

RESULTS
ANNOUNCEMENT
1Q17



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 36.1 million euros increasing 21.3% y.o.y fuelled by the technology area

NOS growing in all business segments both in terms of revenues and customers, compared to the same period in 2016

Technology area revenues reaching 32.9 million euros, growing 24.0% y.o.y., with International markets weighting 44.9%

Net income of 4.5 million, significantly above 1Q16

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 with a strong performance.

Operating Revenues grew by 2.9% to 381 million euros driven by growth of 6.5% in the number of RGUs. EBITDA showed another quarter with a robust growth whilst maintaining committed to bringing its next generation networks to the entire country, reflected in its capital expenditure.

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

Turnover

Consolidated turnover in 1Q17 reached 36.1 million euros, increasing 21.3% when compared to 1Q16, driven by a 3.1% increase in service revenues and a 61.2% increase in sales.

Operating costs

Operating costs amounted to 36.9 million euros, 20.5% above 1Q16. Personnel costs grew 15.0% reflecting the increase in the average number of employees. Commercial costs increased 69.7% to 14.1 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 6.8 million euros, 52.5% above 1Q16, essentially on the back of equity results increase, which are impacted mostly by ZOPT contribution which, in turn, depends on NOS net income evolution. Underlying EBITDA also increased by 21.7%.

Net results

Sonaecom's EBIT increased 114.8% to 4.3 million euros, mainly explained by the higher level of EBITDA.

Net financial results reached positive 0.1 million euros in 1Q17. In 1Q16, 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 15.9 million euros.

Sonaecom's earnings before tax (EBT) increased to a positive 4.4 million euros, mainly driven by the higher net financial results.

Indirect results of negative 0.2 million euros are related with the Armilar Venture Funds.

Net results group share stood at 4.5 million euros, which compares with negative 12.4 million euros in 1Q16.

Operating CAPEX

Sonaecom's operating CAPEX increased to 2.0 million euros, reaching 5.6% of turnover, 0.5 p.p. below 1Q16.

Capital structure

The cash position increased 39.9 million euros since March 2016 reaching 205.9 million euros.

2.1 Telecommunications

NOS operating revenues were 381 million euros in 1Q17, growing 2.9% y.o.y. EBITDA reached 143.6 million euros, increasing 4.2% when compared to 1Q16 and representing a 37.7% EBITDA margin. CAPEX amounted to 87.1 million euros in 1Q17, a decrease of 8.4% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX increased 32.1%.

At the end of the quarter, net financial debt totalled 1,053 million euros, 5.3% lower than at the end of 2016 and equal to 1.9x EBITDA, a conservative ratio compared to its peers in the sector.

NOS published its 1Q17 results on 27th April, 2017, which are available at www.nos.pt.

During 1Q17, NOS share price decreased 9.4% from €5.638 to €5.110, whilst PSI20 increased by 7.0%.

Operational Indicators

| Operational Indicators ('000) | 1Q16 | 1Q17 | Δ 17/16 | 4Q16 | q.o.q. |
|-------------------------------|---------|---------|---------|---------|--------|
| Total RGUs | 8,595.0 | 9,155.2 | 6.5% | 9,076.8 | 0.9% |
| Convergent RGUs | 2,988.0 | 3,498.1 | 17.1% | 3,387.2 | 3.3% |

Financial indicators

| Million euros | 1Q16 | 1Q17 | Δ 17/16 | 4Q16 | q.o.q. |
|-----------------------|-------|-------|---------|-------|--------|
| NOS HIGHLIGHTS | | | | | |
| Operating Revenues | 370.3 | 381.0 | 2.9% | 390.9 | -2.5% |
| EBITDA | 137.9 | 143.6 | 4.2% | 125.0 | 14.9% |
| EBITDA margin (%) | 37.2% | 37.7% | 0.5pp | 32.0% | 5.7pp |
| Net Income | 24.4 | 31.4 | 28.7% | 12.0 | 162.1% |
| CAPEX | 95.1 | 87.1 | -8.4% | 100.0 | -12.9% |
| EBITDA-CAPEX | 42.8 | 56.5 | 32.1% | 24.9 | 126.7% |



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 44.9% of its revenues outside the Portuguese market with 40% out of the total 1,010 employees based abroad.

WeDo Technologies is a worldwide leader in Revenue Assurance and Fraud Management software that works with more than 180 telecommunications operators in over 100 countries. The international markets represented 76.1% of its quarterly 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 1Q17, WeDo Technologies hosted a regional event in Malaysia, with over 85 attendees, including 17 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 that tackle fraud, revenue loss and other telecom operational issues. RAID.Cloud also features ground breaking applications in customer digital profiling, customer experience management and crowdsourced service assurance analytics, leveraging the latest technologies in Artificial Intelligence and Machine Learning.

During this quarter, the company acquired six new telecom customers - in Moldova, Greece, Australia, Sri Lanka and in the 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, supported by a network of selected partners that ensure local support and touch points in other key markets.

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

During 1Q17, its strategy focused on its own product Lookwise Device Manager (LDM), a world-class product for the ATM Protection market, and on Managed Services 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.

With a positive impact on brand visibility in Spain, S21sec powered Cyber Sec Event 2017 in San Sebastián, an event oriented for the educational segment.

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 GSI worldwide organizations.

This period has been marked by a market share reinforcement at Saphety GOV with 49 new customers. Saphety DOC also presented growth while EBP (Electronic Billing Presentment) project at Oi is being deployed. After being homologated as an invoice platform by Colombian authorities in 2016, during this quarter Saphety closed its first Saphety DOC contract in this country.

Saphety's customer base has now over 8,500 customers and 130,000 users in 34 countries with international markets representing more than 30% 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 1Q17, its Cloud business unit, focused in Microsoft contract management and infrastructure sale, grew more than 50% in revenues versus 1Q16 and its Nearshore business model, supported by Bizdirect Competence Center in Viseu, won 3 new customers.

International revenues represented 6.3% of total Turnover and Bizdirect notoriety in European market is growing. Nearshore already counts with 28 international customers from 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*, is now transitioning 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.

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

Financial indicators

| Million euros | | | | | |
|--------------------------------------|-------------|-------------|--------------|-------------|---------------|
| TECHNOLOGY AREA | 1Q16 | 1Q17 | Δ 17/16 | 4Q16 | q.o.q. |
| Turnover | 26.6 | 32.9 | 24.0% | 28.8 | 14.4% |
| Service Revenues | 19.3 | 19.9 | 3.2% | 22.1 | -10.3% |
| Sales | 7.3 | 13.1 | 78.6% | 6.6 | 96.6% |
| Other Revenues | 0.3 | 0.3 | 6.0% | 0.4 | -34.9% |
| Operating Costs | 26.3 | 32.5 | 23.7% | 27.7 | 17.5% |
| Personnel Costs | 10.0 | 11.8 | 17.2% | 10.8 | 8.7% |
| Commercial Costs ⁽¹⁾ | 7.3 | 13.0 | 77.6% | 6.7 | 92.9% |
| Other Operating Costs ⁽²⁾ | 8.9 | 7.7 | -13.4% | 10.1 | -23.5% |
| EBITDA | 0.5 | 0.7 | 29.2% | 1.5 | -54.7% |
| EBITDA Margin (%) | 2.0% | 2.1% | 0.1pp | 5.3% | -3.2pp |
| Operating CAPEX ⁽³⁾ | 1.8 | 1.8 | 2.1% | 2.1 | -14.1% |
| Operating CAPEX as % of Turnover | 6.7% | 5.5% | -1.2pp | 7.3% | -1.8pp |
| EBITDA - Operating CAPEX | -1.2 | -1.1 | 9.7% | -0.6 | -95.1% |
| Total CAPEX | 1.8 | 2.4 | 37.9% | 34.4 | -92.9% |

(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 24.0% y.o.y., to 32.9 million euros. Service Revenues increased 3.2% to 19.9 million euros while Sales grew 78.6% to 13.1 million euros.

Operating costs

Operating costs increased 23.7%, reaching 32.5 million euros, impacted by higher staff costs and higher commercial costs, despite lower other operational costs. Staff costs increased 17.2% driven by the growth in the number of employees. Commercial costs increased 77.6% driven by cost of goods sold, aligned with the higher level of sales, and other operating costs decreased 13.4%, mainly explained by lower levels of outsourcing costs.

EBITDA

EBITDA reached 0.7 million euros, increasing 29.2% y.o.y., and reaching a margin of 2.1%.

EBITDA-operating CAPEX

EBITDA-operating CAPEX stood at negative 1.1 million euros, increasing when compared to 1Q16, explained by the higher level of EBITDA.



2.3 Media

During 1Q17, 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 1Q17, 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 two digital media projects funded by Google DNI (Digital News Initiatives) Innovation Funds.

The positive performance of advertising revenues (both online and offline) coupled with online subscriptions growth more than offset circulation decline, having translated into an overall 1.9% revenue growth, when compared to 1Q16, bucking the market trend. Recurrent EBITDA, despite negative, increased 19.0%, when compared to the same period last year.

3. Subsequent events

On April 28th, 2017, at the company's Annual General Meeting, Sonaecom's shareholders decided the following:

1. To approve the Company's Annual Report and the Individual and Consolidated Accounts for the year ended 31 December 2016;
2. To approve the Board of Directors proposal to allocate the net income of Sonaecom Individual accounts, in the amount of 35,003,700.44 euros as follows:
 - a. 1,750,185.02 euros to legal reserves;
 - b. 23,973,182.85 euros is paid to shareholders;
 - c. Transfer of the remaining 9,280,332.57 euros to "Other reserves";

Considering that it will not be possible to determine precisely the number of own shares that will be held by the company on the date of the abovementioned payment, without limiting the company's capacity for intervention, it was highlighted the following:

- To each share issued will be paid the gross amount of 0.077 euros;
 - The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.077 euros per issued share) will not be paid to shareholders, but will instead be maintained in other reserves;
3. To approve a vote of appreciation and confidence in the work performed by the Board of Directors, Statutory Audit Board and Statutory External Auditor of Sonaecom, SGPS, S.A., during the year ended 31 December 2016;
 4. To approve the Remuneration Policy adopted for the members of the Statutory Governing Bodies and for Persons Discharging Managerial Responsibilities ("Dirigentes"), as well as Sonaecom's shares attribution plan, and respective Regulations to be applied by the Remuneration Committee, under the proposal previously disclosed;
 5. To authorise the Board of Directors, over the next 18 months, to purchase and sale of own shares up to the legal limit of 10% as per the terms of the proposal presented by that body and previously disclosed;
 6. To authorise the Board of Directors, over the next 18 months, and under the terms of Paragraph 2 of Article 325-B of Portuguese Company Law, the purchase and holding of shares of the Company by its controlled companies, as per the terms of the proposal presented by that body and previously disclosed.

On May 4th, 2017 Sonaecom announced that the payment of the dividends will occur on May 26th.

4. Appendix

Consolidated income statement

| Million euros | | | | | |
|---|--------------|-------------|---------------|-------------|---------------|
| CONSOLIDATED INCOME STATEMENT | 1Q16 | 1Q17 | Δ17/16 | 4Q16 | q.o.q. |
| Turnover | 29.8 | 36.1 | 21.3% | 32.4 | 11.4% |
| Service Revenues | 20.5 | 21.1 | 3.1% | 23.8 | -11.3% |
| Sales | 9.3 | 15.0 | 61.2% | 8.6 | 74.0% |
| Other Revenues | 0.4 | 0.4 | 5.8% | 0.6 | -25.6% |
| Operating Costs | 30.6 | 36.9 | 20.5% | 32.8 | 12.5% |
| Personnel Costs | 12.5 | 14.4 | 15.0% | 13.7 | 4.7% |
| Commercial Costs ⁽¹⁾ | 8.3 | 14.1 | 69.7% | 8.0 | 76.2% |
| Other Operating Costs ⁽²⁾ | 9.9 | 8.5 | -14.1% | 11.1 | -23.8% |
| EBITDA | 4.5 | 6.8 | 52.5% | 1.4 | - |
| Underlying EBITDA ⁽³⁾ | -0.4 | -0.3 | 21.7% | 0.2 | - |
| Equity method ⁽⁴⁾ | 4.9 | 7.1 | 45.9% | 1.2 | - |
| Underlying EBITDA Margin (%) | -1.5% | -0.9% | 0.5pp | 0.6% | -1.6pp |
| Depreciation & Amortization | 2.4 | 2.5 | 1.0% | 7.5 | -67.0% |
| EBIT | 2.0 | 4.3 | 114.8% | -6.1 | - |
| Net Financial Results | -15.9 | 0.1 | - | -0.1 | - |
| Financial Income | 1.2 | 0.8 | -29.6% | 0.6 | 28.8% |
| Financial Expenses | 17.1 | 0.7 | -95.7% | 0.7 | 2.2% |
| EBT | -13.9 | 4.4 | - | -6.2 | - |
| Tax results | 1.1 | 0.3 | -77.2% | 19.8 | -98.7% |
| Direct Results | -12.7 | 4.7 | - | 13.7 | -65.7% |
| Indirect Results⁽⁵⁾ | - | -0.2 | - | 28.5 | - |
| Net Income | -12.7 | 4.5 | - | 42.1 | - |
| Group Share | -12.4 | 4.5 | - | 42.1 | -89.4% |
| Attributable to Non-Controlling Interests | -0.4 | 0.0 | - | 0.0 | - |

(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 BigData and the 50% holding in ZOPT;

(5) Includes goodwill related with AVP funds.

Consolidated balance sheet

Million euros

| CONSOLIDATED BALANCE SHEET | 1Q16 | 1Q17 | Δ 17/16 | 4Q16 | q.o.q. |
|--|----------------|----------------|--------------|----------------|--------------|
| Total Net Assets | 1,060.4 | 1,108.5 | 4.5% | 1,104.5 | 0.4% |
| Non Current Assets | 766.1 | 820.3 | 7.1% | 812.8 | 0.9% |
| Tangible and Intangible Assets | 28.4 | 29.6 | 4.2% | 30.1 | -1.8% |
| Goodwill | 26.3 | 23.7 | -10.2% | 23.7 | -0.1% |
| Investments | 703.9 | 754.3 | 7.2% | 746.6 | 1.0% |
| Deferred Tax Assets | 7.2 | 9.3 | 29.5% | 9.3 | 0.3% |
| Others | 0.3 | 3.4 | - | 3.1 | 10.1% |
| Current Assets | 294.3 | 288.2 | -2.1% | 291.7 | -1.2% |
| Trade Debtors | 37.5 | 38.4 | 2.2% | 47.1 | -18.6% |
| Liquidity | 172.7 | 211.4 | 22.4% | 210.3 | 0.5% |
| Others | 84.1 | 38.5 | -54.2% | 34.3 | 12.3% |
| Shareholders' Funds | 999.6 | 1,037.4 | 3.8% | 1,033.1 | 0.4% |
| Group Share | 1,001.6 | 1,037.5 | 3.6% | 1,033.3 | 0.4% |
| Non-Controlling Interests | -2.1 | -0.1 | 94.1% | -0.2 | 21.1% |
| Total Liabilities | 60.8 | 71.1 | 16.9% | 71.3 | -0.3% |
| Non Current Liabilities | 8.8 | 18.2 | 106.4% | 19.7 | -7.6% |
| Bank Loans | 4.5 | 3.4 | -26.0% | 3.8 | -10.6% |
| Provisions for Other Liabilities and Charges | 3.0 | 4.5 | 49.1% | 4.9 | -8.9% |
| Others | 1.3 | 10.4 | - | 11.1 | -6.0% |
| Current Liabilities | 52.0 | 52.9 | 1.7% | 51.6 | 2.4% |
| Loans | 1.0 | 1.2 | 15.8% | 1.2 | -3.7% |
| Trade Creditors | 18.5 | 16.1 | -13.3% | 15.6 | 3.0% |
| Others | 32.4 | 35.6 | 9.8% | 34.7 | 2.4% |
| Operating CAPEX ⁽¹⁾ | 1.8 | 2.0 | 10.9% | 2.4 | -14.2% |
| Operating CAPEX as % of Turnover | 6.2% | 5.6% | -0.5pp | 7.3% | -1.7pp |
| Total CAPEX | 1.8 | 2.7 | 45.3% | 34.7 | -92.3% |
| Underlying EBITDA - Operating CAPEX | -2.3 | -2.4 | -4.7% | -2.2 | -9.6% |
| Gross Debt | 6.8 | 5.5 | -20.1% | 6.0 | -9.5% |
| Net Debt | -166.0 | -205.9 | -24.1% | -204.2 | -0.8% |

(1) Operating CAPEX excludes Financial Investments.

Consolidated levered FCF

Million euros

| LEVERED FREE CASH FLOW | 1Q16 | 1Q17 | Δ 17/16 | 4Q16 | q.o.q. |
|--|-------------|-------------|--------------|--------------|--------------|
| Underlying EBITDA-Operating CAPEX | -2.3 | -2.4 | -4.7% | -2.2 | -9.6% |
| Change in WC | 0.7 | 5.2 | - | -4.4 | - |
| Non Cash Items & Other | 0.0 | -1.4 | - | 2.9 | - |
| Operating Cash Flow | -1.6 | 1.4 | - | -3.7 | - |
| Investments | 0.0 | 0.0 | - | -35.0 | 100.0% |
| Dividends | 0.0 | 0.0 | - | 0.0 | - |
| Financial results | -1.2 | 0.1 | - | 0.9 | -84.4% |
| Income taxes | -0.2 | 0.2 | - | -0.2 | - |
| FCF⁽¹⁾ | -3.0 | 1.7 | - | -37.9 | - |

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

5. Financial Information

5.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

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

| (Amounts expressed in Euro) | Notes | March 2017 (not audited) | March 2016 (not audited) | December 2016 |
|--|------------------------------|-----------------------------|-----------------------------|----------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Tangible assets | 1c, 1h and 5 | 3,197,438 | 2,702,661 | 3,289,758 |
| Intangible assets | 1d, 1e, 1x and 6 | 26,358,421 | 25,665,314 | 26,793,457 |
| Goodwill | 1f, 1x and 7 | 23,652,640 | 26,329,694 | 23,683,622 |
| Investments in associated companies and companies jointly controlled | 1b and 8 | 753,763,814 | 703,677,256 | 746,061,735 |
| Investments available for sale | 1g, 4 and 10 | 539,615 | 90,779 | 539,614 |
| Other non-current assets | 1g, 1r, 1y, 4 and 23 | 3,439,942 | 287,674 | 3,123,287 |
| Deferred tax assets | 1p, 1t and 11 | 9,338,418 | 7,213,478 | 9,314,972 |
| Total non-current assets | | 820,290,288 | 765,966,856 | 812,806,445 |
| Current assets | | | | |
| Financial assets at fair value through profit or loss | 1g, 4 and 9 | - | 64,533,438 | - |
| Inventories | 1i | 461,786 | 400,111 | 285,311 |
| Trade debtors | 1g, 1j, 4 and 23 | 38,371,475 | 37,549,416 | 47,143,492 |
| Other current debtors | 1g, 1j, 4 and 23 | 21,163,810 | 4,150,607 | 20,632,559 |
| Income tax receivable | 1p, 4 | 3,730,755 | 3,380,013 | 3,055,627 |
| Other current assets | 1g, 1r, 1x, 4 and 23 | 13,112,499 | 11,732,437 | 10,281,066 |
| Cash and cash equivalents | 1g, 1k, 4 and 12 | 211,352,910 | 172,682,128 | 210,256,338 |
| Total current assets | | 288,193,235 | 294,428,150 | 291,654,393 |
| Total assets | | 1,108,483,523 | 1,060,395,006 | 1,104,460,838 |
| Shareholders' funds and liabilities | | | | |
| Shareholders' funds | | | | |
| Share capital | 13 | 230,391,627 | 230,391,627 | 230,391,627 |
| Own shares | 1v and 14 | (7,686,952) | (7,686,952) | (7,686,952) |
| Reserves | 1u | 810,336,100 | 791,329,798 | 762,449,012 |
| Consolidated net income/(loss) for the period | | 4,472,436 | (12,386,884) | 48,131,541 |
| | | 1,037,513,211 | 1,001,647,589 | 1,033,285,228 |
| Non-controlling interests | | (122,364) | (2,074,628) | (155,054) |
| Total Shareholders' funds | | 1,037,390,847 | 999,572,961 | 1,033,130,174 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Non-current loans net of short term position | 1g, 1l, 1m, 1q, 4 and 15a | 3,360,219 | 4,539,154 | 3,756,781 |
| Other non-current financial liabilities | 1h, 4 and 16 | 384,884 | 666,555 | 509,530 |
| Provisions for other liabilities and charges | 1o, 1t and 17 | 4,481,145 | 3,019,794 | 4,919,669 |
| Deferred tax liabilities | 1p, 1t and 11 | 8,263,418 | - | 8,263,418 |
| Other non-current liabilities | 1g, 1r, 1y, 4, 23 and 27 | 1,746,786 | 624,185 | 2,282,297 |
| Total non-current liabilities | | 18,236,452 | 8,849,688 | 19,731,695 |
| Current liabilities | | | | |
| Current loans and other loans | 1g, 1l, 1m, 1q, 4 and 15b | 1,195,166 | 1,031,187 | 1,241,107 |
| Trade creditors | 1g, 4, and 23 | 16,077,715 | 18,547,037 | 15,615,754 |
| Other current financial liabilities | 1g, 1h, 4 and 18 | 513,712 | 486,743 | 519,787 |
| Other creditors | 1g, 4 and 23 | 6,334,953 | 3,427,873 | 4,533,307 |
| Income tax payable | 1p, 4 | 181,400 | 1,427,652 | 170,502 |
| Other current liabilities | 1g, 1q, 1r, 1y, 4, 23 and 27 | 28,553,278 | 27,051,865 | 29,518,512 |
| Total current liabilities | | 52,856,224 | 51,972,357 | 51,598,969 |
| Total Shareholders' funds and liabilities | | 1,108,483,523 | 1,060,395,006 | 1,104,460,838 |

The notes are an integral part of the consolidated financial statements at 31 March 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 profit and loss account by nature

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

| (Amounts expressed in Euro) | Notes | March 2017 (not audited) | March 2016 (not audited) | December 2016 |
|---|------------------------|-----------------------------|-----------------------------|----------------------|
| Sales | 1s and 23 | 15,029,034 | 9,322,425 | 40,039,841 |
| Services rendered | 1s and 23 | 21,101,311 | 20,465,835 | 90,492,931 |
| Other operating revenues | 1q, and 23 | 439,948 | 396,282 | 1,511,994 |
| | | 36,570,293 | 30,184,542 | 132,044,766 |
| Cost of sales | 1i, | (13,124,744) | (7,496,181) | (32,429,804) |
| External supplies and services | 1h, 19 and 23 | (9,301,914) | (10,500,867) | (45,560,452) |
| Staff expenses | 1y and 27 | (14,352,792) | (12,479,517) | (51,547,363) |
| Depreciation and amortisation | 1c, 1d, 1f, 5, 6 and 7 | (2,466,312) | (2,440,890) | (15,463,247) |
| Provisions and impairment losses | 1j, 1o, 1x and 17 | (3,670) | (70,862) | (886,873) |
| Other operating costs | | (125,868) | (89,207) | (817,034) |
| | | (39,375,300) | (33,077,524) | (146,704,773) |
| Gains and losses in associated companies and companies jointly controlled | 1b, 8 and 21 | 6,959,588 | 4,887,603 | 53,850,309 |
| Gains and losses on financial assets at fair value through profit or loss | 1g, 9 and 21 | - | (15,300,040) | (4,554,534) |
| Other financial expenses | 1h, 1m, 1w, 1x, and 20 | (730,700) | (1,747,606) | (4,487,309) |
| Other financial income | 1w and 20 | 824,232 | 1,171,223 | 3,734,563 |
| Current income / (loss) | | 4,248,113 | (13,881,802) | 33,883,022 |
| Income taxation | 1p, 1l and 22 | 259,123 | 1,136,924 | 13,894,133 |
| Consolidated net income/(loss) for the period | | 4,507,236 | (12,744,878) | 47,777,155 |
| Attributed to: | | | | |
| Shareholders of parent company | 26 | 4,472,436 | (12,386,884) | 48,131,541 |
| Non-controlling interests | | 34,800 | (357,994) | (354,386) |
| Earnings per share | 26 | | | |
| Basic | | 0.01 | (0.04) | 0.16 |
| Diluted | | 0.01 | (0.04) | 0.16 |

The notes are an integral part of the consolidated financial statements at 31 March 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 31 March 2017 and 2016 and for the year ended at 31 December 2016.

| (Amounts expressed in Euro) | Notes | March 2017 (not audited) | March 2016 (not audited) | December 2016 |
|---|-------|-----------------------------|-----------------------------|-------------------|
| Consolidated net income / (loss) for the period | | 4,507,236 | (12,744,878) | 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 | (57,512) | (11,152,051) | (11,615,452) |
| Changes in currency translation reserve and other | 1v | (358,906) | (438,737) | 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 | 171,965 | (1,298,760) | (11,436,702) |
| Consolidated comprehensive income for the period | | 4,262,783 | (25,634,426) | 25,771,815 |
| Attributed to: | | | | |
| Shareholders of parent company | | 4,227,983 | (25,276,432) | 26,126,201 |
| Non-controlling interests | | 34,800 | (357,994) | (354,386) |

The notes are an integral part of the consolidated financial statements at 31 March 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 31 March 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 | - | - | - | - | - | 48,131,541 | 48,131,541 | - | (48,131,541) | - |
| Transfers to other reserves | - | - | - | - | - | (244,453) | (244,453) | 34,800 | 4,472,436 | 4,262,783 |
| Consolidated comprehensive income for the year ended at 31 December 2016 | - | - | - | - | - | - | - | (2,110) | - | (2,110) |
| Other changes | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2017 | 230,391,627 | (7,686,952) | 775,290,377 | 15,163,177 | 7,686,952 | 12,195,594 | 810,336,100 | (122,364) | 4,472,436 | 1,037,390,847 |
| 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 | - | - | - | - | - | - | - | (29,740) | - | (29,740) |
| Dividend Distribution | - | - | - | - | - | - | - | 5,934 | - | 5,934 |
| Percentage change in subsidiaries | - | - | - | - | - | (12,889,548) | (12,889,548) | (357,994) | (12,386,884) | (25,634,426) |
| Consolidated comprehensive income for the period ended at 31 March 2016 | - | - | - | - | - | - | - | 13,619 | - | 13,619 |
| Other changes | - | - | - | - | - | - | - | - | - | - |
| Balance at 31 March 2016 | 230,391,627 | (7,686,952) | 775,290,377 | 15,163,177 | 7,686,952 | (6,810,708) | 791,329,798 | (2,074,628) | (12,386,884) | 999,572,961 |

The notes are an integral part of the consolidated financial statements at 31 March 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 31 March 2017 and 2016 and for the year ended at 31 December 2016.

| (Amounts expressed in Euro) | Notes | March 2017 | March 2016 |
|--|-------|--------------------|--------------------|
| Operating activities | | | |
| Receipts from trade debtors | | 41,914,040 | 31,701,653 |
| Payments to trade creditors | | (21,686,789) | (18,565,168) |
| Payments to employees | | (15,348,551) | (14,370,486) |
| Cash flows generated by operations | | 4,878,700 | (1,234,001) |
| Payments / receipts relating to income taxes | | (656,127) | (446,824) |
| Other receipts / payments relating to operating activities | | (1,007,187) | (1,238,295) |
| Cash flows from operating activities (1) | | 3,215,386 | (2,919,120) |
| Investing activities | | | |
| Receipts from: | | | |
| Tangible assets | | 557 | 4,420 |
| Intangible assets | | - | 3,375 |
| Interest and similar income | | 393,611 | 464,521 |
| Payments for: | | | |
| Tangible assets | | (1,243,464) | (226,986) |
| Intangible assets | | (380,192) | (410,883) |
| Variation in loans granted | | (100,000) | - |
| Cash flows from investing activities (2) | | (1,329,488) | (165,553) |
| Financing activities | | | |
| Receipts from: | | | |
| Loans obtained | | - | 92,068 |
| Payments for: | | | |
| Leasing | | (97,622) | (78,114) |
| Interest and similar expenses | | (280,978) | (339,314) |
| Loans obtained | | (456,283) | (5,002,634) |
| Cash flows from financing activities (3) | | (834,883) | (5,327,994) |
| Net cash flows (4)=(1)+(2)+(3) | | 1,051,015 | (8,412,667) |
| 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 | 211,352,434 | 172,651,063 |

The notes are an integral part of the consolidated financial statements at 31 March 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 31 March 2017 and 2016 and for the year ended at 31 December 2016.

1. Description of non-monetary financing activities

| | Notes | March 2017 | March 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 | (370,915) | (126,969) | (9,070) | (506,954) |
| Information Systems | 5,462,880 | (1,478,230) | (648,902) | 3,335,748 |
| Holding | (1,876,580) | 275,712 | (176,911) | (1,777,779) |
| | 3,215,385 | (1,329,487) | (834,883) | 1,051,015 |

| Activity | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Net cash flows |
|---------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------|
| 2016 | | | | |
| Multimedia | (2,442,889) | (78,984) | (1,458) | (2,523,331) |
| Information Systems | 1,485,466 | (438,670) | (5,259,393) | (4,212,597) |
| Holding | (1,961,697) | 352,101 | (67,143) | (1,676,739) |
| | (2,919,120) | (165,553) | (5,327,994) | (8,412,667) |

The notes are an integral part of the consolidated financial statements at 31 March 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



5.2. 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 31 March 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) |
|---|---|
| IFRS 10 and IAS 28 - Amendments (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) | undefined |
| The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those established in IAS 28, when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | |
| Amendments to IFRS 15 (Revenue from Contracts with Customers - issued on 12 April 2016) | 1-Jan-18 |
| Review of accounting treatment for license revenue, definition of agency and transitory regime. | |
| IFRS 16 – Leases | 1-Jan-18 |
| 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. | |



| Standard / Interpretation | Effective date (annual periods beginning on or after) |
|---|---|
| Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses | 1-Jan-17 |
| Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. | |
| Amendments to IAS 7 - Disclosure Initiative | 1-Jan-17 |
| Amendments to AS 7 - Disclosure Initiative intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities | |
| Amendments to IFRS 2 - Share-based Payment | 1-Jan-18 |
| The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions. | |
| Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) | 1-Jan-18 |
| The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments | |
| Annual Improvements to IFRS Standards 2014-2016 Cycle | 1-Jan-18 |
| Annual Improvements to IFRSs 2014-2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014-2016 cycle for annual improvements to IFRSs. | |
| IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1-Jan-18 |
| IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. | |
| Amendments to IAS 40: Transfers of Investment Property | 1-Jan-18 |
| Amendments to IAS 40 clarifies the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties. | |

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the period ended on 31 March 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 31 March 2017 are comparable with those used in the preparation of 31 March 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 - 5 |
| 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 |
| Contractual 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 31 March 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 31 March 2017, the Group had foreign exchange forwards in amount to USD 520,000 (USD 66,000 on 31 March 2016), fixing the exchange rate for EUR, which have an average maturity of 1.5 months (2 months on 31 March 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 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.

The subsidiaries Digitmarket and Inovretail are not covered by the special regime for the taxation of groups, since Sonae SGPS's indirect participation in Digitmarket is less than 75% and the indirect participation of Sonae SGPS in more than 75% in Inovretail has not yet completed one year.

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

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

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

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

q) Government subsidies

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

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

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



r) Accrual basis

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

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

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

s) Revenue

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

Sale of goods

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

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

Rendering of services

The revenues and costs of the consultancy projects are recognised in each year, according to the percentage of completion method, which is obtained by the 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 31 March 2017, Sonaecom have free reserves distributable amounting approximately Euro 8,8 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 31 March 2017.

Other reserves

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

v) Own shares

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

w) Balances and transactions in foreign currency

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

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

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

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

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

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

| | 2017 | | 2016 | |
|--------------------|----------|---------|----------|---------|
| | 31 March | Average | 31 March | Average |
| Pounds Sterling | 1.1689 | 1.1163 | 1.2633 | 1.2978 |
| Brazilian Real | 0.2959 | 0.2989 | 0.2429 | 0.2326 |
| American Dollar | 0.9354 | 0.9392 | 0.8784 | 0.9071 |
| Polish Zloti | 0.2366 | 0.2315 | 0.2349 | 0.2291 |
| Australian Dollar | 0.7152 | 0.7116 | 0.6754 | 0.6543 |
| Mexican Peso | 0.0500 | 0.0464 | 0.0511 | 0.0503 |
| Egyptian Pound | 0.0520 | 0.0530 | 0.0993 | 0.1164 |
| Malaysian Ringgit | 0.2114 | 0.2112 | 0.2269 | 0.2164 |
| Swiss Franc | 0.9349 | 0.9351 | 0.9148 | 0.9124 |
| South African Rand | 0.0702 | 0.0711 | 0.0596 | 0.0573 |
| Canadian Dollar | 0.7022 | 0.7093 | 0.6785 | 0.6603 |
| Turkish Lira | 0.2571 | 0.2541 | 0.3114 | 0.3080 |
| 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 Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

On 31 March 2017, the plans allocated during the years 2014, 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 years ended on 31 March 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.

aa) Financial risk management

Due to its activities, the Group is exposed to a variety of financial risks such as market risk, liquidity risk and credit risk. These risks arise from the unpredictability of financial markets, which affect the capacity of project cash flows and profits. The Group financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using,



whenever it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.n).

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

Market risk

a) Foreign exchange risk

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

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

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

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

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 31 March 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 negative average gearing (accounting) of 19.4%. The average gearing in market values in 2017 was negative in 25.6%.

2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activities, shareholders and percentage of share capital held on 31 March 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 SONAECOM, S.G.P.S., S.A. ('Sonaecom') | Maia | Management of shareholdings. | - | - | - | - | - |
| Subsidiaries | | | | | | | |
| Bright Development Studio, S.A. (Bright) (b) | Lisbon | Research, development and commercialization of projects and service solutions in the area of information technology, communications and retail, and consulting activities for business and management. | Sonae IM | 100% | 100% | - | - |
| Bright Ventures Capital, SCR, S.A.(d) | 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. (f) | 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') (e) | Maia | Commercialization of products and management services, implementation and consulting in information systems and technologies areas. | S21Sec Gestion 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% | 77.80% |
| S21Sec Ciberseguridad S.A. de CV | Mexico City | Computer consulting services | S21Sec Gestion S21Sec México | 50% 50% | 100% | 50% 50% | 77.80% |
| S21Sec Gestion, S.A. ('S21Sec Gestion') (a) | Guiprizcoa | Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others. | Sonaecom CSI | 100% | 100% | 77.80% | 77.80% |
| 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% | 77.80% |
| S21Sec México, S.A. de CV ('S21Sec México') | Mexico City | Computer consulting services | S21Sec Gestion | 99.87% | 100% | 99.87% | 77.80% |
| S21Sec, S.A. de CV ('S21Sec, S.A. de CV') | Mexico City | Computer consulting services | S21Sec Gestion | 99.99% | 75% | 99.99% | 77.80% |
| Saphety Level - Trusted Services, S.A. ('Saphety') | Maia | Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software. | Sonae IM | 86.995% | 86.995% | 86.995% | 86.995% |
| Saphety Brasil Transações Eletrônicas Ltda. ('Saphety Brasil') | São Paulo | Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services. | Saphety | 99.8% | 86.821% | 99.8% | 86.821% |

* 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' (c)) | 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. | Sonaecom 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% |
| Sonaecom Investment Management – Software and Technology, SGPS, S.A. ('Sonaecom IM') | 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 Española') | Madrid | Rendering of consultancy services in the area of information systems. | Sonaecom IM | 100% | 100% | 100% | 100% |
| Sonaecom BV (g) | Amsterdam | Management of shareholdings. | Sonaecom | Liquidated | | 100% | 100% |
| Sonaetelecom BV (g) | 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. | Sonaecom 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 We Do | 90% 10% | 100% | - | - |
| We Do Technologies Egypt LLC ('We Do Egypt') | Cairo | Rendering of consultancy services in the area of information systems. | We Do BV Sonaecom BV Sonaetelecom BV | - | - | 90% 5% 5% | 100% |
| We Do Technologies (UK) Limited ('We Do UK') | Berkshire | Rendering of consultancy services in the area of information systems. | We Do | 100% | 100% | 100% | 100% |
| We Do Technologies Mexico, S de R.L. ('We Do Mexico') | Mexico City | Rendering of consultancy services in the area of information systems. | We DO We Do BV | 0.001% 99.999% | 100% | | |
| We Do Technologies Mexico, S de R.L. ('We Do Mexico') | Mexico City | Rendering of consultancy services in the area of information systems. | Sonaecom BV We Do BV | - | - | 0.001% 99.999% | 100% |

* Sonaecom effective participation

(a) In April 2016 the company carried out an operation, which proceeded to reduce its capital to cover losses, followed by an increase in the fully subscribed capital and paid by Sonaecom Cyber Security and Intelligence, SGPS, S.A., and this, from that date, holds 100% of the share capital of its subsidiary.

(b) Company established in March 2016

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

(d) Company established in July 2016

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

(f) Company acquired in July 2016

(g) Company liquidated in December 2016

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

3. Changes in the Group

During the years ended on 31 March 2017 and 2016, the following changes occurred in the composition of the Group:

a) Constitutions

| Buyer | Subsidiary | Date | % Direct Participation | % Effective Participation |
|----------|------------|--------|------------------------|---------------------------|
| 2016 | | | | |
| Sonae IM | Bright | Mar-16 | 100% | 100% |

b) Dissolutions

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

c) Acquisitions

Armilar III

In March 2017 a capital increase was approved in Armilar III fund, having Sonae IM subscribed and paid the amount of 622,996 euros, corresponding to 0.41%, having held in the period ended on 31 March 2017 a participation of 42, 40% in the fund.

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".

4. Breakdown of financial instruments

On 31 March 2017 and 2016, the breakdown of financial instruments was as follows:

| | | | | | | | 2017 |
|--|-----------------------|--------------------------------|---|------------------------|-------------|------------------------------|-------------|
| | Loans and receivables | Investments available for sale | Financial assets at fair value through profit or loss | Other financial assets | Subtotal | Others not covered by IAS 39 | Total |
| Non-current assets | | | | | | | |
| Investments available for sale (note 10) | - | 539,615 | - | - | 539,615 | - | 539,615 |
| Other non-current assets | 3,439,942 | - | - | - | 3,439,942 | - | 3,439,942 |
| | 3,439,942 | 539,615 | - | - | 3,979,557 | - | 3,979,557 |
| Current assets | | | | | | | |
| Trade debtors | 38,371,475 | - | - | - | 38,371,475 | - | 38,371,475 |
| Other current debtors | 19,927,034 | - | - | - | 19,927,034 | 1,236,776 | 21,163,810 |
| Income tax receivable | - | - | - | - | - | 3,730,755 | 3,730,755 |
| Other current assets | - | - | - | 10,493,320 | 10,493,320 | 2,619,179 | 13,112,499 |
| Cash and cash equivalents (note 12) | 211,352,910 | - | - | - | 211,352,910 | - | 211,352,910 |
| | 269,651,419 | - | - | 10,493,320 | 280,144,739 | 7,586,710 | 287,731,449 |



| | | | | | | | 2016 |
|--|-----------------------|--------------------------------|---|------------------------|-------------|------------------------------|-------------|
| | Loans and receivables | Investments available for sale | Financial assets at fair value through profit or loss | Other financial assets | Subtotal | Others not covered by IAS 39 | Total |
| Non-current assets | | | | | | | |
| Investments available for sale (note 10) | - | 90,779 | - | - | 90,779 | - | 90,779 |
| Other non-current assets | 287,674 | - | - | - | 287,674 | - | 287,674 |
| | 287,674 | 90,779 | - | - | 378,453 | - | 378,453 |
| Current assets | | | | | | | |
| Financial assets at fair value through profit or loss (note 9) | - | - | 64,533,438 | - | 64,533,438 | - | 64,533,438 |
| Trade debtors | 37,549,416 | - | - | - | 37,549,416 | - | 37,549,416 |
| Other current debtors | 2,968,715 | - | - | - | 2,968,715 | 1,181,892 | 4,150,607 |
| Income tax receivable | - | - | - | - | - | 3,380,013 | 3,380,013 |
| Other current assets | - | - | - | 9,298,479 | 9,298,479 | 2,433,958 | 11,732,437 |
| Cash and cash equivalents (note 12) | 172,682,128 | - | - | - | 172,682,128 | - | 172,682,128 |
| | 213,200,259 | - | 64,533,438 | 9,298,479 | 287,032,176 | 6,995,863 | 294,028,039 |

| | | | | | | | 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) | 3,360,219 | - | - | 3,360,219 | - | - | 3,360,219 |
| Other non-current financial liabilities (note 16) | 384,884 | - | - | 384,884 | - | - | 384,884 |
| Other non-current liabilities | - | 1,193,051 | - | 1,193,051 | 553,735 | - | 1,746,786 |
| | 3,745,103 | 1,193,051 | - | 4,938,154 | 553,735 | - | 5,491,889 |
| Current liabilities | | | | | | | |
| Current loans and other loans (note 15) | 1,195,166 | - | - | 1,195,166 | - | - | 1,195,166 |
| Trade creditors | - | 16,077,715 | - | 16,077,715 | - | - | 16,077,715 |
| Other current financial liabilities (note 18) | 513,712 | - | - | 513,712 | - | - | 513,712 |
| Other creditors | - | 2,004,864 | - | 2,004,864 | 4,330,089 | - | 6,334,953 |
| Income tax payable | - | - | - | - | 181,400 | - | 181,400 |
| Other current liabilities | - | 17,132,559 | - | 17,132,559 | 11,420,719 | - | 28,553,278 |
| | 1,708,878 | 35,215,138 | - | 36,924,016 | 15,932,208 | - | 52,856,224 |

| | | | | | | | 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) | 4,539,154 | - | - | 4,539,154 | - | - | 4,539,154 |
| Other non-current financial liabilities (note 16) | 666,555 | - | - | 666,555 | - | - | 666,555 |
| Other non-current liabilities | - | 48,898 | - | 48,898 | 575,287 | - | 624,185 |
| | 5,205,709 | 48,898 | - | 5,254,607 | 575,287 | - | 5,829,894 |
| Current liabilities | | | | | | | |
| Current loans and other loans (note 15) | 1,031,187 | - | - | 1,031,187 | - | - | 1,031,187 |
| Trade creditors | - | 18,547,037 | - | 18,547,037 | - | - | 18,547,037 |
| Other current financial liabilities (note 18) | 486,743 | - | - | 486,743 | - | - | 486,743 |
| Other creditors | - | 387,649 | - | 387,649 | 3,040,224 | - | 3,427,873 |
| Income tax payable | - | - | - | - | 1,427,652 | - | 1,427,652 |
| Other current liabilities | - | 16,695,172 | - | 16,695,172 | 10,356,693 | - | 27,051,865 |
| | 1,517,930 | 35,629,858 | - | 37,147,788 | 14,824,569 | - | 51,972,357 |

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 31 March 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 | - | 7,470 | - | 62,165 | 5,469 | 77,608 | 152,712 |
| Disposals | - | - | - | (4,557) | - | - | (4,557) |
| Transfers and write-offs | 65,939 | 48,950 | - | 39,355 | 11 | (138,915) | 15,340 |
| Balance at 31 March 2017 | 4,125,350 | 10,110,455 | 72,116 | 9,802,364 | 453,239 | 7,081 | 24,570,605 |
| 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 | 59,941 | 33,846 | 3,287 | 153,922 | 1,663 | - | 252,659 |
| Disposals | - | - | - | (4,380) | - | - | (4,380) |
| Transfers and write-offs | 7,599 | 1,820 | - | (1,891) | 8 | - | 7,536 |
| Balance at 31 March 2017 | 2,506,230 | 9,813,440 | 60,740 | 8,623,833 | 368,924 | - | 21,373,167 |
| Net value | 1,619,120 | 297,015 | 11,376 | 1,178,531 | 84,315 | 7,081 | 3,197,438 |

| | | | | | | | 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 |
| Additions | 642 | 799 | - | 20,507 | 240 | 62,012 | 84,200 |
| Disposals | - | (25,245) | - | (7,675) | - | - | (32,920) |
| Transfers and write-offs | 8,800 | (1,834) | - | (22,048) | 27 | (26,860) | (41,915) |
| Balance at 31 March 2016 | 3,428,352 | 9,729,731 | 72,116 | 8,993,629 | 422,814 | 53,370 | 22,700,012 |
| Accumulated depreciation and impairment losses | | | | | | | |
| Balance at 31 December 2015 | 2,174,077 | 9,507,187 | 44,306 | 7,785,240 | 342,058 | - | 19,852,868 |
| Depreciation for the period | 43,773 | 28,547 | 3,287 | 121,147 | 2,825 | - | 199,579 |
| Disposals | - | (11,921) | - | (3,676) | - | - | (15,597) |
| Transfers and write-offs | 9,896 | (3,351) | - | (46,059) | 15 | - | (39,499) |
| Balance at 31 March 2016 | 2,227,746 | 9,520,462 | 47,593 | 7,856,652 | 344,898 | - | 19,997,351 |
| Net value | 1,200,606 | 209,269 | 24,523 | 1,136,977 | 77,916 | 53,370 | 2,702,661 |

Depreciation and amortization for the period ended on 31 March 2017 and 2016 can be detailed as follows:

| | 2017 | 2016 |
|----------------------------|-----------|-----------|
| | Total | Total |
| Tangible assets | 252,659 | 199,579 |
| Intangible assets (note 6) | 2,213,653 | 1,906,654 |
| Goodwill (note 7) | - | 334,657 |
| | 2,466,312 | 2,440,890 |

The acquisition cost of 'Tangible assets' and 'Intangible assets' held by the Group under finance lease contracts, amounted to Euro 2,479,783 and Euro 2,152,649 as of 31 March 2017 and 2016, and their net book value as of those dates amounted to Euro 928,579 and Euro 1,137,393 respectively.

On 31 March 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 31 March 2017 and 2016 were made up as follows:

| | 2017 | 2016 |
|------------------------------------|--------------|---------------|
| Information systems / IT equipment | 5,081 | 3,200 |
| Other projects in progress | 2,000 | 50,170 |
| | 7,081 | 53,370 |

During the periods ended on 31 March 2017 and 2016, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

In the years ended on 31 March 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 | 8,740 | 133,951 | 1,744,037 | 1,886,728 |
| Disposals | - | - | (41,551) | (41,551) |
| Transfers and write-offs | (86,780) | 1,017,814 | (1,097,487) | (166,453) |
| Balance at 31 March 2017 | 12,094,429 | 83,937,253 | 4,829,639 | 100,861,321 |
| 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) | 115,971 | 2,097,682 | - | 2,213,653 |
| Disposals | - | - | - | - |
| Transfers and write-offs | (80,849) | (19,044) | - | (99,893) |
| Balance at 31 March 2017 | 11,448,684 | 63,054,216 | - | 74,502,900 |
| Net value | 645,745 | 20,883,037 | 4,829,639 | 26,358,421 |



| | | | | 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 |
| Additions | 4,103 | 265,782 | 1,485,716 | 1,755,601 |
| Disposals | - | (11,739) | - | (11,739) |
| Transfers and write-offs | (265,593) | 996,791 | (1,232,882) | (501,684) |
| Balance at 31 March 2016 | 11,368,732 | 70,731,656 | 7,008,017 | 89,108,405 |
| Accumulated amortisation and impairment losses | | | | |
| Balance at 31 December 2015 | 10,797,665 | 51,019,958 | - | 61,817,623 |
| Amortisation for the period | 91,291 | 1,815,363 | - | 1,906,654 |
| Disposals | - | (1,573) | - | (1,573) |
| Transfers and write-offs | (234,684) | (44,929) | - | (279,613) |
| Balance at 31 March 2016 | 10,654,272 | 52,788,819 | - | 63,443,091 |
| Net value | 714,460 | 17,942,837 | 7,008,017 | 25,665,314 |

On 31 March 2017, the additions related with intangible assets in progress include about Euro 1.35 million of capitalizations of personnel costs related to own work (about Euro 1.26 million on 31 March 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 31 March 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 31 March 2017 and 2016, the movements occurred in Goodwill were as follows:

| | 2017 | 2016 |
|-------------------------------|-------------------|-------------------|
| Opening balance | 23,683,622 | 26,893,310 |
| Other movements of the period | (30,982) | (228,959) |
| Impairment losses (note 5) | - | (334,657) |
| Closing balance | 23,652,640 | 26,329,694 |

For the periods ended on 31 March 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 March 31, 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.

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

In the period ended on 31 March 2017, no changes were identified in the allocation of the purchase price of Sysvalue and Inovretail 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.

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 31 March 2017, was negative in Euro 139,193. For Sysvalue it was not possible to calculate the contribution in the period ended on 31 March 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:

| (Amounts expressed in Euro) | Sysvalue Contribution at 31 July 2016 (*) | Inovretail Contribution at 31 March 2017 |
|--|--|---|
| Total Revenues | 381,387 | 257,861 |
| Costs and losses | | |
| Cost of sales | (157,559) | (37,187) |
| External supplies and services | (51,312) | (110,608) |
| Staff expenses | (188,297) | (205,794) |
| Depreciations and amortisations | (225) | (42,267) |
| Other operating costs | (676) | (2,400) |
| | (16,682) | (140,395) |
| Financial results | (1,458) | 1,202 |
| Income tax | (81) | - |
| Net income for the year before non-controlling interests | (18,221) | (139,193) |
| Net income attributed to non-controlling interests | - | - |
| Net income attributed to shareholders of parent company | (18,221) | (139,193) |

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



The contributions in the consolidated balance sheet of Sonaecom on 31 March 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 31 March 2017 |
| Assets | | |
| Tangible assets | 3,436 | 10,549 |
| Intangible assets | 28 | 571,477 |
| Other non-current assets | 9 | 3,176 |
| Financial assets at fair value through profit or loss | - | 3,100 |
| Trade debtors | 320,144 | 186,335 |
| Other current debtors | 27,583 | 53,559 |
| Cash and cash equivalents | 14,441 | 5,097 |
| Other assets | 257,082 | 140,216 |
| Total assets | 622,723 | 973,509 |
| Liabilities | | |
| Non-current liabilities | - | - |
| Current liabilities | 445,158 | 413,902 |
| Total liabilities | 445,158 | 413,902 |
| Net assets | 177,565 | 559,607 |

(*) 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.

| | Sysvalue | Inovretail |
|---|----------------------------------|-------------------------------|
| (Amounts expressed in Euro) | Contribution at 31 July 2016 (*) | Contribution at 31 March 2017 |
| Assets | | |
| Tangible assets | 3,436 | 10,549 |
| Intangible assets | 28 | 571,477 |
| Other non-current assets | 9 | 3,176 |
| Financial assets at fair value through profit or loss | - | 3,100 |
| Trade debtors | 320,144 | 186,335 |
| Other current debtors | 27,583 | 53,559 |
| Cash and cash equivalents | 14,441 | 5,097 |
| Other assets | 257,082 | 140,216 |
| Total assets | 622,723 | 973,509 |
| Liabilities | | |
| Non-current liabilities | - | - |
| Current liabilities | 445,158 | 413,902 |
| Total liabilities | 445,158 | 413,902 |
| Net assets | 177,565 | 559,607 |

(*) 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 31 March 2017 and 2016, Goodwill was made up as follows:

| | Information Systems | Multimedia |
|-------------|---------------------|------------|
| 2017 | | |
| Goodwill | 23,652,640 | - |
| 2016 | | |
| Goodwill | 22,799,694 | 3,530,000 |

The evaluation of the existence of impairment losses in Goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis unless there is evidence of impairment and prepared according to cash flow projections for periods of five years. In the area of information systems, the assumptions used are essentially based on the various businesses of the Group and the growth of the several geographic areas where the Group operates. The average growth rate used to the turnover of 5 years was 9.1%. For the Multimedia sector, the average growth rate used was circa of 2%. The discount rates used were based on the estimated weighted average cost of capital, which depends on the business segment of each subsidiary, as indicated in the table below. In perpetuity, the Group considered a growth rate between 1% and 3% in the area of information systems and 0% in Multimedia area. In situations where the measurement of the existence, or not, of impairment is made based on the net selling price, values of similar transactions and other proposals made are used.

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

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

The analyses of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the years ended on 31 March 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 31 March 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 31 March 2017 and 2016, are as follows:

| | Head Office | Percentage of ownership | | | | Value in profit and loss statement | |
|--|-------------------|-------------------------|--------|---------------|--------|------------------------------------|------------------|
| | | 31 March 2017 | | 31 March 2016 | | 31 March 2017 | 31 March 2016 |
| | | Direct | Total | Direct | Total | | |
| ZOPT (a) | Oporto | 50.00% | 50.00% | 50.00% | 50.00% | 7,133,577 | 4,863,490 |
| Unipress – Centro Gráfico, Lda. ('Unipress') | Vila Nova de Gaia | 50.00% | 50.00% | 50.00% | 50.00% | 2,896 | 29,975 |
| Sociedade Independente de Radiodifusão Sonora, S.A. ('S.I.R.S.' – using the brand name 'Rádio Nova') | Oporto | 45.00% | 45.00% | 45.00% | 45.00% | (5,031) | (5,808) |
| Intelligent Big Data, S.L. ('Big Data') (b) | Gipuzcoa | 50.00% | 50.00% | 50.00% | 38.83% | (12) | (54) |
| Armilar Venture Partners - Sociedade de Capital de Risco, SA ('Armilar') (c) | Lisboa | 35.00% | 35.00% | - | - | 64,270 | - |
| Capital Fund Armilar Venture Partners II ('Armilar II') (c) | Lisboa | 50.21% | 50.20% | - | - | (264,168) | - |
| Capital Fund Armilar Venture Partners III ('Armilar III') (c) (d) | Lisboa | 42.40% | 42.40% | - | - | (313,418) | - |
| Capital Fund Espírito Santo Ventures Inovação e Internacionalização ('ESVIINT') (c) | Lisboa | 37.54% | 37.54% | - | - | 341,474 | - |
| Total (note 21) | | | | | | 6,959,588 | 4,887,603 |

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

(b) Company directly owned by S21 Sec Gestion

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

(d) In March 2017 an additional participation of 0.41% was acquired (note 3)

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 31 March 2017 of 42.40% (note 3c).

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 31 March 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 "Armilar Venture Partners"), in the amount of Euro 1,503,660 and Euro 1,274,357, respectively, recorded in the caption "Other non-current assets" (note 4).



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 31 March 2017 the group held associated and jointly controlled companies, as decomposition below.

During the periods ended on 31 March 2017 and 2016, the movement occurred in investments in associated companies and companies jointly controlled, were as follows:

| | 31 March 2017 | | | 31 March 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 | 623,385,403 | 87,849,200 | 711,234,603 |
| Increases | 622,996 | - | 622,996 | - | - | - |
| Equity method | | | | | | |
| Effect on gains and losses (note 21) | 6,964,631 | - | 6,964,631 | 4,893,464 | - | 4,893,464 |
| Effect on reserves | 114,452 | - | 114,452 | (12,450,811) | - | (12,450,811) |
| Dividends | - | - | - | - | - | - |
| | 665,914,614 | 87,849,200 | 753,763,814 | 615,828,056 | 87,849,200 | 703,677,256 |
| Registered in Provisions for other liabilities and charges (note 17) | | | | | | |
| Balance at 1 January | (119,250) | - | (119,250) | (145,784) | - | (145,784) |
| Equity method | | | | | | |
| Effect on gains and losses (note 17 and 21) | (5,043) | - | (5,043) | (5,861) | - | (5,861) |
| Utilization | - | - | - | - | - | - |
| | (124,293) | - | (124,293) | (151,645) | - | (151,645) |
| Total investment in associated companies and companies jointly controlled net of impairment losses | 665,790,321 | 87,849,200 | 753,639,521 | 615,676,411 | 87,849,200 | 703,525,611 |

At the period ended 31 March 2017, the value of the increases in associates and jointly controlled companies corresponds to the increase of the participation in Armilar III Capital.

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

| | 31 March 2017 | | | 31 March 2016 | | |
|--|--------------------|-------------------|--------------------|--------------------|-------------------|--------------------|
| | Ownership value | Goodwill | Total investment | Ownership value | Goodwill | Total investment |
| Investments in companies jointly controlled | | | | | | |
| Zopt | 596,519,740 | 87,527,500 | 684,047,240 | 615,335,789 | 87,527,500 | 702,863,289 |
| Unipress | 468,083 | 321,700 | 789,783 | 492,226 | 321,700 | 813,926 |
| SIRS | (123,623) | - | (123,623) | (151,594) | - | (151,594) |
| Ciber seguridad | - | - | - | - | - | - |
| BigData | (671) | - | (671) | (10) | - | (10) |
| | 596,863,529 | 87,849,200 | 684,712,729 | 615,676,411 | 87,849,200 | 703,525,611 |
| Investments in associated companies | | | | | | |
| Armilar | 64,271 | - | 64,271 | - | - | - |
| Armilar II | 35,151,835 | - | 35,151,835 | - | - | - |
| Armilar III | 26,483,392 | - | 26,483,392 | - | - | - |
| ESVIINT | 7,227,294 | - | 7,227,294 | - | - | - |
| | 68,926,792 | - | 68,926,792 | - | - | - |
| Total | 665,790,321 | 87,849,200 | 753,639,521 | 615,676,411 | 87,849,200 | 703,525,611 |



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% | 4,363,622 | 2,002,012 | 2,361,610 | 380,998 | 33,710 | 27,899 |
| Unipress | 50% | 2,291 | 1,355 | 936 | 663 | 176 | 6 |
| SIRS | 45% | 360 | 635 | (275) | 231 | (2) | (11) |
| Big Data | 39% | 2 | 5 | (3) | - | - | (0) |
| Armlar** | 35% | 5,684 | 1,554 | 4,130 | 622 | 245 | 184 |
| Armlar II ** | 50% | 82,939 | 12,924 | 70,015 | 128 | (127) | (207) |
| Armlar III ** | 42% | 73,404 | 11,697 | 61,707 | - | (840) | (778) |
| ESVIINT ** | 38% | 19,678 | 426 | 19,252 | 75 | 0 | 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 1,172,330 and on 31 March 2017 the NOS' market capitalization amount to Euro 2,632 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 | 1.5% |

For other business sectors, the assessment of whether or not impairment to the goodwill value is determined based on the considerations presented in Note 7.

The 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 31 March 2017 and 2016 can be resumed as follows:

Condensed consolidated balance sheets

| (Amounts expressed in thousands of Euro) | March 2017 | March 2016 |
|---|------------------|------------------|
| Assets | | |
| Tangible assets | 1,193,151 | 1,192,582 |
| Intangible assets | 2,340,655 | 2,384,620 |
| Deferred tax assets | 129,649 | 132,938 |
| Other non-current assets | 205,595 | 210,156 |
| Non-current assets | 3,869,050 | 3,920,296 |
| Trade debtors | 334,128 | 349,564 |
| Cash and cash equivalents | 2,981 | 13,288 |
| Other current assets | 157,463 | 178,711 |
| Current assets | 494,572 | 541,563 |
| Total assets | 4,363,622 | 4,461,859 |
| Liabilities | | |
| Loans | 1,031,565 | 982,856 |
| Provisions | 191,492 | 185,527 |
| Other non-current liabilities | 79,478 | 81,431 |
| Non-current liabilities | 1,302,535 | 1,249,814 |
| Loans | 175,319 | 159,549 |
| Trade creditors | 208,919 | 304,615 |
| Other current liabilities | 315,239 | 271,784 |
| Current liabilities | 699,477 | 735,948 |
| Total liabilities | 2,002,012 | 1,985,762 |
| Shareholders' funds excluding non-controlling interests | 1,189,280 | 1,243,716 |
| Non-controlling interests | 1,172,330 | 1,232,381 |
| Total Shareholders' funds | 2,361,610 | 2,476,097 |
| Total Shareholders' funds and liabilities | 4,363,622 | 4,461,859 |

Condensed consolidated statements of income by nature

| (Amounts expressed in thousands of Euro) | March 2017 | March 2016 |
|---|------------------|------------------|
| Total revenue | 380,998 | 370,303 |
| Costs and losses | | |
| Direct costs and External supplies and services | (158,622) | (153,477) |
| Depreciation, amortisation and impairment losses | (108,543) | (100,568) |
| Other operating costs | (80,123) | (89,174) |
| | (347,288) | (343,219) |
| Gains/ (losses) in associated companies | 3,917 | - |
| Financial results | (7,091) | (5,288) |
| Income taxation | (2,637) | (2,314) |
| Consolidated net income/(loss) for the year | 27,899 | 19,482 |
| Consolidated net income/(loss) for the year attributed to non-controlling interests | 13,571 | 9,755 |
| Attributed to shareholders of parent company | 14,328 | 9,727 |

The value on the income statement related to Zopt results from net income of NOS, the net income of Zopt and the impact on results of the process of allocating the fair value to the assets and liabilities acquired by Zopt.



The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial investments that Group holds in associated companies (Finstar, Mistar, Zap Media) operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The book value of these associates in the financial statements of ZOPT on 31 March 2017 amounts to approximately Euro 174 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 31 March 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, having a ruling beendelivered last September, which judged the action partially founded, based not on the existence of undue portability, but on the mere delay of the documentation shipment. NOS was condemned to pay, approximately Euro 5.3 million, a decision which NOS will appeal 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, specifying only part of these, in the case of NOS SA, in the amount of Euro 26 million (from August 2011 and May 2014), in the case of NOS Açores, in the amount of Euro 195 thousand and NOS Madeira, amounting to Euro 817 thousand.
- In 2011, NOS SA brought an action in the Lisbon Judicial Court against MEO (PT), claiming payment of Euro 22.4 million, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence, which is currently underway, the expert report having been notified to the parties and the parties have submitted their requests for clarification to the experts. At the same time, experts who will be tasked with the economic and financial expertise have been appointed.
It is the understanding of the Board of Directors of NOS, supported by lawyers who monitor the process, that there is, in substance, a good possibility of NOS SA winning the action, due to the fact that MEO has already been convicted for the same



offense, by ANACOM. However, it is impossible to determine the outcome of the action. In the event of action be judged totally unfounded, the court costs, which are the responsibility of NOS could amount to over Euros 1,150 million.

2. Action against NOS SA

In 2014, a NOS SGPS providers of marketing services has brought a civil lawsuit seeking a payment of about Euro 1,243 thousand, by the alleged early termination of contract and for compensation. This instance was acquitted due to passive illegitimacy of NOS SGPS, decision confirmed by superior Courts and that, meanwhile, was concluded. Afterwards, the same company brought a new civil lawsuit based on the same facts, but this time, against NOS Comunicações. NOS appealed in September 2016.

As regards the substance of the matter, it is the opinion of the Board of Directors of NOS that the arguments used by the author are not appropriate, and therefore it is believed that the final of the proceeding should not result in any significant impact on the financial statements of the NOS Group.

3. ANACOM

Infringement proceedings due to an alleged failure, by NOS SA, to apply the resolutions taken by ANACOM on 26 October 2005, concerning termination rates for fixed calls. Following a deliberation of Board of Directors of the regulator, in April 2012, a fine of approximately Euro 6.5 million was applied to NOS SA; NOS SA has appealed for the judicial review of the decision and the court has declared the process's nullity on January 2014 (based on violation of NOS, SA's right of defense). In April 2014 ANACOM has notified NOS SA of a new judicial process, based on the same accusations. This process is a repetition of the initial one, taking into consideration the same facts. In September 2014, ANACOM applied a new fine to NOS SA in the amount of Euro 6.5 million. This decision was contested by NOS SA. In May 2015, it was acquitted, which revoked the decision by ANACOM and the fine which applied. ANACOM appealed the decision and the process is currently and since June 2015 on appeal in Lisbon Court of Appeal.

4. Supplementary Capital

The fiscal authorities are of the opinion that NOS SA has broken the principle of full competition under the terms of (1) of article 58 of the Corporate Tax Code (CIRC), (actual article 63), by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007, of corrections to the determination of its taxable income in the total amount of Euro 20.5 million. NOS SA contested the decision with regard to all the above mentioned years. As for the year 2004, the Court has decided favorably. This decision is concluded (favorably), originating a reversal of provisions, in 2016, in the amount of Euro 1.3 million plus interest. As for the years 2006 and 2007, the Oporto Fiscal and Administrative Court has already decided unfavorably. The company has contested this decision and the final decision of the processes is still pending.

5. Future credits transferred

For the year ended at 31 December 2010, the subsidiary NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of Euro 100 million, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of Euro 20 million in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that years, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year during 5 years). NOS SA challenged the decisions regarding the 2008, 2009, 2010, 2011 and 2012 fiscal year and regarding the 2013 fiscal year it is still being challenged in administrative proceedings. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavorably, in March 2014. The company has appealed.

6. Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU):

The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law nr 35/2012, of 23 August. From 1995 until June 2014, 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, as acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of Euro 3 million for illegally designating ME0. In accordance with Article 18 of the abovementioned Law number 35/2012, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this



extraordinary contribution given that MEO has been requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. Indeed, in accordance with the law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider 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, decision contested by the Company. In January 2015, ANACOM issued the settlement notes in the amount of Euro 18.6 million, which were contested by NOS and for which bail was presented by NOS SGPS to avoid Tax Execution Proceedings, guarantees that have been accepted by ANACOM.

In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of about Euro 47.1 million, a decision also contested by NOS. In February 2016, ANACOM issued the settlement notes to the Company in amount of Euro 13 million which will be contested by NOS and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes, guarantees that have been accepted by ANACOM.

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO for the year of 2012 and 2013, in the amount of about Euro 26 million and Euro 20 million, respectively, decision which was contested by NOS.

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

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to CLSU of service providing by MEO (not designated through a tender procedure) violates the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS will continue judicially challenge the liquidation of each extraordinary contribution, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken.

Regardless of the belief of the Board of Directors of NOS, was attributed, in 2014, in the Goodwill allocation period provided by IFRS 3, a provision to remedy this situation, with regard to possible liability to the date of the merger.

b) Legal actions and contingent assets and liabilities of Zopt Group

7. Legal actions with regulators

NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee (for 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016) for carrying on the business of Electronic Communications Services Networks Supplier in the amounts, respectively, of (i) Euro 1,861 thousand, Euro 3,808 thousand, Euro 6,049 thousand, Euro 6,283 thousand, Euro 7,270 thousand, Euro 7,426 thousand and Euro 7,253 thousand; (ii) Euro 29 thousand, Euro 60 thousand, Euro 95 thousand, Euro 95 thousand, Euro 104 thousand, Euro 107 thousand, 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, and seeking reimbursement of the amounts meanwhile paid in connection with the enforcement proceedings. This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. The scheme is being introduced gradually: 1/3 in the first year, 2/3 in the second year and 100% in the third year. NOS SA, NOS Açores and NOS Madeira claim, in addition to defects of unconstitutionality and illegality, that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

On 18 December 2012 a ruling was passed on the proceedings instigated by NOS SA for the annual rate of 2009, for which the appeal was upheld, with no prior hearing, condemning ANACOM to pay the interests. ANACOM appealed and by decision of July 2013, this appeal was not upheld.



The remaining proceedings are awaiting trial and/or decision.

During the first quarter of 2017, NOS was notified by ANACOM of the initiation of a process of contraordination related to price updating communications at the end of 2016. At the time, it is not possible to determine the scope of the process of contraordination and therefore the outcome of the process, and it is the understanding of the Board of Directors of NOS that it should not result in any significant impact on 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 Corporate Income Tax, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about Euro 24 million, plus interest and charges. Note that the Group considered that the corrections were unfounded, and contested the corrections and the amounts mentioned. The Group provided the bank guarantees demanded by the Tax Authorities in connection with these proceedings.

At end of year 2013 and taking advantage of the extraordinary settlement scheme of tax debts, the Group settled Euro 7.7 million. This amount was recorded as "taxes receivable" non-current net of the provision recorded.

As belief of the Board of Directors of the NOS Group, supported by our lawyers and tax advisors, the risk of loss of these proceedings is not likely and the outcome thereof will not affect materially the consolidated position.

9. Action against Sport TV

- Action brought by Cogeco Cable Inc., former shareholder of Cabovisão, against Sport TV, NOS SGPS and a third, requesting, among others: (i) joint condemnation of the three institutions to pay compensation for damages caused by anti-competitive conduct, guilty and illegal, between 3 August 2006 and 30 March 2011, specifically for the excess price paid for Sport TV channels by Cabovisão, in the amount of Euro 9.1 million; (ii) condemnation for damages corresponding to the remuneration of capital unavailable, in the amount Euro 2.4 million; and (iii) condemnation for damages corresponding to the loss of business from anti-competitive practices of Sport TV, in connection with the enforcement proceedings. The NOS Group contested the action, awaiting for appointment.

It is the understanding of the Board of Directors of NOS Group, supported by lawyers who monitor the process, that, in substance, it is unlikely that the group is responsible in this action.

- Cabovisão brought an action against the SPORT TV, in which it requests compensation from the latter for alleged losses resulting from abuse of a dominant position in amount of Euro 18 million, more capital and interest that will win from 31 December 2014 and profits. The Board of Directors of Sport TV and lawyers, who monitor the process, predict a favourable outcome, not estimating impacts in the accounts, in addition to those already registered.

10. Contractual penalties

The general conditions that affect the agreement and termination of this contract between NOS and its clients, establish that if the products and services provided by the client can no longer be used prior to the end of the binding period, the client is obliged to immediately pay damages.

Until 31 December 2014, revenue from penalties, due to inherent uncertainties was recorded only at the moment when it was received, so at 31 March 2017, the receivables by NOS SA, NOS Madeira and NOS Açores amount to a total of Euro 91,396 thousand. During the nine months ended on 31 March 2017 Euro 529 thousand related to 2014 receivables were received and recorded in the income statement.

From 1 January 2015, revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history. The penalties invoiced are recorded as accounts receivable and amounts determined as uncollectible are recorded as impairment by deducting revenue recognized upon invoicing.

11. Interconnection tariffs

At 31 March 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 the year ended at 31 December 2001. In the lower court, the decision was favorable to NOS SA. The Court of Appeal, on appeal, rejected the intentions of MEO. However, MEO again appealed to the Supreme Court, for final and permanent decision, who upheld the decision of the Court of Appeal, thus concluding that the interconnection prices for 2001 were not defined. The settlement of outstanding amounts will depend on the price that will be established.

The Sonaecom Board of Directors believes that the above processes may result in contingencies that affect the ZOPT group's accounts are properly provisioned, given the degree of risk in the consolidated accounts of Sonaecom.

c) Other commitments Zopt Group

In December 2015, NOS Group signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, S.A. of television rights of home football games of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract will begin in 2016/2017 sports season and has an initial duration of three years and may be renewed by decision of either party to a total of 10 sports seasons, with the overall financial consideration reaching the amount of Euro 400 million, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting Comunicação e Plataformas, S.A. for the assignment of the following rights:

- 1) Television and multimedia rights of home games of the Sporting SAD senior team;
- 2) Right to explore the static and virtual advertising of José Alvalade Stadium;
- 3) Right of Transmission and Distribution Sporting TV channel;
- 4) Right to be its main sponsor.

The contract will last 10 seasons as regards the rights indicated in 1) and 2) above, starting in July 2018, 12 seasons in the case of the rights mentioned in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January 2016, amounting to overall financial contribution to the amount of 446 million euro, divided into progressive annual amounts.

Also in December 2015, the NOS Group signed contracts of assignment of television rights credits of Senior home football games with the following sports clubs:

- 1) Associação Académica de Coimbra – Organismo Autónomo de Futebol, SDUQ, Lda
- 2) Os Belenenses Sociedade Desportiva Futebol, SAD
- 3) Clube Desportivo Nacional Futebol, SAD
- 4) Futebol Clube de Arouca – Futebol, SDUQ, Lda
- 5) Futebol Clube de Paços de Ferreira, SDUQ, Lda
- 6) Marítimo da Madeira Futebol, SAD
- 7) Sporting Clube de Braga – Futebol, SAD
- 8) Vitória Futebol Clube, SAD

The contracts 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 2016/2017, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

Considering that the contract signed allowed for the possibility of extending the agreement to the other operators, in July 2016 MEO and Cabovisão joined the agreement, ending the lack of availability of Porto Canal in the NOS's channel grid, assuring that every pay-tv client can have access to every relevant sports content, regardless of which operator they use.

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

| Seasons | 2016/17 | following |
|--|-----------------|--------------------|
| Estimated cash flows with the contracts signed by NOS with the sports entities* | Euro 41 million | Euro 1,150 million |
| NOS estimated cash flows for the contracts signed by NOS (net of the amounts charged to the operators) and for the contracts signed by the remaining operators | Euro 24 million | Euro 660 million |

*Includes games and channels broadcasting rights, advertising and 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 24 February 2017, MEO entered into the share capital of Sport TV.

9. Financial assets at fair value through profit or loss

Sonaecom Group began to hold NOS shares recorded at fair value through profit or loss, as a result of the merger between Optimus SGPS and Zon, since it is the initial classification of an asset held for a sale purpose in a short-time. In accordance with the 'Shareholders Agreement', these shares neither concedes any additional vote right or affect the shared control situation with ZOPT. Some of these shares were used as part of the General Public and Voluntary Offer acquisition of own shares.

In the period ended on 31 March 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 31 March 2017, Sonaecom did not hold Sonae shares.

The movements occurred in financial assets at fair value through profit or loss, on 31 March 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 | - | (15,263,369) | - | 64,533,438 |
| Sonae SGPS | 144,477 | (146,683) | (36,671) | 38,877 | - |
| | 79,941,284 | (146,683) | (15,300,040) | 38,877 | 64,533,438 |
| Recorded under the caption current assets (note 4) | | | | | 64,533,438 |

*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 31 March 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 31 March 2016.

The evaluation of fair value of the investment on 31 March 2016 is detail as follows:

| 2016 | NOS | Sonae SGPS |
|--|------------------------------------|------------|
| Shares | 11,012,532 | - |
| Level of inputs in the hierarchy of fair value | Level 1** | |
| Valuation method | Quoted price on the stock exchange | |
| Quoted price* | 5,860 | 1,059 |
| Fair value | 64,533,438 | - |

* Used the share price of 31 March 2016 in the determination of the fair value.

**Level 1: Fair value is determined based on active market prices.

10. Investments available for sale

On 31 March 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 | 197,347 |
| VISAPRESS - Gestão de Conteúdos dos Média, CRL | 10.00% | 5,000 | 5,000 |
| StyleSage | 5.00% | 448,835 | - |
| Others | | 10,711 | 10,707 |
| Impairment losses | | (122,275) | (122,275) |
| | | 539,615 | 90,779 |

On 31 March 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.

In October 2016 Sonai 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).

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) |

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

11. Deferred taxes

Deferred tax assets on 31 March 2017 and 2016, amounted to Euro 9,338,418 and Euro 7,213,375 respectively, and arose, mainly, from tax losses carried forward, from tax benefits, from differences between the accounting and tax amount of some fixed assets and from others temporary differences.

The movements in deferred tax assets in the periods ended on 31 March 2017 and 2016 were as follows:

| | | | | | 2017 |
|---|-----------------------------|---------------------------------------|-----------------------------|--|--------------------------|
| | Balance at 31 December 2016 | Movements in deferred tax of the year | Utilization of deferred tax | Record/(reverse) of deferred tax of previous years | Balance at 31 March 2017 |
| Tax losses | 5,813,382 | 308,946 | (43,209) | (49,995) | 6,029,124 |
| Tax provisions not accepted and other temporary differences | 2,868,663 | (181,587) | (15) | 2,139 | 2,689,200 |
| Tax benefits (SIFIDE, RFAI and CFEI) | 505,248 | - | (27,992) | - | 477,256 |
| Effect on results (note 22) | 9,187,293 | 127,359 | (71,216) | (47,856) | 9,195,580 |
| Others | 127,679 | 15,159 | - | - | 142,838 |
| Closing balance | 9,314,972 | 142,518 | (71,216) | (47,856) | 9,338,418 |

| | | | | | 2016 |
|---|-----------------------------|---------------------------------------|-----------------------------|--|--------------------------|
| | Balance at 31 December 2015 | Movements in deferred tax of the year | Utilization of deferred tax | Record/(reverse) of deferred tax of previous years | Balance at 31 March 2016 |
| Tax losses | 3,502,971 | 458,854 | (6,066) | 334,657 | 4,290,416 |
| Tax provisions not accepted and other temporary differences | 1,478,049 | (187,890) | - | (10,962) | 1,279,197 |
| Tax benefits (SIFIDE, RFAI and CFEI) | 1,083,280 | 211,171 | - | 427,460 | 1,721,911 |
| Effect on results (note 22) | 6,064,300 | 482,135 | (6,066) | 751,155 | 7,291,524 |
| Others | 34,075 | (112,121) | - | - | (78,046) |
| Closing balance | 6,098,375 | 370,014 | (6,066) | 751,155 | 7,213,478 |

As of 31 March 2017, 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 31 March 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 31 March 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 31 March 2017 was as follows:

| Nature | Companies included in the tax group | Digitmarket | We Do Brasil | We Do USA | We Do Egipto | SSI Espanã | We Do Mexico | Saphety Brasil | S21 Sec Gestion | S21 Sec Labs | S21 Sec SA CV | Total | 2017 |
|---|-------------------------------------|---------------|----------------|------------------|---------------|----------------|----------------|----------------|-----------------|---------------|----------------|------------------|----------------------|
| | | | | | | | | | | | | | Total Sonaecom Group |
| Tax losses: | | | | | | | | | | | | | |
| To be used until 2018 | 100,480 | - | - | - | - | - | - | - | - | - | - | - | 100,480 |
| To be used until 2022 | - | - | - | - | - | - | - | - | - | - | 211,296 | 211,296 | 211,296 |
| To be used until 2023 | - | - | - | - | - | - | 179,463 | - | - | - | 71,243 | 250,706 | 250,706 |
| To be used until 2025 | - | - | - | - | - | - | 71,135 | - | - | - | 52,119 | 123,254 | 123,254 |
| To be used until 2026 | - | - | - | - | - | - | 332,944 | - | - | - | - | 332,944 | 332,944 |
| To be used until 2027 | - | - | - | - | - | - | - | - | - | 45,833 | - | 45,833 | 45,833 |
| To be used until 2028 | - | - | - | - | - | - | - | - | 612,877 | 12,017 | - | 624,894 | 624,894 |
| To be used until 2029 | - | - | - | - | - | - | - | - | 253,352 | - | - | 253,352 | 253,352 |
| To be used until 2030 | - | - | - | 163,112 | - | - | - | - | - | - | - | 163,112 | 163,112 |
| To be used until 2033 | - | - | - | 123,413 | - | - | - | - | - | - | - | 123,413 | 123,413 |
| To be used until 2034 | - | - | - | 736,686 | - | - | - | - | - | - | - | 736,686 | 736,686 |
| To be used until 2035 | - | - | - | 861,571 | - | - | - | - | - | - | - | 861,571 | 861,571 |
| To be used until 2036 | - | - | - | 1,708,893 | - | - | - | - | - | - | - | 1,708,893 | 1,708,893 |
| To be used until 2037 | - | - | - | 291,740 | - | - | - | - | - | - | - | 291,740 | 291,740 |
| Unlimited | - | - | - | - | - | 200,950 | - | - | - | - | - | 200,950 | 200,950 |
| Tax losses | 100,480 | - | - | 3,885,415 | - | 200,950 | 583,542 | - | 866,229 | 57,850 | 334,658 | 5,928,644 | 6,029,124 |
| Provisions not accepted and other temporary differences | 1,928,414 | 14,398 | 242,250 | 251,041 | 83,183 | - | 146,170 | 23,744 | - | - | - | 760,786 | 2,689,200 |
| Tax benefits (SIFIDE, RFAI and CFEI) | 351,039 | - | - | 126,217 | - | - | - | - | - | - | - | 126,217 | 477,256 |
| Others | - | - | (1,917) | 149,059 | - | - | (4,881) | 577 | - | - | - | 142,838 | 142,838 |
| Total | 2,379,933 | 14,398 | 240,333 | 4,411,732 | 83,183 | 200,950 | 724,831 | 24,321 | 866,229 | 57,850 | 334,658 | 6,958,485 | 9,338,418 |

On 31 March 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 | 7,371,806 | 7,850,576 |
| Temporary differences (provisions not accepted for tax purposes and other temporary differences) | 25,876,228 | 32,133,027 |
| Others | 12,401,055 | 12,525,184 |
| Total | 45,649,089 | 52,508,787 |



On 31 March 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 | 1,019 | 150,913 |
| 2018 | 92,115 | 274,441 |
| 2019 | 32,836 | 361,147 |
| 2020 | 125,825 | 144,714 |
| 2021 | 249,399 | 91,422 |
| 2022 | 89,356 | 107,999 |
| 2023 | 120,100 | 10,424 |
| 2024 | 40,506 | 82,974 |
| 2025 | 326,382 | 293,511 |
| 2026 | 866,308 | 825,581 |
| 2027 | 339,432 | 284,227 |
| 2028 | 47,167 | 63,421 |
| 2029 | 912,165 | 878,680 |
| 2030 | 74,473 | 769,480 |
| 2031 | 111,060 | 409,692 |
| 2032 | 22,963 | - |
| Unlimited | 3,920,700 | 2,832,652 |
| | 7,371,806 | 7,850,576 |

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 31 december 2016 and 2015 were as follows:

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

On 31 March 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 31 March 2017 and 2016 is as follows:

| | 2017 | 2016 |
|---|----------------|------------------|
| Earnings before taxes | 2,428,990 | (13,881,802) |
| Income taxation (21%) | (510,088) | 2,915,178 |
| Deferred tax assets not recognised in the individual accounts and / or resulting from consolidation adjustments, autonomous taxation, surcharge and other non-deductible accounting adjustments | 574,660 | (2,668,525) |
| Record/(reverse) of deferred tax assets related to previous years and tax benefits | (47,856) | 751,155 |
| Use of tax losses and tax benefits without record of deferred tax asset in previous years | 75,515 | 20,359 |
| Temporary differences for the year without record of deferred tax assets | 166,892 | 118,757 |
| Income taxation recorded in the period (note 22) | 259,123 | 1,136,924 |

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 31 March 2017.

12. Cash and cash equivalents

On 31 March 2017 and 2016, this caption was made up as follows:

| | 2017 | 2016 |
|-----------------------------------|-------------|-------------|
| Cash in hand | 22,358 | 26,905 |
| Bank deposits repayable on demand | 101,226,143 | 79,588,449 |
| Treasury applications | 110,104,409 | 93,066,774 |
| Cash and cash equivalents | 211,352,910 | 172,682,128 |
| Bank overdrafts (note 15) | (476) | (31,065) |
| | 211,352,434 | 172,651,063 |

On 31 March 2017 and 2016, the caption "Treasury Applications" matched only bank applications.

The above mentioned applications were paid and, during the period ended on 31 March 2017, the interest tax rate in force was 0.439% (0.812% in 2016) being, in the referred date, distributed by five financial institutions.

13. Share capital

On 31 March 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 year ended on 31 March 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 31 March 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 | 1,234,743 | 1,698,470 |
| S21 Sec Gestion | Repayable subsidies | - | Jun-25 | Parcel | 1,710,275 | 2,384,090 |
| Saphety | Minority Shareholder loans | - | - | - | 412,322 | 451,322 |
| | Interests incurred but not yet due | - | - | - | 2,879 | 5,272 |
| | | | | | 3,360,219 | 4,539,154 |

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 | - | 451,842 | 378,473 |
| S21 Sec Gestion | Reimbursable grants | - | Oct-17 | - | 727,704 | 604,576 |
| Several | Bank overdrafts (note 12) | - | - | - | 476 | 31,065 |
| Several | Interests incurred but not yet due | - | - | - | 15,144 | 17,073 |
| | | | | | 1,195,166 | 1,031,187 |

Grants

On 31 March 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 | 754,485 |
| 2018 | 1,189,001 |
| 2019 | 774,427 |
| 2020 | 620,837 |
| 2021 and follows | 785,814 |
| | 4,124,564 |

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 31 March 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 | |
| Others | Several | - | 476 | - | x | |
| | | 1,000,000 | 476 | 1,000,000 | | |
| 2016 | | | | | | |
| Sonaecom | Authorised overdrafts | 1,000,000 | - | 1,000,000 | x | |
| | | 1,000,000 | - | 1,000,000 | | |

On 31 March 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 31 March 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 384,884 and Euro 666,555, respectively.

On 31 March 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 | - | - | 427,961 | 375,571 |
| 2017 | 417,814 | 395,879 | 461,549 | 436,876 |
| 2018 | 365,863 | 351,842 | 241,167 | 232,821 |
| 2019 | 153,602 | 150,875 | 109,946 | 108,030 |
| | 937,279 | 898,596 | 1,240,623 | 1,153,298 |
| Interests | (38,683) | - | (87,325) | - |
| | 898,596 | 898,596 | 1,153,298 | 1,153,298 |
| Short-term liability (note 18) | - | (513,712) | - | (486,743) |
| | 898,596 | 384,884 | 1,153,298 | 666,555 |

17. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended on 31 March 2017 and 2016 were as follows:

| | Opening balance | Increases | Decreases | Utilisations and Transfers | Closing balance |
|--|-----------------|-----------|-----------|----------------------------|-----------------|
| 2017 | | | | | |
| Accumulated impairment losses on trade debtors | 2,713,099 | - | (20,000) | - | 2,693,099 |
| Accumulated impairment losses on other current debtors | 130,356 | - | - | - | 130,356 |
| Accumulated impairment losses on inventories | 35,000 | - | - | - | 35,000 |
| Provisions for other liabilities and charges | 4,919,669 | 110,196 | (22,280) | (526,440) | 4,481,145 |
| | 7,798,124 | 110,196 | (42,280) | (526,440) | 7,339,600 |
| 2016 | | | | | |
| Accumulated impairment losses on trade debtors | 2,625,442 | 2,614 | - | (10,401) | 2,617,655 |
| Accumulated impairment losses on other current debtors | 94,422 | - | - | - | 94,422 |
| Accumulated impairment losses on inventories | 35,000 | - | - | - | 35,000 |
| Provisions for other liabilities and charges | 4,292,553 | 364,474 | (66,770) | (1,570,463) | 3,019,794 |
| | 7,047,417 | 367,088 | (66,770) | (1,580,864) | 5,766,871 |

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, on 31 March 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) | - | (20,000) | 2,614 | - |
| Total increases/(decreases) of accumulated impairment losses on accounts receivables | - | (20,000) | 2,614 | - |
| Provisions for other liabilities and charges | | | | |
| Recorded in the income statement, under the caption 'Income Tax' (note 22) | 96,519 | (22,280) | 276,211 | (46,934) |
| Recorded in balance sheet, under the caption Taxes and "Other current debtors" | 4,583 | - | - | - |
| 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) | 381 | - | 439 | - |
| 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) | 5,043 | - | 7,576 | (1,715) |
| Recorded in the income statement 'Staff expenses' related to the provisions for redundancy payments | - | - | 12,000 | (18,121) |
| Other increases and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases) | 3,670 | - | 68,248 | - |
| Total increases/(decreases) of provisions for other liabilities and charges | 110,196 | (22,280) | 364,474 | (66,770) |
| Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases) | 3,670 | (20,000) | 70,862 | - |

On 31 March 2017 and 2016, the breakdown of the provisions for other liabilities and charges is as follows:

| | 2017 | 2016 |
|-----------------------------|-----------|-----------|
| Several contingencies | 3,366,199 | 1,865,473 |
| Legal processes in progress | 17,350 | 120,552 |
| Dismantling | 52,325 | 50,629 |
| Other responsibilities | 1,045,271 | 983,140 |
| | 4,481,145 | 3,019,794 |



On 31 March 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 292,390 associated with severance payment (Euro 463,540 in 2016).

18. Other financial liabilities

On 31 March 2017, this heading “Other financial liabilities” includes the amount of Euro 513,712 (Euro 486,743 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 31 March 2017 and 2016 had the following composition:

| | 2017 | 2016 |
|---------------------------|------------------|-------------------|
| Subcontracts | 3,572,919 | 4,738,622 |
| Rents | 1,334,221 | 1,251,653 |
| Specialised works | 1,211,159 | 1,429,502 |
| Travelling costs | 1,027,786 | 1,133,492 |
| Advertising and promotion | 900,842 | 757,315 |
| Communications | 307,620 | 291,432 |
| Fees | 280,512 | 318,406 |
| Energy | 98,493 | 92,047 |
| Maintenance and repairs | 71,563 | 36,678 |
| Commissions | 63,579 | 46,520 |
| Others | 433,220 | 405,200 |
| | 9,301,914 | 10,500,867 |

The commitments assumed by the Group on 31 March 2017 and 2016 related to operational leases are as follows:

| | 2017 | 2016 |
|--|------------------|------------------|
| Minimum payments of operational lease: | | |
| 2017 | - | 2,674,667 |
| 2018 | 3,031,034 | 1,767,843 |
| 2019 | 1,448,997 | 453,527 |
| 2020 | 759,987 | 161,362 |
| 2021 onwards | 421,772 | 11,948 |
| Renewable by periods of one year | 1,079,111 | 872,883 |
| | 6,740,901 | 5,942,230 |



During the periods ended on 31 March 2017, an amount of Euro 1,225,483 (Euro 1,169,830 on 31 March 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 31 March 2017 and 2016 were made up as follows ((costs) / gains):

| | 2017 | 2016 |
|--------------------------|-----------------|------------------|
| Financial expenses: | | |
| Interest expenses: | | |
| Bank loans | (53,086) | 48,907 |
| Leasing | (1,313) | (66,336) |
| Other interests | (10,859) | (13,316) |
| Foreign exchange losses | (40,914) | 128,559 |
| Other financial expenses | (589,212) | (1,501,337) |
| | (88,402) | (295,176) |
| Financial income: | | |
| Interest income | 730,700 | 1,747,606 |
| Foreign exchange gains | 143,383 | 308,539 |
| Others financial gains | 668,713 | 797,580 |
| | 12,136 | 65,104 |
| | 824,232 | 1,171,223 |

During the periods ended on 31 March 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 31 March 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) | 6,959,588 | 4,887,603 |
| 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) | - | (15,300,040) |
| | - | (15,300,040) |

22. Income taxation

Income taxes recognised during the periods ended on 31 March 2017 and 2016 were made up as follows ((costs) / gains):

| | 2017 | 2016 |
|--|----------------|------------------|
| Current tax | 100,885 | 138,977 |
| Tax provision net of reduction (note 17) | 74,239 | (229,277) |
| Deferred tax assets (note 11) | 83,999 | 1,227,224 |
| Deferred tax liabilities (note 11) | - | - |
| | 259,123 | 1,136,924 |

23. Related parties

During the periods ended on 31 March 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 31 March 2017 and 2016 as follows:

| | Balances at 31 March 2017 | | |
|------------------------------|---------------------------|------------------|----------------------------|
| | Accounts receivable | Accounts payable | Other assets/(liabilities) |
| Parent company | 18,854,139 | 181,851 | (58,182) |
| Companies jointly controlled | 1,007,122 | 575,846 | (13,639) |
| Associated companies | 2,778,027 | 622,996 | - |
| Other related parties | 6,456,291 | 451,130 | (4,773,112) |
| | 29,095,579 | 1,831,823 | (4,844,933) |

| | Balances at 31 March 2016 | | |
|------------------------------|---------------------------|------------------|----------------------------|
| | Accounts receivable | Accounts payable | Other assets/(liabilities) |
| Parent company | 360,379 | - | (34,513) |
| Companies jointly controlled | 460,262 | 535,863 | 20,620 |
| Other related parties | 3,819,855 | 762,517 | (3,911,516) |
| | 4,640,496 | 1,298,380 | (3,925,409) |

| | Transactions at 31 March 2017 | | | |
|------------------------------|-------------------------------|--|---|----------------------|
| | Sales and services rendered | Supplies and services received (note 19) | Interest and similar income / (expense) (note 20) | Supplementary income |
| Parent company | 2,826 | 62,500 | 127,935 | - |
| Companies jointly controlled | 2,844 | 68,403 | 135 | 49,517 |
| Other related parties | 7,248,197 | 1,012,784 | - | (11) |
| | 7,253,867 | 1,143,687 | 128,070 | 49,506 |

| | Transactions at 31 March 2016 | | | |
|------------------------------|-------------------------------|--|---|----------------------|
| | Sales and services rendered | Supplies and services received (note 19) | Interest and similar income / (expense) (note 20) | Supplementary income |
| Parent company | 2,187 | - | 269,115 | (26) |
| Companies jointly controlled | 3,662 | 115,762 | 6,842 | 70,196 |
| Other related parties | 4,839,070 | 640,841 | - | - |
| | 4,844,919 | 756,603 | 275,957 | 70,170 |

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 31 March 2017 and 2016, no impairment 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 31 March 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.; Digi Teccommunications; Emirates Telecom. Corp.; Empresa de Telecomunicaciones Nuevateil; Etihad Etisalat Company; Etisalat; Etisalat UAE; Instituto Nacional de Ciberseguridad de España, SA; Oficina de Control Económico del Departamento de Hacienda y Finanzas; Omani Qatari Telecommunications Company S.A.O.G; Red Nacional de Ferrocarriles Españoles; Renfe Operadora; REPSOL; Tunisie Telecom; U Mobile; Viva Bahrain and Zain Jordan | Completion of work to be done | 972,074 | 869,587 |
| 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 | 791,869 | 1,007,887 |
| Sonaecom and Público | Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities) | IRC, IS, IVA – Tax assessment | 220,863 | 240,622 |
| Several | Others | | 634,992 | 733,309 |
| | | | 2,619,798 | 2,851,405 |

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 31 March 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 31 March 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).



The segment 'Holding activities' includes the operations of the Group companies that have as their main activity the management of shareholdings.

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

Inter-segment transactions during the periods ended on 31 March 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 31 March 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 | |
|---|------------------|------------------|---------------------|--------------------|--------------------|---------------------|-------------------|---------------------|-------------------------|------------------|-------------------|---------------------|
| | March 2017 | March 2016 | March 2017 | March 2016 | March 2017 | March 2016 | March 2017 | March 2016 | March 2017 | March 2016 | March 2017 | March 2016 |
| Revenues: | | | | | | | | | | | | |
| Sales and services rendered | 3,355,777 | 3,291,864 | 32,922,350 | 26,558,608 | 122,520 | 71,100 | 36,400,647 | 29,921,572 | (270,302) | (659,935) | 36,130,345 | 29,788,260 |
| Reversal of provisions | - | - | 20,000 | - | - | - | 20,000 | - | - | - | 20,000 | - |
| Other operating revenues | 119,857 | 58,288 | 245,662 | 250,612 | 53,324 | 103,915 | 418,843 | 412,815 | 1,105 | (70,807) | 419,948 | 396,282 |
| Total revenues | 3,475,634 | 3,350,152 | 33,188,012 | 26,809,220 | 175,844 | 175,015 | 36,839,490 | 30,334,387 | (269,197) | (730,742) | 36,570,293 | 30,184,542 |
| Depreciation and amortisation | (2,379,048) | (175,232) | (2,379,048) | (1,885,578) | (3,411) | (3,400) | (4,761,507) | (2,064,210) | 2,295,195 | (2,645,721) | (2,466,312) | (2,440,890) |
| Provisions and impairment losses | (83) | - | (3,586) | (70,862) | - | - | (3,669) | (70,862) | (1) | - | (3,670) | (70,862) |
| Net operating income / (loss) for the segment | (811,346) | (908,257) | (1,685,058) | (1,683,216) | (337,977) | (370,442) | (2,834,381) | (2,961,915) | 29,375 | (2,331,059) | (2,805,007) | (2,892,982) |
| Interest income | 1,056 | 57 | 5,224 | 23,175 | 363,895 | 469,791 | 370,175 | 493,023 | (226,792) | (740,306) | 143,383 | 308,539 |
| Interest expenses | (28,087) | (55,037) | (249,320) | (321,484) | (1,235) | 7,052 | (278,642) | (369,469) | 225,557 | 695,285 | (53,085) | (194,895) |
| Gains and losses on financial assets at fair value through profit or loss | - | - | - | - | - | (15,300,040) | - | (15,300,040) | - | - | - | (15,300,040) |
| Gains and losses in associated companies | (2,136) | 24,166 | (171,854) | (53) | 7,133,578 | 4,863,490 | 6,959,588 | 4,887,603 | - | - | 6,959,588 | 4,887,603 |
| Other financial results | (4,570) | (1,138) | 28,629 | (823,558) | (229,473) | (2,815,123) | (205,414) | (3,639,819) | 208,647 | 6,564,094 | 3,234 | (690,027) |
| Income taxation | 143,954 | 194,962 | 133,410 | 962,781 | (10,102) | (609) | 267,262 | 1,157,134 | (8,139) | (43,999) | 259,123 | 1,136,924 |
| Consolidated net income/(loss) for the period | (701,129) | (745,247) | (1,938,969) | (1,842,355) | 6,918,686 | (13,145,881) | 4,278,588 | (15,733,483) | 228,648 | 4,144,015 | 4,507,236 | (12,744,878) |
| Attributable to: | | | | | | | | | | | | |
| Shareholders of parent company | (701,129) | (745,247) | (1,973,760) | (1,495,600) | 6,918,686 | (13,145,881) | 4,243,797 | (15,386,728) | 228,639 | 4,178,062 | 4,472,436 | (12,386,884) |
| Non-controlling interests | - | - | 34,791 | (346,755) | - | - | 34,791 | (346,755) | 9 | (34,047) | 34,800 | (357,994) |
| Assets: | | | | | | | | | | | | |
| Tangible and intangible assets and goodwill | 459,023 | 4,844,015 | 64,691,933 | 77,104,838 | 15,566 | 25,708 | 65,166,522 | 81,974,561 | (11,958,023) | (27,236,395) | 53,208,499 | 54,697,669 |
| Inventories | 283,411 | 204,361 | 178,375 | 195,750 | - | - | 461,786 | 400,111 | - | - | 461,786 | 400,111 |
| Investments in associated companies and companies jointly controlled | 736,838 | 760,982 | 68,926,792 | - | 684,047,240 | 702,863,289 | 753,710,870 | 703,624,271 | 52,944 | 143,764 | 753,763,814 | 703,677,256 |
| Other investments | 90,679 | 90,679 | 448,934 | 100 | 46,241,587 | 39,136,996 | 46,781,200 | 39,227,775 | (46,241,587) | (39,227,775) | 539,614 | 90,779 |
| Other non-current assets | 245,824 | 3,570 | 12,240,960 | 7,516,023 | 103,404,191 | 56,256,642 | 115,890,975 | 63,776,234 | (103,112,614) | (56,275,082) | 12,778,361 | 7,501,152 |
| Other current assets of the segment | 7,171,261 | 5,425,909 | 55,059,796 | 54,251,868 | 229,965,768 | 245,130,417 | 292,196,825 | 304,808,194 | (4,465,376) | (3,708,834) | 287,731,449 | 294,028,039 |
| Liabilities: | | | | | | | | | | | | |
| Liabilities of the segment | 12,422,507 | 14,573,905 | 98,707,695 | 79,403,289 | 1,319,643 | 1,998,749 | 112,449,845 | 95,975,943 | (41,357,169) | (24,925,216) | 71,092,676 | 60,822,045 |
| CAPEX | 209,261 | 68,516 | 2,436,356 | 1,766,677 | 696 | 224 | 2,646,313 | 1,835,417 | 27,428 | 436,745 | 2,673,741 | 8,570,888 |



During the periods ended on 31 March 2017 and 2016, the inter-segments sales and services were as follows:

| | Multimedia | Information Systems | Holding Activities |
|------------------------|------------|---------------------|--------------------|
| 2017 | | | |
| Multimedia | - | 92,970 | - |
| Information Systems | 260 | - | 106,250 |
| Holding Activities | - | 3,361 | - |
| External trade debtors | 3,355,517 | 32,826,019 | 16,270 |
| | 3,355,777 | 32,922,350 | 122,520 |
| 2016 | | | |
| Multimedia | - | 26,610 | - |
| Information Systems | - | - | 71,100 |
| Holding Activities | - | 15,515 | - |
| External trade debtors | 3,291,864 | 26,516,483 | - |
| | 3,291,864 | 26,558,608 | 71,100 |

During the periods ended on 31 March 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 31 March 2017, for the Information Systems segment, also the Portuguese market is dominant, accounting for 55.2% of revenue (47% in 2016) followed by the Spanish and Brazilian markets, representing 10.3% of revenue (11% in 2016).

The consolidated financial statements of NOS on 31 March 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 of Euro) | March 2017 | March 2016 |
|---|------------------|------------------|
| Assets | | |
| Tangible assets | 1,146,893 | 1,142,009 |
| Intangible assets | 1,154,227 | 1,179,726 |
| Deferred tax assets | 118,135 | 120,652 |
| Other non-current assets | 20,760 | 17,281 |
| Non-current assets | 2,440,015 | 2,459,668 |
| Trade debtors | 334,128 | 349,564 |
| Cash and cash equivalents | 1,801 | 1,796 |
| Other current assets | 146,386 | 169,667 |
| Current assets | 482,315 | 521,027 |
| Total assets | 2,922,330 | 2,980,695 |
| Liabilities | | |
| Loans | 968,032 | 982,919 |
| Provisions for other liabilities and charges | 149,623 | 140,585 |
| Other non-current liabilities | 45,642 | 41,050 |
| Non-current liabilities | 1,163,297 | 1,164,554 |
| Loans | 167,356 | 159,297 |
| Trade creditors | 208,906 | 304,613 |
| Other current liabilities | 296,252 | 271,402 |
| Current liabilities | 672,514 | 735,312 |
| Total liabilities | 1,835,811 | 1,899,866 |
| Shareholders' funds excluding non-controlling interests | 1,077,512 | 1,071,370 |
| Non-controlling interests | 9,007 | 9,459 |
| Total Shareholders' funds | 1,086,519 | 1,080,829 |
| Total Shareholders' funds and liabilities | 2,922,330 | 2,980,695 |

Condensed consolidated statements of income by nature

| (Amounts expressed in of Euro) | March 2017 | March 2016 |
|---|------------------|------------------|
| Total revenue | 380,999 | 370,303 |
| Costs and losses | | |
| Direct costs and External supplies and services | (158,631) | (153,498) |
| Depreciation and amortisation | (103,288) | (95,293) |
| Other operating costs | (76,768) | (87,726) |
| | (338,687) | (336,517) |
| Financial results | (6,609) | (5,364) |
| Income taxation | (4,303) | (3,968) |
| Consolidated net income/(loss) for the period | 31,399 | 24,454 |
| Consolidated net income/(loss) for the period attributed to non-controlling interests | (36) | 38 |
| Attributed to shareholders of parent company | 31,435 | 24,416 |

26. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 4,472,436 in 2017 and Euro -12,386,884 in 2016) by the average number of shares outstanding during the period ended 31 March 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 Sonaecom-SGPS, S.A. shares, being on 10 March 2014, Sonaecom shares plans were fully converted into Sonaecom SGPS shares. The exercise of the rights occurs three years after their attribution, provided that the employee stays in the company during that period.

The 2012 plan was delivered in March 2016 to all companies.

The 2013 plan was delivered in March 2017 only for the Directors of Sonaecom.

Accordingly, the plans outstanding on 31 March 2017 are as follows:

| | Vesting period | | | 31 March 2017 | |
|-----------------------------|---------------------------|------------|--------------|---------------------------------------|------------------|
| | Share price 31.03.2017 | Award date | Vesting date | Aggregate number of participations | Number of shares |
| Sonaecom SGPS shares | | | | | |
| 2013 Plan | 0.948 | 10-Mar-14 | 10-Mar-17 | 161 | 1,229,202 |
| 2014 Plan | 0.948 | 10-Mar-15 | 10-Mar-18 | 172 | 1,418,139 |
| 2015 Plan | 0.948 | 10-Mar-16 | 10-Mar-19 | 186 | 1,734,227 |
| 2016 Plan | 0.948 | 10-Mar-17 | 10-Mar-20 | 19 | 861,130 |

During the period ended on 31 March 2017, the movements that occurred in the plans can be summarised as follows:

| | Sonaecom 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 | 19 | 861,130 |
| Vested | (2) | (303,888) |
| Cancelled/ elapsed/ corrected/ transfers ⁽¹⁾ | (16) | (45,703) |
| Outstanding at 31 March 2017: | | |
| Unvested | 538 | 5,242,698 |
| Total | 538 | 5,242,698 |

(1) Corrections are made for dividends paid and changes to capital and other adjustments including those resulting from changes in the maturity of the MTIP, which may now be made through shares at a discount.

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



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 31 March 2017, were as follows:

| | Value |
|---|------------------|
| Costs recognised in previous years | 2,365,489 |
| Costs recognised in the period | 536,561 |
| Costs of plans vested in the year | (285,047) |
| Total cost of the plans | 2,617,003 |
| Recorded in 'Other current liabilities' | 2,063,268 |
| Recorded in 'Other non-current liabilities' | 553,735 |

These financial consolidated presentations have been approved by the Executive Board and authorized to be issued on 17 May 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.

5.3. Sonaecom individual financial statements

Statement of financial position

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

| (Amounts expressed in Euro) | Notes | March 2017 (not audited) | March 2016 (not audited) | December 2016 |
|---|----------------------|-----------------------------|-----------------------------|----------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Tangible assets | 1a, 1f, 1t and 2 | 13,210 | 22,087 | 13,416 |
| Intangible assets | 1b, 1t and 3 | 2,356 | 3,621 | 2,204 |
| Investments in Group companies | 1c and 5 | 52,291,587 | 49,347,142 | 52,291,587 |
| Companies jointly controlled | 1d and 6 | 597,666,944 | 597,666,944 | 597,666,944 |
| Financial assets at fair value through profit or loss | 1e, 4 and 7 | - | 127,245 | - |
| Other non-current assets | 1c, 1n, 4, 8 and 21 | 212,304,434 | 165,894,237 | 212,467,355 |
| Deferred tax assets | 1m and 9 | 50,194 | - | 94,475 |
| Total non-current assets | | 862,328,725 | 813,061,276 | 862,535,981 |
| Current assets | | | | |
| Financial assets at fair value through profit or loss | 1e, 4 and 7 | - | 64,406,193 | - |
| Income tax receivable | 1m and 4 | 809,669 | 499,741 | 803,609 |
| Other current debtors | 1e, 1g, 4, 10 and 21 | 17,507,326 | 2,739,345 | 17,797,134 |
| Other current assets | 1e, 1n, 4, and 21 | 463,392 | 396,674 | 478,861 |
| Cash and cash equivalents | 1e, 1h, 4, 11 and 21 | 211,131,651 | 176,292,458 | 210,933,723 |
| Total current assets | | 229,912,038 | 244,334,411 | 230,013,327 |
| Total assets | | 1,092,240,763 | 1,057,395,687 | 1,092,549,308 |
| Shareholder' funds and liabilities | | | | |
| Shareholders' funds | | | | |
| Share capital | 12 | 230,391,627 | 230,391,627 | 230,391,627 |
| Own shares | 1r and 13 | (8,441,804) | (8,441,804) | (8,441,804) |
| Reserves | 1q | 869,239,919 | 851,970,822 | 834,236,219 |
| Net income / (loss) for the period | | (214,891) | (17,988,593) | 35,003,700 |
| Total Shareholders' funds | | 1,090,974,851 | 1,055,932,052 | 1,091,189,742 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Provisions for other liabilities and charges | 1l and 15 | 214,777 | 241,811 | 214,777 |
| Other non-current liabilities | 1n, 1u, 4 and 24 | 76,400 | 61,895 | 133,633 |
| Total non-current liabilities | | 291,177 | 303,706 | 348,410 |
| Current liabilities | | | | |
| Other creditors | 1g, 4, 16 and 21 | 533,608 | 324,606 | 359,423 |
| Other current liabilities | 1n, 1u, 4 and 24 | 441,127 | 835,323 | 651,733 |
| Total current liabilities | | 974,735 | 1,159,929 | 1,011,156 |
| Total Shareholders' funds and liabilities | | 1,092,240,763 | 1,057,395,687 | 1,092,549,308 |

The notes are an integral part of the financial statements on 31 March 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 31 March 2017 and 2016 and for the year ended on 31 December 2016

| (Amounts expressed in Euro) | Notes | March 2017 (not audited) | March 2016 (not audited) | December 2016 |
|---|-----------------------------------|-----------------------------|-----------------------------|--------------------|
| Services rendered | 1o and 21 | 122,520 | 71,100 | 253,325 |
| Other operating revenues | 1o and 21 | 68,907 | 103,914 | 139,001 |
| | | 191,427 | 175,014 | 392,326 |
| External supplies and services | 1f, 17 and 21 | (182,874) | (208,493) | (777,902) |
| Staff expenses | 1u and 24 | (333,448) | (297,657) | (696,471) |
| Depreciation and amortisation | 1a, 1b, 2 and 3 | (3,411) | (3,400) | (13,726) |
| Provisions and impairment losses | 1l, 1t and 15 | - | - | (36,505) |
| Other operating costs | | (9,670) | (15,868) | (129,417) |
| | | (529,403) | (525,418) | (1,654,021) |
| Gains and losses on Group companies and companies jointly controlled | 1d, 1o, 5, 8 and 18 | (208,915) | (2,910,000) | 11,119,809 |
| Gains and losses on financial assets at fair value through profit or loss | 1e, 1o, 7 and 18 | - | (15,280,602) | 4,808,250 |
| Other financial expenses | 1c, 1i, 1j, 1s, 1t, 14, 19 and 21 | (21,962) | (1,886) | (98,457) |
| Other financial income | 1s, 19 and 21 | 364,064 | 554,908 | 2,274,003 |
| Earnings before taxes | | (204,789) | (17,987,984) | 16,841,910 |
| Income taxation | 1m, 9 and 20 | (10,102) | (609) | 18,161,790 |
| Net income / (loss) for the period | | (214,891) | (17,988,593) | 35,003,700 |
| Earnings per share | 23 | | | |
| Excluding discontinued operations: | | | | |
| Basic | | (0.00) | (0.06) | 0.11 |
| Diluted | | (0.00) | (0.06) | 0.11 |

The notes are an integral part of the financial statements on 31 March 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 31 March 2017 and 2016 and for the year ended on 31 December 2016

| (Amounts expressed in Euro) | Notes | March 2017 (not audited) | March 2016 (not audited) | December 2016 |
|--|-------|-----------------------------|-----------------------------|-------------------|
| Net income / (loss) for the period | | (214,891) | (17,988,593) | 35,003,700 |
| Components of other comprehensive income, net of tax | | - | - | - |
| Comprehensive income for the period | | (214,891) | (17,988,593) | 35,003,700 |

The notes are an integral part of the financial statements on 31 March 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 31 March 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 | - | - | - | - | - | 35,003,700 | 35,003,700 | (35,003,700) | - |
| Comprehensive income for the period ended at 31 March 2017 | - | - | - | - | - | - | - | (214,891) | (214,891) |
| Balance at 31 March 2017 | 230,391,627 | (8,441,804) | 775,290,377 | 15,163,177 | 8,441,804 | 70,344,561 | 869,239,919 | (214,891) | 1,090,974,851 |

| (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) | - |
| Comprehensive income for the period at 31 March 2016 | - | - | - | - | - | - | - | (17,988,593) | (17,988,593) |
| Balance at 31 March 2016 | 230,391,627 | (8,441,804) | 775,290,377 | 15,163,177 | 8,441,804 | 53,075,464 | 851,970,822 | (17,988,593) | 1,055,932,052 |

The notes are an integral part of the financial statements on 31 March 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 31 March 2017 and 2016

| (Amounts expressed in Euro) | Notes | March 2017 (not audited) | March 2016 (not audited) |
|--|----------|-----------------------------|-----------------------------|
| Operating activities | | | |
| Payments to employees | | (452,680) | (758,727) |
| Cash flows from operating activities | | (452,680) | (758,727) |
| Payments / receipts relating to income taxes | | (4,192) | 382,590 |
| Other payments / receipts relating to operating activities | | (681) | (467,352) |
| Cash flows from operating activities (1) | | (457,553) | (843,489) |
| Investing activities | | | |
| Receipts from: | | | |
| Financial Investments | 8 | 300,000 | - |
| Interest and similar income | | 621,425 | 708,000 |
| Loans granted | 8 | 165,000 | 325,000 |
| Payments for: | | | |
| Intangible assets | | (696) | - |
| Loans granted | 8 | (295,000) | (3,280,000) |
| Cash flows from investing activities (2) | | 790,729 | (2,247,000) |
| Financing activities | | | |
| Payments for: | | | |
| Interest and similar expenses | | (135,248) | (65,367) |
| Cash flows from financing activities (3) | | (135,248) | (65,367) |
| Net cash flows (4)=(1)+(2)+(3) | | 197,928 | (3,155,856) |
| 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 | 211,131,651 | 176,292,458 |

The notes are an integral part of the financial statements on 31 March 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 31 March 2017 and 2016.

| | Notes | March 2017 (não auditado) | March 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 | 325,000 |
| | | 465,000 | 325,000 |
| 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) |
| 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 31 March 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

5.4. Notes to the individual financial statements of Sonaecom

SONAECOM, SGPS, S.A., (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal.

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

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

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

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

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

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

In addition, in this year, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae

Group managers and to the former owners of the companies acquired by Sonaecom.

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

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

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

By decision of the Shareholders' General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 Euro each and with a share premium of Euro 275,657,217, subscribed by 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) IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. | 1-Jan-18 |
| IFRS 9 Financial instruments This standard introduces new requirements for classifying and measuring financial assets. | 1-Jan-18 |

The Company has not yet implemented any of these standards in the financial statements for the period ended on 31 March 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) |
|---|---|
| IFRS 10 and IAS 28 - Amendments (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture) The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those established in IAS 28, when dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. | undefined |
| Amendments to IFRS 15 (Revenue from Contracts with Customers - issued on 12 April 2016) Review of accounting treatment for license revenue, definition of agency and transitory regime. | 1-Jan-18 |
| IFRS 16 - Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases, replacing IAS 17. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17. | 1-Jan-19 |
| Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses is to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. | 1-Jan-17 |
| Amendments to IAS 7 - Disclosure Initiative Amendments to AS 7 - Disclosure Initiative intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities | 1-Jan-17 |
| Amendments to IFRS 2 - Share-based Payment The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions. | 1-Jan-18 |
| Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, allowing an exemption regime in the recognition of changes in the fair value of financial investments | 1-Jan-18 |
| Annual Improvements to IFRS Standards 2014-2016 Cycle Annual Improvements to IFRSs 2014-2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014-2016 cycle for annual improvements to IFRSs. | 1-Jan-18 |

| Standard / Interpretation | Effective date (annual periods beginning on or after) |
|--|---|
| IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration | 1-Jan-18 |
| IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. | |
| Amendments to IAS 40: Transfers of Investment Property | 1-Jan-18 |
| Amendments to IAS 40 clarifies the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties. | |

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the company for the period ended on 31 March 2017.

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 31 March 2017 are comparable with those used in the preparation of 31 March 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 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 31 March 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 31 March 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 Sonae companies.

In this way, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company since 1 January 2015. Sonaecom records the income tax on their individual accounts and the tax calculated is record under the caption of group companies. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements.

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



Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each period, the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are likely enabling the recovery of such assets (note 9).

Deferred taxes are calculated with the tax rate that is expected to be in effect at the time the asset or liability is realized, based on the rates that have been enacted or substantially enacted at the statement of financial position date.

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

n) Accrual basis

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

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

The costs attributable to current period and whose expenses will only occur in future periods are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.1).

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 31 March 2017, Sonaecom, have free reserves distributable amounting approximately Euro 68,8 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 31 March 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 | |
|-----------------|----------|---------|----------|---------|
| | 31 March | Average | 31 March | Average |
| Pounds Sterling | 1.1689 | 1.1628 | 1.2633 | 1.2978 |
| Swiss franc | 0.9349 | 0.9351 | 0.9148 | 0.9124 |
| Swedish krona | 9.5322 | 9.5063 | 9.2253 | 9.3267 |
| American Dollar | 0.9354 | 0.9354 | 0.8784 | 0.9071 |

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 31 March 2017, the plans granted during the year 2014, 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 31 March 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 31 March 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 31 March 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 19.4%. The average gearing in market values in 2017 was negative in 25.6%.

2. Tangible assets

The movement in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended on 31 March 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 | - | - | - | - | 2,661 | - | 2,661 |
| Balance at 31 March 2017 | 347,208 | 43,858 | 22,060 | 171 | 246,357 | 104 | 659,758 |
| 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 year | 1,053 | - | 1,379 | - | 435 | - | 2,867 |
| Balance at 31 March 2017 | 339,288 | 43,858 | 20,223 | 171 | 242,904 | 104 | 646,548 |
| Net value | 7,920 | - | 1,837 | - | 3,453 | - | 13,210 |

| | | | | | | | 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 31 March 2016 | 347,208 | 43,858 | 22,060 | 171 | 243,696 | 104 | 657,097 |
| Accumulated depreciation and impairment losses | | | | | | | |
| Balance at 31 December 2015 | 334,022 | 43,787 | 13,328 | 171 | 240,708 | 104 | 632,120 |
| Depreciation for the year | 1,053 | 18 | 1,379 | - | 440 | - | 2,890 |
| Balance at 31 March 2016 | 335,075 | 43,805 | 14,707 | 171 | 241,148 | 104 | 635,010 |
| Net value | 12,133 | 53 | 7,353 | - | 2,548 | - | 22,087 |

3. Intangible assets

The movement in intangible assets and in the corresponding accumulated amortisation and impairment losses in the periods ended on 31 March 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 31 March 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 year | 12 | 532 | - | 544 |
| Balance at 31 March 2017 | 9,795 | 191,461 | - | 201,256 |
| Net value | 64 | 1,666 | 626 | 2,356 |

| | | | | 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 |
| Additions | - | - | 224 | 224 |
| Transfers | - | 407 | (407) | - |
| Balance at 31 March 2016 | 9,719 | 192,959 | - | 202,678 |
| Accumulated amortisation and impairment losses | | | | |
| Balance at 31 December 2015 | 9,719 | 188,828 | - | 198,547 |
| Amortisation for the year | - | 510 | - | 510 |
| Balance at 31 March 2016 | 9,719 | 189,338 | - | 199,057 |
| Net value | - | 3,621 | - | 3,621 |

4. Breakdown of financial instruments

On 31 March 2017 and 2016, the breakdown of financial instruments was as follows:

| | | | | | | 2017 |
|-------------------------------------|-----------------------|---|------------------------|-------------|------------------------------|-------------|
| | Loans and receivables | Financial assets at fair value through profit or loss | Other financial assets | Subtotal | Others not covered by IAS 39 | Total |
| Non-current assets | | | | | | |
| Other non-current assets (note 8) | 212,304,434 | - | - | 212,304,434 | - | 212,304,434 |
| | 212,304,434 | - | - | 212,304,434 | - | 212,304,434 |
| Current assets | | | | | | |
| Income tax receivable | - | - | - | - | 809,669 | 809,669 |
| Other trade debtors (note 10) | 17,339,646 | - | - | 17,339,646 | 167,680 | 17,507,326 |
| Other current assets | - | - | 388,716 | 388,716 | 74,676 | 463,392 |
| Cash and cash equivalents (note 11) | 211,131,651 | - | - | 211,131,651 | - | 211,131,651 |
| | 228,471,297 | - | 388,716 | 228,860,013 | 1,052,025 | 229,912,038 |

| | | | | | | 2016 |
|--|-----------------------|---|------------------------|-------------|------------------------------|-------------|
| | Loans and receivables | Financial assets at fair value through profit or loss | Other financial assets | Subtotal | Others not covered by IAS 39 | Total |
| Non-current assets | | | | | | |
| Financial assets at fair value through profit or loss (note 7) | - | 127,245 | - | 127,245 | - | 127,245 |
| Other non-current assets (note 8) | 165,894,237 | - | - | 165,894,237 | - | 165,894,237 |
| | 165,894,237 | 127,245 | - | 166,021,482 | - | 166,021,482 |
| Current assets | | | | | | |
| Financial assets at fair value through profit or loss (note 7) | - | 64,406,193 | - | 64,406,193 | - | 64,406,193 |
| Income tax receivable | - | - | - | - | 499,741 | 499,741 |
| Other trade debtors (note 10) | 2,635,774 | - | - | 2,635,774 | 103,571 | 2,739,345 |
| Other current assets | - | - | 325,053 | 325,053 | 71,621 | 396,674 |
| Cash and cash equivalents (note 11) | 176,292,458 | - | - | 176,292,458 | - | 176,292,458 |
| | 178,928,232 | 64,406,193 | 325,053 | 243,659,478 | 674,933 | 244,334,411 |

| | | | | | | 2017 |
|--------------------------------|---|-----------------------------|----------|------------------------------|---|---------|
| | | Other financial liabilities | Subtotal | Others not covered by IAS 39 | | Total |
| Non-current liabilities | | | | | | |
| Other non-current liabilities | - | - | - | 76,400 | - | 76,400 |
| | - | - | - | 76,400 | - | 76,400 |
| Current liabilities | | | | | | |
| Other creditors (note 16) | - | 497,028 | 497,028 | 36,580 | - | 533,608 |
| Other current liabilities | - | 333,446 | 333,446 | 107,681 | - | 441,127 |
| | - | 830,474 | 830,474 | 144,261 | - | 974,735 |

| | | | | | | 2016 |
|--------------------------------|---|-----------------------------|----------|------------------------------|---|-----------|
| | | Other financial liabilities | Subtotal | Others not covered by IAS 39 | | Total |
| Non-current liabilities | | | | | | |
| Other non-current liabilities | - | - | - | 61,895 | - | 61,895 |
| | - | - | - | 61,895 | - | 61,895 |
| Current liabilities | | | | | | |
| Other creditors (note 16) | - | 12,652 | 12,652 | 311,954 | - | 324,606 |
| Other current liabilities | - | 597,469 | 597,469 | 237,854 | - | 835,323 |
| | - | 610,121 | 610,121 | 549,808 | - | 1,159,929 |

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 31 March 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 | 10,227,595 |
| PCJ - Público Comunicação e Jornalismo S.A. ('PCJ') | 13,690,000 | 11,850,557 |
| Sonaeacom - Serviços Partilhados S.A. ('Sonaeacom SP') | 50,000 | 50,000 |
| Sonaetelecom BV* | - | 73,460,618 |
| Sonaeacom BV* | - | 10,100,000 |
| | 87,286,587 | 157,930,357 |
| Impairment losses (note 15) | (34,995,000) | (108,583,215) |
| Total investments in Group companies | 52,291,587 | 49,347,142 |

* Company liquidated in December 2016

The movements that occurred in investments in this caption during the periods ended on 31 March 2017 and 2016 were as follows:

| Company | Balance at 31 December 2016 | Additions | Disposals | Transfers and write-offs | Balance at 31 March 2017 |
|---|-----------------------------|-----------|-----------|--------------------------|--------------------------|
| Sonae IM | 52,241,587 | - | - | - | 52,241,587 |
| PCJ | 13,690,000 | - | - | - | 13,690,000 |
| Público | 21,305,000 | - | - | - | 21,305,000 |
| Sonaeacom 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 31 March 2016 |
|---|-----------------------------|-----------|-----------|--------------------------|--------------------------|
| Sonaetelecom BV* | 73,460,618 | - | - | - | 73,460,618 |
| Sonae IM | 52,241,587 | - | - | - | 52,241,587 |
| PCJ | 10,100,000 | - | - | - | 10,100,000 |
| Sonaeacom BV | 11,850,557 | - | - | - | 11,850,557 |
| Público | 10,227,595 | - | - | - | 10,227,595 |
| Sonaeacom Sp | 50,000 | - | - | - | 50,000 |
| | 157,930,357 | - | - | - | 157,930,357 |
| Impairment losses (note 15) | (108,583,215) | - | - | - | (108,583,215) |
| Total investments in Group companies | 49,347,142 | - | - | - | 49,347,142 |

* Company liquidated in December 2016

On 31 March 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):

| Company | Head office | 2017 | | | 2016 | | |
|--------------------|-------------|-----------|---------------------|---------------------|-----------|---------------------|---------------------|
| | | % holding | Shareholders' funds | Net profit / (loss) | % holding | Shareholders' funds | Net profit / (loss) |
| ZOPT (a) (note 6)* | Matosinhos | 50% | 2,361,610 | 27,899 | 50% | 2,476,097 | 19,482 |
| Sonae IM (a) | Maia | 100% | 1,035,580 | 2,653 | 100% | 1,001,648 | (12,387) |
| PCJ | Maia | 100% | (125) | 149 | 100% | 110 | 83 |
| Sonaeacom SP | Maia | 100% | 229 | 19 | 100% | 187 | 61 |
| Público | Maia | 100% | (780) | (850) | 100% | (794) | (829) |
| Sonaeacom BV** | Amsterdam | - | - | - | 100% | 96 | (13) |
| Sonaetelecom BV** | Amsterdam | - | - | - | 100% | 3 | (8) |

(a) Consolidated Financial Statements

* At 31 March 2017, the market capitalization of NDS amounted to 2,632 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 PJ (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 31 March 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 31 March 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 31 March 2017 and 2016 were as follows:

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

| Company | Balance at 31 December 2015 | Additions | Disposals | Transfers | Balance at 31 March 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 31 March 2017 ZOPT held 52.15% (50.01% on 31 March 2016) 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 March 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 March 2017, Sonaecom did not hold Sonae shares in the portfolio.

The movements occurred in this caption during the period ended on 31 March 2016 were as follows:

| | | | | | 2016 |
|--|-----------------|-----------|----------------------------------|---|-----------------|
| | Opening balance | Decreases | Fair value adjustments (note 18) | Increase and decrease in fair value of shares intended to cover MTIP* | Closing balance |
| Financial assets at fair value through profit or loss | | | | | |
| NOS | 79,796,807 | - | (15,263,369) | - | 64,533,438 |
| Sonae SGPS | 144,477 | (146,683) | (36,671) | 38,877 | - |
| | 79,941,284 | (146,683) | (15,300,040) | 38,877 | 64,533,438 |
| Recorded under the caption non current assets (note 4) | | | | | 127,245 |
| Recorded under the caption current assets (note 4) | | | | | 64,406,193 |

* 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 31 March 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 31 March 2016.

In the period ended on 31 March 2016, the evaluation of fair value of the investment is detail as follows:

| 2016 | NOS | Sonae SGPS |
|--|------------|------------------------------------|
| Shares | 11,012,532 | - |
| Level of inputs in the hierarchy of fair value | | Level 1** |
| Valuation method | | Quoted price on the stock exchange |
| Quoted price* | 5.860 | 1.059 |
| Fair value | 64,533,438 | - |

* Used the share price of 31 March 2016 in the determination of the fair value.

** Level 1: The Fair value is determined based on active market prices

8. Other non-current assets

On 31 March 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 | - | 3,365,000 |
| Sonaecom SP | - | 160,000 |
| | 34,880,000 | 22,285,000 |
| Supplementary capital: | | |
| Zopt | 115,000,000 | 115,000,000 |
| Sonae IM | 64,049,791 | 29,519,792 |
| Público | 3,740,000 | 11,077,405 |
| PCJ | 2,850,000 | 1,839,445 |
| | 185,639,791 | 157,436,642 |
| | 220,519,791 | 179,721,642 |
| Accumulated impairment losses (note 15) | (8,431,351) | (13,827,405) |
| Others | 215,994 | - |
| | 212,304,434 | 165,894,237 |

During the periods ended on 31 March 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 | - | (325,000) | 3,365,000 |
| Público | 165,000 | - | - | 165,000 |
| Sonaecom SP | 160,000 | - | - | 160,000 |
| | 19,330,000 | 3,280,000 | (325,000) | 22,285,000 |

During the periods ended on 31 March 2017 and 2016, the movements in 'Supplementary capital' were as follows:

| | 2017 | | | |
|----------|--------------------|-----------|------------------|--------------------|
| Company | Opening balance | Increases | 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 | Increases | Decreases | Closing balance |
| ZOPT | 115,000,000 | - | - | 115,000,000 |
| Sonae IM | 29,519,792 | - | - | 29,519,792 |
| Público | 11,077,405 | - | - | 11,077,405 |
| PCJ | 1,839,445 | - | - | 1,839,445 |
| | 157,436,642 | - | - | 157,436,642 |

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

During the periods ended on 31 March 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 2.62%, respectively. Supplementary capital is non-interest bearing and have no reimbursement turn.

In the period ended on 31 March 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 31 March 2017 and 2016 were as follows:

| | 2017 | 2016 |
|--|----------|------|
| Opening balance | 94,475 | - |
| Movement in provisions not accepted for tax purposes and other temporary differences | (44,281) | - |
| Closing balance | 50,194 | - |

On 31 March 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 31 March 2017 and 2016, the values of deferred taxes assets not recorded were Euro 1,989,007 and Euro 2,166,277, respectively - generated in 2014. In addition there are impairment losses in amount of Euro 43,636,306 (Euro 120,255,092 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 31 March 2016, there were still Euro 151 related to the non-registered CFEI.

On 31 March 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 31 March 2017 and 2016 is as follows:

| | 2017 | 2016 |
|--|-----------|--------------|
| Earnings before tax | (204,789) | (17,987,984) |
| Tax | 43,006 | 3,777,477 |
| Autonomous taxation surcharge and correction of the tax of the previous year | (3,404) | (610) |
| Temporary differences from the exercise without record deferred tax assets | 41,115 | (521,173) |
| Adjustments of results not tax deductible | (46,538) | (3,256,303) |
| Recorded of deferred tax assets | (44,281) | - |
| Income taxation recorded in the year (note 20) | (10,102) | (609) |

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.

In the period ended on 31 March 2016, the "Adjustments of results not tax deductible" item includes the negative amount of Euro 3,205,308 related to the capital gain generated by the sale of the direct participation of Sonaecom in NOS (2.14%) to Zopt (note 7). The adjustments of results not tax deductible referring to 2017 and 2016 also includes adjustments that do not contribute to the formation of taxable income 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 31 March 2017.

10. Other current debtors

On 31 March 2017 and 2016, this caption was made up as follows:

| | 2017 | 2016 |
|---------------------------------|------------|-----------|
| State and other public entities | 167,680 | 103,571 |
| Trade debtors | 17,339,646 | 2,635,774 |
| | 17,507,326 | 2,739,345 |

On 31 March 2017, the caption "Other debtors" includes the amount of Euro 17,315,245 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 31 March 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 31 March 2017 and 2016, refers essentially to value added tax.

11. Cash and cash equivalents

On 31 March 2017 and 2016, the breakdown of cash and cash equivalents was as follows:

| | 2017 | 2016 |
|-----------------------------------|--------------------|--------------------|
| Cash | 423 | 572 |
| Bank deposits repayable on demand | 97,061,228 | 75,671,886 |
| Treasury applications | 114,070,000 | 100,620,000 |
| | 211,131,651 | 176,292,458 |

On 31 March 2017 and 2016, the caption 'Treasury applications' had the following breakdown:

| | 2017 | 2016 |
|-------------------|--------------------|--------------------|
| Bank applications | 110,000,000 | 92,500,000 |
| Sonae IM | 2,145,000 | 3,400,000 |
| Público | 1,925,000 | 3,785,000 |
| Sonaecom SP | - | 865,000 |
| PCJ | - | 70,000 |
| | 114,070,000 | 100,620,000 |

The treasury applications immediately available, mentioned above, are remunerated during the period ended on 31 March 2017, with an interest average rate of 0.32% (0.77% in 2016).

12. Share capital

On 31 March 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 31 March 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 31 March 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 31 March 2017 and 2016, the available credit lines are as follows:

| Credit | 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 31 March 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 31 March 2017 and 2016 were as follows:

| | Opening balance | Increases | Reductions | Transfers and utilizations | Closing balance |
|--|-----------------|-----------|------------|----------------------------|-----------------|
| 2017 | | | | | |
| Accumulated impairment losses on investments in Group companies (notes 5 and 18) | 34,995,000 | - | - | - | 34,995,000 |
| Accumulated impairment losses on other non-current assets (notes 8 and 18) | 8,222,436 | 208,915 | - | - | 8,431,351 |
| Provisions for other liabilities and charges | 214,777 | - | - | - | 214,777 |
| | 43,432,213 | 208,915 | - | - | 43,641,128 |
| 2016 | | | | | |
| Accumulated impairment losses on investments in Group companies (notes 5 and 18) | 108,583,215 | - | - | - | 108,583,215 |
| Accumulated impairment losses on other non-current assets (notes 8 and 18) | 10,917,405 | 2,910,000 | - | - | 13,827,405 |
| Provisions for other liabilities and charges | 241,811 | - | - | - | 241,811 |
| | 119,742,431 | 2,910,000 | - | - | 122,652,431 |

The increases in provisions and impairment losses are recorded under the caption "Provisions and impairment losses" in the profit and loss statement with the exception of the impairment losses in investments in Group companies and other non-current assets, which, due to their nature, are recorded under the caption "Gains and losses on Group companies" (note 18).

On 31 March 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.

On 31 March 2016, the increase in the caption 'Accumulated impairment losses on other non-current assets' includes amounts related to impairment and adjustments of financial investments in PCJ.

16. Other creditors

On 31 March 2017 and 2016, this caption was made up as follows:

| | 2017 | 2016 |
|---------------------------------|---------|---------|
| Other creditors | 497,028 | 12,652 |
| State and other public entities | 36,580 | 311,954 |
| | 533,608 | 324,606 |

17. External supplies and services

On 31 March 2017 and 2016, this caption was made up as follows:

| | 2017 | 2016 |
|--------------------------------------|----------------|----------------|
| Specialised work | 126,169 | 131,376 |
| Travel and accommodation | 19,196 | 24,396 |
| Insurance | 12,551 | 12,099 |
| Rents | 7,917 | 4,303 |
| Communications | 4,345 | 18,259 |
| Other external supplies and services | 12,696 | 18,060 |
| | 182,874 | 208,493 |

18. Gains and losses on investments

On 31 March 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) | (208,915) | (2,910,000) |
| | (208,915) | (2,910,000) |
| 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) | - | (15,280,602) |
| | - | (15,280,602) |

On 31 March 2017 and 2016, losses on the Group companies include the reinforcement of impairment losses on investments in companies group in the amount of Euro 208,915 (Euro 2,910,000 in 2016).

19. Financial results

Net financial results for the periods ended on 31 March 2017 and 2016 are made up as follows ((costs)/gains):

| | 2017 | 2016 |
|---------------------------------|-----------------|----------------|
| Other financial expenses | | |
| Interest expenses: | | |
| Other loans (note 21) | (1,235) | (267) |
| | (1,235) | (267) |
| Other financial expenses | (20,727) | (1,619) |
| | (21,962) | (1,886) |
| Other financial income | | |
| Interest income (note 21) | 363,895 | 554,892 |
| Foreign currency exchange gains | 169 | 16 |
| | 364,064 | 554,908 |

20. Income Taxation

Income taxes recognized during the periods ended on 31 March 2017 and 2016 were made up as follows ((costs) / gains):

| | 2017 | 2016 |
|---------------------------------|-----------------|--------------|
| Current tax | (54,383) | (609) |
| Deferred tax assets | 44,281 | - |
| Closing balance (note 9) | (10,102) | (609) |

21. Related parties

During the periods ended on 31 March 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 31 March 2017 Loans granted (note 8) |
|------------------------------|----------------------------------|-------------------------------|------------------------------------|---------------------------------|---|
| Parent Company | 17,530,802 | - | - | (45,303) | - |
| Companies jointly controlled | 657,869 | - | - | - | - |
| Others related parties | (14,210) | 19,761 | - | 261,168 | - |
| Subsidiaries | (645,435) | 5,389 | 4,070,000 | 101,546 | 34,758,779 |
| | 17,529,026 | 25,150 | 4,070,000 | 317,411 | 34,758,779 |

| | Accounts receivable (note 10) | Accounts payable (note 16) | Treasury applications (note 11) | Other assets / (liabilities) | Balances on 31 March 2016 Loans granted (note 8) |
|------------------------------|----------------------------------|-------------------------------|------------------------------------|---------------------------------|---|
| Parent Company | - | (425,963) | - | (34,513) | - |
| Companies jointly controlled | 13,869 | - | - | - | - |
| Others related parties | 19,446 | 123,624 | - | 642,522 | - |
| Subsidiaries | 2,576,035 | 402,791 | 8,120,000 | (564,109) | 22,285,000 |
| | 2,609,350 | 100,452 | 8,120,000 | 43,900 | 22,285,000 |

| | Sales and services rendered | Supplies and services received (note 17) | Interest and similar income / (expense) (note 19) | Transactions on 31 March 2017 Supplementary income |
|------------------------|--------------------------------|--|---|---|
| Parent Company | - | 62,500 | 127,935 | - |
| Others related parties | - | 24,608 | - | - |
| Subsidiaries | 122,520 | 56,640 | 225,571 | 777 |
| | 122,520 | 143,748 | 353,506 | 777 |

| | Sales and services rendered | Supplies and services received (note 17) | Interest and similar income / (expense) (note 19) | Transactions on 31 March 2016 Supplementary income |
|------------------------------|--------------------------------|--|---|---|
| Parent Company | - | - | 269,115 | (26) |
| Companies jointly controlled | - | - | 6,842 | - |
| Others related parties | - | 38,579 | - | - |
| Subsidiaries | 71,100 | 80,688 | 184,485 | 760 |
| | 71,100 | 119,267 | 460,442 | 734 |

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 31 March 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) | 202,863 | 222,622 |
| | | 202,863 | 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 31 March 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 (negative Euro 214,891 in 2017 and negative Euro 17,988,593 in 2016) by the average number of shares outstanding during the periods ended on 31 March 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.

The 2012 plan was delivered in March 2016 to all companies.

The 2013 plan was delivered in March 2017 only to the Directors of Sonaecom.

Therefore, the outstanding plans on 31 March 2017 are as follows:

| | Share price 31 March 2017 | Vesting period | | 31 March 2017 | |
|--------------------------|---------------------------|----------------|--------------|------------------------------------|------------------|
| | | Award date | Vesting date | Aggregate number of participations | Number of shares |
| Sonae SGPS shares | | | | | |
| 2013 Plan | 0.948 | 10-Mar-14 | 10-Mar-17 | 1 | 6,410 |
| 2014 Plan | 0.948 | 10-Mar-15 | 10-Mar-18 | 4 | 179,079 |
| 2015 Plan | 0.948 | 10-Mar-16 | 10-Mar-19 | 4 | 238,713 |
| 2016 Plan | 0.948 | 10-Mar-17 | 10-Mar-20 | 3 | 227,262 |

During the period ended on 31 March 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 | 3 | 227,262 |
| Vested | (2) | (303,888) |
| Cancelled / lapsed / corrected* | 5 | 29,269 |
| Outstanding at 31 March 2017: | | |
| Unvested | 12 | 651,464 |
| Total | 12 | 651,464 |

* The adjustments are made for dividends paid and for share capital changes and others adjustments, namely, resulting from a change in the vesting of the MTIP, which may now be made through the purchase of shares with a discount.

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 31 March 2017 are as follows:

| | Value |
|---|----------------|
| Costs recognised in previous years | 379,865 |
| Costs recognised in the year | 89,263 |
| Costs of plans vested in the year | (285,047) |
| Total cost of the plans | 184,081 |
| Recorded in 'Other current liabilities' | 107,681 |
| Recorded in 'Other non-current liabilities' | 76,400 |

These financial statements were approved by the Board of Directors on 17 May 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.

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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

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