681.1	755.9	11.0%	754.3	0.2%	681.1	755.9	11.0%
Deferred Tax Assets	6.1	8.4	38.2%	9.3	-10.1%	6.1	8.4	38.2%
Others	0.3	3.0	-	3.4	-11.8%	0.3	3.0	-
Current Assets	313.9	277.9	-11.5%	288.2	-3.6%	313.9	277.9	-11.5%
Trade Debtors	46.5	46.0	-1.1%	38.4	20.0%	46.5	46.0	-1.1%
Liquidity	240.7	189.1	-21.4%	211.4	-10.5%	240.7	189.1	-21.4%
Others	26.7	42.8	60.2%	38.5	11.3%	26.7	42.8	60.2%
Shareholders' Funds	987.7	1,021.8	3.5%	1,037.4	-1.5%	987.7	1,021.8	3.5%
Group Share	989.3	1,022.0	3.3%	1,037.5	-1.5%	989.3	1,022.0	3.3%
Non-Controlling Interests	-1.6	-0.2	89.5%	-0.1	-36.4%	-1.6	-0.2	89.5%
Total Liabilities	70.3	75.9	7.9%	71.1	6.7%	70.3	75.9	7.9%
Non Current Liabilities	9.1	17.2	88.3%	18.2	-5.8%	9.1	17.2	88.3%
Bank Loans	4.4	3.2	-26.9%	3.4	-3.9%	4.4	3.2	-26.9%
Provisions for Other Liabilities and Charges	3.1	3.7	20.2%	4.5	-18.2%	3.1	3.7	20.2%
Others	1.7	10.3	-	10.4	-1.1%	1.7	10.3	-
Current Liabilities	61.2	58.7	-4.1%	52.9	11.0%	61.2	58.7	-4.1%
Loans	1.1	1.2	9.9%	1.2	3.6%	1.1	1.2	9.9%
Trade Creditors	26.4	23.1	-12.5%	16.1	43.7%	26.4	23.1	-12.5%
Others	33.7	34.3	2.0%	35.6	-3.5%	33.7	34.3	2.0%
Operating CAPEX ⁽¹⁾	3.0	2.4	-18.7%	2.0	19.5%	4.8	4.5	-7.5%
Operating CAPEX as % of Turnover	7.9%	6.0%	-1.9pp	5.6%	0.4pp	7.2%	5.9%	-1.3pp
Total CAPEX	3.9	3.4	-13.6%	2.7	27.3%	5.8	6.1	5.1%
Underlying EBITDA - Operating CAPEX	-2.1	-1.0	50.8%	-2.4	57.0%	-4.3	-3.4	21.8%
Gross Debt	6.6	5.3	-20.8%	5.5	-3.6%	6.6	5.3	-20.8%
Net Debt	-234.0	-183.8	21.4%	-205.9	10.7%	-234.0	-183.8	21.4%

(1) Operating CAPEX excludes Financial Investments.

Consolidated levered FCF

Million euros

LEVERED FREE CASH FLOW	2016	2017	Δ 17/16	1Q17	q.o.q.	1H16	1H17	Δ 17/16
Underlying EBITDA-Operating CAPEX	-2.1	-1.0	50.8%	-2.4	57.0%	-4.3	-3.4	21.8%
Change in WC	-4.6	-4.8	-5.5%	5.2	-	-3.9	0.4	-
Non Cash Items & Other	-0.1	1.0	-	-1.4	-	-0.1	-0.4	-
Operating Cash Flow	-6.7	-4.8	28.1%	1.4	-	-8.3	-3.4	58.7%
Investments	82.4	-1.9	-	0.0	-	82.4	-1.9	-
Dividends	9.8	9.0	-7.7%	0.0	-	9.8	9.0	-7.7%
Financial results	0.1	-2.1	-	0.1	-	-1.1	-1.9	-72.9%
Income taxes	0.4	1.2	-	0.2	-	0.2	1.4	-
FCF ⁽¹⁾	86.0	1.4	-98.3%	1.7	-14.4%	82.9	3.1	-96.2%

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

4. Sonaecom Individual Results

4.1. Operational data

Sonaecom SGPS's individual results for the semesters ended 30 June 2017 and 2016 are summarised as follows:

Million euros	1H16	1H17	Difference	%
Service Revenues	0.2	0.3	0.1	57%
Operating Costs (1)	0.7	0.9	0.2	20%
EBITDA	(0.5)	(0.6)	(0.1)	-20%
EBIT	(0.5)	(0.6)	(0.1)	-19%
Dividend Received	9.8	9.0	(0.8)	-8%
Net Financial Activity	1.2	0.8	(0.4)	-36%
Other Financial Results	(0.3)	(0.3)	(0.0)	-18%
EBT	10.2	8.9	(1.3)	-13%
Net Income	10.2	8.8	(1.3)	-13%

⁽¹⁾ Excluding depreciation, amortisation and provisions.

On 30 June 2017, Sonaecom SGPS's Board of Directors was composed by 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 0.9 million euros, which compares with 0.7 million euros in 1H16.

EBITDA

EBITDA was negative 0.6 million euros (negative 0.5 million euros in 1H16) and the decrease versus last year was mainly driven by the higher level of operating costs.

Dividends received

During 1H17, Sonaecom received dividends of 9.0 million euros from ZOPT. In 1H16, Sonaecom received 9.8 million euros from NOS (1.8 million euros) and ZOPT (8.0 million euros).

Net financial activity

The net financial activity (interest income less interest expenses) was positive by 0.8 million euros, which compares with 1.2 million euros in 1H16.

Other financial results

Other financial results were negative by 0.3 million euros mainly driven by the 0.2 million of impairments recorded in the financial investments. In 1H16, other financial results, despite the capital gain generated by the sale to ZOPT of the 2.14% direct stake on NOS, were also negative by 0.3 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 3.3 million of impairments recorded in the financial investments, explain the negative performance.

Net income

Net results for the year were positive by 8.8 million euros, mainly driven by the dividends.

4.2. Financial data

The following table summarises the major cash movements during the semester ended at 30 June 2017:

Changes in Sonaecom SGPS Liquidity	Million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2016	210.9
Cash and Bank	83.9
Treasury Applications	127.0
Bank	123.0
Subsidiaries	4.0
Changes in Nominal Gross Debt	-
External Debt	-
Treasury applications from subsidiaries	-
Shareholder Loans and Supplementary capital granted	0.2
Dividend paid	(23.5)
Free Cash Flow	8.5
Interest paid	(0.1)
Interest received	1.0
Dividend received	9.0
Operational Free Cash Flow and others	(1.4)
Sonaecom SGPS stand-alone liquidity as at 30 June 2017	196.0
Cash and Bank	115.6
Treasury Applications	80.4
Bank	70.0
Subsidiaries	10.4

During 1H17, Sonaecom's stand-alone liquidity decreased 14.9 million euros to 196.0 million euros due to the following movements:

- (i) FCF was positive by 8.5 million euros (including dividends of 9.0 million euros from ZOPT);
- (ii) Supplementary capital placed in subsidiaries decreased by 0.3 million euros;

However:

- (iii) Dividend paid amounted to 23.5 million euros;
- (iv) Loans granted to subsidiaries increased 0.1 million euros.



5. Corporate Governance

Sonaecom's detailed annual Corporate Governance Report is an integral part of Sonaecom's 2016 Annual Report and Accounts and is disclosure on the Company's website (www.sonae.com).

The company's website also contains a section on Corporate Governance.

6. Article 447, 448 and Qualified Holdings

Article 447

In accordance with article 447 of the Portuguese Company Law and CMVM Regulation no. 5/2008 shares held by the Board of Directors and Management and respective transactions during the first half 2017:

Board of Directors

	Date	Additions		Reductions		Position at 30.06.2017	Balance at 30 June 2017
		Quantity	Market price €	Quantity	Market Price €		
Ángelo Gabriel Ribeirinho dos Santos Paupério Sonae- SGPS, S.A. ⁽⁶⁾							562,987
Shares attributed under the Medium Term Incentive Plan	31.03.2017	348,739	0.0469				
Enxomil - Consultoria e Gestão, S.A. ^{(10)(a)(b)} Enxomil - Sociedade Imobiliária, SA ^{(11)(a)}						Dominant Dominant	
Maria Cláudia Teixeira de Azevedo Efanor Investimentos, SGPS, S.A. ⁽¹⁾ Linhacom, SGPS, S.A. ⁽⁴⁾ Sonae- SGPS, S.A. ⁽⁶⁾						Minoritary Dominant	377,318
Shares attributed under the Medium Term Incentive Plan	31.03.2017	58,168	0.0469				
António Bernardo Aranha da Gama Lobo Xavier Sonae- SGPS, S.A. ⁽⁶⁾							-

a) Includes shares held indirectly.

b) Formerly know as Enxomil, SGPS, SA.

Management

	Date	Additions		Reductions		Balance at 30 June 2017
		Quantity	Market price €	Quantity	Market price €	
David Graham Shenton Bain Sonae- SGPS, S.A. ⁽⁶⁾						20,000
Rui José Gonçalves Paiva Sonae- SGPS, S.A. ⁽⁶⁾						235,859
Shares attributed under the company's remuneration policy	27.04.2017	65,933	0.0926			
Carlos Alberto Rodrigues Silva Sonae- SGPS, S.A. ⁽⁶⁾						118,627
Shares attributed under the Medium Term Incentive Plan	27.04.2017	26,805	0.0926			
Fernando José Lobo Pimentel Macareno Videira Sonae- SGPS, S.A. ⁽⁶⁾						120,787
Shares attributed under the company's remuneration policy	27.04.2017	26,703	0.0926			
Ana Cristina Dinis da Silva Fanha Vicente Soares Sonae- SGPS, S.A. ⁽⁶⁾						41,697

Notes

	Date	Additions		Reductions		Position at 30.06.2017	Balance at 30 June 2017
		Quantity	Market price	Quantity	Market price		Quantity
(1) Efanor Investimentos, SGPS, S.A. Sonae - SGPS, S.A. ⁽⁶⁾ Pareuro, BV ⁽²⁾						Dominant	200,100,000
(2) Pareuro, BV Sonae - SGPS, S.A. ⁽⁶⁾							849,533,095
(3) Migracom, SGPS, S.A. Imparfin - Investimentos e Participações Financeiras, S.A. ⁽⁵⁾ Sonae - SGPS, S.A. ⁽⁶⁾	03.04.2017	410,002	0.938			Minority	2,874,339
(4) Linhacom, SGPS, S.A. Imparfin - Investimentos e Participações Financeiras, S.A. ⁽⁵⁾ Sonae - SGPS, S.A. ⁽⁶⁾						Minority	439,314
(5) Imparfin - Investimentos e Participações Financeiras, S.A. Sonae - SGPS, S.A. ⁽⁶⁾							4,105,280
(6) Sonae - SGPS, S.A. Sonaecom, SGPS, S.A. ⁽⁹⁾ Sonae Investments BV ⁽⁷⁾ Sontel BV ⁽⁸⁾						Dominant Dominant Dominant	
(7) Sonae Investments BV Sontel BV ⁽⁸⁾						Dominant	
(8) Sontel BV Sonaecom, SGPS, S.A. ⁽⁹⁾						Dominant	
(9) Sonaecom, SGPS, S.A.							5,571,014
(10) Enxomil - Consultoria e Gestão, S.A. (a) Sonae - SGPS, S.A. ⁽⁶⁾							2,021,855
(11) Enxomil - Sociedade Imobiliária, SA Sonae - SGPS, S.A. ⁽⁶⁾							450,000

a) Formerly know as Enxomil, SGPS, SA.

Article 448

In accordance with article 448 of the Portuguese Company Law:

	Number of shares as of 30 June 2017
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 holdings

In compliance with sub-paragraph b), number 1, of the article 8 of the CMMV Regulation no. 06/2008, we declare the qualifying holdings at 30 June 2017:

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

(1) 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.

* 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

7. Declaration for the purpose of Article 246 of CVM (Portuguese Security 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 progress of the business 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

António Bernardo Aranha da Gama Lobo Xavier

8. Financial Information

8.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

For the periods ended at 30 June 2017 and 2016 and for the year ended at 31 December 2016.

(Amounts expressed in Euro)	Notes	June 2017 (not audited)	June 2016 (not audited)	December 2016
Assets				
Non-current assets				
Tangible assets	1.c, 1.h and 5	3,252,097	3,221,308	3,289,758
Intangible assets	1.d, 1.e, 1.x and 6	25,658,627	26,114,152	26,793,457
Goodwill	1.f, 1.x and 7	23,479,884	27,236,464	23,683,622
Investments in associated companies and companies jointly controlled	1.b and 8	754,012,326	680,991,991	746,061,735
Investments available for sale	1.g, 4 and 10	1,593,780	90,779	539,614
Other non-current assets	1.g, 1.r, 1.y, 4 and 23	3,366,576	290,280	3,123,287
Deferred tax assets	1.p, 1.t and 11	8,396,368	6,077,639	9,314,972
Total non-current assets		819,759,658	744,022,613	812,806,445
Current assets				
Inventories	1.i	343,303	253,915	285,311
Trade debtors	1.g, 1.j, 4 and 23	46,026,786	46,549,291	47,143,492
Other current debtors	1.g, 1.j, 4 and 23	25,086,755	9,570,266	20,632,559
Income tax receivable	1.p, 4	3,014,606	1,796,848	3,055,627
Other current assets	1.g, 1.r, 1.x, 4 and 23	14,369,693	13,524,184	10,281,066
Cash and cash equivalents	1.g, 1.k, 4 and 12	189,101,914	240,677,863	210,256,338
Total current assets		277,943,057	312,372,367	291,654,393
Total assets		1,097,702,715	1,056,394,980	1,104,460,838
Shareholders' funds and liabilities				
Shareholders' funds				
Share capital	13	230,391,627	230,391,627	230,391,627
Own shares	1.v and 14	(7,686,952)	(7,686,952)	(7,686,952)
Reserves	1.u	785,724,738	763,073,105	762,449,012
Consolidated net income/(loss) for the period		13,583,210	3,474,156	48,131,541
		1,022,012,623	989,251,936	1,033,285,228
Non-controlling interests		(166,934)	(1,595,868)	(155,054)
Total Shareholders' funds		1,021,845,689	987,656,068	1,033,130,174
Liabilities				
Non-current liabilities				
Non-current loans net of current position	1.g, 1.l, 1.m, 1.q, 4 and 15a	3,229,349	4,418,011	3,756,781
Other non-current financial liabilities	1.h, 4 and 16	323,609	607,911	509,530
Provisions for other liabilities and charges	1.o, 1.t and 17	3,666,700	3,064,506	4,919,669
Deferred tax liabilities	1.p, 1.t and 11	8,263,418	15,163	8,263,418
Other non-current liabilities	1.g, 1.r, 1.y, 4, 23 and 27	1,691,014	1,028,547	2,282,297
Total non-current liabilities		17,174,090	9,134,138	19,731,695
Current liabilities				
Current loans and other loans	1.g, 1.l, 1.m, 1.q, 4 and 15b	1,238,660	1,126,295	1,241,107
Trade creditors	1.g, 4, and 23	23,096,604	26,393,387	15,615,754
Other current financial liabilities	1.g, 1.h, 4 and 18	464,499	483,296	519,787
Other creditors	1.g, 4 and 22	5,647,182	5,081,898	4,533,307
Income tax payable	1.p, 4	105,623	273,310	170,502
Other current liabilities	1.g, 1.q, 1.r, 1.y, 4, 23 and 27	28,130,368	26,246,588	29,518,512
Total current liabilities		58,682,936	59,604,774	51,598,969
Total Shareholders' funds and liabilities		1,097,702,715	1,056,394,980	1,104,460,838

The notes are an integral part of the consolidated financial statements at 30 June 2017.

The Chief Accountant

Ricardo André Fraga Costa

The Board of Director

Ángelo Gabriel Ribeirinho Paupério

António Bernardo Aranha da Gama Lobo Xavier

Maria Cláudia Teixeira de Azevedo

Consolidated profit and loss account by nature

For the periods ended at 30 June 2017 and 2016 and for the year ended at 31 December 2016.

(Amounts expressed in Euro)	Notes	June 2017 (not audited)	April to June 2017 (not audited)	June 2016 (not audited)	April to June 2016 (not audited)	December 2016
Sales	1s and 23	32,420,033	17,390,999	22,618,156	13,295,731	40,039,841
Services rendered	1s and 23	44,002,802	22,901,491	44,967,768	24,501,933	90,492,931
Other operating revenues	1q, and 23	1,040,919	600,971	696,665	300,383	1,511,994
		77,463,754	40,893,461	68,282,589	38,098,047	132,044,766
Cost of sales	1i,	(28,644,006)	(15,519,262)	(18,975,208)	(11,479,027)	(32,429,804)
External supplies and services	1h, 19 and 23	(19,066,715)	(9,764,801)	(24,061,333)	(13,560,466)	(45,560,452)
Staff expenses	1y and 27	(28,174,213)	(13,821,421)	(24,346,614)	(11,867,097)	(51,547,363)
Depreciation and amortisation	1.c, 1.d, 1.f, 5, 6 and 7	(4,896,044)	(2,429,732)	(4,601,328)	(2,160,438)	(15,463,247)
Provisions and impairment losses	1j, 1.o, 1.x and 17	(286,742)	(283,072)	(129,372)	(58,510)	(886,873)
Other operating costs		(215,776)	(89,908)	(279,538)	(190,331)	(817,034)
		(81,283,496)	(41,908,196)	(72,393,393)	(39,315,869)	(146,704,773)
Gains and losses in associated companies and companies jointly controlled	1b, 8 and 21	15,972,733	9,013,145	10,260,286	5,372,683	53,850,309
Gains and losses on financial assets at fair value through profit or loss	1g, 9 and 21	-	-	(4,593,568)	10,706,472	(4,554,534)
Other financial expenses	1h, 1.m, 1.w, 1.x, and 20	(2,574,956)	(1,844,256)	(2,185,589)	(437,983)	(4,487,309)
Other financial income	1.w and 20	2,307,550	1,483,318	1,737,167	565,944	3,734,563
Current income / (loss)		11,885,585	7,637,472	1,107,492	14,989,294	33,883,022
Income taxation	1p, 11 and 22	1,758,552	1,499,429	2,007,852	870,928	13,894,133
Consolidated net income/(loss) for the period		13,644,137	9,136,901	3,115,344	15,860,222	47,777,155
Attributed to:						
Shareholders of parent company	26	13,583,210	9,110,774	3,474,156	15,861,040	48,131,541
Non-controlling interests		60,927	26,127	(358,812)	(818)	(354,386)
Earnings per share	26					
Basic		0.04	0.03	0.01	0.05	0.16
Diluted		0.04	0.03	0.01	0.05	0.16

The notes are an integral part of the consolidated financial statements at 30 June 2017.

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 periods ended at 30 June 2017 and 2016 and for the year ended at 31 December 2016.

(Amounts expressed in Euro)	Notes	June 2017 (not audited)	April to June 2017 (not audited)	June 2016 (not audited)	April to June 2016 (not audited)	December 2016
Consolidated net income / (loss) for the period		13,644,137	9,136,901	3,115,344	15,860,222	47,777,155
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	268,856	326,368	(11,706,537)	(554,486)	(11,615,452)
Changes in currency translation reserve and other	1.v	(1,796,273)	(1,437,367)	164,755	603,492	1,046,814
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	185,393	13,428	(11,437,231)	(10,138,471)	(11,436,702)
Consolidated comprehensive income for the period		12,302,113	8,039,330	(19,863,668)	5,770,758	25,771,815
Attributed to:						
Shareholders of parent company		12,241,186	8,013,203	(19,504,856)	5,771,576	26,126,201
Non-controlling interests		60,927	26,127	(358,812)	(818)	(354,386)

The notes are an integral part of the consolidated financial statements at 30 June 2017.

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 periods ended at 30 June 2017 and 2016 and for the year ended at 31 December 2016.

(Amounts expressed in Euro)			Reserves							
	Share capital	Own shares (note 14)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non- controlling interests	Net income / (loss)	Total
2017										
Balance at 31 December 2016	230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	(35,691,494)	762,449,012	(155,054)	48,131,541	1,033,130,174
Appropriation of the consolidated net result of 2016	-	-	-	1,750,185	-	46,381,356	48,131,541	-	(48,131,541)	-
Transfers to other reserves	-	-	-	-	-	(23,544,215)	(23,544,215)	(79,680)	-	(23,623,895)
Dividend Distribution	-	-	-	-	-	(1,342,024)	(1,342,024)	60,927	13,583,210	12,302,113
Consolidated comprehensive income for the period ended at 30 June 2017	-	-	-	-	-	-	-	37,297	-	37,297
Other changes	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2017	230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	(14,196,377)	785,694,314	(136,510)	13,583,210	1,021,845,689
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	-	-	-	1,719,453	-	32,890,589	34,610,042	-	(34,610,042)	-
Transfers to other reserves	-	-	-	-	-	(17,734,603)	(17,734,603)	(29,740)	-	(17,764,343)
Dividend Distribution	-	-	-	-	-	(432,626)	(432,626)	474,159	-	41,533
Percentage change in subsidiaries	-	-	-	-	-	(22,979,012)	(22,979,012)	(358,812)	3,474,156	(19,863,668)
Consolidated comprehensive income for the period ended at 30 June 2016	-	-	-	-	-	-	-	24,972	-	24,972
Other changes	-	-	-	-	-	-	-	-	-	-
Balance at 30 June 2016	230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	(35,067,401)	763,073,105	(1,595,868)	3,474,156	987,656,068

The notes are an integral part of the consolidated financial statements at 30 June 2017.

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 periods ended at 30 June 2017 and 2016.

(Amounts expressed in Euro)	Notes	June 2017	June 2016
Operating activities			
Receipts from trade debtors		72,040,407	61,519,738
Payments to trade creditors		(40,900,134)	(37,495,288)
Payments to employees		(31,733,773)	(31,973,405)
Cash flows generated by operations		(593,500)	(7,948,955)
Payments / receipts relating to income taxes		(1,044,677)	(537,649)
Other receipts / payments relating to operating activities		(1,463,918)	133,681
Cash flows from operating activities (1)		(3,102,095)	(8,352,923)
Investing activities			
Receipts from:			
Financial investments		-	721
Tangible assets		13,844	80,972
Intangible assets		351,398	34,216
Dividends		9,012,143	9,762,005
Interest and similar income		592,947	719,227
Disposals of investments at fair value	8	-	82,840,847
Payments for:			
Financial investments		(1,687,162)	(346,128)
Tangible assets		(903,033)	(523,271)
Intangible assets		(246,971)	(1,380,434)
Variation in loans granted		(239,999)	-
Cash flows from investing activities (2)		6,893,167	91,188,155
Financing activities			
Receipts from:			
Capital increases, supplementary capital and share premium		-	59
Loans obtained		-	92,068
Payments for:			
Leasing		(291,998)	(255,278)
Interest and similar expenses		(361,814)	(195,871)
Dividends	35	(23,623,895)	(17,734,603)
Variation Loans obtained		-	(378,658)
Loans obtained		(586,446)	(4,968,848)
Cash flows from financing activities (3)		(24,864,153)	(23,441,131)
Net cash flows (4)=(1)+(2)+(3)		(21,073,081)	59,394,101
Effect of the foreign exchanges			
Cash and cash equivalents at the beginning of the period	12	210,255,686	181,087,977
Cash and cash equivalents at the end of the period	12	189,101,604	240,571,577

The notes are an integral part of the consolidated financial statements at 30 June 2017.

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 periods ended at 30 June 2017 and 2016 and for the year ended at 31 December 2016.

1. Description of non-monetary financing activities

	Notes	June 2017	June 2016
a) Bank credit obtained and not used	15	1,000,000	1,000,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

2. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2017				
Multimedia	(234,132)	(192,185)	(13,235)	(439,552)
Information Systems	(265,379)	(2,367,489)	(1,059,854)	(3,692,722)
Holding	(2,602,584)	9,452,841	(23,791,064)	(16,940,807)
	(3,102,095)	6,893,167	(24,864,153)	(21,073,081)

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2016				
Multimedia	(2,892,682)	(202,633)	(15,927)	(3,111,242)
Information Systems	(2,350,720)	(1,795,229)	(5,548,469)	(9,694,418)
Holding	(3,109,521)	93,186,017	(17,876,735)	72,199,761
	(8,352,923)	91,188,155	(23,441,131)	59,394,101

The notes are an integral part of the consolidated financial statements at 30 June 2017.

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

8.2. 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 O93X – 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 13).

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 and taking into consideration the IAS 34 – Interim Financial Reporting. 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, 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)	1-Jan-18
IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	
IFRS 9 Financial instruments	1-Jan-18
This standard introduces new requirements for classifying and measuring financial assets.	

The Group has not yet implemented any of these standards in the financial statements for the period ended on 30 June 2017.

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)
Amendments to IFRS 15 (Revenue from Contracts with Customers)	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.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
Amendments to IAS 7 - Disclosure Initiative	1-Jan-17
Amendments to AS 7 - Disclosure Initiative intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities.	
Amendments to 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	
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.	
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.	
IFRS 17 Insurance Contracts	1-jan-21
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.	
IFRIC 23 Uncertainty over Income Tax Treatments	1-jan-21
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the period ended on 30 June 2017. 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 30 June 2017 are comparable with those used in the preparation of 30 June 2016 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
Fixtures and fittings	1 - 10
Tools and utensils	4 - 5

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.

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	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 30 June 2017 the Group did not hold any 'Held-to-maturity investment'.

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

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

- (i) are designated as available for sale at the time of their initial recognition; or
- (ii) do not fit into the other categories of financial assets 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 30 June 2017, the Group had foreign exchange forwards in amount to USD 1,175,000 (USD 1,498,000 on 30 June 2016), fixing the exchange rate for EUR, which have an average maturity of 2 months (2 months on 30 June 2016).

o) Provisions and contingencies

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

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

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

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

p) Income tax

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

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

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, S21 Sec Portugal 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 percentage 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 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 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 30 June 2017, Sonaecom have free reserves distributable amounting approximately Euro 52.1 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the period ended 30 June 2017.

Other reserves

This caption includes retained earnings from previous years, that are available for distribution since they are not required to cover losses of the years or prior 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:

	2017		2016	
	30 June	Average	30 June	Average
Pounds Sterling	1.1372	1.1625	1.2099	1.2844
Brazilian Real	0.2660	0.2913	0.2786	0.2428
American Dollar	0.8763	0.9244	0.9007	0.8964
Polish Zloti	0.2366	0.2343	0.2254	0.2290
Australian Dollar	0.6734	0.6973	0.6698	0.6577
Mexican Peso	0.0486	0.0476	0.0485	0.0496
Egyptian Pound	0.0483	0.0516	0.1018	0.0998
Malaysian Ringgit	0.2041	0.2105	0.2257	0.2188
Swiss Franc	0.9149	0.9292	0.9202	0.9126
South African Rand	0.0670	0.6995	0.0608	0.0582
Canadian Dollar	0.6764	0.6932	0.6952	0.6741
Turkish Lira	0.2492	0.2540	0.3119	0.3070
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 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 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 Sonaecom 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 30 June 2017, the plans allocated during the years 2015, 2016 and 2017 are not covered by the contract being recorded liability at fair value. The responsibility of all plans is recorded in the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognized on the income statement under the caption 'Staff expenses'.

z) Subsequent events

Events occurring after the date of the balance sheet which provide additional information about conditions prevailing at the time of the balance sheet (adjusting events) are reflected in the consolidated financial statements. Events occurring after the balance sheet date that provide information on 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 periods ended on 30 June 2017 and 2016 are as follows:

- (i) Useful lives of tangible and intangible assets (note 1c and 1d);
- (ii) Impairment analysis of goodwill, investments in associated companies and companies jointly controlled and of other tangible and intangible assets (note 7);
- (iii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities; and
- (iv) Recoverability of deferred tax assets (note 11);
- (v) Valuation at fair value of assets, liabilities and contingent 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.

ab) Financial risk management

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

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

Market risk

a) Foreign exchange risk

The Group operates internationally, having subsidiaries that operate in countries with a different currency than Euro namely Brazil, United Kingdom, 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.

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 15) 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 30 June 2017, 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 15.

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 monitored by Sonaecom.

In 2017, Sonaecom reported an average gearing (accounting) of 19.3%. The average gearing in market values in 2017 was negative in 24.2%.

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 30 June 2017 and 2016, are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2017		2016	
				Direct	Effective*	Direct	Effective*
Parent company							
SONAECON, S.G.P.S., S.A. ('Sonaecom')	Maia	Management of shareholdings.	-	-	-	-	-
Subsidiaries							
Bright Development Studio, S.A. (Bright)	Lisbon	Research, development and commercialization of projects and service solutions in the area of information technology, communications and retail, and consulting activities for business and management.	Sonae IM	100%	100%	100%	100%
Bright Ventures Capital, SCR, S.A.(b)	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. (d)	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%	-	-
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. ('S21Sec Portugal')(c)	Maia	Commercialization of products and management services, implementation and consulting in information systems and technologies areas.	S21Sec Gestion	100%	100%	-	-
			Sonaecom CSI	-	-	100%	100%
S21Sec Brasil, Ltda ('S21Sec 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.	S21Sec Gestion	99.99%	100%	99.99%	100%
S21Sec Ciberseguridad S.A. de CV (g)	Mexico City	Computer consulting services	S21Sec Gestion S21Sec México	Merged into S21Sec, S.A. de CV		50% 50%	100%
S21Sec Gestion, S.A. ('S21Sec Gestion')	Guipuzcoa	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	Sonaecom CSI	100%	100%	100%	100%
S21Sec Information Security Labs, S.L. ('S21Sec Labs')	Navarra	Research, development and innovation, as well as consulting, maintenance and audit for products, systems, facilities and communication and security services.	S21Sec Gestion	100%	100%	100%	100%
S21Sec México, S.A. de CV ('S21Sec México')(h)	Mexico City	Computer consulting services	S21Sec Gestion	Merged into S21Sec, S.A. de CV		99.87%	100%
S21Sec, S.A. de CV ('S21Sec, S.A. de CV')	Mexico City	Computer consulting services	S21Sec Gestion	99.99%	100%	99.99%	100%
Saphety Level - Trusted Services, S.A. ('Saphety')	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonae IM	86.995%	86.995%	86.995%	86.995%
Saphety Brasil Transações Eletrônicas Ltda. ('Saphety Brasil')	São Paulo	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	99.8%	86.821%	99.8%	86.821%

*Sonaecom effective participation



Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2017		2016	
				Direct	Effective*	Direct	Effective*
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%
Sysvalue - Consultoria, Integração e Segurança em Sistemas de Informação, S.A. ('Sysvalue') (a)	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')	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	100%	100%	100%	100%
Sonaecom - Sistemas de Información Española, S.L. ('SSI Espanã') (f)	Madrid	Rendering of consultancy services in the area of information systems.	Sonae IM	-	-	100%	100%
			We Do	100%	100%	-	-
Sonaecom BV (e)	Amsterdam	Management of shareholdings.	Sonaecom	Liquidated		100%	100%
Sonaetelecom BV (e)	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 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	90%	100%	-	-
			We Do	10%	-	-	-
			We Do BV	-	-	90%	100%
			Sonaecom BV	-	-	5%	-
			Sonaetelecom BV	-	-	5%	-
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 RL. ('We Do Mexico')	Mexico City	Rendering of consultancy services in the area of information systems.	We DO	0.001%	100%	-	-
			We Do BV	99.999%	-	-	-
			Sonaecom BV	-	-	0.001%	-
			We Do BV	-	-	99.999%	100%

* Sonaecom effective participation

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

(b) Company established in July 2016

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

(d) Company acquired in July 2016

(e) Company liquidated in December 2016

(f) In June 2017 the participation held by Sonae Investment Management - Software and Technology, SGPS, S.A. was sold to We Do Consulting - Sistemas de Informação, S.A.

(g) Companies merged in S21 Sec, S.A. De CV in April 2017

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 periods ended on 30 June 2017 and 2016, the following changes occurred in the composition of the Group:

a) Dissolutions

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

b) Acquisitions

Shareholder	Subsidiary	Date	% Direct Participation	% Effective Participation
2016				
S21 Sec Portugal*	Sysvalue	Apr-16	100%	100%

* This company changed its name from Itrust- CyberSecurity Intelligence, S.A. to S21Sec Portugal Cybersecurity Services, S.A. in 2016.

c) Mergers

In April 2017 occurred the merger of companies S21Sec Ciberseguridad S.A. de CV and S21Sec México, S.A. de CV in S21Sec, S.A. de CV.

4. Breakdown of financial instruments

On 30 June 2017 and 2016, the breakdown of financial instruments was as follows:

						2017
	Loans and receivables	Investments available for sale	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets						
Investments available for sale (note 10)	-	1,593,780	-	1,593,780	-	1,593,780
Other non-current assets	3,366,576	-	-	3,366,576	-	3,366,576
	3,366,576	1,593,780	-	4,960,356	-	4,960,356
Current assets						
Trade debtors	46,026,786	-	-	46,026,786	-	46,026,786
Other current debtors	23,940,401	-	-	23,940,401	1,146,354	25,086,755
Income tax receivable	-	-	-	-	3,014,606	3,014,606
Other current assets	-	-	11,413,803	11,413,803	2,955,890	14,369,693
Cash and cash equivalents (note 12)	189,101,914	-	-	189,101,914	-	189,101,914
	259,069,101	-	11,413,803	270,482,904	7,116,850	277,599,754



						2016
	Loans and receivables	Investments available for sale	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets						
Investments available for sale (note 10)	-	90,779	-	90,779	-	90,779
Other non-current assets	290,280	-	-	290,280	-	290,280
	290,280	90,779	-	381,059	-	381,059
Current assets						
Trade debtors	46,549,291	-	-	46,549,291	-	46,549,291
Other current debtors	8,595,091	-	-	8,595,091	975,175	9,570,266
Income tax receivable	-	-	-	-	1,796,848	1,796,848
Other current assets	-	-	10,610,054	10,610,054	2,914,130	13,524,184
Cash and cash equivalents (note 12)	240,677,863	-	-	240,677,863	-	240,677,863
	295,822,245	-	10,610,054	306,432,299	5,686,153	312,118,452

						2017
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IAS 39	Total	
Non-current liabilities						
Non-current loans net of short term position (note 15)	3,229,349	-	3,229,349	-	3,229,349	
Other non-current financial liabilities (note 16)	-	323,609	323,609	-	323,609	
Other non-current liabilities	-	823,821	823,821	867,193	1,691,014	
	3,229,349	1,147,430	4,376,779	867,193	5,243,972	
Current liabilities						
Current loans and other loans (note 15)	1,238,660	-	1,238,660	-	1,238,660	
Trade creditors	-	23,096,604	23,096,604	-	23,096,604	
Other current financial liabilities (note 18)	-	464,499	464,499	-	464,499	
Other creditors	-	966,942	966,942	4,680,240	5,647,182	
Income tax payable	-	-	-	105,623	105,623	
Other current liabilities	-	15,912,564	15,912,564	12,217,804	28,130,368	
	1,238,660	40,440,609	41,679,269	17,003,667	58,682,936	

						2016
	Liabilities recorded at amortised cost	Other financial liabilities	Subtotal	Others not covered by IAS 39	Total	
Non-current liabilities						
Non-current loans net of short term position (note 15)	4,418,011	-	4,418,011	-	4,418,011	
Other non-current financial liabilities (note 16)	-	607,911	607,911	-	607,911	
Other non-current liabilities	-	465,181	465,181	563,366	1,028,547	
	4,418,011	1,073,092	5,491,103	563,366	6,054,469	
Current liabilities						
Current loans and other loans (note 15)	1,126,295	-	1,126,295	-	1,126,295	
Trade creditors	-	26,393,387	26,393,387	-	26,393,387	
Other current financial liabilities (note 18)	-	483,296	483,296	-	483,296	
Other creditors	-	613,263	613,263	4,468,635	5,081,898	
Income tax payable	-	-	-	273,310	273,310	
Other current liabilities	-	15,348,994	15,348,994	10,897,594	26,246,588	
	1,126,295	42,838,940	43,965,235	15,639,539	59,604,774	

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/liabilities 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 periods ended on 30 June 2017 and 2016 was as follows:

							2017
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2016	4,059,411	10,054,035	72,116	9,705,401	447,759	68,388	24,407,110
Additions	170,513	53,705	-	177,216	5,469	118,213	525,116
Disposals	-	-	(39,669)	(14,406)	-	-	(54,075)
Transfers and write-offs	(3,976)	34,496	-	(102,321)	(63)	(166,592)	(238,456)
Balance at 30 June 2017	4,225,948	10,142,236	32,447	9,765,890	453,165	20,009	24,639,695
Accumulated depreciation and impairment losses							
Balance at 31 December 2016	2,438,690	9,777,774	57,453	8,476,182	367,253	-	21,117,352
Depreciation for the period	116,622	69,623	5,301	324,243	3,108	-	518,897
Disposals	-	-	(30,766)	(12,724)	-	-	(43,490)
Transfers and write-offs	(30,640)	(9,464)	-	(165,001)	(56)	-	(205,161)
Balance at 30 June 2017	2,524,672	9,837,933	31,988	8,622,700	370,305	-	21,387,598
Net value	1,701,276	304,303	459	1,143,190	82,860	20,009	3,252,097

							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	-	144,506	-	17,958	783	-	163,247
Additions	7,087	9,171	-	213,252	6,199	588,832	824,541
Disposals	-	(24,947)	-	(7,664)	-	-	(32,611)
Transfers and write-offs	366,797	45,782	-	250,136	1,281	(593,918)	70,078
Balance at 30 June 2016	3,792,794	9,930,523	72,116	9,476,527	430,810	13,132	23,715,902
Accumulated depreciation and impairment losses							
Balance at 31 December 2015	2,174,077	9,507,187	44,306	7,716,040	411,257	-	19,852,867
New companies	-	144,506	-	15,024	234	-	159,764
Depreciation for the period	90,914	54,045	6,573	266,406	5,177	-	423,115
Disposals	-	(11,781)	-	(3,676)	-	-	(15,457)
Transfers and write-offs	44,898	(584)	-	29,944	47	-	74,305
Balance at 30 June 2016	2,309,889	9,693,373	50,879	8,023,738	416,715	-	20,494,594
Net value	1,482,905	237,150	21,237	1,452,789	14,095	13,132	3,221,308

Depreciation and amortization for the period ended on 30 June 2017 and 2016 can be detailed as follows:

	2017	2016
	Total	Total
Tangible assets	518,897	423,115
Intangible assets (note 6)	4,377,147	3,843,556
Goodwill (note 7)	-	334,657
	4,896,044	4,601,328

The acquisition cost of 'Tangible assets' and 'Intangible assets' held by the Group under finance lease contracts, amounted to Euro 2,465,074 and Euro 2,246,693 as of 30 June 2017 and 2016, and their net book value as of those dates amounted to Euro 828,290 and Euro 1,099,631 respectively.

On 30 June 2017 and 2016, 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 30 June 2017 and 2016 were made up as follows:

	2017	2016
Information systems / IT equipment	18,009	1,715
Other projects in progress	2,000	11,417
	20,009	13,132

During the periods ended on 30 June 2017 and 2016, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

In the periods ended on 30 June 2017 and 2016, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

				2017
	Brands and patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2016	12,172,469	82,785,488	4,224,640	99,182,597
Additions	10,010	159,456	3,782,175	3,951,641
Disposals	-	(9,577)	(341,821)	(351,398)
Transfers and write-offs	(495,739)	2,331,007	(3,152,534)	(1,317,266)
Balance at 30 June 2017	11,686,740	85,266,374	4,512,460	101,465,574
Accumulated amortisation and impairment losses				
Balance at 31 December 2016	11,413,562	60,975,578	-	72,389,140
Amortisation an impairment for the period (note 5)	206,521	4,170,626	-	4,377,147
Disposals	-	-	-	-
Transfers and write-offs	(451,019)	(508,321)	-	(959,340)
Balance at 30 June 2017	11,169,064	64,637,883	-	75,806,947
Net value	517,676	20,628,491	4,512,460	25,658,627



				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	-	24,139	-	24,139
Additions	26,899	669,468	3,318,034	4,014,401
Disposals	-	(41,067)	-	(41,067)
Transfers and write-offs	(101,221)	1,648,385	(1,449,439)	97,725
Balance at 30 June 2016	11,555,900	71,781,747	8,623,778	91,961,425
Accumulated amortisation and impairment losses				
Balance at 31 December 2015	10,797,665	51,019,958	-	61,817,623
New companies	-	24,084	-	24,084
Amortisation for the period	188,990	3,654,566	-	3,843,556
Disposals	-	(3,315)	-	(3,315)
Transfers and write-offs	(85,683)	251,008	-	165,325
Balance at 30 June 2016	10,900,972	54,946,301	-	65,847,273
Net value	654,928	16,835,446	8,623,778	26,114,152

On 30 June 2017, the additions related with intangible assets in progress include about Euro 3 million of capitalizations of personnel costs related to own work (about Euro 3.1 million on 30 June 2016), mainly related to RAID, Net Clarus, SaphetySync and financed projects P24 and Smartseg.

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.

On 30 June 2017, it was understood that the assumptions made in the impairment tests carried out in the year ended on 31 December 2016 did not have material variations, therefore, there are no additional impairments.

7. Goodwill

For the periods ended on 30 June 2017 and 2016, the movements occurred in Goodwill were as follows:

	2017	2016
Opening balance	23,683,622	26,893,310
Acquisition of Sysvalue	-	905,990
Other movements of the period	(203,738)	(228,179)
Impairment losses (note 5)	-	(334,657)
Closing balance	23,479,884	27,236,464

For the periods ended on 30 June 2017 and 2016, the caption 'Other movements of the year' includes the effect of the exchange rate update of the Goodwill.

Sysvalue and Inovretail

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

This merger had no impact on the consolidated accounts of Sonaecom in the period ended 30 June, 2017.

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.

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, and so that, was recorded as Goodwill the amount of Euro 742,092 for Sysvalue and 1,165,722 for Inovretail. This Goodwill is related to a number of different elements, which cannot be individually quantified and isolated in a viable way and include, for example, synergies, qualified workforce, technical skills and market power.

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

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

In the period ended on 30 June 2017, no changes were identified in the allocation of the purchase price of Sysvalue and Inovretail to the allocation assigned in the year ended 31 December, 2016. However, related to 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 contribution of Inovretail to the consolidated net income attributed to Sonaecom's Shareholders, in the period ended on 30 June 2017, was negative in Euro 256,733. For Sysvalue it was not possible to calculate the contribution in the period ended on 30 June 2017, because in August 2016 the company was merged into S21 Sec Portugal, being presented its contribution in the period prior to the merger. The detail of the referred contribution is as follows:

	Sysvalue	Inovretail
(Amounts expressed in Euro)	Contribution at 31 July 2016 (*)	Contribution at 30 June 2017
Total Revenues	381,387	527,532
Costs and losses		
Cost of sales	(157,559)	(39,037)
External supplies and services	(51,312)	(214,687)
Staff expenses	(188,297)	(414,932)
Depreciations and amortisations	(225)	(81,611)
Provisions	-	(25,369)
Other operating costs	(676)	(2,640)
	(16,682)	(250,744)
Financial results	(1,458)	(259)
Income tax	(81)	(5,731)
Net income for the year before non-controlling interests	(18,221)	(256,733)
Net income attributed to non-controlling interests	-	-
Net income attributed to shareholders of parent company	(18,221)	(256,733)

(*) 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 30 June 2017, 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 30 June 2017
Assets		
Tangible assets	3,436	13,242
Intangible assets	28	637,570
Other non-current assets	9	4,023
Trade debtors	320,144	228,300
Other current debtors	27,583	78,024
Cash and cash equivalents	14,441	8,555
Other assets	257,082	123,836
Total assets	622,723	1,093,550
Liabilities		
Non-current liabilities	-	-
Current liabilities	445,158	478,984
Total liabilities	445,158	478,984
Net assets	177,565	614,566

(*) 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.

On 30 June 2017 and 2016, Goodwill was made up as follows:

	Information Systems	Multimedia
2017		
Goodwill	23,479,884	-
2016		
Goodwill	23,706,464	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 30 June 2017 and 2016, 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.

On 30 June 2017, it was understood that the assumptions made in the impairment tests carried out in the year ended on 31 December 2016 did not have material variations, therefore, there are no 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 30 June 2017 and 2016, are as follows:

Head Office	Percentage of ownership				Value in profit and loss statement		
	30 June 2017		30 June 2016		30 June 2017	30 June 2016	
	Direct	Total	Direct	Total			
ZOPT (a)	Oporto	50.00%	50.00%	50.00%	50.00%	16,240,000	10,214,490
Unipress – Centro Gráfico, L.da. ('Unipress')	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%	1,189	49,796
Sociedade Independente de Radiodifusão Sonora, S.A. ('S.I.R.S.' – using the brand name 'Rádio Nova')(e)	Oporto	50.00%	50.00%	45.00%	45.00%	1,121	(3,760)
Intelligent Big Data, S.L. ('Big Data')(b)	Gipuzcoa	50.00%	50.00%	50.00%	50.00%	72	(240)
Armilar Venture Partners - Sociedade de Capital de Risco, SA ('Armilar')(c)	Lisboa	35.00%	35.00%	-	-	-	-
Capital Fund Armilar Venture Partners II ('Armilar II')(c)	Lisboa	50.21%	50.20%	-	-	(277,105)	-
Capital Fund Armilar Venture Partners III ('Armilar III')(c)(d)	Lisboa	42.40%	42.40%	-	-	(324,344)	-
Capital Fund Espírito Santo Ventures Inovação e Internacionalização ('ESVIINT')(c)	Lisboa	37.54%	37.54%	-	-	331,800	-
Total (note 21)						15,972,733	10,260,286

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

(b) Company directly owned by S21Sec Gestion

(c) Company acquired in December 2016

(d) In March 2017 an additional participation of 0.41% was acquired

(e) In June 2017 an additional participation of 5% was acquired

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: Espírito 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.

In the period ended on 31 March 2017, Sonae IM increased its participation in more 0.41% in the Armilar III fund, with a position in the period ended on 30 June 2017 of 42.40%.

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".

In the period ended on 30 June 2017, no changes were identified in the allocation of the purchase price of Funds to the allocation assigned in the year ended December 31, 2016. However, 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.



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 "Armlar 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).

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.

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 30 June 2017 the group held associated and jointly controlled companies, as decomposition below.

During the periods ended on 30 June 2017 and 2016, the movement occurred in investments in associated companies and companies jointly controlled, were as follows:

	30 June 2017			30 June 2016		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in associated companies and companies jointly controlled						
Balance at 1 January	658,212,535	87,849,200	746,061,735	623,385,393	87,849,200	711,234,593
Increases	622,996	17,829	640,825	-	-	-
Equity method						
Effect on gains and losses (note 21)	15,971,540	-	15,971,540	10,264,108	-	10,264,108
Effect on reserves	376,367	-	376,367	(32,506,710)	-	(32,506,710)
Dividends	(9,038,141)	-	(9,038,141)	(8,000,000)	-	(8,000,000)
	<u>666,145,297</u>	<u>87,867,029</u>	<u>754,012,326</u>	<u>593,142,791</u>	<u>87,849,200</u>	<u>680,991,991</u>
Registered in Provisions for other liabilities and charges (note 17)						
Balance at 1 January	(119,250)	-	(119,250)	(145,784)	-	(145,784)
Increases	(12,829)	-	(12,829)	-	-	-
Equity method						
Effect on gains and losses (note 17 and 21)	1,193	-	1,193	(3,760)	-	(3,760)
	<u>(130,886)</u>	<u>-</u>	<u>(130,886)</u>	<u>(149,544)</u>	<u>-</u>	<u>(149,544)</u>
Total investment in associated companies and companies jointly controlled net of impairment losses	<u>666,014,411</u>	<u>87,867,029</u>	<u>753,881,440</u>	<u>592,993,247</u>	<u>87,849,200</u>	<u>680,842,447</u>

At the period ended on 30 June 2017, the value of the increase 622,996 in associates and jointly controlled companies corresponds to the increase of the participation in Armilar III Capital.

At the period ended on 30 June 2017, as a result of the acquisition of more 5% of share capital of Sirs, was registered a Goodwill of Euro 17,829 and a provision of Euro 12,829 by the value of it's capital on 30 June.

During the period ended on 30 June 2017 and 2016, the company received the amount of Euro 9,012,004.51 and Euro 8,000,000 respectively, related to dividends received from Zopt SGPS.

As established in the shareholders agreement between Sonaecom, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV), on 14 June 2016, Sonaecom sold all its direct participation in NOS (2.14%) to ZOPT by the amount of Euro 82,840,847. This transaction generated a capital gain of 18,725,887 (note 9), being 50% of the capital gain annulled through Reserves and the other 50% registered in Gains and losses on financial assets at fair value through profit or loss. 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:



	30 June 2017			30 June 2016		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in companies jointly controlled						
Zopt	596,876,072	87,527,500	684,403,572	592,630,890	87,527,500	680,158,390
Unipress	440,240	321,700	761,940	512,048	321,700	833,748
SIRS	(130,300)	17,829	(112,471)	(149,482)	-	(149,482)
Ciber seguridad	-	-	-	-	-	-
Big Data	(586)	-	(586)	(209)	-	(209)
	597,185,426	87,867,029	685,052,455	592,993,247	87,849,200	680,842,447
Investments in associated companies						
Armlar	1	-	1	-	-	-
Armlar II	35,138,898	-	35,138,898	-	-	-
Armlar III	26,472,466	-	26,472,466	-	-	-
ESVIINT	7,217,620	-	7,217,620	-	-	-
	68,828,985	-	68,828,985	-	-	-
Total	666,014,411	87,867,029	753,881,440	592,993,247	87,849,200	680,842,447

The aggregated amounts of the main financial indicators of the entities can be resumed as follows:

(Amounts expressed in thousand Euro)							2017
Entity	% holding	Asset	Liability	Equity	Revenue	Operational results	Net result
ZOPT*	50.00%	4,363,832	2,013,470	2,350,362	769,369	77,237	63,583
Unipress	50.00%	2,105	1,224	880	1,338	342	3
SIRS	50.00%	412	666	(254)	525	29	9
Big Data	38.83%	1	4	(3)	-	1	-
Armlar**	35.00%	5,684	1,554	4,130	622	245	184
Armlar II **	50.20%	82,939	12,924	70,015	128	(127)	(207)
Armlar III **	42.40%	73,404	11,697	61,707	-	(840)	(778)
ESVIINT **	37.54%	19,678	426	19,252	75	-	23

*The consolidated accounts not 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 1,141,911 and on 30 June 2017 the NOS' market capitalization amount to Euro 2,738 million.

**Accounts converted to IFRS on 31 March 2017.

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	15%

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 analysis of impairment indices and the review of impairment projections and tests have not lead to clearance losses, based on the assumptions made in the impairment tests carried out in the year ended on 31 December 2016, which did not have material variations to this date, and there is no evidence of additional impairment.

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 30 June 2017 and 2016 can be resumed as follows:



Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	June 2017	June 2016
Assets		
Tangible assets	1,183,343	1,199,177
Intangible assets	2,332,137	2,374,731
Deferred tax assets	125,445	132,447
Other non-current assets	208,556	203,407
Non-current assets	3,849,481	3,909,762
Trade debtors	362,955	337,760
Cash and cash equivalents	20,002	24,074
Other current assets	131,394	195,838
Current assets	514,351	557,672
Total assets	4,363,832	4,467,434
Liabilities		
Loans	1,074,043	1,181,890
Provisions	175,343	190,345
Other non-current liabilities	77,903	98,217
Non-current liabilities	1,327,289	1,470,452
Loans	167,141	108,272
Trade creditors	209,696	264,433
Other current liabilities	309,344	282,057
Current liabilities	686,181	654,762
Total liabilities	2,013,470	2,125,214
Shareholders' funds excluding non-controlling interests	1,208,451	1,198,488
Non-controlling interests	1,141,911	1,143,732
Total Shareholders' funds	2,350,362	2,342,220
Total Shareholders' funds and liabilities	4,363,832	4,467,434

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	June 2017	June 2016
Total revenue	769,369	743,114
Costs and losses		
Direct costs and External supplies and services	(329,130)	(310,056)
Depreciation, amortisation and impairment losses	(217,248)	(204,378)
Other operating costs	(145,754)	(155,391)
	(692,132)	(669,825)
Gains/ (losses) in associated companies	6,450	-
Financial results	(12,778)	(21,790)
Income taxation	(7,326)	(10,592)
Consolidated net income/(loss) for the year	63,583	40,907
Consolidated net income/(loss) for the year attributed to non-controlling interests	31,103	20,478
Attributed to shareholders of parent company	32,480	20,429

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 30 June 2017 amounts to approximately Euro 176.9 million, included in the caption "Other non-current assets".

The Group made impairment tests for those assets, which are denominated in the currencies of those countries, Kwanzas and Meticals, respectively, considering the business plans (internal valuation using the discounted cash flow method, compared to researches) approved by the Board of Directors for a five years period, which include average growth rates of revenue for that period of 13% (Angola) and 14% (Mozambique). These revenue growth rates reflects: (i) the best estimate for the growth of the customer base, reflecting an expectation of new clients and churn estimated rates, when considered prudent, and (ii) an annual price increase which corresponds, over the period 2017 to 2021, to an average of 75% of the inflation rate, since, considering the nature of the activity carried out by the companies, especially in Angola and in line with the price increases in previous years, it is not expected that companies will be able to reflect in their prices the total inflation in the country.

The business plans 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.


As of 30 June 2017, it was understood that the assumptions made in the impairment tests carried out in the year ended December 31, 2016 did not have material variations, therefore, there are no indications of additional 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 2016, having a ruling been delivered 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 and is pending in the Lisbon Court.
- 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, realizing 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. At the same time, experts who will be tasked with the economic and financial expertise have been appointed, and this should begin soon.
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. Nevertheless, it is impossible to determine the outcome of the action. However, in the event of this instance being acquitted, trial costs, under NOS' responsibility, may amount to Euros 1,150 thousand.

2. Action against NOS SGPS

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.

About the major issue, it is the understanding of the Board of Directors of NOS that the arguments used by the author are not upheld, reason why it is the belief of the Directors of NOS that the outcome thereof will not affect materially the consolidated position.

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, in January 2017, the nullity of the process (based on the violation of NOS, SA's right of defense). In April 2014 ANACOM notified NOS SA of a new judicial process, based on the same accusations. This process was a repetition of the initial one. In September 2014, ANACOM, based on the same facts, fined NOS SA in the amount of Euro 6.5 million. This second decision was contested by NOS SA. In May 2015, it was acquitted by the Court of First Instance, which entirely revoked the decision by ANACOM and the fine which had been applied. Following this, in May 2015 ANACOM appealed the decision, which was ruled by summary decision as unfounded in May 2017, confirming NOS SA's acquittal. No part appealed o the court's final judgment so that the proceedings became final and unappealable at the end of May 2017. In the quarter ended on 30 June 2017 the full amount of the provision, corresponding to Euro 6.5 million, was reversed.

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 year, 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 will appeal for the judicial review in due time the decision regarding the 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavorably, in March 2014. The company has appealed.

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, ME0, 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, by the way 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 ME0. In accordance with Article 18 of the abovementioned Law number 35/2012 of 23 August, 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 been requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. 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 requests 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, a decision which was contested by NOS. In January 2015, ANACOM issued the settlement notes to NOS SA, NOS Madeira and NOS Açores in the amount of Euro 18.6 million, which were contested by NOS and for which a bail was presented by NOS SGPS to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.

In 2014, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO, relative to the period from 2010 to 2011, in a total amount of Euro 47.1 million, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes to NOS, SA, NOS Madeira and NOS Açores, in the amount of Euro 13 million, which were also contested and for which it was before also presented bail by NOS SGPS also to avoid Tax Execution proceedings. The guarantees have been accepted by ANACOM.

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of about Euro 26 million and Euro 20 million, respectively, decision which was also contested by NOS. In December 2016, ANACOM issued the settlement notes to NOS SA, NOS Madeira and NOS Açores in the amount of Euro 13.6 million, which will be contested and for which it was presented bail by NOS SGPS to avoid Tax Execution proceedings. The guarantees have also been accepted by ANACOM.

At October 2016, ANACOM approved the results of the audit to the CLSU presented by MEO relative to the period between January and June 2014, in the amount of Euro 7.7 million, decision which NOS will contest in the usual terms in 2017.

It is the opinion of the Board of Directors of NOS that these demanded extraordinary contributions to Universal Service, for a period prior to the designation through a tender procedure, flagrantly violate 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 to judicially challenge the approvals of the final audited results of the CLSU from periods prior to the tender procedure and the liquidation of each extraordinary contribution demanded. The Board of Directors of NOS is convinced it will be successful in all challenges, both future and already undertaken.

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, 2015 and 2016) for carrying on the business of Electronic Communications Services Networks Supplier. The amounts are, (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, Euro 7,253 thousand and Euro 8,242 thousand; (ii) Euro 29 thousand, Euro 60 thousand, Euro 95 thousand, Euro 95 thousand, Euro 104 thousand, Euro 107 thousand, Euro 98 thousand and Euro 105 thousand; (iii) Euro 40 thousand, Euro 83 thousand, Euro 130 thousand, Euro 132 thousand, Euro 149 thousand, Euro 165 thousand, Euro 161 thousand and Euro 177 thousand, respectively, 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. NOS SA, Nos Açores and NOS Madeira claim, i) defects of unconstitutionality and illegality related with the inclusion, in the calculation of costs, of the provisions constituted by ANACOM related to litigation (including challenges in court to the charge of the fee) and ii) that only revenues from the electronic communications business *per se*, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.



On 18 December 2012 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 ICP-ANACOM to pay the costs. ANACOM appealed and by decision of July 2013, this appeal was not upheld.

The remaining proceedings are awaiting trial and/or decision.

During the first quarter of 2017, NOS was notified by ANACOM, of the opening of an administrative infraction proceeding related with price update announcements, at the end of 2016. At the date of approval of these financial statements, it is not possible to determine the scope of the proceeding and, therefore, its outcome. The group's Board of Directors of NOS considers it is not likely that the outcome of this proceeding will affect significantly the financial statements of the NOS Group.

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 Groups's tax losses, 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 20 million, added interest and charges. Note that the Group considered that the corrections were unfounded, and contested 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 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 party, 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 and a preliminary hearing took place in the beginning of June. Currently the parties are preparing the questions to submit to the European Court of Justice.


It is the understanding of the Board of Directors of NOS Group, corroborated by lawyers overseeing the case, that, for reasons of formal mature, it is not likely that NOS will be directly responsible in this case.

- 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, amounting to Euro 18 million, added capital and interest that will win br due as of 31 December 2014, and lost 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 30 June 2017, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of Euro 79,923 thousand. During the semester ended on 30 June 2017, Euro 1,028 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 30 June 2017, accounts receivable and accounts payable include Euro 37,139,253 and Euro 29,913,608, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the indefiniteness of interconnection tariffs, recorded in 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 “Tribunal da Relação” (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 matches of football 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) TV broadcasting rights and multimedia home games of Sporting SAD;
- 2) The right to explore the static and virtual advertising of Stadium José Alvalade;
- 3) The right of transmission and distribution Sporting TV Channel;
- 4) The right to be its main sponsor.

The contract will last 10 seasons concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights stated 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, with the overall financial consideration amounting to Euro 446 million, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed contracts regarding the television rights of home senior team 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 will 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 will 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 16/17, 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 46.5 million	Euro 1,103 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 21.2 million	Euro 625 million

*Includes games and channels broadcasting rights, advertising and others.

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 January 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.

In the period ended on 30 June 2017, Sonaecom did not hold NOS shares, because sold all direct participation in NOS (2.14%) to ZOPT in June 2016. For the determination of the fair value of NOS shares in date of the sale, was used the closing price of June 14, 2016 (5,822) for the 11,012,532 shares in the portfolio at the moment of the sale.

In the period ended on 30 June 2017, Sonaecom did not hold Sonae shares.

The movements occurred in financial assets at fair value through profit or loss, on 30 June 2016 were as follows:

					2016
Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 21)	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	(146,684)	(36,670)	38,877	-
	79,941,284	(64,261,645)	(15,718,516)	38,877	-

*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 21). 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 30 June 2016, in the investment in Sonae SGPS shares, correspond essentially to the payment of the medium-term incentive plan that expired in the year ended on 30 June 2016.

On 30 June 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.

10. Investments available for sale

On 30 June 2017 and 2016, this caption included investments classified as available-for-sale and was made up as follows:

	%	2017	2016
Lusa – Agência de Notícias e Portugal, S.A.	1.38%	197,344	197,344
VISAPRESS - Gestão de Conteúdos dos Média, CRL	10.00%	5,000	5,000
StyleSage	5.00%	448,835	-
Probe.ly	16.67%	200,000	-
Ometria		854,165	-
Others		10,711	10,710
Impairment losses		(122,275)	(122,275)
		1,593,780	90,779

On 30 June 2017, 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.

Style Sage

In October 2016 Sonae IM acquire of preferred shares of the company Style Sage representing 5% of its Capital for the amount of USD 500,000. According to IAS 39 is classified as available for sale and has been registered at acquisition cost, representing the fair value at that date (Euro 448,835).

Food Orchestrator

On 9 March 2017 Bright acquired a participation of 0.17% of the company Food Orchestrator for the amount of Euro 1. In addition, it made a loan to this company in the amount of € 99,999, recorded under "Other non current assets".

Ometria

In June 2017 Sonae IM acquire a participation on capital of the company Ometria for the amount of USD 750,000 (Euro 854,165). According to IAS 39 this participation is classified as available for sale and has been registered at acquisition cost, representing the fair value at that date.

Proble.ly

Proble.ly was constituted on 11 may 2017. Until the period ended on 30 June 2017, the subsidiary Bright owned on this company a participation of 16,67% that represents an investment of Euro 200,000. Additionally, during the period ended at 30. June 2017, the subsidiary Bright loaned to Proble.ly the amount of Euro 140,000 recorded under "Other non current assets".

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)	11,872	2,570	148	15,314	2,329	2,135
VISAPRESS - Gestão de Conteúdos dos Média, CRL (1)	100	(5)	-	52	(8)	(9)
StyleSage, Inc. (1)	1,228	1,203	25	301	(936)	(1,011)
Food Orchestrator (1)	56	33	4	13	(113)	(113)

⁽¹⁾ Amounts expressed in thousands euro at 31 December 2016.

11. Deferred taxes

Deferred tax assets on 30 June 2017 and 2016, amounted to Euro 8,396,368 and Euro 6,077,639 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 periods ended on 30 June 2017 and 2016 were as follows:

					2017
	Balance at 31 December 2016	Movements in deferred tax of the period	Utilization of deferred tax	Record/(reverse) of deferred tax of previous years	Balance at 30 June 2017
Tax losses	5,813,382	189,351	1,867	44,075	6,048,675
Tax provisions not accepted and other temporary differences	2,868,663	(628,439)	(5,421)	(15,743)	2,219,060
Tax benefits (SIFIDE, RFAI and CFEI)	505,248	-	(1,179,491)	972,713	298,470
Effect on results (note 22)	9,187,293	(439,088)	(1,183,045)	1,001,045	8,566,205
Others	127,679	(299,851)	-	2,335	(169,837)
Closing balance	9,314,972	(738,939)	(1,183,045)	1,003,380	8,396,368

					2016
	Balance at 31 December 2015	Movements in deferred tax of the period	Utilization of deferred tax	Record/(reverse) of deferred tax of previous years	Balance at 30 June 2016
Tax losses	3,502,971	990,743	(5,758)	334,658	4,822,614
Tax provisions not accepted and other temporary differences	1,478,049	(283,506)	-	(7,463)	1,187,080
Tax benefits (SIFIDE, RFAI and CFEI)	1,083,280	-	(1,786,447)	768,078	64,911
Effect on results (note 22)	6,064,300	707,237	(1,792,205)	1,095,273	6,074,605
Others	34,075	(31,041)	-	-	3,034
Closing balance	6,098,375	676,196	(1,792,205)	1,095,273	6,077,639

As of 30 June 2017 and 2016, the amounts presented in the column "Use of deferred taxes" were not recorded in the income statement and are not presented in Note 22.

On 30 June 2017 and 2016, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated. The main criteria used in those business plans are described in note 7.

The rate used on 30 June 2017 and 2016, in Portuguese companies, to calculate the deferred tax assets relating to tax losses carried forward was 21%. The rate used in 2016 and 2017 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 30 June 2017 was as follows:

Nature	Companies included in the tax group	2017												Total Sonaecom Group	
		Digitmarket	S21Sec Portugal	We Do Brasil	We Do USA	We Do Egipto	SSI Espanã	We Do Mexico	Saphety Brasil	S21Sec Gestion	S21Sec Labs	S21Sec SA CV	Total		
Tax losses:															
To be used until 2018	125,646	-	-	-	-	-	-	-	-	-	-	-	-	-	125,646
To be used until 2021	-	-	-	-	-	-	-	17,747	-	-	-	-	-	17,747	17,747
To be used until 2022	-	-	-	-	-	-	-	26,517	-	-	-	211,296	237,813	237,813	237,813
To be used until 2023	-	-	-	-	-	-	-	183,770	-	-	-	71,243	255,013	255,013	255,013
To be used until 2025	-	-	-	-	-	-	-	711,355	-	-	-	52,119	123,254	123,254	123,254
To be used until 2026	-	-	-	-	-	-	-	333,227	-	-	-	-	333,227	333,227	333,227
To be used until 2027	-	-	-	-	-	-	-	-	-	-	45,833	-	45,833	45,833	45,833
To be used until 2028	-	-	-	-	-	-	-	-	-	-	612,877	12,017	624,894	624,894	624,894
To be used until 2029	-	-	-	-	-	-	-	-	-	-	253,352	-	253,352	253,352	253,352
To be used until 2030	-	-	-	-	163,112	-	-	-	-	-	54,052	-	217,164	217,164	217,164
To be used until 2033	-	-	-	-	123,413	-	-	-	-	-	-	-	123,413	123,413	123,413
To be used until 2034	-	-	-	-	736,686	-	-	-	-	-	-	-	736,686	736,686	736,686
To be used until 2035	-	-	-	-	861,571	-	-	-	-	-	-	-	861,571	861,571	861,571
To be used until 2036	-	-	-	-	1,708,893	-	-	-	-	-	-	-	1,708,893	1,708,893	1,708,893
Unlimited	-	-	-	-	-	-	194,818	-	-	189,351	-	-	384,169	384,169	384,169
Tax losses	125,646	-	-	-	3,593,675	-	194,818	632,396	-	1,055,580	111,902	334,658	5,923,029	6,048,675	6,048,675
Provisions not accepted and other temporary differences	1,550,123	14,721	886	270,754	149,780	85,689	-	147,107	-	-	-	-	668,937	2,219,060	2,219,060
Tax benefits (SIFIDE, RFAI and CFEI)	112,585	20,119	39,548	-	126,218	-	-	-	-	-	-	-	185,885	298,470	298,470
Others	-	-	-	(34,882)	(104,859)	-	-	(30,096)	-	-	-	-	(169,837)	(169,837)	(169,837)
Total	1,788,354	34,840	40,434	235,872	3,764,814	85,689	194,818	749,407	-	1,055,580	111,902	334,658	6,608,014	8,396,368	8,396,368

On 30 June 2017 and 2016, the Group has other situations where potential deferred tax assets could be recognised, but since it is not expected that sufficient taxable profits will be generated in the future to cover those losses, such deferred tax assets were not recorded:

	2017	2016
Tax losses	7,725,567	10,719,792
Temporary differences (provisions not accepted for tax purposes and other temporary differences)	25,554,481	32,935,853
Others	12,441,370	12,429,667
Total	45,721,418	56,085,312



On 30 June 2017 and 2016, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2017	2016
2016	-	269,298
2017	26,920	123,233
2018	137,804	263,672
2019	32,025	359,625
2020	124,862	142,908
2021	222,853	90,261
2022	82,254	88,077
2023	116,340	2,631,091
2024	78,923	81,930
2025	202,136	316,701
2026	776,111	862,004
2027	427,181	275,739
2028	196,020	80,910
2029	943,934	878,680
2030	20,421	769,480
2031	111,060	765,538
2032	48,711	-
2037	496,583	-
Unlimited	3,681,429	2,720,645
	7,725,567	10,719,792

The years 2030 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 periods ended on 30 June 2017 and 2016 were as follows:

	2017	2016
Opening balance	(8,263,418)	-
Temporary differences between accounting and tax result	-	(15,163)
Sub-total effect on results (note 22)	-	(15,163)
Others	-	-
Closing balance	(8,263,418)	(15,163)

On 30 June 2017, the deferred liabilities result from the negative goodwill generated on the purchase of the shares in Armilar, Armilar II, Armilar III and ESVINT (note 8).

The reconciliation between the earnings before taxes and the taxes recorded for the years ended on 30 June 2017 and 2016 is as follows:

	2017	2016
Earnings before taxes	7,985,734	1,107,492
Income taxation (21%)	(1,677,004)	(232,573)
Deferred tax assets not recognised in the individual accounts and / or resulting from consolidation adjustments, autonomous taxation, surcharge and other non-deductible accounting adjustments	1,497,963	773,699
Record/(reverse) of deferred tax assets related to previous years and tax benefits	1,001,045	1,095,273
Use of tax losses and tax benefits without record of deferred tax asset in previous years	31,622	35,495
Temporary differences for the year without record of deferred tax assets	904,926	351,121
Record of deferred tax liabilities	-	(15,163)
Income taxation recorded in the period (note 22)	1,758,552	2,007,852

The tax rate used to reconcile the tax expense and the accounting profit is 21% in 2016 and 2017 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 30 June 2017.

12. Cash and cash equivalents

On 30 June 2017 and 2016, this caption was made up as follows:

	2017	2016
Cash in hand	22,326	28,365
Bank deposits repayable on demand	118,965,731	217,193,459
Treasury applications	70,113,857	23,456,039
Cash and cash equivalents	189,101,914	240,677,863
Bank overdrafts (note 15)	(310)	(106,286)
	189,101,604	240,571,577

On 30 June 2017 and 2016, the caption "Treasury Applications" matched only bank applications.

The above mentioned applications were paid and, during the period ended on 30 June 2017, the interest tax rate in force was 0.322% (0.778% in 2016) being, in the referred date, distributed by two financial institutions.

13. Share capital

On 30 June 2017 and 2016, the share capital of Sonaecom was comprised by 311,340,037 ordinary registered shares, of Euro 0.74 each.

At those dates, the Shareholder structure was as follows:

	2017		2016	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 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 authorized, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

14. Own shares

During the period ended on 30 June 2017, Sonaecom did not acquire, sold or delivered own actions, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.380.

15. Loans

On 30 June 2017 and 2016, the caption loans had the following breakdown:

a) Medium and long-term loans

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2017	2016
S21 Sec Labs	Repayable subsidies	-	Jun-24	Parcel	1,160,277	1,626,489
S21 Sec Gestion	Repayable subsidies	-	Jun-25	Parcel	1,653,912	2,335,003
Saphety	Minority Shareholder loans	-	-	-	412,322	451,322
	Interests incurred but not yet due	-	-	-	2,838	5,197
					3,229,349	4,418,011

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 maturity in July 2021.

b) Short-term loans

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2017	2016
S21 Sec Labs	Reimbursable grants	-	Nov17	-	451,284	377,587
S21 Sec Gestion	Reimbursable grants	-	Oct-17	-	758,594	607,507
Several	Bank overdrafts (note 12)	-	-	-	310	106,286
Several	Interests incurred but not yet due	-	-	-	28,472	34,915
					1,238,660	1,126,295

Grants

On 30 June 2017 the Group had grants obtained from dependent entities of the Government of Navarra, CDTI and 'Ministerio de Ciencia y Tecnología'. These subsidies are recorded at amortized cost in accordance with the method of effective interest rate and have the following repayment plan:

	2017
2017	628,339
2018	1,202,179
2019	792,735
2020	620,753
2021 and follows	780,061
	4,024,067

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. At 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 30 June 2017 and 2016, the available bank credit lines of the Group were as follows:

Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months	Maturity More than 12 months
2017						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
		1,000,000	0	1,000,000		
2016						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
		1,000,000	-	1,000,000		

On 30 June 2017 and 2016, there is no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

16. Other non-current financial liabilities

On 30 June 2017 and 2016, this caption was made up of accounts payable to tangible and intangible assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 323,609 and Euro 607,911, respectively.

On 30 June 2017 and 2016, the payment of these amounts was due as follows:

	2017		2016	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2016	-	-	276,610	249,981
2017	284,736	268,281	493,307	466,238
2018	361,636	346,800	271,609	262,275
2019	162,453	158,880	114,657	112,713
2020	11,609	11,178	-	-
2021	3,003	2,969	-	-
	823,437	788,108	1,156,183	1,091,207
Interests	(35,328)	-	(64,975)	-
	788,109	788,108	1,091,208	1,091,207
Short-term liability (note 18)	-	(464,499)	-	(483,296)
	788,109	323,609	1,091,208	607,911

17. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended on 30 June 2017 and 2016 were as follows:

	Opening balance	Companies included in the consolidation perimeter	Increases	Decreases	Utilisations and Transfers	Closing balance
2017						
Accumulated impairment losses on trade debtors	2,713,099	-	171,025	(20,000)	(197,704)	2,666,420
Accumulated impairment losses on other current debtors	130,356	-	1,063	-	-	131,419
Accumulated impairment losses on inventories	35,000	-	-	-	-	35,000
Provisions for other liabilities and charges	4,919,669	-	366,517	(1,059,789)	(559,697)	3,666,700
	7,798,124	-	538,605	(1,079,789)	(757,401)	6,499,539
2016						
Accumulated impairment losses on trade debtors	2,719,864	40,456	2,614	(25,867)	(11,842)	2,725,225
Accumulated impairment losses on other current debtors	-	-	-	-	-	-
Accumulated impairment losses on inventories	35,000	-	-	-	-	35,000
Provisions for other liabilities and charges	4,292,553	-	601,718	(260,958)	(1,568,807)	3,064,506
	7,047,417	40,456	604,332	(286,825)	(1,580,649)	5,824,731

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, on 30 June 2017 and 2016, are detailed as follows:

	2017		2016	
	Increases	Decreases	Increases	Decreases
Accumulated impairment losses on accounts receivables				
Registered in the line 'Provisions and accumulated impairment losses' (increases) and in 'Other operating costs' (decreases)	172,088	(20,000)	2,614	(25,867)
Total increases/(decreases) of accumulated impairment losses on accounts receivables	172,088	(20,000)	2,614	(25,867)
Provisions for other liabilities and charges				
Recorded in the income statement, under the caption 'Income Tax' (note 22)	251,101	(930,633)	452,174	(47,689)
Recorded in balance sheet, under the caption Taxes and "Other current debtors"	-	(31,744)	-	-
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 1c)	762	-	876	-
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)	-	(1,193)	9,910	(6,150)
Recorded in the income statement 'Staff expenses' related to the provisions for redundancy payments	-	(96,219)	12,000	(207,119)
Other increases and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases)	114,654	-	126,758	-
Total increases/(decreases) of provisions for other liabilities and charges	366,517	(1,059,789)	601,718	(260,958)
Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases)	286,742	(20,000)	129,372	(25,867)

On 30 June 2017 and 2016, the breakdown of the provisions for other liabilities and charges is as follows:

	2017	2016
Several contingencies	2,554,680	2,034,878
Legal processes in progress	16,500	131,831
Dismantling	52,706	51,067
Other responsibilities	1,042,814	846,730
	3,666,700	3,064,506



On 30 June 2017 and 2016, the value of provisions for the dismantling is recorded at its present value, accordingly with the dates of its utilization in accordance with IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'.

The heading 'Several contingencies' relates to contingent liabilities arising from transactions carried out in previous years and for which an outflow of funds is probable.

In relation to the provisions recorded for legal processes in progress and other responsibilities, 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 204,901 associated with severance payment (Euro 264,655 in 2016).

18. Other financial liabilities

On 30 June 2017, this heading "Other financial liabilities" includes the amount of Euro 464,499 (Euro 483,296 in 2016) related to the short term portion of lease contracts (note 16).

19. External supplies and services

'External supplies and services' for the periods ended on 30 June 2017 and 2016 had the following composition:

	2017	2016
Subcontracts	6,881,906	11,266,409
Rents	2,659,584	2,547,787
Specialised works	2,901,553	3,189,454
Travelling costs	2,062,303	2,575,973
Advertising and promotion	2,060,894	2,038,580
Communications	595,792	596,550
Fees	573,137	618,897
Energy	195,680	189,859
Maintenance and repairs	143,060	73,274
Commissions	111,303	111,542
Others	881,503	853,008
	19,066,715	24,061,333

The commitments assumed by the Group on 30 June 2017 and 2016 related to operational leases are as follows:

	2017	2016
Minimum payments of operational lease:		
2016	-	2,362,469
2017	2,392,110	2,902,889
2018	3,133,109	1,975,131
2019	1,570,951	582,822
2020	855,905	259,392
2021	455,510	71,355
2022	112,897	-
Renewable by periods of one year	976,185	895,629
	9,496,667	9,049,687

During the periods ended on 30 June 2017, an amount of Euro 2,428,460 (Euro 2,431,847 on 30 June 2016) 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.

20. Financial results

Net financial results for the periods ended on 30 June 2017 and 2016 were made up as follows ((costs) / gains):

	2017	2016
Financial expenses:		
Interest expenses:	(99,250)	(259,818)
Bank loans	(963)	(32,748)
Leasing	(23,306)	(27,799)
Other interests	(74,981)	(199,271)
Foreign exchange losses	(2,324,349)	(1,805,988)
Other financial expenses	(151,357)	(119,783)
	(2,574,956)	(2,185,589)
Financial income:		
Interest income	320,344	844,455
Foreign exchange gains	1,963,664	827,607
Others financial gains	23,542	65,105
	2,307,550	1,737,167

During the periods ended on 30 June 2017 and 2016, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications (note 12 and 23).

21. Gains and losses on Investments

Gains and losses on investments for the periods ended on 30 June 2017 and 2016 are as follows ((expenses) / revenues):

	2017	2016
Financial results of associates and jointly controlled companies:		
Gains and losses related with the application of the equity method (note 8)	15,972,733	10,260,286
	15,972,733	10,260,286
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)	-	(15,718,516)
Gains on disposal of financial assets at fair value through profit or loss (note 8)	-	9,362,943
Dividends obtained	-	1,762,005
	-	(4,593,568)

During the period ended on 30 June 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".

22. Income taxation

Income taxes recognised during the periods ended on 30 June 2017 and 2016 were made up as follows ((costs) / gains):

	2017	2016
Current tax	1,883,862	617,418
Tax provision net of reduction (note 17)	(679,532)	(404,485)
Deferred tax assets (note 11)	554,222	1,810,082
Deferred tax liabilities (note 11)	-	(15,163)
	1,758,552	2,007,852

23. Related parties

During the periods ended on 30 June 2017 and 2016, the balances and transactions maintained with related parties were mainly associated with the normal operational activity of the Group and to the concession and obtainment of loans.

The most significant balances and transactions with related parties, which are listed in the appendix to this report, during the periods ended on 30 June 2017 and 2016 as follows:

	Balances at 30 June 2017				
	Accounts receivable	Accounts payable	Other assets	Other liabilities	Loans granted
Parent company	20,860,157	146,422	-	108,638	-
Companies jointly controlled	389,850	562,081	2,324	31,474	-
Associated companies	2,778,027	-	-	-	-
Other related parties	15,224,171	491,696	432,274	3,462,372	140,000
	39,252,205	1,200,199	434,598	3,602,484	140,000

	Balances at 30 June 2016				
	Accounts receivable	Accounts payable	Other assets	Other liabilities	Other liabilities
Parent company	5,480,389	87,680	263,771	66,079	-
Companies jointly controlled	536,083	626,254	-	(20,687)	-
Other related parties	11,583,818	384,119	(823,417)	2,905,524	-
	17,600,290	1,098,053	(559,646)	2,950,916	-

	Transactions at 30 June 2017				
	Sales and services rendered	Supplies and services received (note 19)	Interest and similar income (note 20)	Interest and similar expense (note 20)	Supplementary income
Parent company	4,519	75,000	286,206	-	-
Companies jointly controlled	10,669	181,384	159	-	97,951
Other related parties	21,483,010	1,543,589	-	-	12,179
	21,498,198	1,799,973	286,365	-	110,130

	Transactions at 30 June 2016				
	Sales and services rendered	Supplies and services received (note 19)	Interest and similar income (note 20)	Interest and similar expense (note 20)	Supplementary income
Parent company	2,868	-	796,657	-	(26)
Companies jointly controlled	8,965	239,207	-	(6,842)	170,392
Other related parties	17,231,427	1,122,756	-	-	(28,390)
	17,243,260	1,361,963	796,657	(6,842)	141,976



During the period ended on 30 June 2017, the company distributed as dividends the amount of Euro 6,238,768, to Sonae SGPS (Euro 4,699,332 on 30 June 2016) and Euro 14,942,860 to Sontel BV (Euro 11,255,661 on 30 June 2016).

During the period 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 periods ended on 30 June 2017 and 2016, no imparity losses have been recognized on the income to be made by other entities.

24. Guarantees provided to third parties

Guarantees provided to third parties on 30 June 2017 and 2016 were as follows:

Company	Beneficiary	Description	2017	2016
Saphety, S21 Sec Gestion; WeDo and WeDo Egypt	Administrador de Infraestructuras Ferroviarias; Arrow Ecs Internet Security, S.L.; Asiaceil Communications; Barcelona Serveis Municipals; Comunidade Intermunicipal do Médio Tejo; CTT Correios de Portugal, S.A.; Digj Tecommunications; Emirates Telecom. Corp.; Empresa de Telecomunicaciones Nuevatel; Etihad Etisalat Company; Etisalat; Etisalat UAE; Gobierno Vasco; Instituto Nacional de Ciberseguridad de España, SA; Oficina de Control Económico del Departamento de Hacienda y Finanzas; Red Nacional de Ferrocarriles Españoles; Renfe Operadora; REPSOL; Tech M; Tunisie Telecom; U Mobile and Zain Jordan	Completion of work to be done	893,153	864,350
Inovretail, S21 Sec Gestion and S21 Sec Labs	Agencia para o Desenvolvimento e Coesao, I.P.; Centro para Desarrollo Tecnológico Industrial; Direccion General del Ministerio; ICT; Ingenieria de Sistemas para la Defensa de España Ministerio de Indústria and Ministerio de Industria Espanã	Grants	778,380	1,007,887
Sonaecom and Público	Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities)	IRC, IS, IVA - Tax assessment	1,558,985	240,622
Several	Others		610,475	672,940
			3,840,993	2,785,799

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 27,546,999 and Sonaecom SGPS consisted of Público for the amount of Euro 564,900.

On 30 June 2017, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the consolidated financial statements.



25. Information by business segment

During the periods ended on 30 June 2017 and 2016 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).

Excluding the ones mentioned above, the remaining activities of the Group have been classified as unallocated.

Inter-segment transactions during the periods ended on 30 June 2017 and 2016 were eliminated in the consolidation process. All these transactions were made at market prices.

Inter-segment transfers or transactions were entered under the normal commercial terms and conditions that would also be available to unrelated third parties and were mainly related to interest on treasury applications and management fees.

Overall information by business segment on 30 June 2017 and 2016, prepared in accordance with the same accounting policies and measurement criteria adopted in the preparation of the consolidated financial statements, can be summarised as follows:

	Multimedia		Information Systems		Holding Activities		Subtotal		Eliminations and others		Total	
	June 2017	June 2016	June 2017	June 2016	June 2017	June 2016	June 2017	June 2016	June 2017	June 2016	June 2017	June 2016
Revenues:												
Sales and services rendered	7,599,885	7,249,952	69,395,128	60,622,219	253,174	161,336	77,248,187	68,033,507	(825,352)	(447,583)	76,422,835	67,585,924
Reversal of provisions	-	-	20,000	26,654	-	-	20,000	26,654	-	-	20,000	26,654
Other operating revenues	352,284	150,176	601,084	412,856	66,299	104,731	1,019,667	667,763	21,252	2,248	1,040,919	670,011
Total revenues	7,952,169	7,400,128	70,016,212	61,061,729	319,473	266,067	78,287,854	68,727,924	(804,100)	(445,335)	77,483,754	68,282,589
Depreciation and amortisation	(76,980)	(347,237)	(4,694,366)	(3,826,891)	(6,825)	(6,817)	(4,778,171)	(4,180,945)	(117,873)	(420,383)	(4,896,044)	(4,601,328)
Provisions and impairment losses	(83)	-	(231,771)	(129,372)	(54,888)	-	(286,742)	(129,372)	-	-	(286,742)	(129,372)
Net operating income / (loss) for the segment	(1,094,408)	(1,390,912)	(2,246,179)	(2,263,932)	(636,881)	(574,167)	(3,977,468)	(4,229,011)	157,726	118,207	(3,819,742)	(4,110,804)
Interest income	1,111	305	9,042	30,629	795,741	1,220,426	805,894	1,251,360	(485,550)	(406,905)	320,344	844,455
Interest expenses	(65,832)	(121,155)	(509,037)	(500,582)	(4,040)	7,052	(578,909)	(614,685)	479,659	382,666	(99,250)	(232,019)
Gains and losses on financial assets at fair value through profit or loss	-	-	-	-	-	(4,593,568)	-	(4,593,568)	-	-	-	(4,593,568)
Gains and losses in associated companies	2,310	46,037	(269,577)	(241)	16,240,000	10,214,490	15,972,733	10,260,286	-	-	15,972,733	10,260,286
Other financial results	(9,252)	(2,014)	(425,887)	(1,133,638)	(301,710)	(3,264,591)	(736,849)	(4,400,243)	248,349	3,339,385	(488,500)	(1,060,858)
Income taxation	211,958	564,014	1,601,410	1,484,959	(35,708)	(28,493)	1,777,660	2,020,480	(19,108)	(12,628)	1,758,552	2,007,852
Consolidated net income/(loss) for the period	(954,113)	(903,725)	(1,840,228)	(2,382,805)	16,057,402	2,981,149	13,263,061	(305,381)	381,076	3,420,725	13,644,137	3,115,344
Attributable to:												
Shareholders of parent company	(954,113)	(903,725)	(1,901,123)	(2,050,588)	16,057,402	2,981,149	13,202,166	26,836	381,044	3,447,320	13,583,210	3,474,156
Non-controlling interests	-	-	60,895	(332,216)	-	-	60,895	(332,216)	32	(26,596)	60,927	(358,812)
Assets:												
Tangible and intangible assets and goodwill	772,056	4,827,233	63,610,147	78,991,337	13,582	22,459	64,395,785	83,841,029	(12,005,177)	(27,269,105)	52,390,608	56,571,924
Inventories	215,411	164,898	127,892	89,017	-	-	343,303	253,915	-	-	343,303	253,915
Investments in associated companies and companies jointly controlled	726,824	780,804	68,828,985	-	684,403,572	680,158,390	753,959,382	680,939,194	52,944	52,797	754,012,326	680,991,991
Other investments	90,679	90,679	1,303,100	8,933	46,241,587	28,141,702	47,635,366	28,241,314	(46,041,586)	(28,150,535)	15,937,800	90,779
Other non-current assets	223,081	3,570	11,424,852	6,355,432	103,392,054	43,939,791	115,039,988	50,298,793	(103,277,044)	(43,930,874)	11,762,944	6,367,919
Other current assets of the segment	7,265,542	6,271,552	66,893,893	69,074,704	215,151,099	256,027,313	289,310,534	331,373,569	(11,710,780)	(19,255,117)	277,599,754	312,118,452
Liabilities:												
Liabilities of the segment	12,982,050	14,573,905	110,650,791	94,765,034	990,332	1,929,730	124,623,173	111,268,669	(48,766,147)	(42,529,757)	75,857,026	68,738,912
CAPEX	578,167	223,739	5,456,188	5,500,591	696	224	6,035,051	5,724,554	42,074	56,041	6,077,125	5,780,595



During the periods ended on 30 June 2017 and 2016, the inter-segments sales and services were as follows:

	Multimedia	Information Systems	Holding Activities
2017			
Multimedia	-	414,188	-
Information Systems	618	-	212,500
Holding Activities	-	6,236	-
External trade debtors	7,599,267	68,974,704	40,674
	7,599,885	69,395,128	253,174
2016			
Multimedia	-	134,032	-
Information Systems	-	-	161,336
Holding Activities	-	33,401	-
External trade debtors	7,249,952	60,454,786	-
	7,249,952	60,622,219	161,336

During the periods ended on 30 June 2017 and 2016 sales and services rendered of the segments of Multimedia and Activities Holding were obtained predominantly in the Portuguese market, this market represents more than 100% of revenue.

During the periods ended on 30 June 2017, for the Information Systems segment, also the Portuguese market is dominant, accounting for 54.7% of revenue (49.7% in 2016) followed by the Spanish and Brazilian markets, representing 10.63% of revenue (10.5% in 2016).

The consolidated financial statements of NOS on 30 June 2017 and 2016 incorporated in the consolidated financial statements of Sonaeacom through ZOPT by the equity method (note 8), can be summarized as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	June 2017	June 2016
Assets		
Tangible assets	1,137,717	1,149,255
Intangible assets	1,149,008	1,173,770
Deferred tax assets	113,938	120,187
Other non-current assets	25,141	14,178
Non-current assets	2,425,804	2,457,390
Trade debtors	362,955	371,161
Cash and cash equivalents	2,010	1,261
Other current assets	131,378	153,386
Current assets	496,343	525,808
Total assets	2,922,147	2,983,198
Liabilities		
Loans	1,031,437	1,141,274
Provisions for other liabilities and charges	133,474	145,403
Other non-current liabilities	45,577	59,350
Non-current liabilities	1,210,488	1,346,027
Loans	167,087	85,313
Trade creditors	209,682	317,743
Other current liabilities	309,039	222,841
Current liabilities	685,808	625,897
Total liabilities	1,896,296	1,971,924
Shareholders' funds excluding non-controlling interests	1,016,411	1,001,838
Non-controlling interests	9,440	9,436
Total Shareholders' funds	1,025,851	1,011,274
Total Shareholders' funds and liabilities	2,922,147	2,983,198

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	June 2017	June 2016
Total revenue	769,370	743,114
Costs and losses		
Direct costs and External supplies and services	(329,148)	(310,096)
Depreciation and amortisation	(206,738)	(193,829)
Other operating costs	(147,745)	(152,494)
	(683,631)	(656,419)
Financial results	(2,859)	(21,887)
Income taxation	(10,658)	(13,899)
Consolidated net income/(loss) for the period	72,222	50,909
Consolidated net income/(loss) for the period attributed to non-controlling interests	395	13
Attributed to shareholders of parent company	71,827	50,896

26. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 13,583,210 in 2017 and Euro 3,474,156 in 2016) by the average number of shares outstanding during the period ended 30 June 2017 and 2016, net of own shares (305,769,023 in 2017 and 2016).

27. 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.

Accordingly, the plans outstanding on 30 June 2017 are as follows:

	Vesting period			30 June 2017	
	Share price 30.06.2017	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2014 Plan	0.974	10-Mar-15	10-Mar-18	168	1,424,534
2015 Plan	0.974	10-Mar-16	10-Mar-19	182	1,745,152
2016 Plan	0.974	10-Mar-17	10-Mar-20	207	1,834,305

During the period ended on 30 June 2017, the movements that occurred in the plans can be summarised as follows:

	Sonae SGPS shares	
	Number of participants	Number of shares
Outstanding at 31 December 2016:		
Unvested	537	4,731,159
Total	537	4,731,159
Movements in the period:		
Award	207	1,814,943
Vested	(134)	(1,353,460)
Cancelled/ elapsed/ corrected/ transfers ⁽¹⁾	(53)	(188,651)
Outstanding at 30 June 2017:		
Unvested	557	5,003,991
Total	557	5,003,991

(1) Corrections are made based on the dividend paid and by the exit of the employees during the plan period.

The responsibility of the plans was recognized under the caption 'Other current liabilities' and 'Other non-current liabilities'.



Share plans costs are recognised in the accounts over the period 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 period ended on 30 June 2017, were as follows:

	Value
Costs recognised in previous years	1,238,734
Costs recognised in the period	967,754
Costs of plans vested in the year	(285,047)
Total cost of the plans	1,921,441
Recorded in 'Other current liabilities'	1,054,248
Recorded in 'Other non-current liabilities	867,193

These financial consolidated presentations have been approved by the Executive Board and authorized to be issued on 28 July 2017, being subject to approval by the 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.

8.3. Sonaecom individual financial statements

Statement of financial position

For the periods ended on 30 June 2017 and 2016 and for the year ended on 31 December 2016

(Amounts expressed in Euro)	Notes	June 2017 (not audited)	June 2016 (not audited)	December 2016
Assets				
Non-current assets				
Tangible assets	1.a, 1.f, 1.t and 2	11,764	19,197	13,416
Intangible assets	1.b, 1.t and 3	1,818	3,262	2,204
Investments in Group companies	1.c and 5	52,291,587	55,821,587	52,291,587
Companies jointly controlled	1.d and 6	597,666,944	597,666,944	597,666,944
Other non-current assets	1.c, 1.n, 4, 8 and 21	212,264,472	158,939,791	212,467,355
Deferred tax assets	1.m and 9	77,582	-	94,475
Total non-current assets		862,314,167	812,450,781	862,535,981
Current assets				
Income tax receivable	1.e, 1.m and 4	795,211	-	803,609
Other current debtors	1.e, 1.g, 4, 10 and 21	17,813,940	3,822,917	17,797,134
Other current assets	1.e, 1.n, 4, and 21	476,373	666,014	478,861
Cash and cash equivalents	1.e, 1.h, 4, 11	196,011,844	250,705,645	210,933,723
Total current assets		215,097,368	255,194,576	230,013,327
Total assets		1,077,411,535	1,067,645,357	1,092,549,308
Shareholder funds and liabilities				
Shareholders' funds				
Share capital	12	230,391,627	230,391,627	230,391,627
Own shares	1.r and 13	(8,441,804)	(8,441,804)	(8,441,804)
Reserves	1.q	845,695,705	834,236,219	834,236,219
Net income / (loss) for the period		8,829,406	10,172,080	35,003,700
Total Shareholders' funds		1,076,474,934	1,066,358,122	1,091,189,742
Liabilities				
Non-current liabilities				
Provisions for other liabilities and charges	1.l and 15	269,665	290,320	214,777
Other non-current liabilities	1.e, 1.n, 1.u, 4 and 24	119,872	63,762	133,633
Total non-current liabilities		389,537	354,082	348,410
Current liabilities				
Income tax payable	1.e, 1.m and 4	-	206,671	-
Other creditors	1.e, 1.g, 4, 16 and 21	146,664	146,093	359,423
Other current liabilities	1.e, 1.n, 1.u, 4 and 24	400,400	580,389	651,733
Total current liabilities		547,064	933,153	1,011,156
Total Shareholders' funds and liabilities		1,077,411,535	1,067,645,357	1,092,549,308

The notes are an integral part of the financial statements on 30 June 2017.

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 periods ended on 30 June 2017 and 2016 and for de year ended on 31 December 2016

(Amounts expressed in Euro)	Notes	June 2017 (not audited)	April to June 2017 (not audited)	June 2016 (not audited)	April to June 2016 (not audited)	December 2016
Services rendered	1.o and 21	253,174	130,654	161,336	90,236	253,325
Other operating revenues	1.o and 21	66,299	(2,608)	104,729	815	139,001
		319,473	128,046	266,065	91,051	392,326
External supplies and services	1.f, 17 and 21	(331,095)	(148,221)	(386,992)	(178,499)	(777,902)
Staff expenses	1.u and 24	(556,422)	(222,974)	(246,624)	51,033	(696,471)
Depreciation and amortisation	1.a, 1.b, 2 and 3	(6,825)	(3,414)	(6,817)	(3,417)	(13,726)
Provisions and impairment losses	1.l, 1.t and 15	(54,888)	(54,888)	(48,509)	(48,509)	(36,505)
Other operating costs		(7,123)	2,547	(110,558)	(94,690)	(129,417)
		(956,353)	(426,950)	(799,500)	(274,082)	(1,654,021)
Gains and losses on Group companies and companies jointly controlled	1.d, 1.o, 5, 6 and 18	8,763,090	8,972,004	4,660,000	7,570,000	11,119,809
Gains and losses on financial assets at fair value through profit or loss	1.e, 1.o, 7 and 18	-	-	4,808,250	20,088,852	4,808,250
Other financial expenses	1.c, 1.i, 1.j, 1.s, 1.t, 14, 19 and 21	(56,828)	(34,866)	(39,769)	(44,725)	(98,457)
Other financial income	1.s, 19 and 21	795,732	431,669	1,305,527	757,461	2,274,003
Earnings before taxes		8,865,114	9,069,903	10,200,573	28,188,557	16,841,910
Income taxation	1.m, 9 and 20	(35,708)	(25,606)	(28,493)	(27,884)	18,161,790
Net income / (loss) for the period		8,829,406	9,044,297	10,172,080	28,160,673	35,003,700
Earnings per share	23					
Excluding discontinued operations:						
Basic		0.03	0.03	0.03	0.09	0.11
Diluted		0.03	0.03	0.03	0.09	0.11

The notes are an integral part of the financial statements on 30 June 2017.

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 periods ended on 30 June 2017 and 2016 and for the year ended on 31 December 2016

(Amounts expressed in Euro)	Notes	June 2017 (not audited)	April to June 2017 (not audited)	June 2016 (not audited)	April to June 2016 (not audited)	December 2016
Net income / (loss) for the period		8,829,406	9,044,297	10,172,080	28,160,673	35,003,700
Components of other comprehensive income, net of tax		-	-	-	-	-
Comprehensive income for the period		8,829,406	9,044,297	10,172,080	28,160,673	35,003,700

The notes are an integral part of the financial statements on 30 June 2017.

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 periods ended on 30 June 2017 and 2016

(Amounts expressed in Euro)	Reserves							Net income / (loss)	Total
	Share capital	Own shares (note 13)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves		
2017									
Balance at 31 December 2016	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	35,340,861	834,236,219	35,003,700	1,091,189,742
Appropriation of result of 2016									
Transfer to legal reserves and other reserves	-	-	-	1,750,185	-	33,253,515	35,003,700	(35,003,700)	-
Dividend Distribution	-	-	-	-	-	(23,544,214)	(23,544,214)	-	(23,544,214)
Comprehensive income for the period ended at 30 June 2017	-	-	-	-	-	-	-	8,829,406	8,829,406
Balance at 30 June 2017	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,050,162	845,695,705	8,829,406	1,076,474,934

(Amounts expressed in Euro)	Reserves							Net income / (loss)	Total
	Share capital	Own shares (note 13)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves		
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 period at 30 June 2016	-	-	-	-	-	-	-	10,172,080	10,172,080
Balance at 30 June 2016	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	35,340,861	834,236,219	10,172,080	1,066,358,122

The notes are an integral part of the financial statements on 30 June 2017.

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 periods ended on 30 June 2017 and 2016

(Amounts expressed in Euro)	Notes	June 2017 (not audited)	June 2016 (not audited)
Operating activities			
Payments to employees		(688,803)	(832,890)
Cash flows from operating activities		(688,803)	(832,890)
Payments / receipts relating to income taxes		(5,202)	729,152
Other payments / receipts relating to operating activities		(737,861)	(1,678,976)
Cash flows from operating activities (1)		(1,431,866)	(1,782,714)
Investing activities			
Receipts from:			
Financial Investments	8	300,000	-
Interest and similar income		1,010,217	1,141,281
Loans granted	8	165,000	-
Dividends	18	9,012,005	9,762,005
Disposals of investments at fair value	6	-	82,840,847
Payments for:			
Tangible assets		(4,091)	-
Intangible assets		(696)	-
Financial Investments	8	-	-
Loans granted	8	(295,000)	(2,905,000)
Cash flows from investing activities (2)		10,187,435	90,839,133
Financing activities			
Payments for:			
Interest and similar expenses		(133,234)	(64,485)
Dividends	21	(23,544,214)	(17,734,603)
Cash flows from financing activities (3)		(23,677,448)	(17,799,088)
Net cash flows (4)=(1)+(2)+(3)		(14,921,879)	71,257,331
Cash and cash equivalents at the beginning of the period	4 and 11	210,933,723	179,448,314
Cash and cash equivalents at period end	4 and 11	196,011,844	250,705,645

The notes are an integral part of the financial statements on 30 June 2017.

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 periods ended on 30 June 2017 and 2016.

	Notes	June 2017 (não auditado)	June 2016 (não auditado)
1. Acquisition or sale of subsidiaries or other businesses activities			
a) Receipts from other business activities			
Reimbursement of supplementary capital from PCJ - Público, Comunicação e Jornalismo, S.A.	8	300,000	-
Loan repayment from Público - Comunicação Social, S.A.	8	165,000	375,000
		465,000	375,000
b) Payments from other business activities			
Loan granted to Sonae Investment Management - Software and Technology, SGPS, S.A.	8	(295,000)	(3,280,000)
		(295,000)	(3,280,000)
c) Dividends received			
ZOPT, SGPS, S.A.	18	9,012,005	1,762,005
NOS, SGPS, S.A.	18	-	8,000,000
		9,012,005	9,762,005
2. Description of non-monetary financing activities			
a) Bank credit obtained and not used	14	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 on 30 June 2017.

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



8.4. 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 being 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 O93X – 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 offerer obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

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

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

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

The financial statements are presented in euro, rounded at unit.

1. Basis of presentation

The accompanying financial statements have been prepared on a going concern basis, based on the Company's accounting records in accordance with International Financial Reporting Standards (IFRS), as adopted and effective in the European Union on 1 January 2017. These financial statements were prepared based on historical cost, except for the revaluation of certain financial instruments.

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

The following standards, interpretations, amendments and revisions, 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)	1-Jan-18
IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	
IFRS 9 Financial Instruments	1-Jan-18
This standard introduces new requirements for classifying and measuring financial assets.	

The Company has not yet implemented any of these standards in the financial statements for the period ended on 30 June 2017.

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)
Amendments to IFRS 15 (Revenue from Contracts with Customers)	1-Jan-18
Review of accounting treatment for license revenue, definition of agency and transitory regime.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
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	
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.	
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.	
IFRS 17 Insurance Contracts	1-Jan-21
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.	
IFRIC 23 Uncertainty over Income Tax Treatments	1-Jan-21
The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	



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 on 30 June 2017. 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 company on 30 June 2017 are comparable with those used in the preparation of 30 June 2016 financial statements.

Main accounting policies

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

a) Tangible assets

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

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

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

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

	Years of useful life
Buildings and others constructions	10-20
Vehicles	4
Fixtures and fittings	4-8

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

b) Intangible assets

Intangible assets are recorded at their acquisition cost less accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised, if they were identifiable and if it is likely that they will bring

future economic benefits to the Company, if the Company controls them and if their cost can be reliably measured.

Intangible assets correspond, essentially, to software and industrial property.

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (one to five years) as from the month in which the corresponding expenses are incurred.

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

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

c) Investments in Group companies and other non-current assets

Sonaecom has control of subsidiaries in situations that cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights to, variable results via its relationship with the subsidiary; and iii) is able to use its power over the investee to affect the amount of your results. Financial investments in equity investments in group companies, are recorded under "Investments in group companies", at cost of acquisition.

The acquisition cost is the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of acquisition or establishment or, where applicable, the amount attributed to that asset when initially recognized in accordance with the specific requirements of IFRS 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 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 30 June 2017, the company did not hold any 'Held-to-maturity investment'.

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

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

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

They are recognized as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position. Equity holdings other than participations in Group companies, 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.

On 30 June 2017 and 2016, 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 on 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 Sonaecom companies.

In this way, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonaecom, SGPS is the dominant company since 1 January 2015. Sonaecom records the income tax on their individual accounts and the tax calculated is recorded 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.I).

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 company.

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, on 30 June 2017, Sonaecom, have free reserves distributable amounting approximately Euro 52,1 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the period ended 30 June 2017.

Other reserves

This caption includes retained earnings from previous years that are available for distribution, since that they are not required to cover losses for the period or previous periods.

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:

	2017		2016	
	30 June	Average	30 June	Average
Pounds Sterling	1.1372	1.1625	1.2099	1.2844
Swiss franc	0.9149	0.9292	0.9202	0.9126
Swedish krona	0.1037	0.1067	0.1061	0.1075
American Dollar	0.8763	0.9244	0.9007	0.8964

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.

On 30 June 2017, the plans granted during the year 2015, 2016 and 2017 are not covered, and the liability is recorded at fair value. The liability of all plans is recorded under the captions ‘Other non-current liabilities’ and ‘Other current liabilities’. 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 periods ended on 30 June 2017 and 2016 are as follows:

- (i) Useful lives of tangible and intangible assets (note 1a and 1b);
- (ii) Impairment analysis of investments in group companies and joint ventures 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 contingent 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 the period ended on 30 June 2017, Sonaecom has no indebtedness. However, as all Sonaecom's borrowings (note 14) 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 period.

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.

On 30 June 2017, are not contracted any derivatives instruments of hedging of the interest rate changes.

Liquidity risk

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

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

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

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

- (i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;
- (ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in

Group companies, to reduce the use of bank debt at a consolidated level; and

- (iii) Applications in the market.

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

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

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

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

Credit risk

The Company'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 monitored by Sonaecom.

In 2017, Sonaecom reported a negative average gearing (accounting) of 19.1%. The average gearing in market values in 2017 was negative in 25.2%.

2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended on 30 June 2017 and 2016 was as follows:

							2017
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Total
Gross assets							
Balance at 31 December 2016	347,208	43,858	22,060	171	243,696	104	657,097
Additions	-	-	-	-	4,091	-	4,091
Balance at 30 June 2017	347,208	43,858	22,060	171	247,787	104	661,188
Accumulated depreciation and impairment losses							
Balance at 31 December 2016	338,235	43,858	18,844	171	242,469	104	643,681
Depreciation for the period	2,037	-	2,758	-	948	-	5,743
Balance at 30 June 2017	340,272	43,858	21,602	171	243,417	104	649,424
Net value	6,936	-	458	-	4,370	-	11,764
							2016
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Total
Gross assets							
Balance at 31 December 2015	347,208	43,858	22,060	171	243,696	104	657,097
Balance at 30 June 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 period	2,106	36	2,758	-	880	-	5,780
Balance at 30 June 2016	336,128	43,823	16,086	171	241,588	104	637,900
Net value	11,080	35	5,974	-	2,108	-	19,197

3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the periods ended on 30 June 2017 and 2016 was as follows:

				2017
	Brands patents and other rights	Software	Intangible assets in progress	Total
Gross assets				
Balance at 31 December 2016	9,789	193,127	-	202,916
Additions	70	-	626	696
Balance at 30 June 2017	9,859	193,127	626	203,612
Accumulated amortisation and impairment losses				
Balance at 31 December 2016	9,783	190,929	-	200,712
Amortisation for the period	18	1,064	-	1,082
Balance at 30 June 2017	9,801	191,993	-	201,794
Net value	58	1,134	626	1,818



				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
Aditions	-	168	-	168
Disposals	-	-	224	224
Transfers	-	407	(407)	-
Balance at 30 June 2016	9,719	193,127	-	202,846
Accumulated amortisation and impairment losses				
Balance at 31 December 2015	9,719	188,828	-	198,547
Amortisation for the period	-	1,037	-	1,037
Balance at 30 June 2016	9,719	189,865	-	199,584
Net value	-	3,262	-	3,262

4. Breakdown of financial instruments

On 30 June 2017 and 2016, the breakdown of financial instruments was as follows:

					2017
	Loans and receivables	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets					
Other non-current assets (note 8)	212,264,472	-	212,264,472	-	212,264,472
	212,264,472	-	212,264,472	-	212,264,472
Current assets					
Income tax receivable	-	-	-	795,211	795,211
Other trade debtors (note 10)	17,660,053	-	17,660,053	153,887	17,813,940
Other current assets	-	428,897	428,897	47,476	476,373
Cash and cash equivalents (note 11)	196,011,844	-	196,011,844	-	196,011,844
	213,671,897	428,897	214,100,794	996,574	215,097,368

					2016
	Loans and receivables	Other financial assets	Subtotal	Others not covered by IAS 39	Total
Non-current assets					
Other non-current assets (note 8)	158,939,791	-	158,939,791	-	158,939,791
	158,939,791	-	158,939,791	-	158,939,791
Current assets					
Other trade debtors (note 10)	3,699,424	-	3,699,424	123,493	3,822,917
Other current assets	-	613,663	613,663	52,351	666,014
Cash and cash equivalents (note 11)	250,705,645	-	250,705,645	-	250,705,645
	254,405,069	613,663	255,018,732	175,844	255,194,576

					2017
	Other financial liabilities	Subtotal	Others not covered by IAS 39	Total	
Non-current liabilities					
Other non-current liabilities	-	-	119,872	119,872	
	-	-	119,872	119,872	
Current liabilities					
Other creditors (note 16)	84,920	84,920	61,744	146,664	
Other current liabilities	269,354	269,354	131,046	400,400	
	354,274	354,274	192,790	547,064	



				2016
	Other financial liabilities	Subtotal	Others not covered by IAS 39	Total
Non-current liabilities				
Other non-current liabilities	-	-	63,762	63,762
	-	-	63,762	63,762
Current liabilities				
Income tax payable	-	-	206,671	206,671
Other creditors (note 16)	95,168	95,168	50,925	146,093
Other current liabilities	413,430	413,430	166,959	580,389
	508,598	508,598	424,555	933,153

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

On 30 June 2017 and 2016, this caption included the following investments in Group companies was as follows:

Company	2017	2016
Sonae Investment Management - Software and Technology, SGPS, S.A. ("Sonae IM")	52,241,587	52,241,587
Público - Comunicação Social S.A. ("Público")	21,305,000	21,305,000
PCJ - Público Comunicação e Jornalismo S.A. ("PCJ")	13,690,000	13,690,000
Sonaecom - Serviços Partilhados S.A. ("Sonaecom SP")	50,000	50,000
Sonaetelecom BV*	-	73,460,618
Sonaecom BV*	-	10,100,000
	87,286,587	170,847,205
Impairment losses (note 15)	(34,995,000)	(115,025,618)
Total investments in Group companies	52,291,587	55,821,587

* Company liquidated in December 2016

The movements that occurred in investments in this caption during the periods ended on 30 June 2017 and 2016 were as follows:

Company	Balance at 31 December 2016	Additions	Disposals	Transfers and write-offs	Balance at 30 June 2017
Sonae IM	52,241,587	-	-	-	52,241,587
PCJ	13,690,000	-	-	-	13,690,000
Público	21,305,000	-	-	-	21,305,000
Sonaecom Sp	50,000	-	-	-	50,000
	87,286,587	-	-	-	87,286,587
Impairment losses (note 15)	(34,995,000)	-	-	-	(34,995,000)
Total investments in Group companies	52,291,587	-	-	-	52,291,587



Company	Balance at 31 December 2015	Additions	Disposals	Transfers and write-offs	Balance at 30 June 2016
Sonaetelecom BV*	73,460,618	-	-	-	73,460,618
Sonae IM	52,241,587	-	-	-	52,241,587
PCJ	10,100,000	-	-	-	10,100,000
Sonaecom BV*	11,850,555	1,839,445	-	-	13,690,000
Público	10,227,595	11,077,405	-	-	21,305,000
Sonaecom Sp	50,000	-	-	-	50,000
	157,930,355	12,916,850	-	-	170,847,205
Impairment losses (note 15)	(108,583,213)	(430,000)	-	(6,012,405)	(115,025,618)
Total investments in Group companies	49,347,142	12,486,850	-	(6,012,405)	55,821,587

* Company liquidated in December 2016

On 30 June 2017 and 2016, the main financial information regarding the subsidiaries and jointly controlled directly owned by the company is as follows (values in accordance with IFRS):

(Amounts expressed in thousand Euro)	Company	Head office	% holding	2017		2016		
				Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
	ZOPT (a) (note 6)*	Matosinhos	50%	2,350,362	63,583	50%	2,505,350	40,907
	Sonae IM (a)	Maia	100%	88,726	(902)	100%	80,680	(259)
	PCJ	Maia	100%	(278)	(4)	100%	226	199
	Sonaecom SP	Maia	100%	339	129	100%	209	82
	Público	Maia	100%	(879)	(950)	100%	(1,068)	(1,103)
	Sonaecom BV**	Amsterdam	-	-	-	100%	84,118	(25)
	Sonaetelecom BV**	Amsterdam	-	-	-	100%	(13)	(17)

(a) Consolidated Financial Statements

* At 30 June 2017, the market capitalization of NOS amounted to 2,738 million 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.

	Sonae IM (Information Systems)	Público e PCJ (Multimedia)
Assumptions		
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 periods ended on 30 June 2017, 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.

6. Investments in companies jointly controlled

On 30 June 2017 and 2016, this caption included the following investments in companies jointly controlled:

Company	2017	2016
ZOPT SGPS S.A. ('ZOPT')	597,666,944	597,666,944

The movements that occurred in this caption during the periods ended on 30 June 2017 and 2016 were as follows:

Company	Balance at 31 December 2016	Additions	Disposals	Transfers	Balance at 30 June 2017
ZOPT	597,666,944	-	-	-	597,666,944

Company	Balance at 31 December 2015	Additions	Disposals	Transfers	Balance at 30 June 2016
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 on 30 June and 2016 2017 ZOPT held 52.15% of participation in NOS. At 14 June 2016, Sonaecom sold all its direct participation in NOS (2.14%) to ZOPT, as established in the shareholders agreement between Sonaecom, Kento Holding Limited and Jadeium BV (currently named Unitel International Holdings, BV), for the amount of Euro 82,840,847. This operation resulted in the change of the title of attribution of the participation voting rights and ZOPT became a direct holder of 52.15% of the share capital of NOS.

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 SGPS, the Sonaecom began to hold 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. Some of these shares were used as part of the General Public and Voluntary Offer acquisition of own shares.

In the period ended on June 2017, Sonaecom did not hold NOS shares because sold its all direct participation in NOS (2.14%) to Zopt, on June 2016. 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.

In the period ended on June 2017, Sonaecom did not hold Sonae shares in the portfolio.

The movements occurred in this caption during the period ended on 30 June 2016 were as follows:

					2016
Financial assets at fair value through profit or loss	Opening balance	Decreases	Fair value adjustments (note 18)	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	(146,684)	(36,670)	38,877	-
	79,941,284	(64,261,645)	(15,718,516)	38,877	-

*Incentive medium-term plans

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 18). 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 30 June 2016 in the investment in Sonae SGPS shares, correspond essentially to the payment of the medium-term incentive plan, which expired in the period ended on 30 June 2016.

At 30 June 2017, as mentioned above, the decreases in investment in NOS shares corresponds to the sold of all the direct participation of Sonaecom in NOS (2,14%).

8. Other non-current assets

On 30 June 2017 and 2016, this caption was made up as follows:

	2017	2016
Financial assets		
Medium and long-term loans granted to group companies and joint-ventures:		
Sonae IM	32,710,000	18,595,000
Público	2,170,000	165,000
PCJ	-	3,315,000
Sonaecom SP	-	160,000
	34,880,000	22,235,000
Supplementary capital:		
Zopt	115,000,000	115,000,000
Sonae IM	64,049,791	29,519,791
Público	3,740,000	-
PCJ	2,850,000	-
	185,639,791	144,519,791
	220,519,791	166,754,791
Accumulated impairment losses (note 15)	(8,471,351)	(7,815,000)
Others	216,032	-
	212,264,472	158,939,791

During the periods ended on 30 June 2017 and 2016, the movements that occurred in 'Medium and long-term loans granted' to Group companies and companies jointly controlled were as follows:

				2017
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	32,415,000	295,000	-	32,710,000
Público	2,335,000	-	(165,000)	2,170,000
	34,750,000	295,000	(165,000)	34,880,000



				2016
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	15,315,000	3,280,000	-	18,595,000
PCJ	3,690,000	-	(375,000)	3,315,000
Público	165,000	-	-	165,000
Sonaecom SP	160,000	-	-	160,000
	19,330,000	3,280,000	(375,000)	22,235,000

During the periods ended on 30 June 2017 and 2016, the movements in 'Supplementary capital' were as follows:

				2017
Company	Opening balance		Decreases	Closing balance
ZOPT	115,000,000		-	115,000,000
Sonae IM	64,049,791		-	64,049,791
Público	3,740,000		-	3,740,000
PCJ	3,150,000		(300,000)	2,850,000
	185,939,791		(300,000)	185,639,791

				2016
Company	Opening balance		Decreases	Closing balance
ZOPT	115,000,000		-	115,000,000
Sonae IM	29,519,791		-	29,519,791
Público	11,077,405		(11,077,405)	-
PCJ	1,839,445		(1,839,445)	-
	157,436,641		(12,916,850)	144,519,791

Loans granted to Group companies and Supplementary capital, do not have a defined maturity, therefore no information about the aging of these loans is presented.

During the periods ended on 30 June 2017 and 2016, the loans granted to Group companies and companies jointly controlled earned interest at market rates with an average interest rate of 2.31% and 2.54%, respectively. Supplementary capital is non-interest bearing and have no reimbursement turn.

In the period ended on 30 June 2017 the amount of Euro 300.000 of decreases in PCJ correspond to the reimbursement of supplementary capital.

The evaluation of the existence of impairment losses for the loans made to Group companies was based on the most up-to-date business plans duly approved by the Group's Board of Directors, which include projected cash flows for periods of five years. The discount rates used and the perpetuity growth considered are presented in the notes 5 and 6.

9. Deferred taxes

The changes in deferred tax assets for the periods ended on 30 June 2017 and 2016 were as follows:

	2017	2016
Opening balance	94,475	-
Movement in provisions not capted for tax purposes and other temporary differences	(16,893)	-
Closing balance	77,582	-

On 30 June 2017 and 2016, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and

deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated.

On 30 June 2017 and 2016, the values of deferred taxes assets not recorded were Euro 1,989,007 and Euro 2,044,150, respectively - generated in 2014. In addition there are impairment losses in amount of Euro 43,466,351 (Euro 120,683,314 in 2016) that did not give rise to the registration of deferred tax assets, but which could be used in the case of liquidation of the companies.

On 30 June 2017 and 2016, the tax rate used to calculate deferred tax assets related to tax losses was 21%. In the case of temporary differences, in particular of provisions not accepted and impairment losses, the rate used in 2017 and 2016 was 22.5%.

Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits.

It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable.

The reconciliation between the earnings before tax and the tax recorded for the periods ended on 30 June 2017 and 2016 is as follows:

	2017	2016
Earnings before tax	8,865,114	10,200,573
Tax	(1,861,674)	(2,142,120)
Autonomous taxation surcharge and correction of the tax of the previous year	(7,246)	(8,010)
Temporary differences from the exercise without record deferred tax assets	15,552	(611,295)
Adjustments of results not tax deductible	1,834,553	2,685,138
Recorded of deferred tax assets	(16,893)	47,794
Income taxation recorded in the year (note 20)	(35,708)	(28,493)

The tax rate used to reconcile the tax expense and the accounting profit was 21% in the year of 2017 and 2016 because it are the standards rates of the corporate income tax in Portugal in 2017 and 2016.

The adjustments to the taxable income in 2017 and 2016 relates, mainly, to losses and gains in financial investments and dividends received (note 18), which do not contribute to the calculation of the taxable profit for the period.

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, on 30 June 2017.

10. Other current debtors

On 30 June 2017 and 2016, this caption was made up as follows:

	2017	2016
State and other public entities	153,887	123,493
Trade debtors	17,660,053	3,699,424
	17,813,940	3,822,917

On 30 June 2017, the caption "Other debtors" includes the amount of Euro 17,277,242 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 2017 is associated to the tax effect of Sonaecom BV and Sonaetelecom BV liquidation's (Euro 17,547,730).

On 30 June 2017 and 2016, the caption 'Trade 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 19 and 21).

The caption 'State and other public entities', on 30 June 2017 and 2016, refers essentially to value added tax.

11. Cash and cash equivalents

On 30 June 2017 and 2016, the breakdown of cash and cash equivalents was as follows:

	2017	2016
Cash	423	654
Bank deposits repayable on demand	115,626,421	213,164,991
Treasury applications	80,385,000	37,540,000
	196,011,844	250,705,645

On 30 June 2017 and 2016, the caption 'Treasury applications' had the following breakdown:

	2017	2016
Bank applications	70,020,000	22,872,756
Sonae IM	8,565,000	9,000,000
Público	1,750,000	4,310,000
PCJ	50,000	25,000
Sonaecom SP	-	1,205,000
Sonae SGPS	-	127,244
	80,385,000	37,540,000

The treasury applications immediately available, mentioned above, are remunerated during the period ended on 30 June 2017, with an interest average rate of 0.38% (0.8% in 2016).

12. Share capital

On 30 June 2017 and 2016, the share capital of Sonaecom was comprised by 311,340,037 ordinary shares registered of Euro 0.74 each. At those dates, the Shareholder structure was as follows:

	2017		2016	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 13)	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.

13. Own shares

During the period ended on 30 June 2017, 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.

14. Loans

Short-term loans and other loans

In period ended on 30 June 2017 and 2016, 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.

On 30 June 2017 and 2016, the available credit lines are as follows:

	Limit	Amount outstanding	Amount available	Until 12 months	Maturity More than 12 months
2017					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		
2016					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		

On 30 June 2017 and 2016, there are no financial instruments of interest rate hedging.

15. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended on 30 June 2017 and 2016 were as follows:

	Opening balance	Increases	Transfers and utilizations	Closing balance
2017				
Accumulated impairment losses on investments in Group companies	34,995,000	-	-	34,995,000
Accumulated impairment losses on other non-current assets	8,222,436	248,915	-	8,471,351
Provisions for other liabilities and charges	214,777	54,888	-	269,665
	43,432,213	303,803	-	43,736,016
2016				
Accumulated impairment losses on investments in Group companies	108,583,213	430,000	6,012,405	115,025,618
Accumulated impairment losses on other non-current assets	10,917,405	2,910,000	(6,012,405)	7,815,000
Provisions for other liabilities and charges	241,811	48,509	-	290,320
	119,742,429	3,388,509	-	123,130,938

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 18).

On 30 June 2017, the increase in the caption 'Accumulated impairment losses on other non-current assets' includes amounts related to impairment and adjustments of financial investments in Público and PCJ.

16. Other creditors

On 30 June 2017 and 2016, this caption was made up as follows:

	2017	2016
Other creditors	84,920	95,168
State and other public entities	61,744	50,925
	146,664	146,093

17. External supplies and services

On 30 June 2017 and 2016, this caption was made up as follows:

	2017	2016
Specialised work	232,730	265,024
Travel and accommodation	25,329	43,173
Insurance	22,832	22,514
Rents	14,171	9,178
Communications	12,789	22,593
Other external supplies and services	23,244	24,510
	331,095	386,992

18. Gains and losses on investments

On 30 June 2017 and 2016, these captions "Gains and losses on investments in group companies and joint ventures" and "Gains and losses on investments recorded at fair value through profit or loss" were made up as follows:

	2017	2016
Gains and losses on investments in Group companies and companies jointly controlled		
Losses related to Group companies (notes 5, 8 and 15)	(248,915)	(3,340,000)
Dividends obtained (note 21)	9,012,005	8,000,000
	8,763,090	4,660,000
Gains and losses on financial assets at fair value through profit or loss		
Gains and losses on financial assets at fair value through profit or loss (note 7)	-	(15,679,641)
Dividends obtained (note 21)	-	1,762,005
Gains on disposals of financial assets at fair value through profit or loss (note 7)	-	18,725,886
	-	4,808,250

On 30 June 2017 and 2016, losses on the Group companies include the reinforcement of impairment losses on investments in companies group in the amount of Euro 248,916 (Euro 3,340,000 in 2016).

19. Financial results

Net financial results for the periods ended on 30 June 2017 and 2016 are made up as follows ((costs)/gains):

	2017	2016
Other financial expenses		
Interest expenses:		
Other loans (note 21)	(4,041)	(345)
	(4,041)	(345)
Other financial expenses	(52,787)	(39,424)
	(56,828)	(39,769)
Other financial income		
Interest income (note 21)	795,732	1,227,268
Other financial income	-	78,259
	795,732	1,305,527

20. Income Taxation

Income taxes recognized during the periods ended on 30 June 2017 and 2016 were made up as follows ((costs) / gains):

	2017	2016
Current tax	(52,601)	(28,493)
Deferred tax assets	16,893	-
Closing balance (note 9)	(35,708)	(28,493)

21. Related parties

During the periods ended on 30 June 2017 and 2016, the most significant balances and transactions with related parties were as follows:

	Accounts receivable (note 10)	Accounts payable (note 16)	Treasury applications (note 11)	Other assets / (liabilities)	Balances on 30 June 2017 Loans granted (note 8)
Parent Company	17,277,242	-	-	119,798	-
Companies jointly controlled	13,869	-	-	-	-
Others related parties	(16,337)	12,606	-	272,703	-
Subsidiaries	379,320	24,980	10,365,000	124,669	34,880,000
	17,654,094	37,586	10,365,000	517,170	34,880,000

	Accounts receivable (note 10)	Accounts payable (note 16)	Treasury applications (note 11)	Other assets / (liabilities)	Balances on 30 June 2016 Loans granted (note 8)
Parent Company	590,685	-	127,244	329,850	-
Companies jointly controlled	14,369	-	-	-	-
Others related parties	(83,476)	(9,136)	-	661,292	-
Subsidiaries	3,183,365	82,931	14,540,000	(539,222)	22,235,000
	3,704,943	73,795	14,667,244	451,920	22,235,000

	Sales and services rendered	Supplies and services received (note 17)	Interest and similar income / (expense) (note 19)	Transactions on 30 June 2017 Supplementary income
Parent Company	-	75,000	286,206	-
Others related parties	-	50,932	-	12,190
Subsidiaries	253,174	111,446	485,433	1,562
	253,174	237,378	771,639	13,752

	Sales and services rendered	Supplies and services received (note 17)	Interest and similar income / (expense) (note 19)	Transactions on 30 June 2016 Supplementary income
Parent Company	-	-	796,657	(26)
Companies jointly controlled	-	-	(6,842)	-
Others related parties	-	39,224	-	-
Subsidiaries	161,336	163,693	406,905	1,545
	161,336	202,917	1,196,720	1,519

During the period ended at 30 June 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 18).

During the period ended at 30 June 2017, the company distributed dividends, in the amount of Euro 6,238,768 to Sonae SGPS (Euro 4,699,332 at 30 June 2016) and Euro 14,942,860 to Sontel BV (Euro 11,255,661 at 30 June 2016).

During the period ended at 30 June 2017 and 2016, Sonaecom recognized in the amount of Euro 9,012,005 and Euro 8,000,000, respectively, related to dividends from Zopt (Note 18).

During the period ended at 30 June 2016, Sonaecom recognized in the amount of Euro 1,762,005 related to dividends from NOS (Note 18).

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.

22. Guarantees provided to third parties

Guarantees provided to third parties on 30 June 2017 and 2016 were as follows:

Beneficiary	Description	2017	2016
Direção de Contribuições e Impostos (Portuguese tax authorities)	Additional tax assessments (Stamp and Income tax)	1,558,985	222,622
		1,558,985	222,622

In addition to these guarantees were set up sureties for the current fiscal processes. The Sonae SGPS consisted of Sonaecom surety to the amount of Euro 27,546,999 and Sonaecom of Público surety for the amount of Euro 564,900.

On 30 June 2017, the Board of Directors of the Company believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the financial statements.

23. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the period (Euro 8,829,406 in 2017 and Euro 10,172,080 in 2016) by the average number of shares outstanding during the periods ended on 30 June 2017 and 2016, net of own shares (305,769,023 in 2017 and 2016).

24. 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, SGPS, 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.

Therefore, the outstanding plans on 30 June 2017 are as follows:

	Share price 31.03.2017	Vesting period		30 June 2017	
		Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2014 Plan	0.974	10-Mar-15	10-Mar-18	4	186,501
2015 Plan	0.974	10-Mar-16	10-Mar-19	4	248,608
2016 Plan	0.974	10-Mar-17	10-Mar-20	4	248,076



During the period ended on 30 June 2017, the movements that occurred in the plans can be summarized as follows:

	Sonae SGPS shares	
	Aggregate number of participations	Number of shares
Outstanding at 31 December 2016:		
Unvested	6	698,821
Total	6	698,821
Movements in year:		
Awarded	4	228,714
Vested	(3)	(310,298)
Cancelled / lapsed / corrected*	5	65,948
Outstanding at 30 June 2017:		
Unvested	12	683,185
Total	12	683,185

* Corrections are made based on the dividend paid and by the exit of the employees during the plan period.

The responsibility for all plans was recognized under 'Other current liabilities' and 'Other non-current liabilities'.

Share plan costs are recognised in the accounts over the period between the award and the vesting date of those plans. The costs recognized for the outstanding plans and for the plan delivered in the period ended 30 June 2017 are as follows:

	Value
Costs recognised in previous years	384,730
Costs recognised in the period	157,170
Costs of plans vested in the period	(290,982)
Total cost of the plans	250,918
Recorded in 'Other current liabilities '	131,046
Recorded in 'Other non-current liabilities '	119,872

These financial statements were approved by the Board of Directors on 28 July 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.

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

Investor Relations Contacts

Investor.relations@sonae.com

Tlf: +351 22 013 23 49