SONAE SIERRA

2017

CONSOLIDATED REPORT AND ACCOUNTS

THE PARTNER OF CHOICE

Contents

CASCAISHOPPING
Lisbon, Portugal

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Consolidated statements of financial position as of 31 December 2017 and 2016

(Translation of the statement of financial position originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro)

ASSETS	Notes	31 December 2017	31 December 2016
NON-CURRENT ASSETS:			
Investment properties	8	**740,424**	764,387
Investment properties under development	8	**41,455**	41,346
Property, plant and equipment	9	**1,885**	2,009
Goodwill	10	**4,274**	4,274
Intangible assets	11	**1,456**	2,001
Investments in joint ventures and associates	4 and 5	**1,222,965**	1,169,528
Shareholders	20	**130,604**	86,639
Deferred tax assets	23	**2,406**	2,879
Derivative financial instruments	18	**1,319**	1,491
Other non current assets	12	**3,288**	3,644
Total non-current assets		**2,150,076**	2,078,198
CURRENT ASSETS:			
Trade receivables	13	**22,354**	21,156
Shareholders	20	**5,680**	32,532
Other receivables	14	**53,756**	12,164
State and other public entities	26	**5,771**	6,445
Other current assets	15	**16,302**	14,992
Cash and cash equivalents	16	**68,145**	149,628
Total current assets		**172,008**	236,917
Total assets		**2,322,084**	2,315,115

EQUITY, NON-CONTROLLING INTERESTS AND LIABILITIES	Notes	31 December 2017	31 December 2016
EQUITY:			
Share capital	17	**162,245**	162,245
Reserves	17	**57,329**	57,329
Currency translation reserve		**(149,168)**	(104,488)
Hedging reserve		**(514)**	(1,145)
Retained earnings		**970,691**	864,275
Consolidated net profit for the period attributable to the equity holders of Sonae Sierra		**109,951**	181,198
Equity attributable to the equity holders of Sonae Sierra		**1,150,534**	1,159,414
Non-controlling interests	7	**578,506**	508,485
Total equity		**1,729,040**	1,667,899
LIABILITIES:			
Non Current Liabilities:			
Bank loans – net of current portion	18	**198,186**	292,580
Debentures loans – net of current portion	18	**–**	74,575
Derivative financial instruments	18	**203**	1,319
Shareholders	20	**3,757**	3,717
Accounts payable to suppliers	25	**22**	72
Other non current liabilities	22	**6,193**	8,671
Provisions	29	**594**	260
Deferred tax liabilities	23	**133,753**	125,101
Total non current liabilities		**342,708**	506,295
Current Liabilities:			
Current portion of long term bank loans	18	**71,763**	28,146
Current portion of long term debentures loans	18	**74,850**	–
Short term bank loans and other borrowings	19	**25,000**	24,850
Shareholders	20	**3,764**	3,764
Accounts payable to suppliers	25	**5,868**	9,688
State and other public entities	26	**9,496**	7,574
Other payables	27	**8,808**	9,111
Other current liabilities	28	**48,828**	56,435
Provisions	29	**1,959**	1,353
Total current liabilities		**250,336**	140,921
Total equity, non-controlling interests and liabilities		**2,322,084**	2,315,115

The accompanying notes form an integral part of these consolidated statements of financial position.

The Board of Directors

Sonae Sierra, SGPS, SA and subsidiaries

Consolidated statements of profit or loss for the periods ended 31 December 2017 and 2016

(Translation of the statement of profit or loss originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro)

	Notes	2017	2016
Services rendered	30	**173,356**	179,460
Variation in fair value of the investment properties	31	**60,831**	65,343
Other operating revenue	32	**3,659**	3,682
		237,846	248,485
External supplies and services		**(78,210)**	(93,955)
Personnel expenses		**(48,218)**	(45,738)
Depreciation and amortisation	9 and 11	**(1,036)**	(1,042)
Provisions and impairment	29	**(1,794)**	(2,267)
Impairment losses and write-off	33	**(1,676)**	(7,285)
Other operating expenses	34	**(6,947)**	(2,013)
		(137,881)	(152,300)
		99,965	96,185
Finance income	35	**6,876**	6,256
Finance expenses	35	**(14,820)**	(17,178)
Share of results of joint ventures and associates	37	**120,941**	208,625
Gains and losses on investments	36	**11,111**	35,711
Profit before income tax		**224,073**	329,599
Income tax	24	**(26,095)**	(24,400)
Profit after income tax		**197,978**	305,199
Consolidated net profit for the period		**197,978**	305,199
Attributable to:			
Equity holders of Sonae Sierra		**109,951**	181,198
Non-controlling interests	7	**88,027**	124,001
		197,978	305,199
Consolidated net profit per share:			
Basic	43	**3.38**	5.57
Diluted	43	**3.38**	5.57

The accompanying notes form an integral part of these consolidated statements of profit and loss.

The Board of Directors

Sonae Sierra, SGPS, SA and subsidiaries

Consolidated statements of comprehensive income for the periods ended 31 December 2017 and 2016

(Translation of the statement of comprehensive income originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro)

	2017	2016
Consolidated net profit for the period	**197,978**	305,199
Changes in the currency translation differences	**(44,680)**	62,900
Changes in the fair value of hedging instruments	**695**	2,824
Deferred tax related to components of other comprehensive income	**(88)**	(660)
Other comprehensive income for the period	**(44,073)**	65,064
Total comprehensive income for the period	**153,905**	370,263
Attributable to:		
Equity holders of Sonae Sierra	**65,902**	245,883
Non-controlling interests	**88,003**	124,380
	153,905	370,263

The accompanying notes form an integral part of these consolidated statements of comprehensive income.

The Board of Directors

Sonae Sierra, SGPS, SA and subsidiaries

Consolidated statements of changes in equity for the periods ended 31 December 2017 and 2016

(Translation of the statement of changes in equity originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro)

		Equity attributable to the equity holders of Sonae Sierra								
			Reserves							
	Notes	Share capital	Legal reserves	Translation reserve	Hedging reserve	Retained earnings	Net profit attributable to the equity holders of Sonae Sierra	Total	Non-controlling interests (Note 8)	Total
Balance as of 1 January 2016		162,245	57,329	(169,785)	(3,321)	750,028	141,746	938,242	519,322	1,457,564
Appropriation of consolidated net profit for 2015:										
Transfer to legal reserves and retained earnings		–	–	–	–	141,746	(141,746)	–	–	–
Dividends distributed		–	–	–	–	(24,711)	–	(24,711)	(11,121)	(35,832)
		–	–	–	–	117,035	(141,746)	(24,711)	(11,121)	(35,832)
Currency translation differences		–	–	62,898	2	–	–	62,900	–	62,900
Fair value of hedging instruments	18	–	–	–	2,312	–	–	2,312	512	2,824
Deferred tax in fair value of hedging instruments	23	–	–	–	(527)	–	–	(527)	(133)	(660)
Capital increase/decrease		–	–	–	–	–	–	–	(124,101)	(124,101)
Acquisitions/sale of subsidiaries effect		–	–	2,399	389	(2,788)		–	5	5
Consolidated net profit for the period ended 31 December 2016		–	–	–	–	–	181,198	181,198	124,001	305,199
Balance as of 31 December 2016		162,245	57,329	(104,488)	(1,145)	864,275	181,198	1,159,414	508,485	1,667,899
Balance as of 1 January 2017		162,245	57,329	(104,488)	(1,145)	864,275	181,198	1,159,414	508,485	1,667,899
Appropriation of consolidated net profit for 2016:										
Transfer to legal reserves and retained earnings		–	–	–	–	181,198	(181,198)	–	–	–
Dividends distributed		–	–	–	–	(74,782)	–	(74,782)	(12,475)	(87,257)
		–	–	–	–	106,416	(181,198)	(74,782)	(12,475)	(87,257)
Currency translation differences		–	–	(44,680)	–	–	–	(44,680)	–	(44,680)
Fair value of hedging instruments	18	–	–	–	730	–	–	730	(35)	695
Deferred tax in fair value of hedging instruments	23	–	–	–	(99)	–	–	(99)	11	(88)
Capital increase/ decrease			–	–	–	–	–	–	(5,543)	(5,543)
Acquisitions/sale of subsidiaries effect			–	–	–	–	–	–	36	36
Consolidated net profit for the period ended 31 December 2017		–	–	–	–	–	109,951	109,951	88,027	197,978
Balance as of 31 December 2017		162,245	57,329	(149,168)	(514)	970,691	109,951	1,150,534	578,506	1,729,040

The accompanying notes form an integral part of these consolidated statement of changes in equity.

The Board of Directors

Sonae Sierra, SGPS, SA and subsidiaries

Consolidated statements of cash flows for the periods ended 31 December 2017 and 2016

(Translation of the statement of cash flow originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro)

	Notes	2017		2016	
OPERATING ACTIVITIES:					
Received from clients		168,195		185,420	
Paid to suppliers		(83,300)		(95,436)	
Paid to personnel		(47,431)		(45,979)	
Flows from operations		37,464		44,005	
(Payments)/receipts of income tax		(6,360)		(5,579)	
Other (payments)/receipts relating to operating activities		(2,796)		(2,425)	
Flows from operating activities [1]			28,308		36,001
INVESTING ACTIVITIES:					
Receipts relating to:					
Investments		5,403		311,365	
Tangible fixed assets		5,836		663	
Interest income		2,788		3,268	
Dividends		49,383		30,863	
Other		–	63,410	319	346,478
Payments relating to:					
Investments		(14,550)		(41,527)	
Tangible fixed assets		(10,389)		(9,180)	
Intangible fixed assets		(153)		(101)	
Other		–	(25,092)	–	(50,808)
Variation in loans granted			(19,715)		(8,243)
Flows from investing activities [2]			18,603		287,427
FINANCING ACTIVITIES:					
Receipts relating to:					
Bank loans	21	63,077		233,300	
Other		–	63,077	–	233,300
Payments relating to:					
Interest expenses		(13,628)		(24,767)	
Dividends		(90,185)		(58,079)	
Decrease of share capital – nominal value and discounts and premiums		(5,544)		(126,239)	
Bank loans	21	(79,684)		(251,923)	
Other		–	(189,041)	–	(461,008)
Variation in loans obtained – others			–		(10,996)
Flows from financing activities [3]			(125,964)		(238,704)
Variation in cash and cash equivalents [4]=[1]+[2]+[3]			(79,053)		84,724
Effect of exchange differences			(295)		(35)
Effect of the acquisitions and sales of companies:					
Project Guia	6		–		(9)
3shoppings (consolidated)	6		(2,135)		–
Cash and cash equivalents at the beginning of the year	16		149,628		64,948
Cash and cash equivalents at the end of the year	16		68,145		149,628

The accompanying notes form an integral part of these consolidated statements of cash flows.

The Board of Directors

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro – kEuro)

1 INTRODUCTION

SONAE SIERRA, S.G.P.S., S.A. ("the Company" or "Sonae Sierra"), which has its head office in Lugar do Espido, Via Norte, Apartado 1197, 4471-909 Maia – Portugal, is the parent company of a group of companies, as explained in Notes 3, 4 and 5 ("the Group").

The Group's operations consist of investment, management and development of shopping centres.

The Group operates mainly in Portugal, Brazil, Spain, Greece, Germany, Italy, Romania, Colombia, Morocco, Algeria, Turkey and Netherlands.

These financial statements are presented in Euro because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policy set out in Note 2.2.e).

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are as follows:

2.1. Basis of preparation

The accompanying consolidated financial statements have been prepared according to the International Financial Report Standards ("IFRS") as approved by the European Union, applicable to economic years beginning on 1 January 2017. These correspond to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC") and approved by the European Union.

The accompanying consolidated financial statements have been prepared on a going concern basis and in accordance with the accrual basis of accounting from the accounting records of the companies included in the consolidation, maintained according to the generally accepted accounting principles in the countries of each company, adjusted in the consolidation process to International Financial Reporting Standards ("IFRS"), as approved by the European Union.

New accounting standards and their impact in these consolidated financial statements

Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments, and revisions with mandatory application to the economic year beginning on 1 January 2017:

	Applicable for financial years beginning on/after
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	01-Jan-17
Amendments to IAS 7: Disclosure initiative	01-Jan-17

The Group has applied these amendments for the first time in 2017 and there is no significant impact on the accounts resulting from their application. The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities (see Note 21).

Up to the date of approval of these financial statements, the following standards and interpretations, with mandatory application in future reporting dates, have been endorsed by the European Union:

	Applicable for financial years beginning on/after
IFRS 9 – Financial instruments	01-Jan-18
IFRS 15 – Revenue from contracts with customers	01-Jan-18
IFRS 16 – Leases	01-Jan-19
Clarifications to IFRS 15 Revenue from contracts with customers	01-Jan-18
Amendments to IFRS 4: Applying IFRS 9 – Financial instruments with IFRS 4 – Insurance contracts	01-Jan-18

These standards and amendments, despite being endorsed by the European Union, have not been adopted by the Group in 2017 because their application is not yet mandatory. Nevertheless, no significant impacts are expected from its future adoption.

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro – kEuro)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.1. Basis of preparation (continued)

The following standards and interpretations were issued by the IASB but have not yet been endorsed by the European Union:

	Applicable for financial years beginning on/after
IFRS 17 – Insurance Contracts	01-Jan-21
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	01-Jan-18
Amendments to IAS 40: Transfers of investment property	01-Jan-18
Annual improvements to IFRS (2014-2016 cycle)	01-Jan-18
Annual improvements to IFRS (2015-2017 cycle)	01-Jan-19
Amendments to IFRS 9: Prepayment features with negative compensation	01-Jan-19
Amendments to IAS 28: Long-term investments in associates and joint ventures	01-Jan-19
IFRIC 22 – Foreign currency transactions and advance consideration	01-Jan-18
IFRIC 23 – Uncertainty over income tax treatment	01-Jan-19

None of these standards have been adopted by the Group as they are not yet endorsed by the European Union. Nevertheless, no significant impact is expected from their future adoption.

2.2. Basis of Consolidation and investments in joint ventures and associates

The financial statements of the parent company and its subsidiaries, joint ventures and associates, included for the purpose of these consolidated financial statements, have been prepared up to 31 December 2017 and have been adjusted, where applicable, to ensure consistency with the Group's accounting principles, described below.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company (Sonae Sierra) and the entities controlled by Sonae Sierra (subsidiaries). Control is achieved when the Company, has all of the following:

> power over the investee;

> is exposed, or has rights, to variable returns from its involvement with the investee; and

> the ability to use its power to affect its returns.

The Group reassesses whether it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than the majority of the voting rights of an entity, it has power over the entity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the entity unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an entity are sufficient to give it power, including:

> the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

> potential voting rights held by the Company, other vote holders or other parties;

> rights arising from other contractual arrangements; and

> any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro – kEuro)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2. Basis of Consolidation and investments in joint ventures and associates (continued)

a) Basis of consolidation (continued)

As of 31 December 2017 and 2016, there were no entities to which these conditions applied.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary, by using the full consolidation method.

The purchase method of accounting is used when recording the acquisition of subsidiaries (Note 2.2.d)).

The interests in the net assets of subsidiaries that do not belong to the Group (non-controlling interests) are presented within equity, separately from equity attributable to equity holders of the parent company, under the caption "Non-controlling interests". Non-controlling interests consist of the amount of those interests at acquisition date (Note 2.2.d)) and of the proportion in changes in equity of subsidiaries acquired after the purchase date.

The net result and each component of comprehensive income are allocated to the Group and to the non-controlling interests in proportion to their holding (ownership interest), even if this results in a negative balance of non-controlling interests.

All intercompany transactions (including gains/losses obtained in sales within the Group), balances and dividends distributed within the Group are eliminated in the consolidation process.

When the Group loses control of a subsidiary, a gain or loss is recognised in the statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The changes in ownership interest in the Group's subsidiaries that do not result in loss of control are recorded as equity transactions.

The subsidiaries included in the consolidated financial statements by the full consolidation method are listed in Note 3.

b) Joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement instead of rights to the assets and obligations for the liabilities of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Associates are entities where the Group exercises significant influence. Significant influence (presumed when the contribution is above 20%) is the power to participate in the financial and operating decisions of the entity, but do not hold the control on joint control over those decisions.

Investments in joint ventures and associates are measured under the equity method, after initial recognition.

Under the equity method, investments in joint ventures and associates are recognised at cost on acquisition, adjusted after the date of acquisition, by the amount corresponding to the Group's proportion in net profit or loss and other comprehensive income of joint ventures and associates after that date. By applying the equity method, the Group's share in net profit or loss and other comprehensive income of joint ventures and associates is recorded against the statement of profit or loss or other comprehensive income, respectively, and the dividends received are deducted from the value of the investment.

The excess of cost of acquisition over the fair value of identifiable assets and liabilities of each joint venture and associate at the acquisition date is recognised as goodwill (Note 2.2.d)) and is kept under the caption of the investments in joint venture and associates. If the difference between the acquisition cost and fair value of assets and liabilities acquired is negative, it is recognised as a gain for the year in the statement of profit or loss.

The investments in joint ventures and associates including, when applicable, any goodwill (Note 2.2.d)), included as part of the investment in joint venture and associates, are assessed for impairment purposes when there are indicators that the asset may be impaired. Any existing impairment loss is recorded as a loss in the statement of profit or loss.

When the Group's share of accumulated losses of the joint venture or associate exceeds the amount at which the investment is recorded, the investment is reported at nil value and the recognition of losses is discontinued, except in the extent of the Group's commitment towards the joint venture or associate.

Unrealised gains and losses arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the joint venture or associate against the investment in that joint venture or associate.

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro – kEuro)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2. Basis of Consolidation and investments in joint ventures and associates (continued)

b) Joint ventures and associates (continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture or an associate or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture or associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between: (i) the carrying amount of the joint venture or associate at the date the equity method was discontinued, and (ii) the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture or associate, is included in the determination of the gain or loss on disposal of the joint venture or associate.

If the investment becomes a subsidiary, the Group applies IFRS 3 – Business Combinations and IFRS 10 – Consolidated financial statements (Notes 2.2.a) and 2.2.d)).

The Group continues to use the equity method when an investment in an associate becomes an investment a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Investments in joint ventures are listed in Note 4.

Investments in associates are listed in Note 5.

c) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

As of 31 December 2017 and 2016 there are no joint operations within the Group.

d) Goodwill

In the acquisitions of subsidiaries after 1 January 2010, the positive differences between the transferred price (usually acquisition cost) increased by the amount of non-controlling interests at acquisition date and the fair value of identifiable net assets acquired and the assumed liabilities of such companies at the acquisition date, are recorded under caption "Goodwill". If the difference is negative, it is recognised as a gain of the year. The non-controlling interests at acquisition date are measured at fair value or by their share of the fair value of identifiable net assets at the acquisition date.

The positive differences between the acquisition cost of investments in subsidiaries acquired until 31 December 2009, joint ventures and associates and the fair value of identifiable assets and liabilities attributable to the Group of those companies at the acquisition date, are recorded under the caption "Goodwill" (in the case of investments in subsidiaries) or in investment in joint ventures and associates (in the case of investments in joint ventures and associates). If the difference is negative, it is recognised as a gain of the year. Non-controlling interests include, in the case of acquisition of subsidiaries, their proportion in the fair value of identifiable assets and liabilities at the acquisition date.

The goodwill is not depreciated and is tested for impairment at each reporting date.

Any impairment loss on goodwill is immediately recognised in the statement of profit or loss of the year under the caption "Write-off and impairment losses" and not subsequently reversed.

The impairment tests of goodwill are based on the Net Asset Value ("NAV") of the shares held, at each reporting date.

The NAV corresponds to the fair value, at each reporting date, of the net assets of the subsidiary excluding deferred tax liabilities relating to unrealised gains on investment properties.

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro – kEuro)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2. Basis of Consolidation and investments in joint ventures and associates (continued)

e) Translation of financial statements of foreign entities

The entities that operate abroad and are financially, economically, and organisationally autonomous are considered as foreign entities.

The assets and liabilities of the financial statements of foreign entities are translated to Euro at the exchange rate as of the reporting date and the income and expenses and also the cash-flow statement are translated to Euro using the average exchange rate. The amount related to the exchange rate difference is recorded in the equity under the caption "Translation reserve".

Goodwill and fair value adjustments resulting from the acquisition of those foreign entities are considered as assets and liabilities of that foreign entity, being translated to Euro at the exchange rate existing as of each reporting date.

Whenever a foreign entity is sold, the accumulated exchange differences are recognised as a gain or loss in the consolidated statement of profit or loss.

The exchange rates used for the conversion into Euro of the accounts of foreign subsidiaries, joint ventures and associates were the following:

	2017		2016	
	31.12.17	Average	31.12.16	Average
Brazilian Real	0.25171	0.27834	0.29150	0.26105
New Romanian Leu	0.21461	0.21892	0.22021	0.22270
Colombian Peso	0.00028	0.00030	0.00032	0.00030
Algerian Dinar	0.08947	0.09150	0.00859	0.00826
Hong Kong Dollar	0.10670	0.11386	0.12232	0.11647
Turkish Lira	0.22126	0.24339	0.26931	0.29959
Chinese Yuan Renmimbi	0.12813	0.13122	0.13661	0.13606
Moroccan Dirham	0.08947	0.09150	0.09386	0.09217
Russian Rouble	0.01441	0.01522	0.01555	0.01357

2.3. Investment Properties

Investment properties consist of investments in buildings and other constructions in shopping centres to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or for sale in the ordinary course of business.

Investment properties are recorded at their fair value based on appraisals made by independent specialised entities (fair value model). Changes in fair value of investment properties are accounted for in the period in which they occur, under the statement of profit or loss caption "Variation in fair value of investment properties".

The Group's assets which qualify as investment properties are recognised as such when they start being used or, in the case of the investment properties under development, when their development is considered irreversible. By the time the asset qualifies as investment property, it is booked at its historical or production cost under "Investment properties under development" as a tangible fixed asset– Property, Plant and Equipment (Note 2.4). Thereafter, such assets are accounted at their fair value. The difference between fair value and cost (of purchase or production), at that date, is recorded directly in the statement of profit or loss, under caption "Variation in fair value of investment properties".

Costs incurred related to investment properties in use, namely maintenance, repairs, insurance, and property taxes are recognised as an expense in the statement of profit or loss for the year to which they relate. The improvements estimated to generate additional economic benefits are capitalised under the caption "Investment properties".

If an investment property becomes owner-occupied, it is reclassified to the caption "Property, plant and equipment".

Fit out contracts are contracts under which the Group supports part of the expenses incurred with the fit-out expenses and the tenant assumes the responsibility to reimburse the Group by the amount invested over the term of the contract, in terms and conditions specific to each contract. The amounts paid by the Group on each fit out contract are initially recorded at cost under the caption "Investment properties", being subsequently adjusted to the corresponding fair value, at each reporting date, as determined by specialised independent entities. The methodology used to determine the fair value of the fit-out contracts is like the one used in determining the fair value of the investment property to which these contracts relates. Variations in fair value of the fit-out contracts are recorded in the consolidated statement of profit or loss under the caption "Variation in fair value of the investment properties".

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.4. Property, Plant and Equipment

Tangible fixed assets (Property, Plant and Equipment) are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis, as from the date the assets start being used, over the estimated period of useful life of each group of assets.

The depreciation rates used correspond to the following periods of estimated useful life:

	Years
Buildings and other constructions	50
Machinery and equipment	10
Transport equipment	5
Tools and utensils	4
Administrative equipment	10
Other property, plant and equipment	5

Tangible fixed assets in progress and investment properties under development are recorded at cost of acquisition or production, deducted from eventual impairment losses. As fixed assets in progress relate mainly to tangible fixed assets, that will qualify in the future as investment properties, those are classified separately in the statement of financial position, under the caption “Investment properties under development”.

Gains and losses arising from the sale or disposal (write-off) of tangible fixed assets are determined as being the difference between the sale price and the corresponding carrying amount as of the sale/disposal date, being recorded in the statement of profit or loss, under the captions “Other operating income” or “Other operating expenses”.

2.5. Intangible assets

Intangible assets are stated at cost less accumulated depreciation and any impairment losses. Intangible assets are only recognised if it is likely to produce future economic benefits to the Group, are controlled by the Group and the cost of the asset can be reliably measured.

Expenditure on research activities are recorded as expenses in the period they are incurred.

Intangible assets as of 31 December 2017 consist mainly of:

> rights of facilities management, which are depreciated on a straight-line basis over the estimated period of the management right (periods ranging from 10 to 15 years);

> Software, which is depreciated over the estimated period of use (periods ranging from 3 to 5 years).

Depreciation of intangible assets are recorded in the statement of profit or loss under caption “Depreciation and amortisation”.

2.6. Non-current assets held for sale

Non-current assets (and all related assets and liabilities to dispose) are classified as held for sale if it is expected that its book value will be recovered through sale rather than through continuing use. This condition is considered fulfilled only when the sale is highly probable and the asset (and all other related assets and liabilities to dispose) is available for immediate sale under current conditions. Additionally, there must be in place measures that make likely the sale will be held within 12 months after the date of the classification under this caption.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria describe above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after sale.

Non-current assets (and all related assets and liabilities to dispose) classified as held for sale are measured at the lower of book value or fair value, less costs related to the sale. In return, these assets are not amortised.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.7. Financial assets and liabilities

Assets and liabilities are recognised in the statement of financial position when the Group becomes party to the contract.

Financial assets are initially recorded at their acquisition value, which is the fair value, including transaction costs, except for financial assets measured at fair value through profit or loss, where the transaction costs are immediately recorded in the statement of profit or loss.

The Group derecognises financial assets when: (i) the contractual rights to cash flows expire; (ii) it transfers to another entity the significant risks and benefits associated with ownership of the property, or; (iii) despite having retained some, but not substantially all the significant risks and benefits, has transferred the control over them.

The Group derecognises financial liabilities only when the corresponding obligation is settled, cancelled, or expires.

Financial assets are classified into the following categories:

> Financial assets measured at fair value through profit or loss

> Financial assets held to maturity

> Loans and receivables

> Financial assets available for sale

Financial assets measured at fair value include mainly derivative financial instruments. The subsequent measurement of these financial assets is carried at fair value and recorded in the statement of changes in equity, if they qualify for hedge accounting purposes (Note 2.8). If they do not qualify for hedge accounting purposes, the fair value of these financial assets is recorded in the statement of profit or loss.

Financial assets held to maturity are financial assets with fixed maturity and for which the Group has the intention and ability to hold to that date. In the Group, there are currently no financial assets classified in this category.

Loans and receivables are generated during normal operations of the Group, for which there is no intention to negotiate. Classified in this category are the accounts receivable and other receivables, loans to third parties and bank deposits. The subsequent measurement of these financial assets is carried at amortised cost in accordance with the effective interest method.

Financial assets available for sale are financial assets that are not classified in any of the above-mentioned categories. In this case, the Group should classify in this category financial investments which were not likely to be classified as subsidiaries, associates, or jointly controlled entities. However, as of the date of these financial statements, no financial assets are classified in this category.

Financial liabilities are classified into the following categories:

> Financial liabilities measured at fair value through profit or loss

> Other financial liabilities

Financial liabilities measured at fair value include mainly derivative financial instruments. The subsequent measurement of these financial liabilities is carried at fair value and recorded in the statement of changes in equity if they qualify for hedge accounting purposes. If they do not qualify for hedge accounting purposes, the fair value of these financial liabilities is recorded in the statement of profit or loss.

Other financial liabilities correspond to other financial liabilities which are not classified in the former category. In this category are classified bank loans and loans from other entities, including shareholders and accounts payable and other payables. The subsequent measurement of these financial liabilities is carried at amortised cost, in accordance with the effective interest method.

a) Trade and Other Receivables

Accounts receivable and other receivables are recorded at amortised cost less any eventual impairment losses. Usually, the amortised cost of these financial assets does not differ from its nominal value.

b) Borrowings

Loans are stated as liabilities and measured at amortised cost.

Any expenses incurred in obtaining such financing, usually paid in advance on issue, namely the bank fees and stamp duty as well as interest and similar expenses, are recognised using the effective interest method in the results of the year, over the lifetime of such financing. These prepaid expenses are deducted from the caption "Bank loans".

Financial expenses including interest expenses and similar expenses (namely stamp duty), are recorded in the statement of profit or loss on an accrual basis of accounting. The amounts due and not paid at the reporting date are recorded under the caption "Other current liabilities".

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.7. Financial assets and liabilities (continued)

c) *Trade and Other Payables*

Accounts payable and other payables are stated at amortised cost. Usually, the amortised cost of these liabilities does not differ from its nominal value.

d) *Cash and cash equivalents*

The amounts under caption "Cash and cash equivalents" includes cash on hand, bank deposits on demand and other treasury applications which mature in less than three months that are subject to insignificant risk of change in value.

These assets are measured at amortised cost. Usually, the amortised cost of these financial assets does not differ from its nominal value.

For purposes of the statement of cash flows, "Cash and cash equivalents" also include bank overdrafts, which are included in the statement of financial position under caption "Other loans".

e) *Derivative financial instruments*

The Group uses derivative financial instruments in managing their financial risks associated with fluctuating interest rate, only as a way to hedge those risks. Derivatives are not used for trading purposes (speculation).

Derivative financial instruments used by the Group relate mainly to instruments for hedging interest rate on bank loans obtained, usually corresponding to "swap" or "zero cost collars" of interest rate.

Derivative financial instruments are initially recorded at fair value on the date of their contract. At each reporting date, they are remeasured at fair value, with the corresponding gain or loss on the remeasurement recorded immediately in the statement of profit or loss, unless such instruments are designated as hedging instruments. When they are designated as a hedging instrument (Note 2.8), the corresponding gain or loss in the remeasurement is recorded against the caption "Hedging reserve" in equity and transferred to results when the covered position affects the statement of profit or loss.

A derivative with a positive fair value is recognised under caption "Derivative financial instruments" as a financial asset. A derivative financial instrument with a negative fair value is recognised under the same caption but as a financial liability.

A derivative is presented as non-current if the remaining maturity exceeds 12 months and is not expected that it will be executed or settled within that period.

In situations where there are derivatives embedded in other financial instruments or other host contracts, they are treated as separate derivatives in situations where the risks and characteristics are not closely related to the host contracts and in situations where the host contracts are not presented at fair value with unrealised gains or losses recorded in the statement of profit or loss.

2.8. Hedge accounting

As mentioned above, the Group uses derivative financial instruments (usually swaps and zero cost collars) to cover the risk of changing interest rate on Group's bank loans (cash flow hedge). The amount of loans, maturities, interest rates and reimbursement plan of loans underlying such financial instruments to hedge interest rate are usually identical in all conditions established for the correspondent contracted loans, which usually sets the perfect relationship coverage.

The criteria for classifying financial derivatives for hedging interest rate as cash flow hedges are as follows:

> The hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;

> the effectiveness of the hedge can be reliably measured;

> there is adequate documentation of the hedging relationships at the inception of the hedge;

> the forecast transaction that is hedged is highly probable.

Derivative financial instruments used by the Group to hedge the exposure to changes in the interest rate of its loans are initially recorded at cost, if any, and subsequently adjusted to the corresponding fair value. Changes in fair value of these hedging instruments are recorded in equity under the caption "Hedging reserve", and then recognised in the statement of profit or loss over the period the hedged instrument affects results, when those meet the conditions to hedge accounting, otherwise the changes in fair value are recognised through the statement of profit or loss.

Hedge accounting of derivative instruments is discontinued when the instrument matures or is sold. Whenever a derivative instrument can no longer be qualified as a hedging instrument, the fair value differences recorded in equity under the caption "Hedging reserve" are transferred to profit or loss of the year or to the book value of the hedged asset; subsequent variations in fair value are recorded in the statement of profit or loss.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.9. Accounting for leases

A lease is classified as (i) finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee and as (ii) an operating lease if the risks and rewards of ownership are not transferred to the lessee.

Classifying a lease as finance or an operating lease depends upon the substance of transaction rather than the form of the contract.

Accounting for leases where the Group is the lessee

The assets acquired through finance lease contracts, as well as the corresponding responsibilities, are recognised by the financial method, including in the statement of financial position the acquired asset and the pending debts in accordance with the contractual terms. In addition, the interest included in the lease payments and the changes in the fair value of the investment property or the depreciation of the tangible assets, are posted in the statement of profit or loss of the year.

The existing situations where the Group is the lessee are operating leases and as such the lease payments are recognised as an expense on a straight-line basis over the lease term.

Accounting for leases where the Group is the lessor

The existing situations where the Group is the lessor relate to the contracts with the tenants of the shopping centres. These contracts are usually for a period of six years and establish the payment by the tenant of a monthly fixed rent (invoiced in advance), a turnover rent (invoiced if the monthly sales of the tenant are higher than the limit established in the contract) and the payment of tenant's share in the shopping centre operating expenses (common charges). The contract with the tenant may also establish the payment of an entrance fee in the shopping centre (key money income) and some discounts (usually in the first three years of the contract) to the fixed rent. These contracts can be renewed or cancelled by any of the parties involved (the company or the tenant). If the cancellation is proposed by the lessor it must pay a cancellation fee (buy-out cost) to the tenant.

In accordance to the conditions of these contracts, they are classified as operating leases, being the rents (fixed and turnover rents) and the common charges recorded as revenue in the statement of profit or loss in the year to which they relate. The expenses (namely discounts on fixed income and buy-out costs) as well as the key income and the cancellation fee related with the operating leases are recorded as expenses or income in the statement of profit or loss in the year to which they incurred or are received. This procedure is consistent with the one followed by the independent specialised entity which determines the fair value of the investment property to which the lease contracts are related (Note 2.3).

2.10. Borrowing costs

Financial costs related to borrowings are generally recognised as expense as incurred.

Borrowing costs related directly to the acquisition, construction, or production of tangible assets (usually investment properties under development) are capitalised as part of the cost of the qualified asset. Borrowing costs are capitalised from the time of preparation of the activities to construct or develop the asset to the time the production or construction is completed or when the development is suspended. Any eventual financial income derived from a loan obtained earlier and allocable to a qualifying account, is deducted from the financial expenses that qualify for capitalisation.

2.11. Provisions

Provisions are recognised when, and only when, the Group has an obligation (legal or implicit) resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted at the reporting date to reflect the best estimate as of that date.

The Group recognises provisions for restructuring expenses when there is a formal and detailed restructuring plan and that such plan has been communicated to the parties involved.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.12. Income tax

The income tax for the period comprises current and deferred tax.

The current income tax is determined based on the taxable results of the companies included in the consolidation in accordance with the tax laws enacted or substantively enacted at the reporting date in the countries where their head offices are located.

Deferred taxes are calculated using the financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are not recognised when the corresponding temporary differences arise from goodwill or from the initial recognition of assets and liabilities other than in a business combination.

Deferred tax assets and liabilities are calculated and evaluated annually at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially issued at the reporting date.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At the reporting date, a review is made of the deferred tax assets and they are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the statement of profit or loss, except if they relate to items directly recorded in equity captions. In these situations, the corresponding deferred tax is also recorded under the same caption.

2.13. Revenue

The Group's revenue is basically due to income from investment properties via the operating lease contracts and services related to common charges management of shopping centres, car parking operations, management fees in shopping centres held by third parties and development fees invoiced to third parties.

The revenue related to income from investment properties via the operating lease contracts with the tenants (Note 2.9) is recognised in the year to which it relates, as follows:

> Fixed rent:

This income is invoiced in the previous month to which it relates and is recognised in the statement of profit or loss in the period to which it relates.

> Turnover rent:

This income is contingent and payable when the sales exceed the limit specified in the lease contract. As such, this income is recorded on an accrual basis.

> Other income and expenses:

Revenue arising from key money is recognised when received from the tenants and the revenue arising from contract transfer fees is recognised when charged to tenants, in the statement of profit or loss under captions "Other operating revenue" and "Services rendered", respectively. The discounts on fixed rents and the buy-out costs are recognised in the statement of profit or loss when granted to tenants, under captions "Services rendered" (as a deduction) and "Other operating expenses", respectively.

This procedure is consistent with the methodology used by the independent specialised entity that determines the fair value of the investment property to which the lease contracts are related.

Extra-contractual discounts granted to tenants are recorded on the statement of profit or loss, under the caption "Services rendered" (as a deduction).

Revenues arising from the services rendered related to common charges of the shopping centres, car parking operations, management and development fees are recognised in the statement of profit or loss in the year to which they relate on an accrual basis of accounting and observing the stage of completion of service at the reporting date, if all the following conditions are met:

> The amount of the revenue can be reliably measured;

> It is likely that future economic benefits associated with the transaction will flow into the Group;

> The expenses incurred or to be incurred with the transaction can be reliably measured;

> The stage of completion of the transaction/service, at the reporting date, can be reliably measured.

The dividends are recognised as gains in the year they are assigned to the shareholders.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.14. Accrual basis of accounting

The income and expenses are recognised in the year to which they relate, regardless of the date of payment or receipt (accrual basis of accounting). The income and expenses for which actual amounts are not known are estimated.

Under the captions "Other current assets" and "Other current liabilities" are recorded income and expenses attributable to the current year, which settlement or receipt will only occur in future years, as well as amounts paid and received that have occurred on the reporting date, but which relate to future periods, and that will be charged to the statement of profit or loss of the corresponding year.

2.15. Impairment of assets

a) Non-financial assets, excluding goodwill

With the exception of investment properties (Note 2.3) and deferred tax assets (Note 2.12), non-financial assets are assessed for impairment at each reporting date and whenever events or changes in circumstances indicate that the amount by which the asset is registered may not be recovered.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised under the statement of profit or loss caption "Impairment losses and write-off".

The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exists or has decreased. The reversal is recorded in the statement of profit or loss as operating result. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciations) in case no impairment loss had been recognised for that asset in prior years.

b) Financial assets (usually accounts receivable, in the case of Group)

Whenever there are objective indicators that the Group will not receive the amounts it is entitled to, in accordance with the arrangements agreed between the parties, an impairment loss is recorded in the statement of profit or loss. The indicators used by the Group to identify the signs of impairment are:

> Failure on the maturity and/or other terms agreed between the parties;

> Financial constraints of the debtor;

> Probability of insolvency of the debtor.

Whenever there is such evidence, the existence of impairment losses is assessed, which is determined by the difference between the asset's carrying amount and its corresponding recoverable amount.

Impairment losses are recorded in the statement of profit or loss under the caption "Write-off and impairment losses" in the period they are determined.

Subsequently, if the amount of the impairment loss reduces, it is reversed by results and recorded under the caption "Other operating revenue".

2.16. Balances and transactions expressed in foreign currency

Transactions in currencies other than Euro are recorded at the exchange rates prevailing on the transaction date.

At each reporting date, all monetary assets and liabilities expressed in foreign currencies are translated to Euro using the closing exchange rates as of that date (Note 2.2.e)).

Exchange gains or losses, arising from differences between exchange rates effective at the date of transaction and those prevailing at the date of collection, payment or at the reporting date, are recorded as income or expenses in the statement of profit or loss.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.17. Current/non-current classification on the statement of financial position

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

2.18. Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes unless the possibility of an outflow of resources incorporating economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed in the notes when an inflow of economic benefits is probable.

2.19. Risk management policies

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department of the Group Sonae Sierra, under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk.

a) Foreign exchange risk

The main operating activity of each company is developed inside its country and consequently much of the company transactions are maintained in the same currency of its country. The policy to cover this specific risk is to avoid, whenever possible, the contracting of services in foreign currency.

As the operational activity of the Company is maintained in Euros, the Company policy is to obtain its borrowings also in Euros, in order to eliminate the foreign currency risk.

b) Credit risk

The group's credit risk results essentially from the credit risk of the tenants of the shopping centres managed by the Group. The control of this risk is made by an evaluation of the credit of the tenants before their acceptance in the shopping centre as well as a control over the credit limits attributed to each tenant.

c) Liquidity risk

The needs of treasury are managed by the financial department of the Sonae Sierra Group, which monitors the surplus and deficits of liquidity of each one of the companies included in the consolidation. The occasional needs for liquidity are covered by an adequate control of the accounts receivables and by the maintenance of adequate limits of credit arranged by the Group with its banks.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.19. Risk management policies (continued)

d) *Interest rate risk*

The Group's income and operating cash-flows are influenced by changes in market interest rates, since its cash and cash equivalents and intragroup financing granted are dependent on the evolution of the interest rates in Euro which, historically, have had little volatility.

On long-term financing, and as a way to mitigate the changes in the long-term interest rates, the Group contracts cash flow hedge instruments ("swaps", "zero cost collars" or "caps"). Additionally, the Group also chose to fix the interest rate of some financings.

Interest rate sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments in place during the reporting period. For floating rate assets and liabilities, the analysis is prepared based on the following assumptions:

> Changes in market interest rates affect the interest income or expense of floating rate interest financial instruments and, in the case of fixed rates that were contracted during the period of analysis, changes in the interest rates also affect this component;

> Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk, as defined in IFRS 7;

> In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;

> Changes in market interest rates affect the fair value of derivatives designated as hedging instruments;

> The fair value of derivative financial instruments ("swaps", "zero cost collars" or "caps") and other financial assets and liabilities is estimated by discounting the future cash flows to their net present values, using appropriate market rates prevailing at year-end and assuming a parallel shift in yield curves;

> For the purposes of this sensitivity analysis, such analysis is performed based on all financial instruments outstanding at the end of the relevant year.

Sensitivity analyses are performed by changing one variable while holding all other variables constant. Nonetheless, this is a restrictive and highly unlikely assumption, since variables tend to be correlated.

If interest rates had been 75 basis points higher and all other variables were held constant, assumptions unlikely to occur due to interest rates correlation with other variables, the impact in the Group net profit and equity would be the following:

	2017 +75 b.p.	2016 +75 b.p.
Net Profit (1)	(781)	(798)
Reserves (2)	79	268

(1) This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

(2) This is mainly a result of the changes in the fair value of derivatives entered as cash flow hedges that are efficient.

As of 31 December 2017 and 2016 the interest rate sensitive analysis if the interest rates had been 25 basis points lower was not done because Euribor in 2017 and 2016 was close to 0.25%.

In management's opinion the sensitivity analysis is representative of the inherent interest rate risk of the year and expenses may not reflect the exposures during the year, due to any repayments made.

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.20. Financial instruments by category

The financial instruments according to the policies described in Note 2.7. were classified as follows:

Financial Assets

	Loans and accounts receivable	Derivatives used for cash flow hedging (Note 18)	Total
As of 31 December 2017			
Non current assets			
Derivative financial instruments		1,319	1,319
Shareholders	130,604		130,604
Other non-current assets	3,288		3,288
	133,892	1,319	135,211
Current assets			
Trade receivables	22,354		22,354
Shareholders	5,680		5,680
Other receivables	53,756		53,756
Cash and cash equivalents	68,145		68,145
	149,935	–	149,935
	283,827	1,319	285,146
As of 31 December 2016			
Non current assets			
Derivative financial instruments		1,491	1,491
Shareholders	86,639		86,639
Other non-current assets	3,644		3,644
	90,283	1,491	91,774
Current assets			
Trade receivables	21,156		21,156
Shareholders	32,532		32,532
Other receivables	12,164		12,164
Cash and cash equivalents	149,628		149,628
	215,480	–	215,480
	305,763	1,491	307,254

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.20. Financial instruments by category (continued)

Financial Liabilities

	Carrying amount			Fair value
	Derivatives used for cash flow hedging (Note 18)	Financial liabilities at amortised cost	Total	Level 2
As of 31 December 2017				
Non current liabilities:				
Bank loans		198,186	198,186	212,692
Derivative financial instruments	203		203	
Shareholders		3,757	3,757	
Trade payables		22	22	
Other non-current liabilities		6,193	6,193	
	203	208,158	208,361	
Current liabilities:				
Current portion of long term bank loans		71,763	71,763	76,659
Short term bank loans		25,000	25,000	
Debentures loans		74,850	74,850	75,148
Shareholders		3,764	3,764	
Accounts payable to suppliers		5,868	5,868	
Other payables		8,808	8,808	
	–	190,053	190,053	
	203	398,211	398,414	
As of 31 December 2016				
Non current liabilities:				
Bank loans		292,580	292,580	317,019
Debentures loans		74,575	74,575	79,124
Derivative financial instruments	1,319		1,319	
Shareholders		3,717	3,717	
Trade payables		72	72	
Other non-current liabilities		8,671	8,671	
	1,319	379,615	380,934	
Current liabilities:				
Current portion of long term bank loans		27,996	27,996	29,342
Short term bank loans		25,000	25,000	
Shareholders		3,764	3,764	
Accounts payable to suppliers		9,688	9,688	
Other payables		9,111	9,111	
	–	75,559	75,559	
	1,319	455,174	456,493	

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.21. Judgments and estimates

In the preparation of the accompanying consolidated financial statements estimates were used which affected the assets and liabilities and the amounts recognised as income and expenses during the reporting period.

The estimates were calculated using the best information available, at the date of approval of the financial statements, of the events and transactions in course and of the experience from current and/or past events. However, events may occur in subsequent periods that were unanticipated as of the date of these statements and, consequently were not included in those estimates. Changes in the estimates after the closing of the consolidated financial statements will be booked in the subsequent year, as required in IAS 8.

The principal estimates of the Group relates to fair value, namely the fair value of the investment properties, the goodwill, the derivatives and deferred tax assets, as follows:

a) *Investment properties*

The investment properties in operation are recorded at their fair value based on annual appraisals by independent specialised entities. Those valuations assume several assumptions, including the estimate of future income and expense of each property and the use of an appropriate discount rate.

The investment properties under development measured at cost, the Group follows the procedure of, on an annual basis, evaluating their performance through assessments carried out by independent specialized agencies and/or testing carried out internally, in which the net cash flows expected of those properties are considered.

b) *Derivative financial instruments*

The derivative financial instruments are usually used by the Group to hedge the cash flow in the form of swaps ("interest rate swap") or zero cost collars. The fair value of those derivatives is, at each reporting date, calculated by external entities (usually the financial institution with which the derivative was contracted). The fair value calculated by them is internally tested in order to validate the calculation performed by the third parties.

c) *Goodwill*

The impairment tests on Goodwill are based on the "Net Asset Value" ("NAV") at the reporting date of the financial investment.

d) *Deferred tax assets*

The deferred tax assets are recognised only if it is expected that future fiscal profits will be enough to use the deferred tax assets. At each reporting date, the deferred tax assets are assessed and they are reduced if future recoverability is not anticipated. This revision is based on projections of the future activity of each company where it is applicable.

e) *Other assets and liabilities*

Concerning the other assets and liabilities, such as VAT to be reimbursed by tax authorities and the legal and fiscal processes that are reflected in the financial statements of the companies, the Legal and Fiscal departments are consulted by the Board to assess the probability of receiving and/or paying such amounts. With that information, the Board will estimate which adjustments will be made in the financial statements.

The main assumptions used in the Group estimates are disclosed in each related note.

2.22. Operating segments

Operating segments are reported in accordance with the information used internally by the management of the Group.

2.23. Subsequent events

Events occurred after the reporting date that provide additional information about conditions that existed at the reporting date (adjusting events) are reflected in the financial statements. Events occurred after the reporting date that provide information on conditions that occur after the reporting date (non-adjusting events) are disclosed in the consolidated financial statements, if materially significant.

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3 SUBSIDIARIES

The subsidiaries of the Group, their head offices, and the percentage of interests held by the Group as of 31 December 2017 and 2016, are as follows:

			Ownership interests and voting rights held	
	Company	Head office	31.12.17	31.12.16
	Parent company			
	Sonae Sierra, SGPS, S.A.	Maia (Portugal)	–	–
	Subsidiaries			
	Corporate services			
	Sierra Services Holland B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Investment			
1)	3shoppings – Holding, SGPS, S.A.	Maia (Portugal)	20.00%	50.10%
	ALEXA Holding GmbH	Dusseldorf (Germany)	100.00%	100.00%
	ALEXA Shopping Centre GmbH	Dusseldorf (Germany)	100.00%	100.00%
2)	Axnae Spain Holdings, S.L.	Madrid (Spain)	100.00%	–
	Cascaishopping-Centro Comercial, S.A.	Maia (Portugal)	57.24%	57.24%
3)	Cascaishopping Holding I, SGPS, S.A.	Maia (Portugal)	–	57.24%
	Coimbrashopping- Centro Comercial, S.A.	Maia (Portugal)	50.10%	50.10%
	Dos Mares – Shopping Centre B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Dos Mares-Shopping Centre, S.A.	Madrid (Spain)	50.10%	50.10%
	Gli Orsi Shopping Centre 1 Srl	Milan (Italy)	100.00%	100.00%
1)	Guimarãeshopping- Centro Comercial, S.A.	Maia (Portugal)	20.00%	50.10%
	Iberian Holdings Spain, S.L.	Madrid (Spain)	100.00%	100.00%
	Land Retail B.V.	Amsterdam (Netherlands)	64.37%	64.37%
	Luz del Tajo B.V.	Amsterdam (Netherlands)	50.10%	50.10%
1)	Maiashopping- Centro Comercial, S.A.	Maia (Portugal)	20.00%	50.10%
	Paracentro – Gestão de Galerias Comerciais, S.A.	Maia (Portugal)	100.00%	100.00%
	Plaza Eboli – Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Plaza Mayor Parque de Ócio B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Plaza Mayor Parque de Ocio, S.A.	Madrid (Spain)	50.10%	50.10%
	Plaza Mayor Shopping B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Plaza Mayor Shopping, S.A.	Madrid (Spain)	50.10%	50.10%
	River Plaza B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	River Plaza Mall, Srl	Bucharest (Romania)	100.00%	100.00%
	Shopping Centre Parque Principado B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Sierra Berlin Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Core Assets Holdings, B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Sierra European Retail Real Estate Assets Holdings B.V.	Amsterdam (Netherlands)	50.10%	50.10%
	Sierra GP Limited	Guernsey	100.00%	100.00%
	Sierra Investments (Holland) 1 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments (Holland) 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments Holdings B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Investments SGPS, S.A.	Maia (Portugal)	100.00%	100.00%
2)	Sierra Parma Project BV	Amsterdam (Netherlands)	100.00%	–
	Sierra Retail Ventures BV	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Solingen Holding GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Sierra Spain Malaga Holdings, S.L.	Madrid (Spain)	100.00%	100.00%
	SPF – Sierra Portugal	Luxembourg	100.00%	100.00%

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3 SUBSIDIARIES (continued)

			Ownership interests and voting rights held	
	Company	Head office	31.12.17	31.12.16
	Services			
	Sierra Germany GmbH	Dusseldorf (Germany)	100.00%	100.00%
	Sierra Italy Srl	Milan (Italy)	100.00%	100.00%
	Sierra Management, SGPS, S.A.	Maia (Portugal)	100.00%	100.00%
	Sierra Maroc Services SARL	Casablanca (Morocco)	100.00%	100.00%
	Sierra Portugal, S.A.	Lisbon (Portugal)	100.00%	100.00%
	Sierra Romania Shopping Centers Services, SRL	Bucharest (Romania)	100.00%	100.00%
	Sierra Spain, Shopping Centers Services, S.A.	Madrid (Spain)	100.00%	100.00%
	Sierra Turkey Gayrimenkul Yönetim Pazarlama ve Danı manlık A. .	Istanbul (Turkey)	100.00%	100.00%
	Developments			
	ARP Alverca Retail Park, S.A.	Maia (Portugal)	100.00%	100.00%
	CCCB Caldas da Rainha – Centro Comercial, S.A.	Maia (Portugal)	100.00%	100.00%
4)	Dortmund Tower GmbH	Dusseldorf (Germany)	–	100.00%
	Ioannina Development of Shopping Centres, S.A.	Athens (Greece)	100.00%	100.00%
	Parque de Famalicão – Empreendimentos Imobiliários, S.A.	Maia (Portugal)	100.00%	100.00%
	Project Sierra 2 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 10 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 11 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra 12 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Four, SA	Bucharest (Romania)	100.00%	100.00%
4)	Project Sierra Germany 2 (two) – Shopping Centre, GmbH	Dusseldorf (Alemanha)	–	100.00%
	Project Sierra Germany 4 (four) – Shopping Centre, GmbH	Dusseldorf (Alemanha)	100.00%	100.00%
	Project Sierra Spain 1 B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Project Sierra Spain 2- Centro Comercial S.A.	Madrid (Spain)	100.00%	100.00%
	Project Sierra Cúcuta B.V.	Amsterdam (Netherlands)	100.00%	100.00%
4)	Project Sierra Two, Srl	Bucharest (Romania)	–	100.00%
	Microcom Doi, Srl	Bucharest (Romania)	100.00%	100.00%
	Sierra Greece, S.A.	Athens (Greece)	100.00%	100.00%
	Sierra Developments Holding B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Developments, SGPS, S.A.	Maia (Portugal)	100.00%	100.00%
	Sierra Maroc, SARL	Casablanca (Morocco)	100.00%	100.00%
	Sierra Project Nürnberg B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Real Estate Greece B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Sierra Zenata Project B.V.	Amsterdam (Netherlands)	100.00%	100.00%
	Weiterstadt Shopping B.V.	Amsterdam (Netherlands)	100.00%	100.00%

[1] In December 2017, the Group sold 30.1% of the Company retaining a minority interest of 20%.
[2] Companies incorporated in 2017.
[3] Company merged into Cascaishopping-Centro Comercial, S.A with effects since 1 January 2017.
[4] Companies liquidated in 2017.

These subsidiaries were included in the consolidation by the full consolidation method, as explained in Note 2.2.a)

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4 JOINT VENTURES

The joint ventures of the Group, their head offices, and the percentage of interests held by the Group as of 31 December 2017 and 2016, are as follows:

			Ownership interests and voting rights held	
	Company	Head office	31.12.17	31.12.16
	Investment			
	Companies owned by Sierra BV			
	Arrábidashopping- Centro Comercial, S.A.	Maia (Portugal)	25.05%	25.05%
	Centro Colombo- Centro Comercial, S.A.	Maia (Portugal)	25.05%	25.05%
	Centro Vasco da Gama – Centro Comercial, S.A.	Maia (Portugal)	25.05%	25.05%
	DOC Malaga Holdings S.L.	Madrid (Spain)	25.05%	25.05%
	DOC Malaga SITECO, S.L.U.	Madrid (Spain)	25.05%	25.05%
	Gaiashopping I- Centro Comercial, S.A.	Maia (Portugal)	25.05%	25.05%
	Gaiashopping II- Centro Comercial, S.A.	Maia (Portugal)	25.05%	25.05%
	Harvey Dos Iberica, S.L.	Madrid (Spain)	25.05%	25.05%
1)	Iberian Assets, S.A.	Madrid (Spain)	25.05%	24.95%
	Madeirashopping- Centro Comercial, S.A.	Funchal (Portugal)	25.05%	25.05%
	Norte Shopping Retail and Leisure Centre B.V.	Amsterdam (Netherlands)	25.05%	25.05%
	Norteshopping- Centro Comercial, S.A.	Maia (Portugal)	25.05%	25.05%
	Parque Atlântico Shopping – Centro Comercial, S.A.	Ponta Delgada (Portugal)	25.05%	25.05%
	Shopping Centre Colombo Holding B.V.	Amsterdam (Netherlands)	25.05%	25.05%
	VdG Holding BV	Amsterdam (Netherlands)	25.05%	25.05%
	Via Catarina- Centro Comercial, S.A.	Maia (Portugal)	25.05%	25.05%
	Other investment companies			
2)	Colombo Towers Holding, B.V.	The Hague (Netherlands)	–	50.00%
	Freccia Rossa- Shopping Centre Srl	Milan (Italy)	50.00%	50.00%
	Larissa Development of Shopping Centres, S.A.	Athens (Greece)	50.00%	50.00%
	Pantheon Plaza B.V.	Amsterdam (Netherlands)	50.00%	50.00%
	Parklake Shopping S.A.	Bucharest (Romania)	50.00%	50.00%
	Plenerg SRL	Bucharest (Romania)	50.00%	50.00%
	Solingen Shopping Centre GmbH	Dusseldorf (Germany)	50.00%	50.00%
	Developments			
	Aegean Park Constructions Real Estate and Development, S.A.	Athens (Greece)	50.00%	50.00%
	Park Avenue Developement of Shopping Centers S.A.	Athens (Greece)	50.00%	50.00%
	Proyecto Cúcuta S.A.S.	Santiago de Cali (Colombia)	50.00%	50.00%
	SC Aegean B.V.	Amsterdam (Netherlands)	50.00%	50.00%
	Sierra Central S.A.S.	Santiago de Cali (Colombia)	50.00%	50.00%
	Brazil			
	Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center	Rio de Janeiro (Brazil)	20.68%	20.68%
	Fundo Investimento Imobiliário Shop. Parque Dom Pedro	Rio de Janeiro (Brazil)	31.56%	31.56%
	Parque D. Pedro 1 B.V. Sarl	Luxembourg	50.00%	50.00%
	Pátio Boavista Shopping, Ltda.	São Paulo (Brazil)	33.32%	33.32%
	Pátio Goiânia Shopping, Ltda.	São Paulo (Brazil)	33.32%	33.32%
	Pátio Londrina Empreendimentos e Participações, Ltda.	São Paulo (Brazil)	33.32%	33.32%
	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	33.32%	33.32%
	Pátio Sertório Shopping Ltda	Manaus (Brazil)	33.32%	33.32%
	Pátio Uberlândia Shopping Ltda	São Paulo (Brazil)	33.32%	33.32%
	Sierra Brazil 1 B.V.	Amsterdam (Netherlands)	50.00%	50.00%
	Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	33.32%	33.32%
	Sonae Sierra Brasil, S.A.	São Paulo (Brazil)	33.32%	33.32%
	Sonae Sierra Brazil B.V. Sarl	Luxembourg	50.00%	50.00%
	Unishopping Consultoria Imobiliária Lda	São Paulo (Brazil)	33.32%	33.32%

[1] The company acquired the total of the non-controlling interests.
[2] Company liquidated during 2017.

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4 JOINT VENTURES (continued)

The details of joint ventures of the Group as of 31 December 2017 and 2016 is as follows:

		31 December 2017						
		Equity	Net profit	% own (*)	Carrying amount	Proportion in P/L	Adjusted net profit (**)	Dividends received
	Investment							
	Companies owned by Sierra BV							
	Arrábidashopping- Centro Comercial, S.A.	59,478	13,925	50.00%	29,739	6,963	2,609	3,500
1)	Gaiashopping I- Centro Comercial, S.A.	69,374	16,282	50.00%	34,687	8,141	2,566	3,766
	Harvey Dos Iberica, S.L.	8,548	181	50.00%	4,274	90	90	–
	Iberian Assets, S.A	272,527	28,479	50.00%	136,264	14,184	7,183	–
	Goodwill Iberian				6,471			–
	Madeirashopping- Centro Comercial, S.A.	38,193	8,662	50.00%	19,097	4,331	1,287	1,910
2)	Norte Shopping Retail and Leisure Centre B.V.	291,988	37,011	50.00%	145,994	18,505	7,318	9,300
	Parque Atlântico Shopping – Centro Comercial, S.A.	39,588	6,451	50.00%	19,794	3,226	1,264	1,500
3)	Shopping Centre Colombo Holding B.V.	497,991	82,936	50.00%	248,993	41,468	15,757	10,000
4)	VdG Holding BV	209,130	27,778	50.00%	104,565	13,889	6,514	5,750
	Via Catarina- Centro Comercial, S.A.	14,145	6,040	50.00%	7,073	3,020	612	–
5)	DOC Malaga Holdings S.L	7,230	(248)	50.00%	3,615	(124)	(124)	–
	Other investment companies							
9)	Colombo Towers Holding, B.V.	–	(19)	50.00%	–	(9)	(9)	1,175
	Freccia Rossa- Shopping Centre Srl	(36,650)	(40,269)	50.00%	(18,325)	(20,134)	1,760	–
6)	Pantheon Plaza B.V.	417	(707)	50.00%	208	(354)	(354)	–
	Parklake Shopping Srl	60,284	(6,595)	50.00%	30,142	(3,297)	922	–
	Plenerg SRL	46	85	50.00%	23	42	42	–
	Solingen Shopping Centre GmbH	(3,951)	(2,296)	50.00%	(1,975)	(1,148)	804	–
	Developments							
	Park Avenue Development of Shopping Centres S.A.	(816)	(80)	50.00%	(408)	(40)	(40)	–
7)	SC Aegean B.V.	9,993	(146)	50.00%	4,996	(73)	(73)	–
	Proyecto Cúcuta S.A.S.	17,975	(954)	50.00%	8,987	(477)	(195)	–
	Goodwill Cúcuta					(229)		
	Sierra Central S.A.S.	74	(564)	50.00%	37	(282)	(282)	–
	Goodwill Sierra Central					(280)		
	Brazil							
8)	Sonae Sierra Brazil B.V. Sarl	559,375	39,641	50.00%	279,687	19,820	22,383	7,153
					1,063,938	107,232	70,032	44,054

(*) The ownership interests are identical to voting rights.
(**) This adjusted net profit is calculated by deducting to the net profit the variation of the fair value of the investment properties net of the respective deferred taxes.

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4 JOINT VENTURES (continued)

		31 December 2016						
		Equity	Net profit	% own (*)	Carrying amount	Proportion in P/L	Adjusted net profit (**)	Dividends received
	Investment							
	Companies owned by Sierra BV							
	Arrábidashopping- Centro Comercial, S.A.	52,519	14,936	50.00%	26,260	7,468	2,263	–
1)	Gaiashopping I- Centro Comercial, S.A.	63,075	14,240	50.00%	31,537	7,120	2,696	–
	Harvey Dos Iberica, S.L.	8,367	242	50.00%	4,183	121	121	–
	Iberian Assets, S.A	244,656	49,624	49.81%	121,851	24,715	7,383	–
	Goodwill Iberian	6,471	–					
	Madeirashopping- Centro Comercial, S.A.	33,353	7,873	50.00%	16,676	3,936	1,142	–
2)	Norte Shopping Retail and Leisure Centre B.V.	273,577	47,577	50.00%	136,789	23,789	6,573	–
	Parque Atlântico Shopping – Centro Comercial, S.A.	36,137	7,759	50.00%	18,068	3,879	1,020	–
3)	Shopping Centre Colombo Holding B.V.	435,856	118,657	50.00%	217,927	59,328	20,607	17,250
4)	Centro Vasco da Gama – Centro Comercial, S.A.	192,853	51,691	50.00%	96,426	25,845	6,512	2,500
	Via Catarina- Centro Comercial, S.A.	8,105	2,935	50.00%	4,053	1,468	512	–
5)	DOC Malaga Holdings S.L	1,099	(98)	50.00%	549	(49)	(49)	–
	Other investment companies							
9)	Adlands B.V.	–	(93)	50.00%	–	(47)	(47)	–
	Colombo Towers Holding, B.V.	2,538	(27)	50.00%	1,269	(13)	(14)	–
	Freccia Rossa- Shopping Centre Srl	(5,425)	279	50.00%	(2,712)	139	2,070	–
	Goodwill Freccia					(175)		
6)	Pantheon Plaza B.V.	1,074	344	50.00%	537	172	172	–
	Parklake Shopping Srl	66,879	47,811	50.00%	33,440	23,906	(1,027)	–
	Plenerg SRL	(39)	(39)	50.00%	(20)	(20)	(20)	
	Solingen Shopping Centre GmbH	(1,655)	(2,053)	50.00%	(828)	(1,026)	739	–
	Developments							
	Park Avenue Development of Shopping Centres S.A.	(4,335)	9	50.00%	(2,168)	4	5	–
7)	SC Aegean B.V.	9,896	(305)	50.00%	4,948	(152)	(153)	–
	Proyecto Cúcuta S.A.S.	20,088	(9)	50.00%	10,044	(5)	(5)	–
	Goodwill Cúcuta					(1,042)		
	Sierra Central S.A.S.	110	(564)	50.00%	55	(282)	(282)	–
	Goodwill Sierra Central					(274)		
	Brazil							
8)	Sonae Sierra Brazil B.V. Sarl	621,324	34,042	50.00%	310,662	17,021	17,176	6,075
					1,036,017	195,826	67,393	25,825

(*) The ownership interests are identical to voting rights.

(**) This adjusted net profit is calculated by deducting to the net profit the variation of the fair value of the investment properties net of the respective deferred taxes.

1) Amounts related to the consolidated accounts of Gaiashopping I- Centro Comercial, S.A. that owns 100% of Gaiashopping II- Centro Comercial, S.A..
2) mounts related to the consolidated accounts of Norte Shopping Retail and Leisure Centre B.V. that owns 100% of Norteshopping- Centro Comercial, S.A..
3) Amounts related to the consolidated accounts of Shopping Centre Colombo Holding B.V. that owns 100% of Centro Colombo- Centro Comercial, S.A..
4) Amounts related to the consolidated accounts of Sierra VdG Holding B.V. that owns 100% of Centro Vasco da Gama – Centro Comercial, S.A..
5) Amounts related to the consolidated accounts of DOC Malaga Holdings S.L. that owns 100% of DOC Malaga SITECO, S.L.U..
6) Amounts related to the consolidated accounts of Pantheon Plaza B.V. that owns 100% of Larissa Development of Shopping Centres, S.A..
7) Amounts related to the consolidated accounts of SC Aeean BV that owns 100% of Aegean Park Constructions Real Estate and Development, S.A..

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4 JOINT VENTURES (continued)

[8] Amounts related to the consolidated accounts of Sonae Sierra Brasil B.V. Sarl. This company owns the following investments:

	Percentage of interests and voting rights held	
	31.12.17	31.12.16
Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center	**41.36%**	41.36%
Fundo Investimento Imobiliário Shop. Parque Dom Pedro	**63.12%**	63.12%
Parque D. Pedro 1 B.V. Sarl	**100.00%**	100.00%
Pátio Boavista Shopping, Ltda.	**66.65%**	66.65%
Pátio Goiânia Shopping, Ltda.	**66.65%**	66.65%
Pátio Londrina Empreendimentos e Participações, Ltda.	**66.65%**	66.65%
Pátio São Bernardo Shopping Ltda	**66.65%**	66.65%
Pátio Sertório Shopping Ltda	**66.65%**	66.65%
Pátio Uberlândia Shopping Ltda	**66.65%**	66.65%
Sierra Brazil 1 B.V.	**100.00%**	100.00%
Sierra Investimentos Brasil Ltda	**66.65%**	66.65%
Sonae Sierra Brasil, S.A.	**66.65%**	66.65%
Unishopping Consultoria Imobiliária Lda	**66.63%**	66.63%

[9] Company liquidated during 2016.

As mentioned in Note 2.2.b), joint ventures are measured by using the equity method.

During the years ended 31 December 2017 and 2016, the movement of investments in joint ventures was as follows:

	2017					2016				
	Investments					Investments				
	Companies owned by Sierra BV	Other investment companies	Developments	Brazil	Total	Companies owned by Sierra BV	Other investment companies	Developments	Brazil	Total
Opening balance	680,790	31,686	12,879	310,662	1,036,017	582,243	45,285	9,879	237,692	875,099
Loop5:										
– sale of 41%	–	–	–	–	–	–	(37,877)	–	–	(37,877)
– transfer to associates of the remaining 9% (Note 5)	–	–	–	–	–	–	(8,314)	–	–	(8,314)
Transfer between business	–	–	–	–	–	–	644	(644)	–	
VdG Holding BV – transfer to joint venture	–	–	–	–	–	7,624	–	–	–	7,624
Iberian- percentage change effect (acquisition of non-controlling interests)	72	–	–	–	72	22	–	–	–	22
Capital decrease	(1,225)	(40)	–	–	(1,265)	(47,363)	–	–	–	(47,363)
Capital increase	3,190	4,546	3,390	–	11,127	–	9,018	4,539	–	13,557
Liquidation effect	–	(45)	–	–	(45)	–	(6)	–	–	(6)
Effect of the application of the equity method:										
Hedging reserve (hedge accounting)	(227)	–	–	–	(227)	394	–	–	–	394
Translation reserve	–	–	(1,276)	(43,642)	(44,918)	–	–	856	62,024	62,880
Net profit (Note 37)	113,693	(24,900)	(1,381)	19,820	107,232	157,620	22,936	(1,751)	17,021	195,826
Dividends	(35,726)	(1,175)	–	(7,153)	(44,054)	(19,750)	–	–	(6,075)	(25,825)
	760,566	10,073	13,612	279,687	1,063,938	680,790	31,686	12,879	310,662	1,036,017

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4 JOINT VENTURES (continued)

The main acquisitions and sales of companies occurred during the year ended 31 December 2016 were as follows:

Transactions in 2016:

In February 2016, Sierra Investimentos Brasil, S.A. sold the entire share capital held in the company Pátio Campinas Shopping, Ltda for kEuro 18,409. This transaction generated a gain of kEuro 1,687.

In January 2016, Weiterstadt Shopping B.V. sold 41% of the share capital of the joint venture Loop 5 – Shopping Centre, GmbH ("Loop5") for kEuro 38,215. This transaction generated a loss of kEuro 295 (net of expenses in the amount of kEuro 633 (Note 35. Since 1 January 2016, Loop5 is presented under the list of associated companies (Note 5).

As of 31 December 2017 and 2016 the summarised financial information (adjusted when applicable to comply with the Group accounting policies mentioned in Note 2) of the Group's joint ventures, is as follows:

	31 December 2017				
	Investment				
	Companies owned by Sierra BV	Other investment companies	Developments	Brazil	Total
Investment properties	2,582,639	419,346	31,865	1,180,028	4,213,878
Other non-current assets	453,092	3,951	35	35,348	492,426
Total non-current assets	3,035,731	423,297	31,900	1,215,376	4,706,304
Other current assets	24,298	17,667	263	32,082	74,310
Cash and cash equivalents	121,771	20,002	295	114,248	256,316
Total current assets	146,069	37,669	558	146,330	330,626
Non current bank loans and other facilities	878,737	144,423	–	195,066	1,218,226
Other non-current liabilities	703,463	165,371	1,371	219,682	1,089,887
Total non-current liabilities	1,582,200	309,794	1,371	414,748	2,308,113
Current bank loans and other facilities	42,072	82,340	–	17,930	142,342
Other current liabilities	49,336	48,686	3,861	26,523	128,406
Total current liabilities	91,408	131,026	3,861	44,453	270,748
Equity	1,508,192	20,146	27,226	902,505	2,458,069
Non-controlling interests	–	–	–	343,130	343,130
Equity attributable to the equity holders of the parent company	1,508,192	20,146	27,226	559,375	2,114,939

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4 JOINT VENTURES (continued)

	31 December 2016				
	Investment				
	Companies owned by Sierra BV	Other investment companies	Developments	Brazil	Total
Investment properties	2,805,884	474,809	27,964	1,322,348	4,631,005
Other non-current assets	4,972	2,731	53	35,555	43,311
Total non-current assets	2,810,856	477,540	28,017	1,357,903	4,674,316
Other current assets	19,836	22,342	2,791	36,282	81,251
Cash and cash equivalents	59,285	25,795	314	76,004	161,398
Total current assets	79,121	48,137	3,105	112,286	242,649
Non current bank loans and other facilities	469,700	225,212	–	169,966	864,878
Other non-current liabilities	632,700	88,026	4,382	250,032	975,140
Total non-current liabilities	1,102,400	313,238	4,382	419,998	1,840,018
Current bank loans and other facilities	399,618	16,499	–	17,143	433,260
Other current liabilities	38,362	132,568	981	31,184	203,095
Total current liabilities	437,980	149,067	981	48,327	636,355
Equity	1,349,597	63,372	25,759	1,001,864	2,440,592
Non-controlling interests	–	–	–	380,540	380,540
Equity attributable to the equity holders of the parent company	1,349,597	63,372	25,759	621,324	2,060,052

	2017				
	Investment				
	Companies owned by Sierra BV	Other investment companies	Developments	Brazil	Total
Services rendered	198,861	39,634	–	110,548	349,043
Variation in fair value of the investment properties	190,628	(55,833)	–	37,220	172,015
Other revenue	1,976	1,736	181	471	4,364
Depreciation and amortisation	(15)	(3)	(13)	(639)	(670)
Other expenses	(65,074)	(24,050)	(882)	(45,727)	(135,733)
Interest income and similar	603	51	14	9,813	10,481
Interest expense and similar	(21,916)	(10,716)	(150)	(26,183)	(58,965)
Share of results of associates	–	–	–	1,510	1,510
Income tax	(77,566)	(620)	(894)	(19,637)	(98,717)
Net profit / (loss)	227,497	(49,801)	(1,744)	67,376	243,328
Attributable to:					
Equity holders of parent company	227,497	(49,801)	(1,744)	39,641	215,593
Non-controlling interests	–	–	–	27,735	27,735
	227,497	(49,801)	(1,744)	67,376	243,328
Other comprehensive income for the period	(453)	(71)	(12)	(140,845)	(141,381)
Total comprehensive income for the period	227,044	(49,872)	(1,756)	(73,469)	101,947
Attributable to:					
Equity holders of parent company	227,044	(49,872)	(1,756)	(47,645)	127,771
Non-controlling interests	–	–	–	(25,824)	(25,824)
	227,044	(49,872)	(1,756)	(73,469)	101,947

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4 JOINT VENTURES (continued)

	2016				
	Investment				
	Companies owned by Sierra BV	Other investment companies	Developments	Brazil	Total
Services rendered	169,254	29,638	–	99,234	298,126
Variation in fair value of the investment properties	296,679	52,638	–	39,135	388,452
Other revenue	16,256	2,228	–	1,979	20,463
Depreciation and amortisation	–	(1)	(12)	(682)	(695)
Other expenses	(40,411)	(20,754)	(826)	(42,845)	(104,836)
Interest income and similar	26	427	44	11,468	11,965
Interest expense and similar	(19,000)	(7,562)	(75)	(26,841)	(53,478)
Share of results of associates	–	–	–	1,303	1,303
Income tax	(107,368)	(10,392)	–	(21,797)	(139,557)
Net profit / (loss)	315,436	46,222	(869)	60,954	421,743
Attributable to:					
Equity holders of parent company	315,436	46,222	(869)	34,042	394,831
Non-controlling interests	–	–	–	26,912	26,912
	315,436	46,222	(869)	60,954	421,743
Other comprehensive income for the period	790	148	11	127,009	127,958
Total comprehensive income for the period	316,226	46,370	(858)	187,963	549,701
Attributable to:					
Equity holders of parent company	316,226	46,370	(858)	158,087	519,825
Non-controlling interests	–	–	–	29,876	29,876
	316,226	46,370	(858)	187,963	549,701

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5 ASSOCIATES

The details of associates of the Group as of 31 December 2017 and 2016 is as follows:

			31 December 2017						
		Head Office	Equity	Net profit/ (loss)	% own (*)	Carrying amount	Proportion in P/L	Adjusted net profit (**)	Dividends received
	Investment								
1) 5)	3shoppings – Holding, SGPS, S.A.	Maia (Portugal)	42,316	–	20.00%	8,463	–	–	–
	ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	453,550	34,591	9.00%	40,820	3,113	1,618	1,320
	Goodwill Alexa					519			
6)	Area Sur Shopping, S.L.	Madrid (Spain)	51,457	589	15.00%	7,718	88	208	–
	Le Terrazze – Shopping Centre 1 Srl	Milan (Italy)	89,258	10,489	10.00%	8,926	1,049	509	98
	Goodwill Le Terrazze					544			
	Loop5 Shopping Centre GmbH & Co KG	Dusseldorf (Germany)	134,155	(10,968)	9.00%	12,074	(987)	712	900
2)	Iberia Shop.C. Venture Coöperatief U.A. ("Iberia Coop")	Amsterdam (Netherlands)	232,818	25,627	10.00%	23,283	2,563	1,276	–
	Goodwill Iberia Coop					403			
3)	Sierra Portugal Real Estate ("SPF")	Luxembourg	190,144	34,470	22.50%	42,783	7,756	3,536	3,375
	Goodwill SPF					3,852			
4)	Olimpo Real Estate SOCIMI, S.A.	Madrid (Spain)	195,956	1,212	3.75%	7,348	45	79	–
	Sonaegest – Soc. Gestora de Fundos de Investimento, S.A.	Maia (Portugal)	1,389	187	20.00%	277	37	37	56
	Services								
	Sierra Cevital Shopping Center, Spa	Algeria	76	48	49.00%	37	23	23	–
	Developments								
	Zenata Commercial Project	Morocco	17,996	201	11.00%	1,980	22	22	–
						159,027	13,709	8,019	5,749

(*) The ownership interests are identical to voting rights.
(**) This adjusted net profit is calculated by deducting to the net profit the variation of the fair value of the investment properties net of the respective deferred taxes.

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5 ASSOCIATES (continued)

		31 December 2016						
	Head Office	Equity	Net profit/ (loss)	% own (*)	Carrying amount	Proportion in P/L	Adjusted net profit (**)	Dividends received
Investment								
ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	433,633	31,057	9.00%	39,027	2,795	1,816	1,018
Goodwill Alexa					519			
Le Terrazze – Shopping Centre 1 Srl	Milan (Italy)	79,746	10,315	10.00%	7,975	1,032	545	–
Goodwill Le Terrazze					544			
Loop5 Shopping Centre GmbH & Co KG	Dusseldorf (Germany)	155,123	10,476	9.00%	13,961	943	172	–
2) Iberia Shop.C. Venture Coöperatief U.A. ("Iberia Coop")	Amsterdam (Netherlands)	212,759	17,055	10.00%	21,276	1,706	554	–
Goodwill Iberia Coop					403			
3) Sierra Portugal Real Estate ("SPF")	Luxembourg	170,657	28,492	22.50%	38,398	6,411	3,477	–
Goodwill SPF					3,852			
Olimpo Real Estate SOCIMI, S.A. ("ORES")	Madrid (Spain)	194,745	(1,951)	3.75%	7,303	(73)	(73)	–
Sonaegest – Soc. Gestora de Fundos de Investimento, S.A.	Maia (Portugal)	1,481	310	20.00%	296	62	62	57
Services								
Sierra Cevital Shopping Center, Spa	Algeria	39	(60)	49.00%	19	(29)	(37)	–
Expansion								
Zenata Commercial Project	Morocco	(569)	(437)	11.00%	(62)	(48)	(48)	–
					133,511	12,799	6,467	1,075

(*) The ownership interests are identical to voting rights.
(**) This adjusted net profit is calculated by deducting to the net profit the variation of the fair value of the investment properties net of the respective deferred taxes.

[1] Amounts related to the consolidated accounts of 3shoppings-Holding, SGPS, S.A. that owns 100% of Guimarãeshopping-Centro Comercial, S.A. and Maiashopping-Centro Comercial, S.A..

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5 ASSOCIATES (continued)

[2] Amounts related to the consolidated accounts of "Iberia Coop". This company owns the following investments:

		Head office	Percentage of interests and voting rights held 31.12.17	31.12.16
6)	Albufeira RP (Luxembourg) 1, Sarl	Luxembourg	100%	–
6)	Albufeira RP (Luxembourg) 2, Sarl	Luxembourg	100%	–
6)	ALBRP Albufeira Retail Park, Lda	Maia (Portugal)	100%	–
	Algarveshopping- Centro Comercial, SA	Maia (Portugal)	100%	100%
	Candotal Spain S.L.U	Madrid (Spain)	100%	100%
	Estação Viana Centro Comercial, SA	Viana do Castelo (Portugal)	100%	100%
	Funtobar Spain, S.L	Madrid (Spain)	100%	100%
	Imoconti – Sociedade Imobiliária, SA	Maia (Portugal)	100%	100%
	Luz del Tajo Centro Comercial, SA	Madrid (Spain)	100%	100%
	Project Guia, S.A.	Maia (Portugal)	100%	100%
	Project Sierra 8 BV	Amsterdam (Netherlands)	100%	100%

[3] Amounts related to the consolidated accounts of "SPF". This company owns the following investments:

	Head office	Percentage of interests and voting rights held 31.12.17	31.12.16
8ª Avenida Centro Comercial, S..A.	Maia (Portugal)	100%	100%
ALBCC Albufeirashopping C.Comercial S.A.	Maia (Portugal)	100%	100%
Arrábidashopping- Centro Comercial, S.A.	Maia (Portugal)	50%	50%
Gaiashopping I- Centro Comercial, S.A.	Maia (Portugal)	50%	50%
Gaiashopping II- Centro Comercial, S.A.	Maia (Portugal)	50%	50%
LCC LeiriaShopping Centro Comercial S.A.	Maia (Portugal)	100%	100%
Loureshopping- Centro Comercial, S.A.	Maia (Portugal)	50%	50%
PORTCC – Portimaoshopping C.Comercial S.A.	Maia (Portugal)	100%	100%
Rio Sul- Centro Comercial, S.A.	Lisbon (Portugal)	50%	50%
Serra Shopping- Centro Comercial, S.A.	Lisbon (Portugal)	50%	50%

[4] Amounts related to the consolidated accounts of "ORES". This company owns the following investments:

		Head office	Percentage of interests and voting rights held 31.12.17	31.12.16
7)	Olimpo Asset 1, S.A.	Maia (Portugal)	100%	–
6)	Olimpo Asset 2, S.A.	Maia (Portugal)	100%	–
6)	Portitail – Investimentos Imobiliários, SA	Maia (Portugal)	100%	–
6)	Haciarriba – Projetos, Negócios e Promoções, S.A.	Maia (Portugal)	100%	–

[5] In December 2017 30.1% of the share capital of these companies were sold (Note 3).
[6] Companies acquired in 2017.
[7] Companies incorporated in 2017.

As mentioned in Note 2.2.b), associates are measured by using the equity method.

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5 ASSOCIATES (continued)

During the years ended 31 December 2017 and 2016, the movement of investments in associates was as follows:

	2017											
	3shoppings	Alexa Asset	Area Sur	Le Terrazze	Loop 5	Iberia coop	SPF	ORES	Sonaegest	Sierra Cevital	Zenata	Total
Opening balance	–	39,546	–	8,519	13,961	21,679	42,250	7,303	296	19	(62)	133,511
Iberia Coop – acquisition (adjustment):												
– Equity held	–	–	–	–	–	337		–	–	–	–	337
3shoppings (consolidated) – transfer from subsidiaries (Note 3)	8,463	–	–	–		–	–	–	–	–	–	8,463
Capital decrease	–	–	–	–	–	(893)		–	–	–	–	(893)
Capital increase	–	–	7,648	–					–	–	2,017	9,665
Effect of the application of the equity method:												
Hedging reserve (hedge accounting)	–	–	(18)	–	–		4	–	–	–	–	(14)
Translation reserve	–	–	–	–	–	–	–	–	–	(5)	3	(2)
Net profit (Note 37)	–	3,113	88	1,049	(987)	2,563	7,756	45	37	23	22	13,709
Dividends	–	(1,320)	–	(98)	(900)	–	(3,375)	–	(56)	–	–	(5,749)
	8,463	41,339	7,718	9,470	12,074	23,686	46,635	7,348	277	37	1,980	159,027

	2016									
	Alexa Asset	Le Terrazze	Loop 5	Iberia coop	SPF	ORES	Sonaegest	Sierra Cevital	Zenata	Total
Opening balance	37,769	7,487	–	–	78,130	–	291	49	(13)	123,713
Iberia Coop – acquisition:										
– Equity held	–	–	–	5,845	–	–	–	–	–	5,845
– Goodwill	–	–	–	403	–	–	–	–	–	403
SPF – sale of 25%:										
– Equity held	–	–	–	–	(36,842)	–	–	–	–	(36,842)
– Goodwill	–	–	–	–	(4,279)	–	–	–	–	(4,279)
Loop5 – transfer from joint ventures (Note 4)	–	–	8,314	–	–	–	–	–	–	8,314
Capital decrease	–	–	–	–	(1,181)	7,376	–	–	–	6,195
Capital increase	–	–	4,704	13,647	–	–	–	–	–	18,351
Effect of the application of the equity method:										
Hedging reserve (hedge accounting)	–	–	–	78	11	–	–	–	–	89
Translation reserve	–	–	–	–	–	–	–	(1)	(1)	(2)
Net profit (Note 37)	2,795	1,032	943	1,706	6,411	(73)	62	(29)	(48)	12,799
Dividends	(1,018)	–	–	–	–	–	(57)	–	–	(1,075)
	39,546	8,519	13,961	21,679	42,250	7,303	296	19	(62)	133,511

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5 ASSOCIATES (continued)

The main acquisitions and sales of companies occurred during 2017 and 2016 were as follows:

Transactions in 2017

In February 2017 the Group, through its associate Iberia Coop, acquired 100% of the share capital of ALBRP Albufeira Retail Park Lda for kEuro 4,887. This acquisition generated a "goodwill" of kEuro 1,371.

In May 2017 the Group, through its associate ORES, acquired 100% of the share capital of Portitail- Investimentos Imobiláriios, S.A. for kEuro 6,505.

In June 2017 the Group, through its subsidiary AXNAE-Spain Holdings, S.L., acquired 15% of the share capital of Area Sur Shopping, S.L. for kEuro 450.

In August 2017 the Group, through its associate ORES, acquired 100% of the share capital of Olimpo Asset 2, S.A. for kEuro 5,939.

In October 2017 the Group, through its associate ORES, acquired 100% of the share capital of Haciarriba – Projectos, Negócios e Promoções, S.A. for kEuro 10,110.

In December 2017 the Group sold 80% of the shares of 3shoppings – Holding, SGPS, S.A. ("3shoppings"), which owns 100% of Guimarãeshopping-Centro Comercial, S.A. ("Guimarãeshopping") and Maiashopping- Centro Comercial, S.A. ("Maiahopping"). After this date, these companies are measured using the equity method.

Transactions in 2016

In March 2016, the Group reduced its participation held in Sierra Portugal Fund in 25% for kEuro 41,000. This transaction generated a loss of kEuro 842 (net of expenses in the amount of kEuro 722) (Note 36).

In March 2016, the Group acquired 10% of the associated Iberia Shopping Centre Venture Cooperatief UA ("Iberia Coop") for kEuro 11,120. This acquisition generated a "goodwill" of kEuro 110 which was recorded as cost in the consolidated statement of profit or loss in the item of "Share of results of joint ventures and associates". After this date the subsidiaries mentioned in note 7 were sold to Iberia Coop.

As of 31 December 2017 and 2016 the summarised financial information (adjusted when applicable to comply with the Group accounting policies mentioned in Note 2) of the Group's associates, is as follows:

	31 December 2017										
	3shoppings	Alexa Asset	Area Sur	Le Terrazze	Loop 5	Iberia coop	SPF	ORES	Sonaegest	Sierra Cevital	Zenata
Total non-current assets	88,509	433,826	115,951	136,541	261,704	379,038	246,509	176,850	24	15	17,866
Total current assets	3,347	27,841	4,192	25,506	11,302	12,772	24,018	24,050	1,703	428	8,897
Total non-current liabilities	11,760	–	66,574	70,743	127,189	151,904	74,177	2,443	–	–	5,066
Total current liabilities	37,780	8,117	2,112	2,046	11,662	7,088	6,206	2,501	338	367	3,701
Equity	42,316	453,550	51,457	89,258	134,155	232,818	190,144	195,956	1,389	76	17,996

	31 December 2016								
	Alexa Asset	Le Terrazze	Loop 5	Iberia coop	SPF	ORES	Sonaegest	Sierra Cevital	Zenata
Total non-current assets	413,807	129,899	281,123	329,514	260,395	–	14	42	19,861
Total current assets	23,316	26,267	21,579	59,742	8,470	194,987	1,773	600	4,343
Total non-current liabilities	720	74,440	130,021	145,181	92,002	–	–	16	16,476
Total current liabilities	2,770	1,980	17,558	31,316	6,206	242	306	587	8,297
Equity	433,633	79,746	155,123	212,759	170,657	194,745	1,481	39	(569)

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5 ASSOCIATES (continued)

	2017										
	3shoppings	Alexa Asset	Area Sur	Le Terrazze	Loop 5	Iberia coop	SPF	ORES	Sonaegest	Sierra Cevital	Zenata
Variation in fair value of the investment properties	(5,248)	16,614	(669)	5,823	(21,002)	18,573	14,546	(1,520)	–	–	–
Other revenue	11,177	29,162	5,041	11,247	22,073	34,468	16,945	4,386	1,008	217	2,693
Expenses	(6,148)	(11,185)	(3,783)	(6,581)	(12,039)	(27,414)	2,979	(1,654)	(821)	(169)	(2,492)
Net profit / (loss)	(219)	34,591	589	10,489	(10,968)	25,627	34,470	1,212	187	48	201
Other comprehensive income for the period	–	–	(122)	–	–	–	18	–	–	(10)	23
Total comprehensive income for the period	(219)	34,591	467	10,489	(10,968)	25,627	34,488	1,212	187	38	224

	2016								
	Alexa Asset	Le Terrazze	Loop 5	Iberia coop	SPF	ORES	Sonaegest	Sierra Cevital	Zenata
Variation in fair value of the investment properties	10,882	9,079	11,460	15,346	6,007	–	–	–	–
Other revenue	29,734	11,508	15,553	28,500	14,393	–	1,012	488	2,415
Expenses	(9,559)	(10,272)	(16,537)	(26,791)	8,092	(1,951)	(702)	(548)	(2,852)
Net profit / (loss)	31,057	10,315	10,476	17,055	28,492	(1,951)	310	(60)	(437)
Other comprehensive income for the period	–	–	–	777	50	–	–	(11)	(10)
Total comprehensive income for the period	31,057	10,315	10,476	17,832	28,542	1,212	310	(71)	(447)

6 ACQUISITION AND SALE OF COMPANIES

The main sales of companies occurring during the year 2017 and 2016 were as follows:

Sales of subsidiaries in 2017

In December 2017 the Group sold 80% of the shares of 3shoppings – Holding, SGPS, S.A. ("3shoppings"), which owns 100% of Guimarãeshopping-Centro Comercial, S.A. ("Guimarãeshopping") and Maiashopping- Centro Comercial, S.A. ("Maiahopping") for kEuro 42,674. This transaction generated a net gain of kEuro 8,821 (Note 36). After this date these companies are measured using the equity method.

Sales of subsidiaries in 2016

During 2016 Luz del Lajo B.V. sold 100% of the shares of Luz del Tajo Centro Comercial S.A. ("Luz del Tajo") and Sierra B.V. sold 100% of the shares of Estação Viana- Centro Comecial, S.A. ("Estação Viana") and Project Sierra 8 B.V. which owns 100% of Algarveshopping- Centro Comercial, S.A. ("Algarveshopping") to Iberia Shopping Centre Venture Cooperatief UA ("Iberia Coop") for kEuro 184,601. These transactions generated a net gain of kEuro 37,164 (net of expenses incurred in these transactions of kEuro 3,869) (Note 36). These companies were classified as held for sale in 2015.

In December 2016, Sierra Investments Holding B.V. sold 100% of the shares of Project Guia, S.A. ("Project Guia") to Iberia Shopping Centre Venture Cooperatief UA ("Iberia Coop") for kEuro 951. This transaction generated a loss of kEuro 63 (Note 36).

As the Group owns 10% of Iberia Coop, these companies sold are measured using the equity method.

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6 ACQUISITION AND SALE OF COMPANIES (continued)

Effect of the acquisitions and sales

The effect of the sales of the companies sold during the period ended in 31 December 2017 was as follows:

		2017 Sales
		3shoppings (consolidated)
Cash and cash equivalents	(I)	2,135
Investment properties (Note 8)		88,500
Deferred tax assets (Note 23)		4
Trade receivables		456
Other current assets		756
Deferred tax liabilities (Note 23)		(11,329)
Accounts payable and other liabilities – non-current		(10)
Other non current liabilities		(420)
Accounts payable and other liabilities – current		(37,780)
Identifiable assets and liabilities at sales date		42,312
Transaction Result:		
– Profit / (loss) on sale (Note 36)		8,821
Sale amount	(II)	51,133
Net cash flow	(II-I)	48,998

The effect of the sales of the companies sold during the period ended in 31 December 2016 classified as held for sale at the end of 2015 was as follows:

		2016 Sales
		Classified as held for sale in 2015
Assets classified as held for sale		289,273
Intercompany elimination		8,139
Capital decrease after 31 December 2015		(4,714)
Dividends distributed after 31 December 2015		(6,463)
Liabilities directly associated with assets classified as held for sale		(147,226)
Identifiable assets and liabilities at sales date		139,009
Carrying amount of the investment in subsidiaries at selling date		4,559
Transaction result:		
– Profit / (loss) on sale (Note 36)		41,033
Sale amount	(I)	184,601
Expenses incurred with the sale	(II)	3,869
Net cash flow	(I-II)	180,732

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6 ACQUISITION AND SALE OF COMPANIES (continued)

The effect of the other sales occurring during 2016 was as follows:

		2016 Sales
		Project Guia
Cash and cash equivalents	(I)	9
Investment properties under construction (Note 8)		1,015
Accounts payable and other liabilities – current		(3)
Identifiable assets and liabilities at sales date		1,021
Carrying amount of the investment in subsidiaries at selling date		(7)
Transaction Result:		
– Profit / (loss) on sale (Note 36)		(63)
Sale amount	(II)	951
Net cash flow	(II-I)	942

7 NON-CONTROLLING INTERESTS

As of 31 December 2017 and 2016, the details are as follows:

		31 December 2017				
	Head Office	Equity	Net profit/ (loss)	% (*)	Carrying amount	Proportion in P/L
Investment						
Sierra BV	Amsterdam (Netherlands)	1,094,071	163,373	49.90%	545,947	81,524
Land Retail BV	Amsterdam (Netherlands)	182,948	36,569	17.81%	32,583	6,513
Sierra Core Assets Holdings BV	Amsterdam (Netherlands)	(48)	(20)	49.90%	(24)	(10)
					578,506	88,027

		31 December 2016				
	Head Office	Equity	Net profit/ (loss)	% (*)	Carrying amount	Proportion in P/L
Investment						
Sierra BV	Amsterdam (Netherlands)	962,499	236,527	49.90%	480,292	118,028
Land Retail BV	Amsterdam (Netherlands)	158,380	33,616	17.81%	28,207	5,987
Sierra Core Assets Holdings BV	Amsterdam (Netherlands)	(29)	(28)	49.90%	(14)	(14)
					508,485	124,001

(*) The ownership interests are identical to voting rights.

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7 NON-CONTROLLING INTERESTS (continued)

During the years ended 31 December 2017 and 2016 the movement in non-controlling interests was as follows:

	2017				2016			
	Sierra BV	Land Retail BV	Sierra Core Assets Holdings BV	Total	Sierra BV	Land Retail BV	Sierra Core Assets Holdings BV	Total
Opening balance	480,292	28,207	(14)	508,485	494,981	24,341	–	519,322
Land BV – percentage change effect:								
– Equity held	–	–	–	–	4	17	–	21
Effect acquisition minority interests in Iberian Assets	35	–	–	35	(16)	–	–	(16)
Capital decrease	(3,406)	(2,137)	–	(5,543)	(124,101)	–	–	(124,101)
Hedging reserve (hedge accounting)	(23)	–	–	(23)	379	–	–	379
Net profit	81,524	6,513	(10)	88,027	118,028	5,987	(14)	124,001
Dividends	(12,475)	–	–	(12,475)	(8,983)	(2,138)	–	(11,121)
	545,947	32,583	(24)	578,506	480,292	28,207	(14)	508,485

As of 31 December 2017 and 2016 the summarised financial information of the subsidiaries with Non-controlling interests, before the elimination of intragroup balances and transactions, is as follows:

	31 December 2017			31 December 2016		
	Sierra BV	Land Retail BV	Sierra Core Assets Holdings BV	Sierra BV	Land Retail BV	Sierra Core Assets Holdings BV
Total non-current assets	1,108,858	409,019	–	1,075,375	367,292	–
Total current assets	90,773	8,274	28	41,579	14,346	5
Total non-current liabilities	63,039	221,995	75	122,517	216,106	–
Total current liabilities	42,521	12,350	1	31,938	7,152	34
Equity	1,094,071	182,948	(48)	962,499	158,380	(29)

	2017			2016		
	Sierra BV	Land Retail BV	Sierra Core Assets Holdings BV	Sierra BV	Land Retail BV	Sierra Core Assets Holdings BV
Variation in fair value of the investment properties	27,597	34,123	–	28,373	32,257	–
Services rendered and other revenue	42,686	28,307	–	70,223	27,340	–
Other revenue/(expenses)	93,090	(25,861)	(20)	137,931	(25,981)	(20)
Net profit / (loss)	163,373	36,569	(20)	236,527	33,616	(28)
Other comprehensive income for the period	(47)	–	–	760	–	–
Total comprehensive income for the period	163,326	36,569	(20)	237,287	33,616	(20)

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8 INVESTMENT PROPERTIES

The movement in investment properties, during the years ended 31 December 2017 and 2016 was as follows:

	2017				
	In operation	"Fit Out"	Investment properties under development at cost	Advances	Total
Opening balance	762,805	1,582	39,621	1,725	805,733
Increases	3,784	188	1,802	–	5,774
Reversal of impairments	–	–	20	–	20
Impairments and write-off (Note 33)	–	–	(1,676)	–	(1,676)
Fit-out receivables	–	(266)	–	–	(266)
Transfers	–	–	(37)	–	(37)
Variation in fair value of the investment properties between years (Note 31):					
– Gains	68,561	40	–	–	68,601
– Losses	(7,727)	(43)	–	–	(7,770)
Sales of companies (Note 6)	(88,487)	(13)	–	–	(88,500)
Closing balance	738,936	1,488	39,730	1,725	781,879

	2016				
	In operation	"Fit Out"	Investment properties under development at cost	Advances	Total
Opening balance	691,785	2,139	44,746	1,725	740,395
Increases	6,079	(125)	2,559	–	8,513
Impairments and write-off (Note 33)	–	–	(7,285)	–	(7,285)
Sales	–	–	(427)	–	(427)
Fit-out receivables	–	(834)	–	–	(834)
Variation in fair value of the investment properties between years (Note 31):					
– Gains	69,290	402	–	–	69,692
– Losses	(4,349)	–	–	–	(4,349)
Currency translation differences	–	–	28	–	28
Closing balance	762,805	1,582	39,621	1,725	805,733

Increases in investment properties under development at cost, in the amounts of kEuro 1,802 and kEuro 2,559 in the years ended 31 December 2017 and 2016, respectively, relates to a project in Germany with an estimated opening in 2019.

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8 INVESTMENT PROPERTIES (continued)

At 31 December 2017 and 2016 investment properties in operation and the information about the fair value assessment are as follows:

	31.12.17		31.12.16	
	Portugal/Spain	Other European Countries	Portugal/Spain	Other European Countries
10 yr discount rate				
Floor	7.25%	8.50%	7.50%	8.50%
Weighted average	6.49%	8.85%	8.29%	8.84%
Cap	10.75%	10.55%	10.85%	10.30%
10 yr cap rate				
Floor	5.50%	6.75%	5.75%	6.75%
Weighted average	4.89%	7.09%	6.41%	7.08%
Cap	9.00%	8.75%	9.10%	8.50%
Annual rent per sqm (€)				
Floor	15	14	15	14
Weighted average	25	17	24	17
Cap	52	21	51	21
Fair Value (Level 3)	627,280	111,656	650,260	112,545

The fair value of each investment property was determined by means of a valuation as of the reporting date made by independent specialised entities (Cushman & Wakefield and Jones Lang LaSalle).

The valuation of these investment properties was made in accordance with the Practice Statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors ("Red Book"), located in England.

The methodology used to compute the market value of the investment properties consists in preparing 10 years' projections of income and expenses of each shopping centre added to the residual value, corresponding to a projected net income at year 11 and a return market rate ("Exit yield" or "cap rate"). These projections are then discounted to the valuation date using a discount market rate. Projections are intended to reflect the actual best estimate of the valuer regarding future revenues and costs of each shopping centre. Both the return rate and discount rate are defined in accordance to the local real estate and institutional market conditions, being the reasonableness of the market value obtained in accordance to the methodology referred above, tested also in terms of initial return using the estimated net income for the first year of projections.

In the valuation of investment properties, some assumptions, that in accordance with the Red Book are considered to be special, were in addition considered, namely in the case of recently inaugurated shopping centres, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

IFRS 13 (Fair value measurement) requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

> Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

> Level 2: Inputs other than quoted prices included within level 1 that are observable.

> Level 3: Inputs that are not based on observable market data (that is, unobservable inputs).

Considering the above hierarchy investments properties of the Group are all within Level 3.

The relationship of unobservable inputs to fair value can be described as follows:

> A decrease in the estimated annual rent will decrease the fair value;

> An increase in the discount rates and the capitalization rates will decrease the fair value.

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8 INVESTMENT PROPERTIES (continued)

As mentioned in the valuation reports of the investment properties prepared by independent specialised entities, the assessment of their fair value considered the definition of fair value in IFRS 13, which is consistent with the definition of market value defined by the investment properties valuation international standards.

As of 31 December 2017 and 2016, the fair value of the fit out contracts existing in each investment property was as follows:

	31.12.17							31.12.16						
	10 yr discount rate			10 yr cap rate				10 yr discount rate			10 yr cap rate			
	Floor	Weighted average	Cap	Floor	Weighted average	Cap	Amount	Floor	Weighted average	Cap	Floor	Weighted average	Cap	Amount
Portugal/ Spain	7.25%	7.92%	10.75%	5.50%	5.97%	9.00%	1,488	9.28%	9.83%	10.85%	6.55%	7.90%	9.10%	1,582
							1,488							1,582

The fair value of the fit-out contracts was determined by means of a valuation as of the reporting date made by an independent specialised entity (Cushman & Wakefield and Jones Lang LaSalle). The methodology used to compute the fair value of the fit-out contracts consisted in determining the discounted estimated cash flows of each one of the fit-out contracts, using a discounted market rate like the one used in determining the fair value of the investment property to which each fit out contract relates.

During the years ended on 31 December 2017 and 2016, the income (fixed rents net of discounts, turnover rents, mall income, key income, and transfer fees) and the corresponding direct operating expenses (property tax, insurance expense, maintenance expense, management fee and asset management fee and other direct operating expenses), relating to the investment properties of the Group, was as follows:

	Rents		Direct operating expenses	
	31.12.17	31.12.16	31.12.17	31.12.16
Portugal / Spain	45,542	43,622	3,655	3,531
Other European Countries	8,728	8,604	1,150	1,016
	54,270	52,226	4,805	4,547

At 31 December 2017 and 2016 the following investment properties had been given in guarantee of bank loans:

- Alverca
- Cascaishopping
- Dos Mares
- Gli Orsi
- Plaza Mayor Parque de Ócio
- Plaza Mayor Shopping
- River Plaza Mall

At 31 December 2017 and 2016 there were no material contractual obligations to purchase, construct or develop investment properties or for repairs or maintenance, other than those referred to above, except for the obligations mentioned in notes 40 and 41.

Investment properties under development at 31 December 2017 and 2016 are made up as follows:

	31.12.17	31.12.16
Investment properties at cost:		
Portugal / Spain	15,086	15,113
Other european countries	92,096	90,284
	107,182	105,397
Impairment for assets at risk	(65,727)	(64,051)
	41,455	41,346

The amounts of kEuro 65,727 and kEuro 64,051 at 31 December 2017 and 2016, respectively, recorded under caption “Impairment for assets at risk”, relates to the provision made to anticipate losses due to the delays on the development pipeline due to market uncertainty. In the year ended in 31 December 2017, the Group increased the impairment for assets at risk in the amount of kEuro 1,676, in order to illustrate the development expectation of the properties as well the economic environment of the country where they are located.

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9 PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment and corresponding accumulated depreciation during the years ended 31 December 2017 and 2016 was as follows:

	31.12.17								31.12.16
	Buildings and other constructions	Machinery and equipment	Transport equipment	Administrative equipment	Tools and utensils	Other tangible fixed assets	Tangible fixed assets in progress	Total	Total
Assets:									
Opening balance	2,115	1,267	152	3,183	224	1,001	17	7,959	7,380
Increases	193	26	–	134	3	31	–	387	1,157
Sales	–	(134)	(27)	(141)	(42)	(101)	(17)	(462)	(216)
Transfers and write-off	(55)	(153)	–	(257)	79	(236)	–	(622)	(357)
Currency translation differences	–	–	(3)	(7)	–	–	–	(10)	(7)
Change in consolidation perimeter	–	(6)	–	(3)	–	–	–	(9)	–
Closing balance	2,253	1,000	122	2,909	264	695	–	7,243	7,957
Accumulated depreciation and impairment losses:									
Opening balance	738	989	102	2,953	237	931	–	5,950	6,040
Depreciation for the year	163	61	26	127	15	47	–	439	379
Sales	–	(119)	(27)	(125)	(41)	(98)	–	(410)	(164)
Transfers and write-off	(49)	(154)	–	(192)	23	(236)	–	(608)	(302)
Currency translation differences	–	–	(2)	(6)	–	–	–	(8)	(5)
Change in consolidation perimeter	–	(3)	–	(2)	–	–	–	(5)	–
Closing balance	852	774	99	2,755	234	644	–	5,358	5,948
Net assets	1,401	226	23	154	30	51	–	1,885	2,009

10 GOODWILL

At 31 December 2017 and 2016 goodwill was made up as follows:

	31.12.17		31.12.16
	Year of acquisition	Carrying Amount	Carrying Amount
Dos Mares	2005	1,298	1,298
River Plaza Mall	2007	1,334	1,334
Gli Orsi	2008	1,642	1,642
		4,274	4,274

The impairment tests made to the goodwill are based on the “Net Asset Value” (“NAV”) at the reporting date of the participations held.

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11 INTANGIBLE ASSETS

The movement in intangible assets and corresponding accumulated depreciation during the years ended 31 December 2017 and 2016 was as follows:

	31.12.17			31.12.16
	Software	Other intangible assets	Total	Total
Assets:				
Opening balance	4,854	11,756	16,610	16,652
Increases	45	7	52	1
Sales, disposals and regularisations	–	(1)	(1)	(43)
Closing balance	4,899	11,762	16,661	16,610
Accumulated depreciation and impairment losses:				
Opening balance	2,881	11,728	14,609	13,946
Depreciation for the year	575	22	597	664
Sales, disposals and regularisations	–	(1)	(1)	(1)
Closing balance	3,456	11,749	15,205	14,609
Net assets	1,443	13	1,456	2,001

12 OTHER NON CURRENT ASSETS

At 31 December 2017 and 2016 other non-current assets were made up as follows:

	31.12.17	31.12.16
Malaga City Council	156	605
Rent deposits from tenants	2,574	2,432
Bank and other guarantees	185	180
Other non current assets	373	427
	3,288	3,644

The amount of kEuro 2,574 relates to the deposit in official entities of rents received from tenants of shopping centres located in Spain (Dos Mares and Plaza Mayor). The rent deposits received from tenants are classified under "Other non-current liabilities" (Note 22) and "Other payables" (Note 27).

The amount of kEuro 156 due by the Municipal Council of Malaga ("MCM") relates to works developed by Plaza Mayor Parque de Ocio, S.A. (kEuro 149) and Plaza Mayor Shopping, S.A. (kEuro 7) on behalf of the Municipal Council of Malaga at the surroundings of the Plaza Mayor Shopping centre.

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13 TRADE RECEIVABLES

At 31 December 2017 and 2016 trade receivables were made up as follows:

	31.12.17	31.12.16
Accounts receivable from customers:		
Portugal	16,935	20,042
Spain	5,775	4,121
Italy	1,592	886
Germany	3,291	2,572
Romania	7,228	8,494
Morocco	475	106
Turkey	261	271
Greece	27	60
Other customers	55	71
	35,639	36,623
Accumulated impairment losses on accounts receivable from customers (Note 29)	(13,285)	(15,467)
	22,354	21,156

The Group's exposure to credit risk is attributed to accounts receivables relating to the operating activity of the Group. The amounts shown in the statement of financial position are net of the corresponding impairment losses on accounts receivable, which were estimated by the Group, based on the experience of the Group and assessment of the economic environment. The Board of Directors believes that the carrying amount of its trade receivables is similar to the corresponding fair value. The Group does not have a significant concentration of credit risk, as that risk is diluted over a variety of different tenants.

Per the information included in the statement of financial position, the ageing of the trade receivables is as follows:

	31.12.17	31.12.16
Not due	1,218	3,046
Due but not impaired:		
0-30 days	7,024	3,533
30-90 days	2,083	2,936
+ 90 days	12,029	11,641
Due and impaired:		
0-90 days	148	314
90-180 days	60	324
180-360 days	388	620
+ 360 days	12,689	14,209
	35,639	36,623

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14 OTHER RECEIVABLES

At 31 December 2017 and 2016 other receivables were made up as follows:

	31.12.17	31.12.16
Sale of shares of 3shoppings	42,674	–
Sale of shares of Project Guia	–	951
Tax notification paid	4,247	4,247
Escrow account	2,224	2,224
Amount to be received from Contimobe	1,421	–
Advances to suppliers	916	3,327
Dividend to be received from Alexa KG	420	–
Other	3,510	3,023
	55,412	13,772
Accumulated impairment losses on other receivables (Note 29)	(1,656)	(1,608)
	53,756	12,164

The amount of kEuro 4,247 includes:

> the amount of kEuro 3,707 regarding the payment made in 2013 by Sonae Sierra SGPS, S.A. within the Special Tax Debts Payment Regime (RERD) established by the Portuguese government in the law approved in October 2013 (Law 151-A/2013) by which the entities that pay the tax notification will be exempt of the payment of interest and penalties; this amount relates to corrections of the 2005 CIT due to: (i) non-deductible interest expenses amounting to kEuro 378; and (ii) corrections concerning the price adjustment related with the sale of shares of Cascaishopping in 1996 amounting to kEuro 3,329. The company contested the tax notifications received and did not record any impairment loss to face eventual losses on those amounts, as the Board of Directors believes that the result will be favourable to the company.

> the amount of kEuro 518 related to tax notifications on the income tax statements relating to years 1991 to 1997 paid by Cascaishopping – Centro Comercial, S.A. ("Cascaishopping") to tax authorities. The corrections proposed by tax authorities relate basically to the depreciation policy of improvements made in third parties property that, for tax purposes, were being depreciated over five years and that the Tax Authorities believe should be depreciated over 50 years. Cascaishopping contested the tax notifications received and did not record any impairment to cover eventual losses on those amounts, as the Board of Directors believes that the result will be favourable to Cascaishopping.

The amount of kEuro 2,224 under "Escrow Account" is related to an escrow account from 2005 relating to a lawsuit from a tenant, on which the court requested that the Group made a deposit of kEuro 2,224, in the event of the case being won by the tenant. Although the case has been won by the Group, the amount was incorrectly paid to the tenant. Therefore, a full refund of the amount paid is expected as the court's decision has been favourable to the Group.

The Group's exposure to credit risk is attributed to accounts receivable relating the operating activity of the Group. The amounts shown in the statement of financial position are net of the corresponding impairment losses on accounts receivable, which were estimated by the Group, based on the experience of the Group and assessment of the economic environment. The Board of Directors believes that the carrying amount of its trade receivables is similar to the corresponding fair value. The Group has not a significant concentration of credit risk, as that risk is diluted over a variety of different tenants.

15 OTHER CURRENT ASSETS

At 31 December 2017 and 2016 other current assets were made up as follows:

	31.12.17	31.12.16
Interest income receivable	6,713	6,323
Variable rents receivable	1,750	3,255
Recovered costs receivable	1,821	1,247
Insurance	404	315
Deferred costs with financing	15	223
Key Money	362	260
Management and administrative services receivable	3,409	2,440
Others	1,828	929
	16,302	14,992

The amounts in "Interest income receivable" includes the interest on the advance for future share capital increase made by the Group on behalf of the JV partner of Parklake (kEuro 5,427 and kEuro 2,189 for 2017 and 2016, respectively).

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16 CASH AND CASH EQUIVALENTS

At 31 December 2017 and 2016 cash and cash equivalents were made up as follows:

	31.12.17	31.12.16
Cash	**170**	182
Bank deposits	**63,648**	142,057
Bank deposits-tenants retentions	**4,327**	7,389
	68,145	149,628

The amounts of kEuro 4,327 and kEuro 7,389 at 31 December 2017 and 2016, respectively, relates to the guarantees made by the tenants. These amounts received from tenants are classified under “Other non-current liabilities” (Note 22) and “Other payables” (Note 27).

The bank deposits include deposits made by several companies included in the consolidation, repayable in less than three months of inception and that bear interest at market interest rates.

17 SHARE CAPITAL AND LEGAL RESERVES

At 31 December 2017 the share capital was made up of 32,514,000 fully subscribed and paid up ordinary shares of Euro 4.99 each.

The following entities own the share capital at 31 December 2017 and 2016:

Entity	2017	2016
Sonae SGPS. S.A.	**50.00%**	50.00%
Grosvenor Investments (Portugal), Sarl	**50.00%**	50.00%

At 31 December 2017 and 2016 the legal reserves were as follows:

	31.12.17	31.12.16
Legal reserve	**32,449**	32,449
Special reserve	**24,880**	24,880
	57,329	57,329

Legal reserve: According to the company law, at least 5% of the annual net profit, if positive, should be used in the reinforcement of the legal reserve until it represents 20% of the capital. This reserve can only be distributed in case of liquidation of the company but can be used to cover losses after the other reserves have been used or can be incorporated in the share capital.

As mentioned in the Portuguese commercial code, and in consequence of the capital reduction in 2003, Sonae Sierra recorded a special reserve, to which the rules of the legal reserve apply, by an amount equivalent to the nominal amount of the shares extinguished (kEuro 24,880).

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18 BANK LOANS

At 31 December 2017 and 2016 bank loans obtained were made up as follows:

	31.12.17			31.12.16		
		Used amount			Used amount	
	Limit	Current	Non current	Limit	Current	Non current
Bond loans:						
Sonae Sierra SGPS	75,000	75,000	–	75,000	–	75,000
Total bond loans	75,000	75,000	–	75,000	–	75,000
Bank loans:						
Portugal/Spain						
a),b)	153,475	17,675	135,800	196,921	16,069	180,852
a)	40,076	17,321	22,755	46,820	6,744	40,076
n.a.	20,000	20,000	–	20,000	–	20,000
	213,551	54,996	158,555	263,741	22,813	240,928
Other European Countries						
a),b)	58,441	17,141	41,300	59,503	5,963	53,540
Total bank loans	271,992	72,137	199,855	323,244	28,776	294,468
Deferred bank expenses incurred on the issuance of bank debt		(524)	(1,669)		(780)	(2,313)
	346,992	146,613	198,186	398,244	27,996	367,155
Fair value of the financial hedging instruments – liability		–	203		–	1,319
		146,613	198,389		27,996	368,474

[a] To guarantee the repayment of these loans, the Group pledged the real estate properties owned by these companies.
[b] To guarantee the repayment of this loan, the Group pledged the shares of the subsidiary.

Bank loans bear interest at market interest rates and were all contracted in Euro.

At 31 December 2017 and 2016 the covenants in force can be detailed as follows:

		31.12.17			31.12.16		
			Used amount			Used amount	
		Limit	Current	Non current	Limit	Current	Non current
"Covenants":							
"Loan to Value", "Debt Service Cover Ratio"	(1),(2)	38,450	15,695	22,755	83,931	18,104	65,827
"Loan to Value", "Interest Cover Ratio"	(1),(3)	58,441	17,141	41,300	59,503	5,963	53,540
"Loan to Value", "Debt Service Cover Ratio", "Annual EBITDA"	(1),(2),(5)	140,000	4,200	135,800	140,000	–	140,000
"Debt to equity cover ratio"	(4)	1,999	1,999	–	4,665	2,666	1,999

[1] "Loan to Value": Financial liabilities / Fair value of the investment property
[2] "Debt Service Cover Ratio": Cash flow / (Paid interests plus capital amortization)
[3] "Interest Cover Ratio": Cash flow / Paid interests
[4] "Debt to equity cover ratio": Equity / Financial liabilities
[5] "Annual EBITDA"

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18 BANK LOANS (continued)

Bank loans with covenants were analysed by the Group at the reporting date and, whenever breaches to these covenants occurred the classification of the current portion was made accordingly. This situation has occurred in case of the loan obtained by River Plaza. Negotiations are on-going to obtain a debt rescheduling with the correspondent bank.

At 31 December 2017 and 2016, loans and the respective interest are repayable as follows:

	31.12.17		31.12.16	
	Repayment	Interest	Repayment	Interest
Year N+1	147,137	7,027	28,776	9,913
Year N+2	26,955	3,842	131,679	7,188
Year N+3	4,200	3,643	64,889	4,018
Year N+4	45,499	3,168	4,199	3,643
Year N+5	4,200	2,713	45,500	3,170
Year N+6 and following years	119,001	749	123,201	3,460
	346,992	21,142	398,244	31,392

At 31 December 2017 and 2016, the Group's financial instruments related to interest rate swaps, caps and zero cost collars were as follows:

	31.12.17			31.12.16		
		Fair value of the financial hedging instrument			Fair value of the financial hedging instrument	
	Loan	Asset	Liability	Loan	Asset	Liability
Financial hedging instruments:						
"Swaps":						
Plaza Mayor Shopping / Novo Banco	–	–	–	27,010	–	239
River Plaza / Société Générale	17,141	–	203	9,102	–	1,080
		–	203		–	1,319
"Options":						
Cascaishopping / Santander (*)	45,000	451	–	45,000	435	–
Cascaishopping / ING (*)	25,000	201	–	25,000	266	–
Gli Orsi / ING (*)	41,300	35	–	41,300	79	–
Land Retail / Santander (*)	35,000	351	–	35,000	338	–
Land Retail / ING (*)	35,000	281	–	35,000	373	–
		1,319	–		1,491	–
		1,319	203		1,491	1,319

(*) These hedging instruments are Caps.

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18 BANK LOANS (continued)

The fair value of the effective financial hedging instruments was recorded under hedging reserves of the Group (kEuro 181 and kEuro -1,120 in 31 December 2017 and 2016, respectively) and hedging reserves of the non-controlling interests (kEuro 30 and kEuro -119 in 31 December 2017 and 2016, respectively).

The interest rate swaps, caps and zero cost collars are stated at their fair value at the reporting date, determined by the valuation made by the bank entities, with which the derivatives were contracted. The computation of the fair value of these financial instruments was made taking into consideration the reporting date, the update of the future cash-flows relating to the difference between the interest rate to be paid by the company to the bank entity, with which the swap or collar was negotiated, and the variable interest rate to be received by the company from the bank entity that granted the loan. In addition, tests to the fair value of those derivative financial instruments were made by the treasury department of the Group, to validate the fair value determined by those entities.

The main hedging principles used by the Group when negotiating these hedging financial instruments are as follows:

> Matching between the cash-flows paid and received: the dates of interest payments of the loans obtained and their date of the derivatives flows with the bank are the same;

> Matching in the index interest rate used: the reference index interest rate used in the derivatives and in the loan are the same;

> In a scenario of increase or decrease in interest rates, the maximum amount of interest payable is perfectly calculated.

19 OTHER BANK LOANS

At 31 December 2017 and 2016 other bank loans were made up as follows:

	31.12.17		31.12.16	
	Limit	Current	Limit	Current
Short term facilities:				
SPF – Sierra Portugal	6,500	–	6,500	–
Sierra B.V.	8,000	–	8,000	–
Sierra Portugal, S.A.	249	–	249	–
Sonae Sierra, SGPS, S.A.	55,000	25,000	55,000	25,000
	69,749	25,000	69,749	25,000
Bank overdrafts	44,720	–	44,720	–
	114,469	25,000	114,469	25,000

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20 SHAREHOLDERS LOANS

At 31 December 2017 and 2016 shareholder loans were made up as follows:

	31.12.17		31.12.16	
Asset	**Current**	**Non-Current**	Current	Non-Current
Loans receivable:				
Axnae Spain Holdings, S.L.:				
Area Sur Shopping, S.L.	–	1,950	–	–
	–	1,950	–	–
Iberian Holdings Spain S.L.:				
Iberian Assets, S.A	–	9,594	–	–
	–	9,594	–	–
Project Sierra 10 BV:				
Parklake Shopping, S.A.	–	20,290	15,216	–
PLP S.a.r.l.	–	20,390	15,216	12
Plenerg Srl	–	100	–	12
	–	40,780	30,432	24
Project Sierra Cúcuta BV:				
Proyecto Cúcuta, S.A.S.	1,820	–	–	–
	1,820	–	–	–
Plaza Mayor Parque d'Ócio BV:				
Doc Malaga Holding, S.L.	–	5,835	4	377
	–	5,835	4	377
Sierra Developments Holding BV				
Parklake Shopping, S.A.	–	22,276	–	22,275
Park Avenue Development of Shopping Centres S.A.	–	442	–	2,191
	–	22,718	–	24,466
Sierra BV:				
Arrábidashopping – Centro Comercial, S.A.	–	–	–	7,072
Iberian Assets, S.A.	–	–	–	8,330
Shopping Centre Colombo Holding BV	–	9,000	–	9,000
	–	9,000	–	24,402
Sierra Investments Holding BV:				
Freccia Rossa – Shopping Centre, Srl	–	18,718	–	22,433
	–	18,718	–	22,433
Sierra Maroc Sarl:				
Zenata Commercial Project	137	–	–	–
	137	–	–	–
Sierra Retail Ventures BV:				
Arrábidashopping – Centro Comercial, S.A.	–	7,072	–	–
	–	7,072	–	–
Sierra Solingen Holding GmbH:				
Solingen Shopping Center GmbH	3,723	14,937	–	14,937
	3,723	14,937	–	14,937
Sierra Zenata Project BV:				
Zenata Commercial Project	–	–	2,096	–
	–	–	2,096	–
	5,680	130,604	32,532	86,639

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20 SHAREHOLDERS LOANS (continued)

The amount of kEuro 20,390 relates to advances made by Project Sierra 10 B.V. to PLP S.a.r.l. for the increase of share capital in Parklake. These advances are subject to interest (Note 15).

	31.12.17		31.12.16	
Liability	Current	Non-Current	Current	Non-Current
Loans payable to:				
SIERRA Investments (Luxembourg) 1 S.A. ("Luxco 1"):				
Plaza Mayor Shopping B.V.	–	–	–	2,065
	–	–	–	2,065
SIERRA Investments (Luxembourg) 2 S.A. ("Luxco 2"):				
Plaza Mayor Shopping B.V.	–	–	–	1,652
	–	–	–	1,652
Sierra European Retail Real Estate Asset Fund LP Inc. ("Sierra LP"):				
Plaza Mayor Shopping B.V.	–	3,757	–	–
	–	3,757	–	–
Shopping Centre Parque Principado B.V.				
Harvey Dos Iberica, S.L.	3,764	–	3,764	–
	3,764	–	3,764	–
	3,764	3,757	3,764	3,717

Due to the liquidation of the companies Luxco 1 and Luxco 2, the amounts payable to those companies were transferred to their parent company, Sierra LP; these amounts relate to shareholder loans payable by the subsidiaries of Sierra BV to the other shareholders of Sierra BV.

These loans bear interest at market interest rates and were contracted in Euro.

21 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details the changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or, future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	01.01.2017	Financing cash flows	Disposal of subsidiaries	Interest capitalized	Fair value adjustments	31.12.17
Debentures loans	75,000	–	–	–	–	75,000
Bank loans	323,244	(16,607)	(34,645)	–	–	271,992
Other borrowings	25,000	–	–	–	–	25,000
Loans from related parties	7,480	–	–	40	–	7,520
Derivative financial instruments	1,319	–	–	–	(1,116)	203
	432,043	(16,607)	(34,645)	40	(1,116)	379,715

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22 OTHER NON CURRENT LIABILITIES

At 31 December 2017 and 2016 other non-current liabilities were made up as follows:

	31.12.17	31.12.16
Rents deposits from tenants (Note 12 and 16)	5,928	8,399
Other non current accounts payable	265	272
	6,193	8,671

23 DEFERRED TAXES

Deferred income tax assets and liabilities at 31 December 2017 and 2016, in accordance with the temporary differences that generate them, are made up as follows:

	Deferred tax assets		Deferred tax liabilities	
	31.12.17	31.12.16	31.12.17	31.12.16
Difference between the fair value and tax cost of tangible fixed assets and intangible assets	–	–	134,596	125,845
Difference between the fair value and tax cost of the fit-out contracts and the correspondent tax basis	–	–	(121)	86
Write-off of deferred income relating entrance fees (key money) and expenses relating the opening of shopping centres	–	–	(730)	(852)
Fair value of hedging financial instruments	32	231	8	22
Tax losses carried forward	2,027	2,262	–	–
Impairment losses on accounts receivable from customers	247	162	–	–
Impairment losses on other assets and write-off of deferred costs	100	224	–	–
	2,406	2,879	133,753	125,101

Deferred income tax assets relating to the fair value of the financial hedging instruments were recorded under hedging reserves of the Group (kEuro 24 and kEuro 181 at 31 December 2017 and 2016, respectively) and under hedging reserves of the non-controlling interests (kEuro 0 and kEuro 30 at 31 December 2017 and 2016, respectively).

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23 DEFERRED TAXES (continued)

The movement in deferred income tax assets and liabilities during the years ended 31 December 2017 and 2016 was as follows:

	31.12.17		31.12.16	
	Asset	**Liability**	Asset	Liability
Opening balance	**2,879**	**125,101**	4,269	106,209
Effect in net result:				
Difference between fair value and tax cost of tangible fixed assets and intangible assets	**2**	**20,168**	(10)	19,316
Difference between fair value and tax cost of the fit-out contracts	**–**	**(78)**	–	95
Write-off of movements occurred in the year in deferred income relating key money and expenses related to the opening of shopping centers	**(5)**	**(109)**	–	(224)
Increase / (Decrease) of impairment losses not accepted for tax purposes	**(46)**	**–**	(132)	–
Increase / (Decrease) of tax losses carried forward	**(235)**	**–**	(450)	–
Sub-total (Note 24)	**(284)**	**19,981**	(592)	19,187
Effect in equity:				
Valuation of hedging financial instruments	**(199)**	**(11)**	(484)	22
Tax rate change effect related to the hedging	**–**	**(3)**	–	–
Currency translation differences	**–**	**–**	–	(5)
Changes in perimeter:				
Sales (Note 6)	**(4)**	**(11,329)**	–	–
Others	**14**	**14**	(314)	(312)
Closing balance	**2,406**	**133,753**	2,879	125,101

The deferred income tax assets related to tax losses carried forward as of 31 December 2017 and 2016 are made up as follows:

	31.12.17		31.12.16	
	Tax loss	**Deferred tax asset**	Tax loss	Deffered tax asset
Spain:				
Without limit of use	**8,000**	**2,000**	8,252	2,063
Italy:				
Without limit of use	**41**	**10**	41	10
Germany:				
Without limit of use	**111**	**18**	1,195	189
	8,152	**2,028**	9,489	2,262

At the end of 2017 a revision of the tax losses likely to be recovered in the future was carried out and only deferred tax assets related to tax losses which future recovery is probable to occur, were recognised.

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23 DEFERRED TAXES (continued)

At the reporting date the tax losses carried forward for which no deferred taxes were recognised are as follows:

	31.12.17			31.12.16		
	Tax loss	Deferred tax credit	Limit expire date	Tax loss	Deftered tax credit	Limit expire date
Portugal:						
Generated in 2012	1,214	255	2017	1,214	255	2017
Generated in 2013	3,227	678	2018	3,538	743	2018
Generated in 2014	7,580	1,592	2026	7,580	1,592	2026
Generated in 2015	255	53	2027	263	55	2027
Generated in 2016	8,775	1,843	2028	8,794	1,847	2028
Generated in 2017	10,623	2,231	2022	–	–	
	31,673	6,651		21,389	4,492	
Spain:						
Without limit of use	45,750	11,437		49,122	12,280	
Italy:						
Without limit of use	2,648	636		5,124	1,230	
Germany:						
Without limit of use	35,578	11,069		39,646	12,294	
Greece:						
Generated in 2011	–	–	–	329	95	2016
Generated in 2012	284	82	2017	284	82	2017
Generated in 2013	273	79	2018	273	79	2018
Generated in 2014	300	87	2019	300	87	2019
Generated in 2015	119	35	2020	114	33	2020
Generated in 2016	216	63	2021	296	86	2021
Generated in 2017	590	171	2022	–	–	
	1,782	517		1,596	463	
Netherlands:						
Generated in 2008	1,033	232	2017	8,198	1,845	2017
Generated in 2009	81	18	2018	81	18	2018
Generated in 2010	15,259	3,433	2019	15,259	3,433	2019
Generated in 2011	565	127	2020	565	127	2020
Generated in 2012	394	89	2021	394	89	2021
Generated in 2013	10,067	2,265	2022	10,067	2,265	2022
Generated in 2014	5,571	1,253	2023	5,571	1,253	2023
Generated in 2015	20,218	4,549	2024	20,218	4,549	2024
Generated in 2016	3,970	893	2025	3,970	893	2025
Generated in 2017	2,289	515	2026	–	–	
	59,446	13,375		64,322	14,472	
Romania:						
Generated in 2009	–	–	–	8,173	1,308	2016
Generated in 2010	1,810	290	2017	2,078	333	2017
Generated in 2011	2,060	330	2018	2,103	336	2018
Generated in 2012	2,207	353	2019	2,516	403	2019
Generated in 2013	2,199	352	2020	2,512	402	2020
Generated in 2014	824	132	2021	1,101	176	2021
Generated in 2015	849	136	2022	1,126	180	2022
Generated in 2016	892	143	2023	1,086	174	2023
Generated in 2017	1,677	268	2024	–	–	
	12,517	2,003		20,694	3,311	
Others:						
Generated in 2016	8	2	2023	8	2	2023
Without limit of use	4	1		70	19	
	11	3		79	22	
	189,406	45,692		201,972	48,563	

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24 INCOME TAX

Income tax for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Current tax	5,830	4,621
Deferred tax (Note 23)	20,265	19,779
	26,095	24,400

The numerical reconciliation between tax expense and the accounting profit multiplied by the applicable tax rate, during the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
Profit before income tax	224,073	329,599
Gains/losses related to the sale of companies (Note 36)	(11,111)	(35,711)
Net result of joint ventures and associates (Note 37)	(120,941)	(208,625)
Impairment losses in the investments under development	1,676	7,285
Other permanent differences and tax losses for which the recoverability is not probable	8,639	4,967
Taxable profit	102,336	97,515
Effect of different income tax rates in other countries	21,927	18,677
	124,263	116,192
Income tax rate in Portugal	21.0%	21.0%
	26,095	24,400

The amount of kEuro 8,639 under “Other permanent differences and tax losses for which the recoverability is not probable” (kEuro 4,967 in 2016) includes the effect of the non-recognition of the deferred tax assets related to the tax losses carried forward of the companies for which the Group was not certain about its future recovery (Sonae Sierra, Sierra BV, Sierra Greece, Sierra Turkey, Sierra Romania and River Plaza in 2017) (Sonae Sierra, Sierra BV, Sierra Greece, Sierra Italy, Sierra Turkey and River Plaza in 2016).

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25 ACCOUNTS PAYABLE TO SUPPLIERS

At 31 December 2017 and 2016 accounts payable to suppliers were made up as follows:

	31.12.17		31.12.16	
	Current	Non-current	Current	Non-current
Trade payables	5,085	–	7,958	–
Fixed assets suppliers	783	22	1,730	72
	5,868	22	9,688	72

As of 31 December 2017 and 2016, this caption relates to amounts payable resulting from purchases made in the normal course of the Group's activities. As of 31 December 2017, the Board of Directors believes that the carrying amount of these accounts payable is similar to its corresponding fair value.

The amounts reported above have the following periods for payment:

	31.12.17	31.12.16
Current:		
0-90 days	4,156	9,006
90-180 days	1,060	206
+ 180 days	652	476
	5,868	9,688
Non-current:		
n+1	10	72
n+3	6	–
n+5	6	–
	22	72

26 STATE AND OTHER PUBLIC ENTITIES

At 31 December 2017 and 2016 state and other public entities were made up as follows:

	31.12.17		31.12.16	
	Asset	Liability	Asset	Liability
	Current	Current	Current	Current
Income tax	3,509	2,800	3,968	2,508
VAT	1,338	5,423	1,657	4,125
Social security contributions	243	782	175	738
Other taxes	681	491	645	203
	5,771	9,496	6,445	7,574

According to the current tax legislation, the tax returns of Portuguese companies included in the consolidation are subject to revision and correction by the fiscal authorities within a period of four years; the exceptions are when fiscal losses have occurred, fiscal incentives have been granted or auditing or claims are in course, in which case, depending on circumstances, the final dates can be extended or suspended. So, the tax returns of the Portuguese companies of the years 2014 until 2017 are still subject to review and possible adjustment.

The Board of Directors believes that any possible adjustments that may be made by the tax authorities as a result of their reviews will not have a significant effect on the financial statements as of 31 December 2017.

As of 31 December 2017, the Board of Directors believes that the carrying amount of these accounts receivable and payable is similar to its fair value.

As of 31 December 2017 and 2016, there are no overdue debts to state and other public entities.

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27 OTHER PAYABLES

At 31 December 2017 and 2016 other payables were made up as follows:

	31.12.17	31.12.16
Gift cards	**3,493**	3,291
Advances from customers	**3,375**	2,775
Rent deposits from tenants (Note 12 e 16)	**806**	1,297
Guimarães City Council	–	250
Other payables	**1,134**	1,498
	8,808	9,111

The amount of kEuro 3,493 of gift cards relates to deposits received until 31 December 2017 on the sale of those gift cards, net of gift cards expired or settled until that date. The Group recognises in an account payable all gift cards sold, being this account settled when the gift cards are compensated by the tenants (in this case the fee charged is recognised on the statement of profit or loss) or when the gift cards expire (in this case the income corresponds to the amount of the expired gift cards).

As of 31 December 2017 and 2016, this caption relates to amounts payable resulting from acquisitions made in the normal course of the Group's activities. As of 31 December 2017, the Board of Directors believes that the carrying amounts of these accounts payable is similar to its fair value.

The above balance for other creditors shows an average payment period below 90 days.

28 OTHER CURRENT LIABILITIES

At 31 December 2017 and 2016 other current liabilities were made up as follows:

	31.12.17	31.12.16
Accrued services payable	**10,152**	18,984
Accrual for vacations and vacations bonus and other bonus	**13,952**	12,039
Accrued fixed assets payable	**13,997**	11,163
Accrued interest expense	**3,054**	3,273
Deferred rental income	**2,785**	3,269
Condominium margin	**1,185**	4,866
Accrued property tax	**397**	441
Accrued other taxes	–	320
Key money invoiced in advance	**653**	757
Others	**2,653**	1,323
	48,828	56,435

The accrual for vacations and vacations bonus and other bonus as of 31 December 2017 and 2016, includes the amounts of kEuro 2,564 and kEuro 2,130, respectively, related to the remuneration bonus attributed to some employees of the Group, which will be paid in the future, as long as the employees involved are still employees of the Group as of the payment date. These remuneration bonus will be adjusted, in each of the following periods, until the corresponding payment date, by the annual variation of the Net Asset Value (NAV) of the Group and for the remuneration bonus attributed after 2011, inclusive, will be also adjusted according to the direct result of the Group and the possible sales of assets during the deferred period. These remuneration bonus are expensed linearly over the deferred period and recorded as expense, on the basis of the gross amount that was attributed to those employees, and any subsequent adjustment, derived from the variation of the Group's NAV or other, recorded in the statements of profit or loss of the year in which the variation occurs.

As of 31 December 2017 and 2016, the amounts of kEuro 13,997 and kEuro 11,163, respectively, relate to the estimate, made by the Board of Directors for liabilities associated with the investments made in the investment properties, for which the corresponding invoices have not yet been received.

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29 VARIATIONS ON PROVISIONS AND IMPAIRMENT LOSSES

The movement in provisions and impairment losses, current and non-current, during the years ended 31 December 2017 and 2016 is made up as follows:

	2017			
	Balance as of 31.12.16	Increase	Utilization	Balance as of 31.12.17
Impairment losses on accounts receivable:				
Trade receivables (Note 13)	15,467	779	(2,961)	13,285
Other receivables (Note 14)	1,608	69	(21)	1,656
	17,075	848	(2,982)	14,941
Provisions for risks and expenses:				
Other risks and expenses	1,613	946	(6)	2,553
	18,688	1,794	(2,988)	17,494

	2016			
	Balance as of 31.12.2015	Increase	Utilization	Balance as of 31.12.16
Impairment losses on accounts receivable:				
Trade receivables (Note 13)	16,255	1,294	(2,082)	15,467
Other receivables (Note 14)	1,587	24	(3)	1,608
	17,842	1,318	(2,085)	17,075
Provisions for risks and expenses:				
Other risks and expenses	1,885	949	(1,221)	1,613
	19,727	2,267	(3,306)	18,688

Impairment losses on accounts receivable are deducted from the amount of the corresponding asset.

30 SERVICES RENDERED

Services rendered for the years ended 31 December 2017 and 2016 are made up as follows:

	2017	2016
Services rendered:		
Fixed rents	51,556	48,995
Turnover rents	1,714	1,812
Mall income	3,712	3,634
Common charges	49,336	67,404
Service fees	64,300	55,504
Parking income	1,433	1,314
Other	1,305	797
	173,356	179,460

The caption “Fixed rents” is net of the discounts (contractual and extra-contractual) granted to the tenants in the amount of kEuro 5,067 and kEuro 5,773, respectively for 2017 and 2016.

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31 VARIATION IN FAIR VALUE OF INVESTMENT PROPERTIES

The variation in fair value of the investment properties in 2017 and 2016 is made up as follows:

	2017	2016
Variation in fair value between years (Note 8):		
– Gains	68,561	69,289
– Losses	(7,727)	(4,348)
Variation in fair value on “fit-out” contracts (Note 8)	(3)	402
	60,831	65,343

32 OTHER OPERATING REVENUE

Other operating revenue for the years ended 31 December 2017 and 2016 is made up as follows:

	31.12.17	31.12.16
Co-generation	18	114
Development costs	1,221	616
Reversal of impairment losses	1,479	1,338
Reversal of provisions	297	444
Gain on sale of assets:		
– Plot of land of “Parque de Famalicão”	–	173
– Other	7	1
Other	637	996
	3,659	3,682

33 IMPAIRMENT LOSSES AND WRITE-OFF

The impairment losses and write-offs for the years ended 31 December 2017 and 2016 are the following:

	2017	2016
Write-off and Impairment losses in the investment properties under development (Note 8)	1,676	7,285
	1,676	7,285

The “Write-off and Impairment losses in the investment properties under development” relate to the provision made to anticipate losses due to the delays on the development pipeline due to market uncertainty.

34 OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2017 and 2016 are made up as follows:

	2017	2016
Property tax	1,411	1,453
Distribution of results related to the building rights (Shopping Colombo)	2,927	–
Tax on the increase of the value of Plaza Mayor's land plot	600	–
Exchange rate losses	536	369
Goodwill Cucuta	229	–
Other	1,244	191
	6,947	2,013

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35 NET FINANCIAL RESULTS

Net financial results are made up as follows:

	2017	2016
Expenses:		
Interest expense	11,947	13,350
Stamp duty related to financing	157	248
Foreign currency exchange losses	73	(11)
Loss on fair value of ineffective hedging derivatives	127	1,115
Other	2,516	2,476
	14,820	17,178
Net financial expenses	(7,944)	(10,922)
	6,876	6,256
Income:		
Interest income	6,179	5,380
Foreign currency exchange gains	(58)	60
Other	755	816
	6,876	6,256

36 GAINS AND LOSSES ON INVESTMENTS

Gains and losses on investments are made up as follows:

	2017	2016
Price adjustment of Le Terrazze	1,832	–
Price adjustment of Loop 5	458	–
Price adjustment of Zubiarte	–	(54)
Gain on sale of 3 Shoppings (Note 6)	8,821	–
Gain on sale of Algarve (Note 6)	–	23,262
Gain on sale of Estação Viana (Note 6)	–	5,330
Gain on sale of Luz del Tajo (Note 6)	–	8,572
Loss on sale of Loop5 (Note 5)	–	(295)
Loss on sale of SPF (Note 5)	–	(842)
Loss on sale of Project Guia (Note 6)	–	(63)
Price adjustment of Valecenter	–	(199)
	11,111	35,711

37 SHARE OF PROFIT OF JOINT VENTURES AND ASSOCIATES

Share of profit of joint ventures and associates during the years ended 31 December 2017 and 2016, is detailed as follows:

	2017	2016
Share of profit of joint ventures (Note 4)	107,232	195,826
Share of profit of associates (Note 5)	13,709	12,799
	120,941	208,625

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38 OPERATING LEASES

In the operating leases where the Group is the lessor, the minimal lease payments (fixed rents) recorded during the years ended 31 December 2017 and 2016 amounted to kEuro 56,323 and kEuro 60,273 respectively (Note 30).

In addition, as of 31 December 2017 and 2016, the Group had, as lessor, operating lease contracts for which the minimal lease payments (fixed rent) are due as follows:

	31.12.17	31.12.16
Due in N+1	52,416	51,024
Due in N+2	46,026	47,561
Due in N+3	40,872	41,457
Due in N+4	32,568	36,289
Due in N+5	22,647	27,638
Due after N+5	64,721	73,828
Contracts automatically renewed	678	764
	259,928	278,561

In the Operational Leases where the Group is the lessee, the minimum lease payments recognised as expense during the years ended 31 December 2017 and 2016 reached the amounts of kEuro 2,175 and kEuro 2,325 respectively.

In addition, as of 31 December 2017 and 2016, the Group had, as lessee, operating lease contracts for which the minimum lease payments are due as follows:

	31.12.17	31.12.16
Due in N+1	1,905	2,222
Due in N+2	1,491	1,497
Due in N+3	1,204	1,192
Due in N+4	1,013	943
Due in N+5	392	771
Due after N+5	–	381
Contracts automatically renewed	344	–
	6,349	7,006

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39 RELATED PARTIES

Balances and transactions with related parties, during the years ended 31 December 2017 and 2016, in addition to the loans obtained from and payable to the shareholders mentioned in Note 20, are detailed as follows:

	Balances					
	Accounts receivable		Accounts payable		Other liabilities	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
BB Food Service, S.A.	11	(60)	–	–	6	3
Contimobe – Imobil. Castelo Paiva, S.A.	1,423	1,302	–	13	(189)	(358)
Digitmarket – Sistemas de Informação, S.A.	–	1	1	1	(144)	(147)
Infofield – Informática, S.A.	–	–	–	–	60	20
Integrum Colombo Energia, S.A.	–	46	–	–	–	(26)
MCCARE – Serviços de Saúde, S.A.	24	–	–	–	17	–
MDS – Corretor de Seguros, S.A.	84	3	4	105	(389)	(9)
Modalfa – Comércio e Serviços, S.A.	7	7	–	–	19	17
Modalloop – Vestuário e Calçado, S.A.	–	–	–	–	14	13
Modelo Continente Hipermercados, S.A.	72	810	534	51	763	676
Modelo – Dist.e materiais de Construção, S.A.	–	–	–	235	31	22
Pharmacontinente – Saúde e Higiene, S.A.	38	48	3	–	14	8
Predicomercial – Promoção Imobiliária, S.A.	–	–	–	–	–	(6)
Raso- Viagens e Turismo, S.A	2	–	95	23	(47)	(1)
Salsa Consolidated	–	–	–	–	25	114
Sistavac, S.A.	4	–	164	3	1	16
SDSR – Sports Division SR, S.A.	3	31	1	10	21	219
Solinca – Health & Fitness, S.A.	–	8	–	–	–	43
Sonae Center Serviços II, S.A.	–	–	81	–	29	21
Torre Ocidente Imobiliária, S.A.	4	61	4	–	285	394
Troiaresort-Investimentos Turísticos, S.A.	29	14	–	–	3	6
Viajens y Turismo de Geotur España, S.L.	–	–	9	6	–	8
We Do Consulting-Sist. de Informação, S.A.	–	–	31	4	39	3
We Do Technologies BV	5	3	–	–	–	–
Worten – Equipamentos para o Lar, S.A.	70	52	2	50	93	170
Worten España Distribución, SL	–	125	30	30	–	–
Zippy – Comércio e Distribuição, S.A.	6	16	–	–	5	84
Joint ventures and associates of Sonae Sierra	13,231	14,270	5,473	7,842	(2,507)	(2,925)
Sonae SGPS, S.A.	–	–	–	205	220	220
Sierra European Retail Real Estate Asset Fund LP Inc.	–	–	–	–	30	–
Sierra Investments (Luxembourg) 1 Sarl (“Luxco 1”)	–	–	–	–	–	20
Sierra Investments (Luxembourg) 2 Sarl (“Luxco 2”)	–	–	–	–	–	15
	15,013	16,737	6,432	8,578	(1,601)	(1,380)

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39 RELATED PARTIES (continued)

	Transactions							
	Sales and service rendered		Purchases and services obtained		Interest income		Interest expense	
	2017	2016	2017	2016	2017	2016	2017	2016
BB Food Service, S.A.	90	71	(1)	–	–	–	–	–
Contimobe – Imobil. Castelo Paiva, S.A.	31	31	(478)	(144)	–	–	–	–
Continente Hipermercados, S.A.	–	–	10	3	–	–	–	–
Digitmarket – Sistemas de Informação, S.A.	–	–	312	298	–	–	–	–
Infofield – Informática, S.A.	51	246	–	–	–	–	–	–
Integrum Colombo Energia, S.A.	–	–	(183)	(618)	–	–	–	–
ITRUST – Cyber Security and Intellig.,SA	–	–	–	28	–	–	–	–
MCCARE – Serviços de Saúde, SA	210	–	(2)	–	–	–	–	–
MDS – Corretor de Seguros, S.A.	–	–	157	47	–	–	–	–
Modalfa – Comércio e Serviços, S.A.	213	249	–	–	–	–	–	–
Modalloop – Vestuário e Calçado, S.A.	162	163	–	–	–	–	–	–
Modelo – Dist.e materiais de Construção, S.A.	659	692	–	–	–	–	–	–
Modelo Continente Hipermercados, S.A.	8,130	8,088	834	260	–	–	–	–
Pharmacontinente – Saúde e Higiene, S.A.	366	479	–	(1)	–	–	–	–
Predicomercial – Promoção Imobiliária,SA	–	–	–	1	–	–	–	–
Público – Comunicação Social, SA	10	20	–	–	–	–	–	–
Raso- Viagens e Turismo, S.A	235	267	889	838	–	–	–	–
Salsa Consolidated	980	843	–	–	–	–	–	–
Saphety Level – Trusted Services, SA	–	–	148	150	–	–	–	–
Sesagest – Proj.Gestão Imobiliária, S.A.	–	–	–	(2)	–	–	–	–
SDSR – Sports Division SR, S.A.	2,330	4,456	(3)	(53)	–	–	–	–
Sistavac, S.A.	4	–	170	44	–	–	–	–
Solinca – Health & Fitness, S.A.	443	1,122	(20)	(78)	–	–	–	–
Solinfitness – Club Malaga, S.L.	–	–	–	–	88	97	–	–
Sonae Center Serviços II, S.A.	–	–	331	382	–	–	–	–
Sonaerp – Retail Properties, SA	–	–	–	(38)	–	–	–	–
Sonae Ind., Prod. e Com.Deriv.Madeira,SA	–	–	–	23	–	–	–	–
Stichting Depositary APG Strategic Real Estate Pool	–	–	2,927	–	–	–	–	–
Tlantic Portugal – Sist.de Informação,SA	2	2	21	20	–	–	–	–
Torre Ocidente Imobiliária, S.A.	34	35	669	717	–	–	–	–
Troiaresort-Investimentos Turísticos, S.A.	151	156	21	20	–	–	–	–
Viajens y Turismo de Geotur España, S.L.	–	–	213	230	–	–	–	–
We Do Consulting-Sist. de Informação, S.A.	–	–	378	1,200	–	–	–	–
We Do Technologies BV	4	1	–	–	–	–	–	–
Worten – Equipamentos para o Lar, S.A.	2,170	2,870	(71)	(89)	–	–	–	–
Worten España Distribución, SL	155	159	–	–	–	–	–	–
Zippy – Comércio e Distribuição, S.A.	508	1,220	(1)	(15)	–	–	–	–
Joint ventures and associates of Sonae Sierra	44,140	39,148	2,279	4,757	2,758	3,062	122	153
Sonae SGPS, S.A.	–	–	220	218	–	–	–	–
Sierra European Retail Real Estate Asset Fund LP Inc.	–	–	–	–	–	–	2	–
Sierra Investments (Luxembourg) 1 Sarl ("Luxco 1")	–	–	–	(3)	–	–	16	22
Sierra Investments (Luxembourg) 2 Sarl ("Luxco 2")	–	–	–	(3)	–	–	14	18
	61,078	60,318	8,820	8,192	2,846	3,159	154	193

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39 RELATED PARTIES (continued)

The remuneration of the Board of Directors, during the years ended 31 December 2017 and 2016, was as follows:

	2017	2016
Fixed remuneration	**1,625**	1,661
Variable remuneration	**1,203**	1,054
	2,828	2,715

The total fees invoiced by the statutory auditor, amounted to kEuro 668, which include the amount of kEuro 277 relating to review of accounts and the amounts of kEuro 236, kEuro 152 and kEuro 3, relating to reliability assurance services, tax consulting and other services, respectively.

40 CONTINGENT LIABILITIES AND BANK GUARANTEES

As of 31 December 2017 and 2016, the main contingent liabilities relate to the following situations:

> In 2014 the Group has agreed to pay up to the amount of kEuro 4,000 in case of breach of the obligations undertaken under the pre-sales and purchase agreement between Parklake Shopping SA and Carrefour Romania SA.

> In 2015 the Group has agreed with the bank that granted the loan to Parklake Shopping SA for the construction of the shopping centre Parklake the payment of the debt service in the maximum amount kEuro 9,250, in case the company is not able to comply with its obligations.

> In December 2013 Gli Orsi received a tax notification, whereby it is asked to pay the amount of kEuro 19,463, related with real estate transfer tax in the amount of kEuro 9,485 and kEuro 9,978 related with penalties and interest, plus court agent fees amounting to kEuro 905. Based on the opinion of the tax expert there are valid reasons to consider the claim without foundation, and so the Group has appealed to the Supreme Court. In the specific case of the penalties requested by the tax authorities, the tax expert understands that no penalty is due. To provide for this contingency, the Group has expensed in 2013 an amount of keuro 10,390 (corresponding to real estate transfer tax (kEuro 9,485) plus count agent fee (kEuro 905). In 2016, the Group assumed the commitment to the bank ING Bank N. V. (Milan), that finance the company Gli Orsi Shopping Centre 1, Srl, to pay future tax liabilities which may arise in relation to these tax litigations up to the maximum amount of kEuro 25.000, in case the company is not able to settle it.

> During 2008 – 2015, Sonae Sierra has received tax notifications regarding the tax deductibility of interest expenses on loans obtained, concerning the years 2005, 2008, 2009, 2010, 2011 and 2013, in the total amount of kEuro 9,260. All these tax notifications were claimed by Sonae Sierra and guarantees in the same amount were granted by the subsidiary Sierra Investments, SGPS, S.A. to the Portuguese tax authorities. No provision was recorded because the Board of Directors understands that the risk of these tax contingencies is unlikely. The fact that Sonae Sierra received a second favourable court decision and a first court decision, respectively on 2015 and 2017 regarding the deductibility of interest incurred in 2004 and 2009, corroborates the Group's assessment of these contingencies.

At 31 December 2017 and 2016 the bank guarantees granted to third parties were as following:

	31.12.17	31.12.16
Bank guarantees:		
relating to tax processes in course	**1,927**	2,775
relating to legal processes in course	**–**	74
to complete the construction of several projects	**1,271**	1,180
to secure the reimbursement of the instalment of the preliminary sale and purchase agreement with Carrefour Romania	**15,978**	15,978
Others	**398**	409
	19,574	20,416

No provision has been made for any liability arising from the tax and legal processes mentioned above, as the Board of Directors believes that the corresponding risk is not probable.

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41 COMMITMENTS NOT REFLECTED ON THE FINANCIAL STATEMENTS

Following the sale of 49.9% of Sierra European Retail Real Estate Assets Holdings BV's ("Sierra BV") share capital to a group of Investors, in 2003, Sonae Sierra has agreed to revise the sale price of such shares in the event of a sale, to third parties, of some of the shopping centres owned by subsidiaries of Sierra BV (subject to some conditions).

The price revision can occur both with a sale of the asset (investment property in the case) or with a sale of the shares of the company that is, directly or indirectly, the owner of such asset.

The price revision will be made by Sonae Sierra to the Investors in Sierra Fund or to Sierra BV if, in a relevant sale, discounts related to deferred taxes on capital gains have been made.

The price revision will be dependent on the percentage ownership in the company that owns the asset, the Investors' ownership percentage in Sierra BV (and in case of a sale of shares adjusted by a 50% discount) and is limited to:

(i) in the case of the asset sale, a maximum amount of kEuro 105,757;

(ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, a maximum amount of kEuro 52,879;

(iii) in the case of a sale of shares of the company that directly or indirectly owns the asset, the price revision plus the selling price, cannot result in a revised price that is greater than the proportion of the Net Asset Value.

Similar commitments were granted by Sonae Sierra in relation to the companies transferred to Sierra BV after 2003 and to CBRE companies regarding the sale of 50% of Vasco da Gama.

These commitments are valid while the current agreements with the other stockholders of Sierra BV are maintained.

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares at stake before they are offered for sale to a third party.

In accordance with the agreements made between the shareholders of Sierra BV at the time of its incorporation in 2003, it was agreed that Sierra BV should exist for an initial period of 10 years (that ended in October 2013), that could be extended by two additional periods of one year starting in 2013. On September 2013 all the shareholders of Sierra BV approved an amendment agreement relating to the continuation of the operations of the Fund with a long-stop date until October 2018. In 2018 the shareholders of Sierra BV agreed to schedule a number of workshops to be carried out at each of the Core Assets – Colombo, Norteshopping, Vasco da Gama, Cascaishopping and Plaza Mayor – to ascertain in more depth the long-term strategy of each scheme, in view of agreeing the basis for a prospective long-term extension of the venture. The Group also continues to study several alternatives to dispose of the other properties held by Sierra BV, but there are no intentions to proceed with forced asset sales.

In accordance with the agreements made between the shareholders of SPF at the time of its incorporation in 2008, it was agreed that SPF should exist for a period of 10 years (that would end in 2018), with the shareholders having the option to redeem its shares after 2014, provided that some conditions are met. Upon a prospective redemption notice received from shareholders, the Manager (Sonae Sierra) shall carry out its best endeavours to redeem the respective interests, in a period of 12 months. Additionally, in 2015 shareholders agreed to extend the term of the fund until 2020.

The Group believes that the direct sale of the asset is a less attractive solution as it is subject to certain liabilities that are not crystalized in the event of a sale of the shares.

42 DIVIDENDS

Regarding the net profit of 2017, the Board of Directors proposes to transfer the amount to retained earnings.

The Board of Directors also proposes the distribution of free reserves in the amount of kEuro 49,746. The respective payment will be deferred to a date to be decided by the shareholders and after the recommendation of the Board of Directors.

43 EARNINGS PER SHARE

As of 31 December 2017 and 2016, basic earnings per share correspond to the net profit divided by the weighted average number of ordinary shares of Sonae Sierra during the year, and was computed as follows:

	2017	2016
Profit considered to compute the basic earnings per share (net profit of the year)	**109,951**	181,198
Number of shares	**32,514,000**	32,514,000
Earning per share (Euro)	**3.38**	5.57

Sonae Sierra has no potential diluted shares and, for that reason, the diluted earnings per share is similar to the basic earnings per share.

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44 SEGMENT INFORMATION

In accordance to the Management Report, the segments used by the Management of the Group are as follows:

> Investment Management

> Developments

> Services

> Sonae Sierra Brazil

The Sonae Sierra's reportable segment information for the years ended 31 December 2017 and 2016, regarding the statement of profit or loss, can be detailed as follows:

	2017	2016
Net Operating Result		
Investment Management	75,192	74,533
Developments	(8,749)	(8,499)
Services	17,018	11,852
Sonae Sierra Brazil	21,293	18,643
Reclassifications and adjustments	1	(2)
Consolidated (1)	104,755	96,527
Net financial costs		
Investment Management	18,856	19,816
Developments	426	1,922
Services	93	(830)
Sonae Sierra Brazil	5,521	5,194
Consolidated	24,896	26,102
Direct profit before taxes		
Investment Management	56,336	54,717
Developments	(9,174)	(10,422)
Services	16,925	12,682
Sonae Sierra Brazil	15,772	13,449
Reclassifications and adjustments	–	1
Consolidated	79,859	70,427
Indirect income before taxes		
Investment Management	66,340	136,594
Developments	(1,676)	19,665
Sonae Sierra Brazil	11,759	12,040
Consolidated	76,423	168,299
Corporate tax + Deferred tax		
Investment Management	(36,380)	(43,626)
Developments	869	(3,070)
Services	(3,962)	(3,140)
Sonae Sierra Brazil	(6,856)	(7,693)
Consolidated (1)	(46,329)	(57,529)
Net profit		
Investment Management	86,296	147,685
Developments	(9,981)	6,173
Services	12,964	9,542
Sonae Sierra Brazil	20,675	17,797
Reclassifications and adjustments	(3)	1
Consolidated	109,951	181,198

(1) The reconciliation with the statutory accounts is presented on the following tables.

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 47)
(Amounts stated in thousands of Euro – kEuro)

44 SEGMENT INFORMATION (continued)

The Sonae Sierra's reportable segment information for the year ended 31 December 2017 and 2016, regarding the statement of financial position, can be analysed as follows:

	31.12.17	31.12.16
Investment properties		
Investment Management	1,678,079	1,613,792
Sonae Sierra Brazil	380,297	426,372
Investment Properties under development and others (Sierra Investments and Brazil)	(12,310)	(7,137)
Consolidated (1)	2,046,066	2,033,027
Bank loans		
Investment Management	586,236	594,079
Developments	1,999	4,665
Sonae Sierra Brazil	71,327	62,350
Bank loan at Sonae Sierra SGPS	120,000	120,000
Others	1	148
Consolidated (1)	779,563	781,242
Deferred taxes liabilities		
Investment Management	266,750	242,678
Developments	561	287
Sonae Sierra Brazil	68,551	74,738
Others	(1,814)	(2,078)
Consolidated	334,048	315,625

[1] The reconciliation with the statutory accounts is presented on the following tables.

The reportable segment information can be reconciled with the enclosed financial statements as follows:

Statement of profit or loss

	2017	2016
Net Operating Margin – segments	104,755	96,527
Equity method adjustment (1)	(70,637)	(68,055)
Proportional method adjustment (2)	10,158	4,725
Indirect Income:		
Variation in fair value of the investment properties	60,831	65,343
Other indirect income / costs	(3,526)	4,777
Depreciations, write-off and impairments losses	(1,676)	(7,285)
Withholding taxes related to Interests and dividends	(5)	(7)
Negative goodwill recognised in "Share of results of joint ventures and associates"	509	274
Others	(444)	(114)
Net Profit before interest and results from associated undertakings, as per Financial Statements	99,965	96,185
Corporate tax + Deferred Tax – segments	(46,329)	(57,529)
Equity method adjustment (1)	28,317	40,761
Proportional method adjustment (2)	(8,083)	(7,632)
Income tax as per Financial Statements	(26,095)	(24,400)

[1] Joint ventures and associates are included in the statutory consolidated accounts by the equity method and in the management accounts by the proportionate method.
[2] The companies owned by the group by less than 100% and more that 50% are included in the management accounts by the proportionate method and in the statutory consolidated accounts are included by the full consolidation method.

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

44 SEGMENT INFORMATION (continued)

Statement of financial position

	31.12.17	31.12.16
Investment properties – segments	**2,046,066**	2,033,027
Equity method adjustment (1)	**(1,469,948)**	(1,488,913)
Proportional method adjustment (2)	**176,935**	232,706
Goodwill (3)	**(12,629)**	(12,433)
Investment properties as per Financial Statements	**740,424**	764,387
Bank loans – segments	**779,563**	781,242
Equity method adjustment (1)	**(459,933)**	(444,094)
Proportional method adjustment (2)	**52,362**	86,096
Financing costs	**(2,193)**	(3,094)
Debt – current and non-current as per Financial Statements	**369,799**	420,150

(1) Joint ventures and associates are included in the statutory consolidated accounts by the equity method and in the management accounts by the proportionate method.
(2) The companies owned by the group by less than 100% and more that 50% are included in the management accounts by the proportionate method and in the statutory consolidated accounts are included by the full consolidation method.
(3) The Investment Management segment consider the Goodwill under the caption "Investment Properties".

The average number of employees in 2017 and 2016, by business segment is detailed as follows:

	2017	2016
Investment Management	**23**	20
Developments	**19**	19
Services	**450**	450
Non allocated	**237**	237
	729	725

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

45 SUBSEQUENT EVENTS

On the 25th of January 2018, the Company issue three bond loans in a total of kEuro 100,000 and, on the same date, the previous bond loan on the amount of kEuro 75,000 was liquidated.

The principal conditions associated to these bond loans are as follows:

"SONAE SIERRA 2018-2025"

> 500 bonds: Nominal value: Euro 100,000,

> Maximum term: 7 (seven) years,

> Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period (floor 0%), with a spread of 2.35% p.a.,

> Interest Payment: half yearly in arrears, on 25 January and 25 July of each year,

> Reimbursement: Five annual reimbursements, after 25 January 2021 (inclusive) until 25 January 2025,

> Tax regime: in accordance with the legislation in force in Portugal.

"SONAE SIERRA 2018-2023"

> 250 bonds: Nominal value: Euro 100,000;

> Maximum term: 5 (five) years;

> Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period (floor 0%), with a spread of 2.00% p.a.;

> Interest Payment: half yearly in arrears, on 25 January and 25 July of each year;

> Reimbursement: at par, in one payment on 25 January 2025 the payment date of the last coupon;

> Tax regime: in accordance with the legislation in force in Portugal.

"€25,000,000 SONAE SIERRA JANEIRO 2023"

> 250 bonds: Nominal value: Euro 100,000;

> Maximum term: 5 (five) years;

> Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period (floor 0%), with a spread of 2.00% p.a.;

> Interest Payment: half yearly in arrears, on 25 January and 25 July of each year;

> Reimbursement: at par, in one payment on 25 January 2025 the payment date of the last coupon;

> Tax regime: in accordance with the legislation in force in Portugal.

In January, the Group and Armorica Portugal, SGPS, Unipessoal Lda ("Armorica") have formed a partnership to acquire the Serra Shopping to Sierra Portugal Fund. As part of this acquisition, Armorica will hold a majority stake in the asset, while the Group will have a minority stake. The Group will continue to be responsible for the management of the shopping centre.

In January, the Group, through its associate Olimpo Real Estate SOCIMI, S.A. ("Ores SOCIMI"), acquired 2 hypermarkets, 2 supermarkets and 2 stores rented to Modelo Continente, Worten and Sport Zone, respectively, for kEuro 86,000.

In February, the Group, through its associate Olimpo Real Estate SOCIMI, S.A. ("Ores SOCIMI"), acquired two sites that are rented to Mercadona by the amount of kEuro 6,600.

Sonae Sierra, SGPS, SA and subsidiaries

Notes to the consolidated financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

46 APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised for issuance on the 7 March of 2018. However, these financial statements are still depending on the approval by the Shareholders General Meeting, in accordance with business legislation prevailing in Portugal.

47 NOTE ADDED FOR TRANSLATION

This is a translation of financial statements originally issued in Portuguese in accordance with Portuguese Statutory requirements, some of which may not conform to or be required in other countries. In the event of discrepancies, the Portuguese language version prevails.

The Board of Directors

Sonae Sierra, SGPS, SA

Statements of financial position as of 31 December 2017 and 2016

(Translation of the statement of financial position originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro)

ASSETS	Notes	31 December 2017	31 December 2016
NON CURRENT ASSETS:			
Investments in group companies and associated companies	3	1,148,979	1,148,979
Supplementary capital granted	4	49,434	49,434
Total non current assets		1,198,413	1,198,413
CURRENT ASSETS:			
Loans to Group companies	5	41,040	14,038
Other receivables	6	7,010	5,212
State and other public entities	7	822	822
Other current assets	8	873	661
Cash and Cash Equivalents	9	10,710	508
Total current assets		60,455	21,241
Total assets		1,258,868	1,219,654
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	10	162,245	162,245
Legal Reserve		57,329	57,329
Other reserves		217,772	292,554
Retained earnings		524,007	529,469
Net Profit for the period		(7,221)	(5,462)
Total Equity		954,132	1,036,135
LIABILITIES:			
NON CURRENT LIABILITIES:			
Long term debt – net of current portion	12	–	19,947
Bond Loans – net of current portion	11	–	74,908
Total non current liabilities		–	94,855
CURRENT LIABILITIES:			
Bank Loans short term	12	44,947	24,949
Bond Loans – net of current portion	11	74,908	(173)
Loans from Group companies	13	178,202	59,535
Other Payables	15	350	273
State and other public entities	7	115	76
Other current liabilities	16	6,214	4,004
Total current liabilities		304,736	88,664
Total equity and liabilities		1,258,868	1,219,654

The accompanying notes form an integral part of these statements of financial position as of 31 December 2017.

The Board of Directors

Sonae Sierra, SGPS, SA

Statements of profit or loss for the years ended 31 December 2017 and 2016

(Translation of statement of profit and loss originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro)

	Notes	2017	2016
Other operating revenue	17	2	33
		2	33
External supplies and services		(215)	(239)
Other operating expenses	18	(21)	(28)
		(236)	(267)
Net operating profit		(235)	(234)
Financial income	19	1,692	1,002
Financial expenses	19	(12,108)	(9,425)
Gains and losses on investments	19	1,718	2,078
Profit before income tax		(8,933)	(6,579)
Income tax	20	1,712	1,117
Profit after income tax		(7,221)	(5,462)
Net profit for the period		(7,221)	(5,462)

The accompanying notes form an integral part of these statement of profit and loss for the year ended 31 December 2017.

The Board of Directors

Sonae Sierra, SGPS, SA

Statements of comprehensive income for the years ended 31 December 2017 and 2016

(Translation of the statement of comprehensive income originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro)

	2017	2016
Net profit for the period	(7,221)	(5,462)
Others	–	–
Other comprehensive income of the period	–	–
Total comprehensive income for the period	(7,221)	(5,462)

The accompanying notes form an integral part of these statements of comprehensive income for the year ended 31 December 2017.

The Board of Directors

Sonae Sierra, SGPS, SA

Statements of changes in equity for the years ended 31 December 2017 and 2016

(Translation of statements of changes in equity originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro)

		Attributable to Equity Holders of Sonae Sierra					
			Reserves				
	Notes	Share capital	Legal reserves	Other reserves	Retained earnings	Net profit	Total
Balance as of 1 January 2016		162,245	57,329	317,265	534,056	(4,587)	1,066,308
Appropriation of net profit for 2015:							
Appropriation of net profit for 2015		–	–	–	(4,587)	4,587	–
Dividends to distribute		–	–	(24,711)	–	–	(24,711)
Net loss for period ended 31 December 2016		–	–	–	–	(5,462)	(5,462)
Balance as of 31 December 2016		162,245	57,329	292,554	529,469	(5,462)	1,036,135
Balance as of 1 January 2017	10	162,245	57,329	292,554	529,469	(5,462)	1,036,134
Appropriation of net profit for 2016:							
Appropriation of net profit for 2016	10	–	–	–	(5,462)	5,462	–
Dividends to distribute		–	–	(74,782)	–		(74,782)
Net loss for period ended 31 December 2017		–	–	–	–	(7,221)	(7,221)
Balance as of 31 December 2017		**162,245**	**57,329**	**217,772**	**524,007**	**(7,221)**	**954,132**

The accompanying notes form an integral part of these statement of changes in equity for the year ended 31 December 2017.

The Board of Directors

Sonae Sierra, SGPS, SA

Statements of cash flows for the years ended 31 December 2017 and 2016

(Translation of statement of cash flow originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro)

	Notes	2017		2016	
OPERATING ACTIVITIES:					
Paid to suppliers		(252)		(270)	
Paid to personnel		(129)		(301)	
Flows from operations		(381)		(571)	
(Payments)/receipts of income tax		641		1,031	
Other (payments)/receipts relating to operating activities		(496)		(249)	
Flows from operating activities [1]			(236)		212
INVESTING ACTIVITIES:					
Receipts relating to:					
Investments		–		51,000	
Interest income		1,144		1,416	
Dividends	19	1,718		2,078	
Loans granted		–	2,862	14,306	68,800
Payments relating to:					
Loans granted	5	27,002	27,002	–	–
Flows from investing activities [2]			(24,140)		68,800
FINANCING ACTIVITIES:					
Receipts relating to:					
Bank loans	12	25,000		–	
Loans obtained – others	13	118,667	143,667	20,416	20,416
Payments relating to:					
Interest expenses		(9,307)		(11,216)	
Dividends	10	(74,782)		(49,096)	
Bank loans	12	(25,000)		(28,844)	
Loans obtained – others		–	(109,090)	–	(89,156)
Flows from financing activities [3]			34,577		(68,740)
Variation in cash and cash equivalents [4]=[1]+[2]+[3]			10,202		272
Cash and cash equivalents at the beginning of the year	9		508		236
Cash and cash equivalents at the end of the year	9		10,710		508

The accompanying notes form an integral part of these statements of cash flows for the year ended 31 December 2017.

The Board of Directors

Sonae Sierra, SGPS, SA

Notes to the financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

1. INTRODUCTION

SONAE SIERRA, S.G.P.S., S.A. ("the Company" or "Sonae Sierra"), has its head office in Lugar do Espido, Via Norte, Apartado 1197, 4471-909 Maia – Portugal, and its activity is holding and finance, group of companies operating in the management, development and investment of shopping centres business.

The financial statements are presented in Euro, the functional currency of the Company, as this is the currency of the primary economic environment in which the Company operates.

The Company has also prepared consolidated financial statements, which are separately presented and properly show the financial position, the results and comprehensive income of its operations, changes in equity and cash flows of the Sonae Sierra Group.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the accompanying financial statements are as follows:

2.1. Basis of preparation

The accompanying financial statements have been prepared according to the International Financial Report Standards ("IFRS") and approved by the European Union, applicable to economic years beginning on 1 January 2017. These correspond to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") or by the previous Standing Interpretations Committee ("SIC") and approved by the European Union.

The accompanying financial statements have been prepared on a going concern basis and in accordance with the accrual basis of accounting, maintained according to International Financial Reporting Standards, as approved by the European Union.

New accounting standards and their impact in these financial statements

Until the date of approval of these financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions with mandatory application to the economic year beginning on 1 January 2017:

	Applicable for financial years beginning on/after
Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses	01-Jan-17
Amendments to IAS 7: Disclosure initiative	01-Jan-17

All these standards were first applied by the Company in 2017 and had no impact in the financial statements.

The amendments to IAS 7 require disclosure of changes in liabilities arising from the financing activities (see note 14).

The following standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, endorsed by the European Union:

	Applicable for financial years beginning on/after
IFRS 9 – Financial instruments	01-Jan-18
IFRS 15 – Revenue from contracts with customers	01-Jan-18
IFRS 16 – Leases	01-Jan-19
Clarifications to IFRS 15 Revenue from contracts with customers	01-Jan-18
Amendments to IFRS 4: Applying IFRS 9 – Financial instruments with IFRS 4 – Insurance contracts	01-Jan-18

Despite these standards were endorsed by the European Union, they were not yet adopted by the Company in 2017 as its application is not yet mandatory. Anyway the Company does not anticipate any material effect derived from its adoption.

Sonae Sierra, SGPS, SA

Notes to the financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.1. Basis of preparation (continued)

The following standards and interpretations were issued by the IASB and they are not yet endorsed by the European Union:

	Applicable for financial years beginning on/after
IFRS 17 – Insurance Contracts	01-Jan-21
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	01-Jan-18
Amendments to IAS 40: Transfers of investment property	01-Jan-18
Annual improvements to IFRS (2014-2016 cycle)	01-Jan-18
Annual improvements to IFRS (2015-2017 cycle)	01-Jan-19
Amendments to IFRS 9: Prepayment features with negative compensation	01-Jan-19
Amendments to IAS 28: Long-term investments in associates and joint ventures	01-Jan-19
IFRIC 22 – Foreign currency transactions and advance consideration	01-Jan-18
IFRIC 23 – Uncertainty over income tax treatment	01-Jan-19

None of these standards were adopted by the Company as they were not yet endorsed by the European Union. Anyway, it is not anticipated any significant impact on the accompanying financial statements derived from the future adoption of these standards.

2.2. Financial Investments

Financial investments in subsidiaries are recorded at acquisition cost less impairment losses. Impairment is assessed by comparing the cost of the investments with the corresponding Net Asset Value of the subsidiary company.

2.3. Financial assets and liabilities

Assets and liabilities are recognised in the statement of financial position when the Company becomes part of the corresponding contract.

Financial assets are initially recorded at their acquisition value, which is the fair value, including transaction costs, except for financial assets measured at fair value through profit and loss, where the transaction costs are immediately recorded in the profit and loss statement.

The Company derecognises financial assets when: (i) the contractual rights to cash flows expire; (ii) it transfers to another entity the significant risks and benefits associated with ownership of the property or; (iii) despite having retained some, but not substantially the significant risks and benefits, has transferred the control over them.

The Company derecognises financial liabilities only when the corresponding obligation is settled, cancelled or expires.

Financial assets are classified into the following categories:

> Financial assets measured at fair value through profit and loss;

> Financial assets held to maturity;

> Loans and receivables;

> Financial assets available for sale.

Financial assets measured at fair value include mainly derivative financial instruments. The subsequent measurement of these financial assets are carried at fair value and recorded in the statement of changes in equity if they qualify for hedge accounting purposes (Note 2.4). If they do not qualify for hedge accounting purposes, the fair value of these financial assets is recorded in the statement of profit and loss.

Financial assets held to maturity are financial assets with fixed maturity and for which the Company has the intention and ability to hold to that date. In the particular case of the Company, there are no financial assets classified in this category.

Loans and receivables are generated during normal operations of the Company, for which there is no intention to negotiate. Classified in this category are the accounts receivable and other receivables, loans to third parties and bank deposits. The subsequent measurement of these financial assets is carried at amortised cost in accordance with the effective interest method.

Financial assets available for sale are financial assets that are not classified in any of the above mentioned categories. In this particular case, the Company should classify in this category financial investments which were not likely to be classified as subsidiaries, associates or jointly controlled entities. However, by the date of these financial statements, no financial assets are classified in this category.

Sonae Sierra, SGPS, SA

Notes to the financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.3. Financial assets and liabilities (continued)

Financial liabilities are classified into the following categories:

> Financial liabilities measured at fair value through profit and loss;

> Other financial liabilities.

Financial liabilities measured at fair value include mainly derivative financial instruments. The subsequent measurement of these financial liabilities are carried at fair value and recorded in the statement of changes in equity if they qualify for hedge accounting purposes (Note 2.4). If they do not qualify for hedge accounting purposes, the fair value of these financial liabilities is recorded in the statement of profit and loss.

Other financial liabilities correspond to other financial liabilities which are not classified in the former category. In this category are classified bank loans and other current liabilities, including shareholders and accounts payable and other payables. The subsequent measurement of these financial liabilities is carried at amortised cost, in accordance with the effective interest method.

a) *Loans granted to Group companies*

Loans granted to Group companies are recorded as assets at amortised cost which usually do not differ from the nominal value.

Financial income with interest received is recorded in the profit and loss statement on an accruals basis. The amounts due and not received at the statement of financial position date are recorded under the caption “Other current assets”.

b) *Trade and other receivables*

Accounts receivable and other receivables are recorded at amortised cost less any eventual impairment losses. Usually, the amortised cost of these financial assets does not usually differ from its nominal value.

c) *Loans*

Loans are stated as liabilities at amortised cost.

Any expenses incurred in obtaining such financing, usually paid in advance on issue, namely the bank fees and stamp duty as well as interest expenses and similar expenses, are recognised using the effective interest method in the results of the year, over lifetime of such financing. These expenses incurred are deducted from the caption “Bank loans”.

Financial expenses with interest expenses and similar expenses (namely stamp tax), are recorded in the statement of profit and loss on an accrual basis of accounting. The amounts due and not paid at the statement of financial position date are recorded under the caption “Other current liabilities”.

d) *Trade and other payables*

Accounts payable and other payables are stated at amortised cost. Usually, the amortised cost of these liabilities does not differ from its nominal value.

e) *Cash and cash equivalents*

The amounts under caption “Cash and cash equivalents” includes cash on hand, cash at banks on demand and other treasury applications which mature in less than three months that are subject to insignificant risk of change in value.

These assets are measured at amortised cost. Usually, the amortised cost of these financial assets does not differ from its nominal value.

For purposes of the statement of cash flows, “Cash and cash equivalents” also include bank overdrafts, which are included in the statement of financial position under caption “Other loans”.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.4. Provisions

Provisions are recognised when, and only when, the Company has an obligation (legal or implicit) resulting from a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed and adjusted at the reporting date in order to reflect the best estimate as of that date.

Provisions for restructuring expenses are recognised by the Company when there is a formal and detailed restructuring plan and that such plan has been communicated to the involved parties.

2.5. Contingent assets and liabilities

Contingent liabilities are not recognized in the financial statements. They are disclosed in the notes (Note 23), unless the possibility of an outflow of resources affecting economic benefits is remote.

A contingent asset is not recognized in the financial statements, but disclosed in the notes when an inflow of economic benefits is probable.

2.6. Income tax

Income tax represents the sum of the tax based on the taxable results of the Company and the deferred taxes.

Current income tax is determined based on the taxable result of the Company (which are different from accounting results), in accordance with the tax rules in force where its head office is located.

Deferred taxes are calculated using the financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Deferred tax assets and liabilities are not recognised when the corresponding temporary differences arise from goodwill or from the initial recognition of assets and liabilities other than in a business combination.

Deferred tax assets and liabilities are calculated and evaluated annually at the tax rates expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially issued at the statement of financial position date.

Deferred tax assets are recognised only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At the statement of financial position date, a review is made of the deferred tax assets and they are reduced whenever their future use is no longer probable.

Deferred tax assets and liabilities are recorded in the statement of profit and loss, except if they relate to items directly recorded in equity captions. In these situations the corresponding deferred tax is also recorded under the same caption.

2.7. Statement of financial position classification

Assets and liabilities due in more than one year from the date of the statement of financial position are classified as non-current assets and liabilities, respectively.

2.8. Revenue recognition and accrual basis

The dividends are recognised as gains in the year they are assigned by the shareholders.

The income and expenses are recognised in the year to which they relate, regardless of the date of payment or receipt (accrual basis of accounting). The income and expenses for which actual amounts are not known are estimated.

Under the captions "Other current assets" and "Other current liabilities" are recorded income and expenses attributable to the current year, which settlement or receipt will only occur in future years, as well as amounts paid and received that have occurred on the date of the statement of financial position, but which relate to future periods, and that will be charged to the profit and loss of the corresponding year.

2.9. Balances and transactions expressed in foreign currency

Transactions in currencies other than Euro are recorded at the exchange rates prevailing on the transaction date.

At each reporting date, all monetary assets and liabilities expressed in foreign currencies are translated to Euro using the closing exchange rates as of that date.

Exchange gains or losses, arising from differences between exchange rates effective at the date of transaction and those prevailing at the date of collection, payment or at the reporting date, are recorded as income or expenses in the statement of profit and loss.

Sonae Sierra, SGPS, SA

Notes to the financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.10. Risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department of the Group Sonae Sierra, under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk.

a) *Foreign exchange risk*

The activity of the Company is developed inside Portugal and consequently the majority of the company's transactions are maintained in the same currency of the country. The policy to cover this specific risk is to avoid if possible the contracting of services in foreign currency.

b) *Liquidity risk*

The needs of treasury are managed by the financial department of Sonae Sierra which with an opportune and adequate form manages the surplus and deficits of liquidity of each company of the Group. The occasional needs of liquidity are covered by an adequate control of the accounts receivables and by the maintenance of adequate limits of credit settled by the Company with banking entities.

c) *Interest rate risk*

The Company's income and operating cash-flows are influenced by changes in market interest rates, since its cash and cash equivalents and intragroup financing granted are dependent on the evolution of the interest rates in Euro which, historically, have little volatility.

On long-term financing, and as a way to mitigate the changes in the long-term interest rates, the Company's contracts, in some cases, hedge instruments ("swaps", "zero cost collars" or "caps").

Interest rate sensitivity analysis:

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments in place during the reporting period. For floating rate assets and liabilities, the analysis is prepared based on the following assumptions:

> Changes in market interest rates affect the interest income or expense of floating rate interest financial instruments and, in the case of fixed rates that were contracted during the period of analysis, changes in the interest rates also affect the latter;

> Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interests rates if these are recognize at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk, as defined in IFRS 7;

> In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;

> Changes in market interest rates affect the fair value of derivatives designated as hedging instruments;

> The fair value of derivative financial instruments ("swaps", "zero cost collars" or "caps") and other financial assets and liabilities is estimated by discounting the future cash flows to their net present values, using appropriate market rates prevailing at year-end and assuming a parallel shift in yield curves;

> For the purposes of this sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the relevant year.

Sonae Sierra, SGPS, SA

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2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.10. Risk management policies (continued)

c) *Interest rate risk (continued)*

Sensitivity analyses are performed by changing one variable while maintaining all other variables unchanged. Nonetheless, this is a restrictive and highly unlikely assumption, since variables tend to be correlated.

If interest rates had been 75 basis points higher and all other variables were held constant, assumptions unlikely occur due to interest rates correlation with other variables, the impact in the Company's net profit and equity would be the following:

	2017 +75 b.p.	2016 +75 b.p.
Net Profit (1)	(1,103)	(750)

(1) This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

As of 31 December 2017, and 2016 the interest rate sensitive analysis was not prepared considering a decrease of 25 basis points, because Euribor in 2017 and 2016 is lower than 0.25%.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk and the year-end exposure may not reflect the exposure during the year, due to the repayments made.

2.11. Judgments and estimates

In the preparation of the accompanying financial statements estimates were used which affecting the assets and liabilities and also the amounts booked as income and expenses during the reporting period.

The estimates were calculated using the best information available, at the date of approval of the financial statements, of the events and transactions in course and of the experience from current and/or past events. However, events may occur in subsequent periods that were not anticipated as of the date of these statements and, consequently were not included in those estimates. Changes in the estimates after the closing of the consolidated financial statements will be booked on the subsequent year, as defined in IAS 8.

The main assumptions used by the Company on its estimates are disclosed on the corresponding note.

2.12. Subsequent Events

Events occurred after the reporting date that provide additional information about conditions that existed at these statements of financial position date (adjusting events) are reflected in financial statements. Events occurred after the reporting date that provide information on conditions that occur after the reporting date (non-adjusting events) are disclosed in the financial statements, if materially significant.

3 INVESTMENTS IN GROUP COMPANIES

As of 31 December 2017 and 2016 the Company held the following participations in group companies:

	31.12.17				31.12.16
Company	Percentage of share capital held	Equity	Net Profit	Book value	Book value
Sierra Developments, SGPS, S.A.	100.00%	1,153,199	330	1,142,429	1,142,429
Sierra Management, SGPS, S.A.	100.00%	11,317	3,890	6,550	6,550
				1,148,979	1,148,979

Sonae Sierra, SGPS, SA

Notes to the financial statements as of 31 December 2017

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4 SUPPLEMENTARY CAPITAL GRANTED

As of 31 December 2017 and 2016 supplementary capital granted was made up as follows:

	31.12.17	31.12.16
Sierra Developments, SGPS, S.A.	**49,434**	49,434
	49,434	49,434

5 LOANS TO GROUP COMPANIES

As of 31 December 2017 and 2016 loans to group companies was made up as follows:

	31.12.17	31.12.16
Sierra Developments, SGPS, S.A.	**41,040**	14,038
	41,040	14,038

6 OTHER RECEIVABLES

At 31 December 2017 and 2016 other receivables was made up as follows:

	31.12.17	31.12.16
Tax consolidation Regime (Note7):		
Sierra Portugal, S.A.	**1,297**	693
Sierra Investments, SGPS, S.A.	**901**	346
Sierra Management, SGPS, S.A.	**95**	84
Paracentro – Gestão de Galerias Comerciais S.A.	**72**	37
Sierra Developments, SGPS, S.A.	**–**	36
Other debtors:		
Parklake Shopping, S.A.	**18**	69
Others	**897**	217
Tax to be recovered (amount paid under tax debts exceptional payment regime – "RERD")	**3,707**	3,707
Others claimed taxes	**23**	23
	7,010	5,212

The amount of kEuro 3,707 relates to the payment made in 2013 by the Company within the Special Tax Debts Payment Regime ("RERD") established by the Portuguese government in the law approved in October 2013 (Law 151-A/2013) by which the entities that pay the tax notifications will be exempt of the payment of interests and penalties; this amount relates to corrections of the 2005 CIT due to: (i) non-deductible interest expenses amounting kEuro 378; and (ii) corrections concerning the price adjustment related with the sale of shares of Cascaishopping in 1996 amounting to kEuro 3,329. The Company contested the tax notifications received and did not record any impairment loss to face eventual losses on those amounts, as the Board of Directors believes that the result will be favourable to the Company (Note 23).

The ageing of the other receivables is as follows:

	31.12.17	31.12.16
Not due	**2,388**	1,178
0-90 days	**915**	217
+ 360 days	**3,707**	3,707
	7,010	5,102

Sonae Sierra, SGPS, SA

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7 STATE AND OTHER PUBLIC ENTITIES

According to current legislation, the fiscal declarations of Portuguese companies are subject to a revision and correction by the tax authorities within the period of four years, exception made when fiscal losses have occurred, fiscal incentives have been conceded or tax auditing or claims are in course. In those cases, depending on circumstances, the due dates can be extended or suspended. Because of that the fiscal declarations of the Portuguese companies of the years 2014 until 2017 can be changed.

The Board of Directors considers that any eventual modification to the fiscal declarations will not have a significant impact on the financial statements as of 31 December 2017.

Under the terms of Article 88 of the Corporate Income Tax Code, the companies are subject to autonomous taxes on a series of charges of the rates established in this article.

The Company is taxed for income tax purposes under the tax consolidation regime ("Regime Especial de Tributação dos Grupos de Sociedades" – RETGS), being the consolidated taxable income of the companies included in it, calculated at the level of Sonae Sierra as "mother company" of the group. Anyway, each company included in RETGS computes and records at its individual level its separate estimate of current income tax by credit or debit of an account receivable from or payable to Sonae Sierra.

The companies included in the RETGS are the following:

> ARP Alverca Retail Park, S.A.,

> CCCB Caldas da Rainha – Centro Comercial, S.A.,

> Paracentro – Gestão de Galerias Comerciais, S.A.,

> Parque de Famalicão, Empreendimentos Imobiliários, S.A.,

> Sierra Developments SGPS, S.A.,

> Sierra Investments SGPS, S.A.,

> Sierra Management SGPS, S.A. and

> Sierra Portugal, S.A..

As of 31 December 2017 and 2016 state and other public entities was made up as follows:

	31.12.17		31.12.16	
	Asset	Liability	Asset	Liability
Income tax				
Tax recoverable from previous years	**822**	**–**	822	–
Income tax	**–**	**115**	–	76
	822	**115**	822	76

Income tax as of 31 December 2017 is detailed as follows:

	31.12.17
Estimate of current income tax – Company (Note 20)	**(1,898)**
Estimate of current income tax – RETGS (Notes 6 and 15)	**2,098**
Withholding taxes / Payments on account	**(85)**
	115

Sonae Sierra, SGPS, SA

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8 OTHER CURRENT ASSETS

As of 31 December 2017and 2016 other current assets was made up as follows:

	31.12.17	31.12.16
Interests on loans granted to group companies:		
Sierra Developments, SGPS, S.A. (Note 21)	**752**	204
Insurance prepayment	**121**	117
Bank commissions prepayment	–	208
Other	–	132
	873	661

The amount of kEuro 752, relates to interests receivable on short term loans granted to Sierra Developments, SGPS, S.A..

9 CASH AND CASH EQUIVALENTS

At 31 December 2017 and 2016 cash and cash equivalents was made up as follows:

	31.12.17	31.12.16
Bank deposits payable on demand	**10,710**	508
	10,710	508

10 CAPITAL

At 31 December 2017 the share capital was made up of 32,514,000 fully subscribed and paid up ordinary shares of Euro 4.99 each.

The following entities own the share capital at 31 December 2017 and 2016

Entity	2017	2016
Sonae, SGPS, S.A.	**50%**	50%
Grosvenor Investments, (Portugal), Sarl	**50%**	50%

Following the Shareholders General Meeting deliberation, dated 18 April 2017, the net result of 2016 had the following application:

Retained earnings	(5,462)
	(5,462)

In the same meeting, the shareholders decided to distribute dividends out of free reserves, amounting to kEuro 74,782. These dividends were paid on 9 June 2017.

Sonae Sierra, SGPS, SA

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11 BOND LOAN

As of 31 December 2017 and 2016, bond loan was made up as follows:

	31.12.17			31.12.16			
		Used amount			Used amount		
	Limit	Current	Non-current	Limit	Current	Non-current	Reimbursement plan
Bond loan	75,000	75,000	–	75,000	–	75,000	January 2018
Total Bond Loan		75,000	–		–	75,000	
Deferred financing costs incurred on the issuance of the bond loan		(92)	–		(173)	(92)	
		74,908	–		(173)	74,908	

The principal conditions associated to the bond loan issued on 25 January 2013 were as follows:

> 1,500 bonds: Nominal value: 50,000 Euro

> Maximum term: 5 (five) years

> Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period, with a spread of 5.80% p.a.

> Interest Payment: half yearly in arrears, on 25 January and 25 July of each year.

> Reimbursement: at par, in one payment on 25 January 2018 the payment date of the last coupon

> Tax regime: in accordance with the legislation in force

At 31 December 2017, loans and the respective interests are repayable as follows:

	31.12.17		31.12.16	
	Repayment	Interest	Repayment	Interest
N+1	75,000	2,731	–	5,430
N+2	–	–	75,000	2,763
	75,000	2,731	75,000	8,193

Sonae Sierra, SGPS, SA

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12 BANK LOANS

At 31 December 2017 and 2016 bank loans was made up as follows:

		31.12.17			31.12.16		
			Used amount			Used amount	
	Financing Entity	Limit	Current	Non-current	Limit	Current	Non-current
Bank loans:							
	Caixa de Crédito Agricola	20,000	20,000	–	20,000	–	20,000
Short term facilities:	Santander Totta	35,000	25,000	–	35,000	25,000	–
	BPI	12,470	–	–	12,470	–	–
	Montepio Geral	26,750	–	–	26,750	–	–
	Montepio Geral	20,000	–	–	20,000	–	–
	Novo Banco	5,500	–	–	5,500	–	–
Total Bank loans			45,000	–		25,000	20,000
Deferred financing expenses incurred on the issuance of the bank loans			(53)	–		(51)	(53)
			44,947	–		24,949	19,947

Bank loans bear interests at market interest rates and were contracted in Euro.

13 LOANS FROM GROUP COMPANIES

At 31 December 2017 and 2016 loans from group companies was made up as follows:

	31.12.17	31.12.16
Loans obtained:		
Sierra Investments, SGPS, SA	142,662	43,405
Sierra Management SGPS, SA	11,032	8,880
Sierra Spain Shopping Centers Services, S.L.	10,000	7,250
Sierra Portugal, S.A.	14,258	–
Paracentro – Gestão Galeria Comercial S.A	250	–
	178,202	59,535

The amounts payable refers to loans obtained from group companies for less than one-year period and bear interests at market interest rates.

14 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

	01.01.17	Financing cash flows	31.12.17
Debentures loans	75,000	–	75,000
Bank loans	45,000	–	45,000
Loans from related parties	59,535	118,667	178,202
	179,535	118,667	298,202

Sonae Sierra, SGPS, SA

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15 OTHER PAYABLES

At 31 December 2017 and 2016 other payables was made up as follows:

	31.12.17	31.12.16
Tax consolidation regime:		
Sierra Portugal, S.A.	123	110
CCCB Caldas da Rainha – Centro Comercial, S.A.	6	6
Paracentro – Gestão Galeria Comercial S.A.	9	9
Sierra Developments, SGPS, S.A.	114	4
Parque de Famalicão, Empreendimentos Imobiliários, S.A.	41	40
Sierra Investments, SGPS, S.A.	2	3
ARP Alverca Retail Park, S.A	45	36
Services rendered:		
Sierra Portugal, S.A.	1	59
Other	9	6
	350	273

The amounts reported above have the following repayment plan:

	31.12.17	31.12.16
Short term:		
0-90 days	10	65
90-180 days	340	208
	350	273

16 OTHER CURRENT LIABILITIES

At 31 December 2017 and 2016 other current liabilities was made up as follows:

	31.12.17	31.12.16
Accrual for vacations and vacations bonuses and bonus	58	187
Interest payable:		
Sierra Investments, SGPS, S.A.	3,339	1,171
Sierra Portugal, S.A.	76	-
Sierra Spain Shopping Centers Services, S.L.	215	147
Sierra Management. SGPS, S.A.	112	82
Paracentro – Gestão Galeria Comercial S.A.	8	-
Interest bond loans	1,843	1,871
Interest bank loans	370	379
Financing costs payable	158	118
Services rendered by third parties	26	39
Committees of guarantees	10	10
	6,214	4,004

The caption of "Accrual for vacations and vacations bonuses and bonus" as of 31 December 2017 and 2016, include the amounts of kEuro 58 and kEuro 187, respectively, related to remuneration bonus attributed to some employees of the Group, which will be paid in the future, as long as the employees involved are still employees of the Group as of the payment date.

This remuneration bonus will be adjusted, in each of the following periods, until the corresponding payment date, by the annual variation of the Net Asset Value (NAV) of the Group and for the remuneration bonuses attributed in 2011, inclusive, will be also adjusted according to the direct result of the Group and possible sales of assets during the deferred period.

These remuneration bonuses are amortised on a straight line basis over the deferred period and recorded as expense, on the basis of the gross amount that was attributed to those employees, and any subsequent adjustment derived from the variation of the Group's NAV or other is recorded in the statements of profit and loss of the year in which the variation occurs.

Sonae Sierra, SGPS, SA

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17 OTHER OPERATING REVENUE

Other operating income for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Recovery of costs	2	33
	2	33

18 OTHER OPERATING EXPENSES

Other operating expenses for the years ended 31 December 2017 and 2016 are made up as follows:

	2017	2016
VAT	11	10
Stamp duty	–	8
Other	10	10
	21	28

19 NET FINANCIAL RESULTS AND NET INCOME FROM INVESTMENTS

Net financial results are made up as follows:

	2017	2016
Expenses:		
Interests on loans obtained from group companies (Note 21)	5,077	2,394
Interests on bond loans	4,220	4,338
Interests on overdrafts	561	61
Interests on bank loans	608	1,217
Losses on fair value of financial derivatives	–	16
Stamp duty related to financing	73	88
Bank charges	1,401	1,124
Guarantees	168	188
	12,108	9,425
Net financial expenses	(10,416)	(8,423)
	1,692	1,002
Income:		
Interest income (Note 21)	1,144	356
Other	548	647
	1,692	1,002

Gains and losses on investments are made up as follows:

	2017	2016
Dividends	1,718	2,078
	1,718	2,078

The amount recorded under the caption “Dividends” refers to dividends attributed and received from its subsidiary Sierra Management, SGPS, S.A..

Sonae Sierra, SGPS, SA

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20 INCOME TAX

Income tax for the years ended 31 December 2017 and 2016 is made up as follows:

	2017	2016
Current income tax (Note 7)	(1,898)	(881)
Correction of current income tax estimate of previous year	186	(236)
	(1,712)	(1,117)

The reconciliation between tax expense and the accounting profit multiplied by the applicable tax rate is as follows:

	2017	2016
Profit before income tax	(8,933)	(6,579)
Dividends (Note 17)	(1,718)	(2,078)
Correction related to financial hedging instruments	–	16
Other	28	35
Taxable profit	(10,623)	(8,606)
Income tax rate in Portugal	21.0%	21.0%
	(2,231)	(1,807)
Deferred income tax not recognized	2,231	1,807
Regularization of the consolidated tax estimate	(1,898)	(881)
Insufficiency of tax estimate	186	(236)
	(1,712)	(1,117)

21 RELATED PARTIES

Balances and transactions that existed with related parties, during the years ended 31 December 2017 and 2016, in addition to the loans conceded to and obtained from the shareholders mentioned in Notes 5 and 13, are detailed as follows:

	Balances					
	Other receivables (Note 6)		Other payables (Note 15)		Other current assets/liabilities (Notes 8 and 16)	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
Sierra Portugal, S.A.	1,297	693	124	169	(76)	–
Sierra Management, SGPS, S.A.	95	84	–	–	(112)	(82)
Sierra Investments, SGPS, S.A.	901	346	2	3	(3,339)	(1,171)
Paracentro – Gestão de Galerias Comerciais S.A.	72	37	9	9	(8)	–
Parklake Shopping, S.A.	18	69	–	–	–	–
Sierra Developments, SGPS, S.A.	–	36	114	4	752	204
Parque de Famalicão, Empreendimentos Imobiliários, S.A.	–	–	41	40	–	–
CCCB Caldas da Rainha – Centro Comercial, S.A.	–	–	6	6	–	–
ARP Alverca Retail Park, S.A.	–	–	46	1	–	–
Sonae SGPS, S.A.	–	–	–	36	–	–
Sierra Spain Shopping Centers Services, S.L.	–	–	–	–	(215)	(147)
	2,383	1,265	341	267	(2,998)	(1,196)

Sonae Sierra, SGPS, SA

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21 RELATED PARTIES (continued)

	Transactions			
	Interest income (Note 19)		Interest expense (Note 19)	
	31.12.17	31.12.16	**31.12.17**	31.12.16
Sierra Developments, SGPS, S.A.	**1,143**	355	**28**	34
Sierra Investments, SGPS, S.A.	**1**	1	**4,167**	1,479
Sierra Portugal, S.A.	**–**	–	**258**	243
Sierra Management. SGPS, S.A.	**–**	–	**436**	385
Sierra Spain Shopping Centres Services, S.L.	**–**	–	**347**	244
Sierra Italy Srl	**–**	–	**–**	6
Paracentro-Gestão de Galerias Comerciais S.A.	**–**	–	**8**	3
	1,144	356	**5,244**	2,394

22 EARNINGS/LOSSES PER SHARE

As of 31 December 2017 and 2016, basic earnings per share correspond to the net profit divided by the weighted average number of ordinary shares of Sonae Sierra during the year, and was computed as follows:

	2017	2016
Profit/Losses considered to compute the basic earnings per share (net profit of the year)	**(7,221)**	(5,462)
Number of shares	**32,514,000**	32,514,000
Earning/Losses per share (Euro)	**(0.22)**	(0.17)

23 CONTINGENT LIABILITIES AND BANK GUARANTEES

During the year ended 31 December 2015, the Company was notified by the tax authorities regarding to the deductibility of the interest incurred with the loans obtained in the year of 2011, in the amount of kEuro 437. The subsidiary Sierra Investments SGPS, SA provided a guarantee in the amount of kEuro 1,253, to the Portuguese tax administration on behalf of Sonae Sierra SGPS, SA, in order to suspend the effects of this process.

However, as of 31 December 2012, the Company had been notified by the tax authorities regarding to the deductibility of the interest incurred with loans obtained in the years 2005, 2007, 2008 and 2009 and 2010 as Mother Company of the RETGS in the amount of KEuro 9,260. This notification was claimed by the Company. No provision was recorded because the Board of Directors understands that the risk of this contingency is unlikely.

In what concerns the year 2005, the Company applied to the Tax Debts Exceptional Payment Regime (RERD) and paid the corresponding tax, which is expected to be reimbursed as the Company expects a favourable decision from the court regarding the related judicial claim (Note 6). In 20 January 2015 the Company has been notified by the court on the second favourable decision.

Additionally, as of 31 December 2017 and 2016 the following bank guarantees were granted:

	2017	2016
Bank guarantees:		
Tax processes in course	**1,517**	1,517
To secure the reimbursement of the first instalment of the preliminary sale and purchase agreement with Carrefour Romania	**2,108**	2,108
To secure the reimbursement of the second instalment of the preliminary sale and purchase agreement with Carrefour Romania	**8,500**	8,500
To secure the reimbursement of the third instalment of the preliminary sale and purchase agreement with Carrefour Romania	**5,370**	5,370
To secure the remedy of any flaws of the construction works related to the Carrefour Romania that might occur within one year as of the signing of the Acceptance and Handing Over Certificate.	**–**	415
	17,495	17,910

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23 CONTINGENT LIABILITIES AND BANK GUARANTEES (continued)

As of 31 December 2017 the amounts recorded under the caption "Tax processes in course", refer to guarantees issued in favour of "Direcção Geral dos Impostos", related to the suspension of income tax notifications for the years 1996 (kEuro 1,493) and of 2013 (kEuro 24).

During the year ended December 31, 2014, the Company granted a guarantee in favour of Carrefour Romania in the amount of kEuro 2,108 on behalf of its subsidiary Parklake Shopping S.A., to secure the reimbursement of the first instalment of the purchase price related to the acquisition by Carrefour of the hypermarket unit.

During the year ended December 31, 2013, the Company had granted a guarantee to the Portuguese tax administration in the amount of kEuro 230 on behalf of its subsidiary Sierra Investments, SGPS, SA, to suspending the stamp tax notification for the year 2010 related to short-term loans granted to the shareholder. In April 2017, and as a result of a favourable decision in the court at first instance, the withdraw of this guarantee was ordered.

During the year ended December 31, 2012, the subsidiary Sierra Investments SGPS, SA provided a guarantee in the amount of kEuro 8,316, to the Portuguese tax administration on behalf of Sonae Sierra SGPS, SA, in order to suspend the effects of IRC process for the year 2008, in the Fiscal Unit, under the Special Taxation Regime for groups of Society "RETGS".

During the year ended December 31, 2013, the subsidiary Sierra Investments SGPS, SA provided three guarantees in the amount of kEuro 3,192, kEuro 943 and kEuro 163, to the Portuguese tax administration on behalf of Sonae Sierra SGPS, SA, in order to suspend the effects of IRC processes for the years 2009, 2010 and 2012, in the Fiscal Unit, under the Special Taxation Regime for groups of Society "RETGS".

During the year ended December 31, 2014, the subsidiary Sierra Investments SGPS, SA provided a guarantee in the amount of kEuro 182, to the Portuguese tax administration on behalf of Sonae Sierra SGPS, SA, in order to suspend the effects of IRC process for the year 2013, in the Fiscal Unit, under the Special Taxation Regime for groups of Society "RETGS".

During the year ended December 31, 2015, the subsidiary Sierra Investments SGPS, SA provided a guarantee in the amount of kEuro 201, to the Portuguese tax administration on behalf of Sonae Sierra SGPS, SA, in order to suspend the effects of IRC process for the year 2014, in the Fiscal Unit, under the Special Taxation Regime for groups of Society "RETGS".

24 DISCLOSURES REQUIRED BY LEGISLATION

The information on fees charged by the statutory auditor is included in the information disclosed on the consolidated financial statements.

25 SUBSEQUENT EVENTS

On the 25th of January, the Company issued three bond loans in a total of kEuro 100,000 and, on the same date, the previous bond loan on the amount of kEuro 75,000 was liquidated.

The principal conditions associated to these bond loans are as follows:

"SONAE SIERRA 2018-2025"

> 500 bonds: Nominal value: Euro 100,000;

> Maximum term: 7 (seven) years;

> Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period (floor 0%), with a spread of 2.35% p.a.;

> Interest Payment: half yearly in arrears, on 25 January and 25 July of each year;

> Reimbursement: five annual reimbursements, after 25 January 2021 (inclusive) until 25 January 2025

> Tax regime: in accordance with the legislation in force in Portugal.

Sonae Sierra, SGPS, SA

Notes to the financial statements as of 31 December 2017

(Translation of notes originally issued in Portuguese – Note 27)
(Amounts stated in thousands of Euro – kEuro)

25 SUBSEQUENT EVENTS (continued)

"SONAE SIERRA 2018-2023"

> 250 bonds: Nominal value: Euro 100,000;

> Maximum term: 5 (five) years;

> Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period (floor 0%), with a spread of 2.00% p.a.;

> Interest Payment: half yearly in arrears, on 25 January and 25 July of each year;

> Reimbursement: at par, in one payment on 25 January 2025 the payment date of the last coupon;

> Tax regime: in accordance with the legislation in force in Portugal.

"€25,000,000 SONAE SIERRA JANEIRO 2023"

> 250 bonds: Nominal value: Euro 100,000;

> Maximum term: 5 (five) years;

> Annual interest rate: the interest rate, which is variable, is indexed to the EURIBOR 6 month's rate on the second working day proceeding the interest period (floor 0%), with a spread of 2.00% p.a.;

> Interest Payment: half yearly in arrears, on 25 January and 25 July of each year;

> Reimbursement: at par, in one payment on 25 January 2025 the payment date of the last coupon;

> Tax regime: in accordance with the legislation in force in Portugal.

26 APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors and authorised for issuance on the 7 of March 2018. However, these financial statements are still depending on the approval by the Shareholders General Meeting, in accordance with business legislation prevailing in Portugal.

27 NOTE ADDED FOR TRANSLATION

This is a translation of financial statements originally issued in Portuguese in accordance with Portuguese Statutory requirements, some of which may not conform to or be required in other countries. In the event of discrepancies, the Portuguese language version prevails.

Sonae Sierra, SGPS, SA and subsidiaries

STATUTORY AUDIT REPORT

(Translation of a report originally issued in Portuguese)

REPORT ON THE AUDIT OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

WE HAVE AUDITED THE ACCOMPANYING CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF SONAE SIERRA, S.G.P.S., S.A. ("THE GROUP"), WHICH COMPRISE THE CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2017 (THAT PRESENTS A TOTAL OF 2,322,084 THOUSAND EUROS AND 1,258,868 THOUSAND EUROS, RESPECTIVELY, AND CONSOLIDATED AND SEPARATE TOTAL EQUITY OF 1,729,040 THOUSAND EUROS AND 954,132 THOUSAND EUROS, RESPECTIVELY, INCLUDING A CONSOLIDATE NET PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE MOTHER-COMPANY OF 109,951 THOUSAND EUROS AND A SEPARATE NET LOSS OF 7,221 THOUSAND EUROS), THE CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT AND LOSS BY NATURE, COMPREHENSIVE INCOME, CHANGES IN EQUITY AND CASH FLOWS FOR THE YEAR THEN ENDED, AND THE ACCOMPANYING NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS THAT INCLUDE A RESUME OF THE SIGNIFICANT ACCOUNTING PRINCIPLES.

In our opinion, the accompanying consolidated and separate financial statements present a true and fair view, in all material respects, the consolidated and separate financial position of Sonae Sierra, S.G.P.S., S.A. as of 31 December 2017 and of its consolidated and separate financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and the standards and technical and ethical directives of the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section below. We are independent from the entities that are part of the Group in the terms of the law and we comply with the ethical requirements in the terms of the ethical code of the Portuguese Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the consolidated and separate financial statements

Management is responsible for:

> the preparation of consolidated and separate financial statements that present a true and fair view of the financial position, the financial performance and the cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;

> the preparation of a management report under the applicable legal and regulatory terms;

> the implementation and maintenance of an appropriate internal control system that allows the preparation of consolidated and separate financial statements that are free from material misstatements due to fraud or error;

> the adoption of accounting principles and accounting criteria appropriate in the circumstances; and

> the evaluation of the Group's ability to maintain the going concern, disclosing, whenever applicable, the matters that may cast significant doubt relating the continuity of the Group's operations.

Auditor's responsibility for the audit of the consolidated and separate financial statements

Our responsibility consists in obtaining a reasonable assurance on whether the consolidated and separate financial statements as a whole are free from material misstatements, whether due to fraud or error, and issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

> identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

> obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

> evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

> conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

Sonae Sierra, SGPS, SA and subsidiaries

STATUTORY AUDIT REPORT

(Translation of a report originally issued in Portuguese)

Auditor's responsibility for the audit of the consolidated and separate financial statements (continued)

> evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

> obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

> we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility includes also the verification of the agreement between the information included in the Management report and in the consolidated and separate financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, number 3.e) of the Portuguese Commercial Code ("Código das Sociedades Comerciais"), in our opinion, the management report was prepared in accordance with the applicable laws and regulations and the information included therein is coherent with the audited consolidated and separate financial statements, and considering our knowledge and appreciation of the Group, we did not identify material misstatements.

Lisbon, 7 March 2018

Deloitte & Associados, SROC S.A.

Represented by Teresa Alexandra Martins Tavares, ROC

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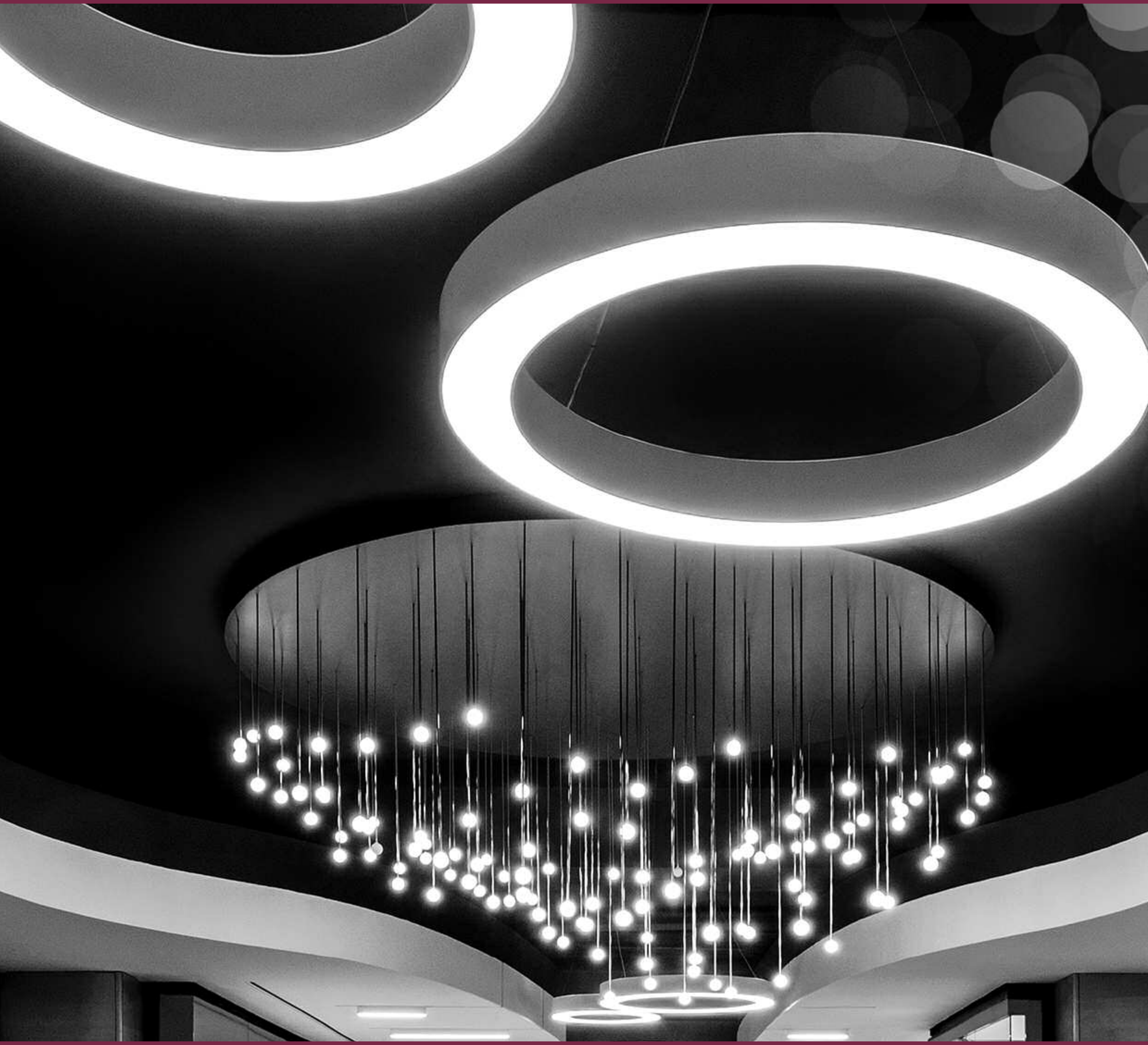

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