



Sustainability Report and Accounts 2016

SUSTAINABILITY is a road that brings us VALUE



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ABOUT THIS REPORT

01 ABOUT THIS REPORT

This report presents indicators and practices concerning sustainability, associated with the activity carried out by Luís Simões (LS) between the 1st of January of 2016 and the 31st of December of 2016, in the following business areas: transport, logistics, maintenance and commercialisation of heavy-duty traction vehicles, semi-trailers and rent-a-cargo. The group's remaining business areas were only taken into account for the calculation of the total number of employees and for the preparation of the graphical presentation about the facilities of LS in the Iberian Peninsula.

This report includes the content corresponding to the Annual Report & Accounts of 2016 (in the chapters on Financial Robustness and Accounts) of the company Luís Simões SGPS.

The Sustainability Report is produced on an annual basis, including the Annual Report & Accounts.

The report was prepared taking into account the guidelines of the Global Reporting Initiative (GRI), as of version G4, in the option "In Accordance - Core". The contents of this report were developed based on the results of the stakeholder consultation, conducted to reassess topics that are material to the Group and its sustainability strategy. In this context, Luís Simões only includes in this report details concerning the sustainability principles which reflect the most relevant topics identified in the Materiality Matrix.

Luís Simões Logística Integrada, S.A. (PT and ES) has endorsed the principles of the United Nations Global Compact, including them and the respective Communication of Progress (COP) in the chapter relative to the Sustainability Strategy and in the GRI table.

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01.1 TO OUR STAKEHOLDERS

It is our vision to be seen as an Iberian reference in terms of quality of service in the transport and logistics sector.

A family business founded in 1948, Luís Simões has always looked towards the future with a strong sense of responsibility: the future generations (our own, those of our employees, our clients and the communities that receive us) are the focus of our concerns.

In 2016 Luís Simões concluded the first edition of the leadership program “Ser Líder LS”, a transformation programme on leadership, supported within 5

pillars: Responsibility, Alignment, Enthusiasm, Exemplarity and Trust. This programme, whose ambassadors are the 3 board directors of the third generation of the Simões family. It works on fundamental factors for the differentiated service that we want to offer our clients. An investment in building of leadership teams, with follow-up in the coming years.

The immediate results assure our sustainability in the short term. Real and genuine concern for sustainability assures us that we will continue to operate in the coming decades.

Rui Simões, Innovance Director

We have kept the investment in fleet renovation, focused on less pollutant vehicles (Euro VI) which at the same time reduced the average age of the fleet.

At Luís Simões we believe that we help our clients to grow, we believe that we are building a better future, we believe that we add a little of ourselves every day that passes, at every km taking our expectation of a better future

Fernanda Simões, Director of the Transport and Logistics business units

In 2008 we opened the automatic warehouse of Luís Simões in Carregado and, in less than 10 years, we have managed to

enhance the importance of our activity in the northern zone of Portugal, with a new Logistic Operating Centre at the Leixões Harbour, the renovation of Gaia's Logistic Operation Center, and the opening of a new Technical Assistance Centre of RETA at Vila Nova de Gaia. We believe that this investment enables us to offer a better service to our clients and improve the working conditions of our employees.

We ended 2016 with our installation in a new Central Warehouse of Luís Simões, in Cabanillas del Campo, to serve the entire central region of Spain.

At Luís Simões we dream of growing and innovating, teams and clients, side by side, to pave the way for the future.

With the implementation of Lean methodology, very often in partnership with our clients, we have found a way to add value to our daily operations.

Our clients are our source of inspiration, it is with them that we design and accomplish innovative solutions, that are able to carry value and boost development, in a true relationship of partnership. It is with our clients that we dream of going even further, to where the future takes us."

Daniela Simões, Director of Business Development business unit

Illustrative of this is the CHANGE project, implemented in partnership with the client Heineken. The CHANGE project, focused on improvement of customer service through a social approach in terms of the employees involvement and improvement of the safety conditions in operations, is a clear example of solutions with impact on sustainability. This multidisciplinary approach makes us grow as teams and as a company.

José Luís Simões
Chairman of the Board of Directors



02.1 WHO WE ARE

Luis Simões, a family business since 1948, held by the Simões family, focused as a transport and logistics operator with an integrated vision in the supply chain, which includes 10 companies, 1739 employees and a diverse variety of services. The core business accounts for around 95% of turnover.

SERVICE PORTEFOLIO

HIGHLIGHTS

TRANSPORT



- Full Truck Load = FTL (Environment, Controlled Temperature, ADR)
- Less than full truck load
- Distribution
- Mobile Advertising
- Dedicated Vehicles
- Flow Management
- WDT (Warehouse Managing, Delivering & Transportation)
- Intermodal (Short Sea Shipping)

Leader in Road transport in Portugal and in the Portugal / Spain / Portugal flow

LOGISTICS



- Storage
- Iberian Distribution
- Picking
- E-commerce
- Inverse Logistics
- Promotional Logistics
- Inventory Control
- Traceability
- Added Value Services (Co-packing)

Leader of logistics and Distribution of mass consumption products in Portugal

TECHNICAL SERVICES & RENT-A-CARGO



- Sale of Semi-Trailers: New & Used
- Rent-a-cargo
- Maintenance of heavy traction vehicles and semi-trailers

Market leader of rent-a-cargo in the Portuguese market

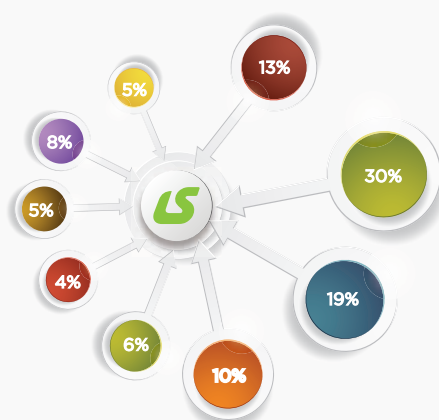
INSURANCE BROKER



- Insurance mediation in the individual customer segment
- Insurance mediation in the companies segment

National Coverage in Portugal

THE CORE BUSINESS OF LS SERVES VARIOUS INDUSTRIES:



- FOOD
- BEVERAGES
- HPC
- OTHERS
- CONSUMER ELECTRONICS

- PAPER, PULP AND PACKAGING
- RETAIL
- FASHION
- AUTOMOTIVE

02.1 WHO WE ARE

Luís Simões is ruled by a series of values and policies that reflect the company's mission and vision in a market under constant evolution.

MISSION

Assuring efficient and competitive solutions of Transport, Logistics and auxiliary services, promoting the satisfaction of our clients and society in general from an economic, social and environmental point of view.

VISION

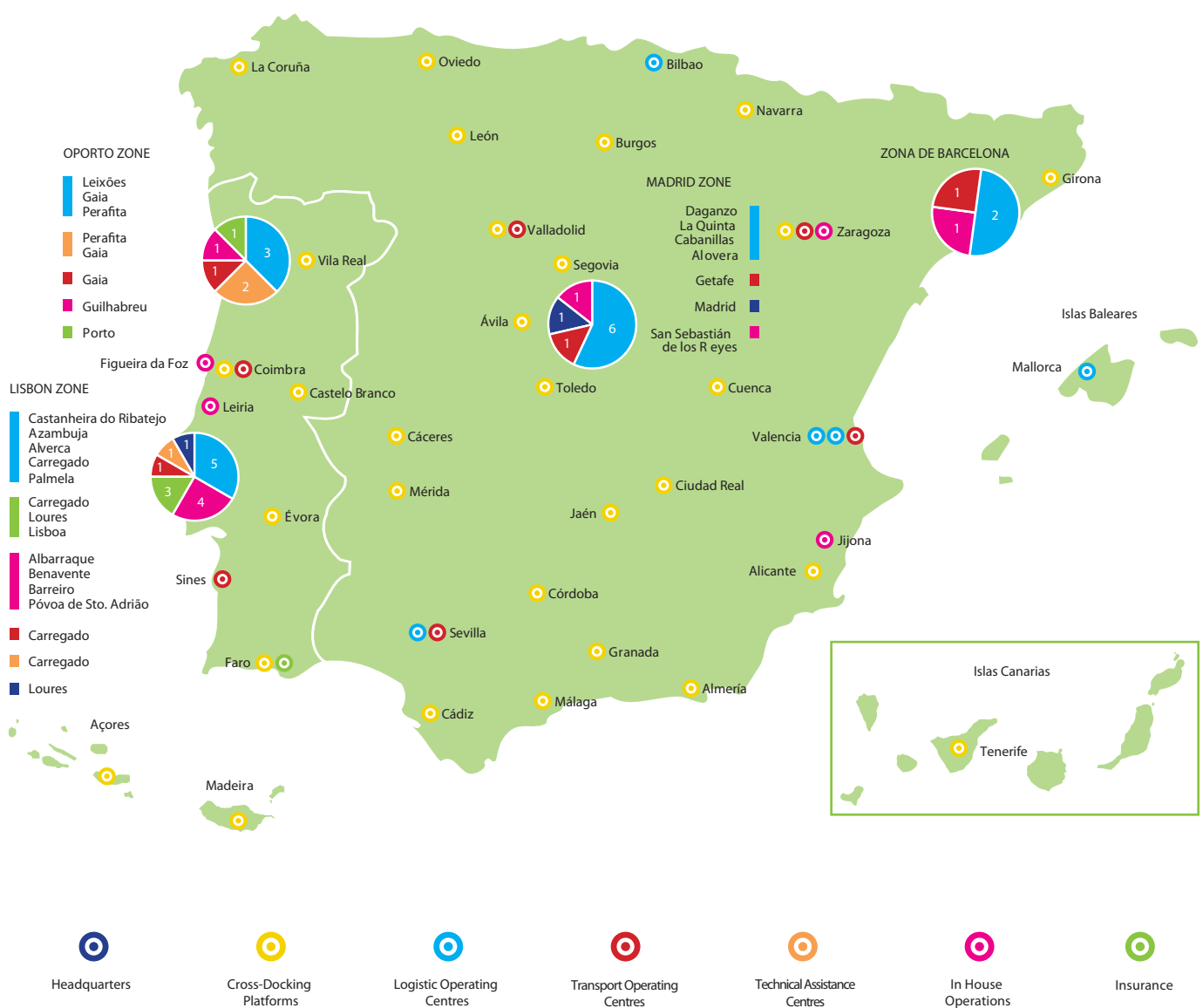
Being an Iberian reference in terms of quality of service of the logistics and transport sector.

VALUES

- Customer driven
- Respect for people
- Sustainability
- Trust
- Loyalty
- Innovation
- Environment
- Concern for safety
- Assets

02.1 WHO WE ARE

With a regional presence in the Iberian Peninsula and a very ample network, LS is more than the sum of its parts:



~02.11 WHO WE ARE



LOGISTICS

20 Logistic
Operating Centres

300.000m²

28 Cross-Docking
Platforms

12 Co-packing
Centres



TRANSPORT

Management of a
fleet of 2,000
vehicles

10 Transport
Operating Centres



SERVICES

3 Technical
Assistance Centres
covering 22,000,
17,000 and 3,000
m² (Carregado,
Gaia and Perafita)

2 Heavy vehicle
washing stations

111,000h installed
maintenance
capacity (heavy
vehicles)

4.417.232

PICKING UNITS/MONTH

DISTRIBUTION ROUTES/DAY

840



2.967.801

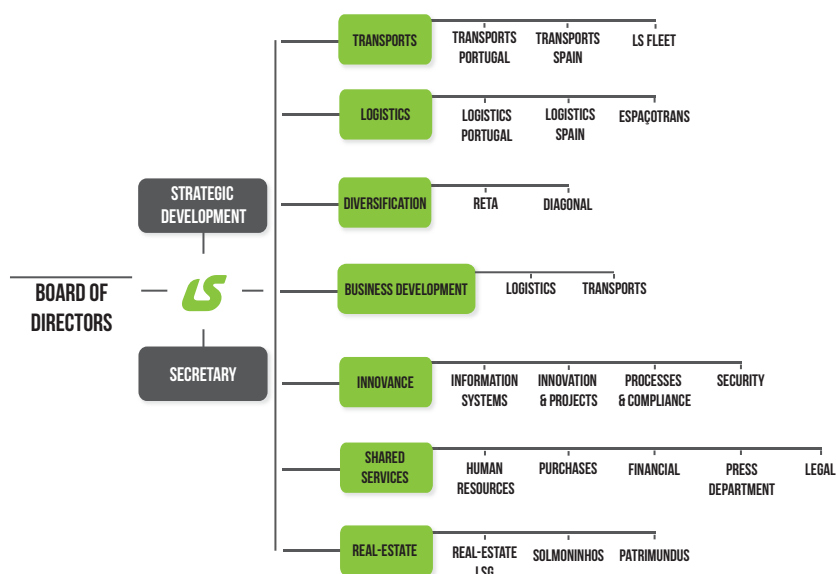
CO-PACKING UNITS/MONTH

TONS PER YEAR

1.770.741

02.2 | GOVERNANCE STRUCTURE

The Luis Simões Group is composed of LS – Luis Simões, SGPS, S.A. and its subsidiaries. Luís Simões by business area:



The Luís Simões companies are 100% held by the Simões family. Since 2015 the Board of Directors has included 3 members of the second generation and 3 members of the third generation. Over half the members of the third generation incorporates the organisation's management staff.

Board of Directors

The Board of Directors is of a statutory nature and is composed of 7 directors, six of whom are members of the LS family.

| | | | | | | |
|---|---|---|---|--|---|---|
| JOSÉ LUÍS SIMÕES | LEONEL SIMÕES | JORGE SIMÕES | CELESTE SANTOS | DANIELA SIMÕES | FERNANDA SIMÕES | RUI SIMÕES |
| CEO | BOARD | BOARD | BOARD | BOARD | BOARD | BOARD |
| 2G | 2G | 2G | NON-FAMILY | 3G | 3G | 3G |
|  |  |  |  |  |  |  |
| José Luís Simões (Director of the "Real Estate" business and Chairman of the Board of Directors) | Leonel Simões (Non-Executive Director) | Jorge Simões (Director of the "RETA and Diagonal" business units and Managing of the RETA business unit) | Celeste Santos (Director of the "Shared Services" corporate unit) | Daniela Simões (Director of the "Business Development" business unit) | Fernanda Simões (Director of the Transport and Logistic business units) | Rui Simões (Director of the "Innovance" corporate unit) |

and two external advisers.

02.2 | GOVERNANCE STRUCTURE

Executive Committees are constituted for each business unit and corporate unit, in which the respective Board Directors and Managing Directors participate, and that hold monthly meetings primarily aimed at monitoring the evolution of the business, taking decisions that require the intervention of the Executive Committees, and assuring coordination with the Board of Directors.

The governance model of Luís Simões maintains 2 events of enormous relevance for the employees and directing teams, which enables the organisation's alignment:

Shareholders Meeting
(LS SGPS)

Board of Directors

Executive Committees
per business unit /
Corporate unit

Visits of the Board of Directors

These visits take place in each region every 2 years and cover every single operating unit of Luís Simões in the Iberian Peninsula: 3 regions in the first year of the cycle, and 2 regions in the following year. Each visit involves the entire directing team (including corporate areas) and management team of the business at a central and regional level.

Managers Meeting

Held at the beginning of each year, the objective of this event is to assure the alignment of the management team and award the managers for their performance in the previous year.



Managers of the year

02.2 | GOVERNANCE STRUCTURE

Significant Changes in 2016

Implementation of the Compliance Area

Under the strategic plan of the Luís Simões companies and in the light of national and international best practices, a Compliance corporate area was created in December 2015.

The origin of Compliance at LS does not derive from its regulatory imposition as its endorsement is voluntary. Its purpose is the pursuit of educational ends, including aspects of ethics and conduct, and the spreading of knowledge and “best practices” aimed at mitigating risks for business continuity.

In view of the best practices, and from a hierarchical and functional point of view, the positioning of the Compliance function at LS assures the necessary concept of independence, by:

- The creation of a specific department, with total independence from the business areas of LS – the Compliance and Risk Management Department;
- The direct communication with the Board of Directors, through the Director of the Innovance area;
- The absence of any potential conflicts of interest; and
- Access to the necessary information to carry out their duties.

Whenever we mention Compliance, it means acting in conformity with the legislation and regulations applicable to LS, and likewise with the in-house policies that LS decides to follow, such as: Code of Ethics and Conduct; Policy on Offers; Policy on Risk Management; Internal Regulation; among others.



Based on the principal constructive elements that a Compliance function should address, and aligned with the best practices recommended by the specialized entities, we have defined a simple but effective Compliance Programme duly adapted to the reality of LS.

One of the central components of the Compliance Programme is founded on compliance with the Risk Management Policy, which establishes a methodology that assures the knowledge and assessment of the risks faced by LS, as well as an efficient way to respond effectively to these same risks.

The Compliance and Risk Management Department is responsible for centralising the registry of the existing risks, their classification (Strategic; Environmental; Legal; Technological; Fraud, Personnel; Operational; and Financial) and assessment relative to Severity and Probability of Occurrence, thus keeping the “Risk Management Matrix” updated.

To Each risk is allocated a Risk Owner, thus assuring the required accountability for the processes of assessment, definition of actions based on the impact of the risk, and its subsequent control.

The Compliance and Risk Management Department also monitors the effectiveness of the implemented actions, follows up on the risks at the Compliance Committees, Executive Committees and Business/area Committees. This Department is also responsible for preparing and submitting, on a regular basis or upon request, reporting to the Board of Directors on the evolution of risks and corresponding mitigation plans.



02.3 | MAIN EVENTS

New centrality of Luís Simões in Spain – Cabanillas del Campo

The construction of the Central warehouse, at Cabanillas del Campo, in Spain started in 2016.





LUÍS SIMÕES ESTABLISHES PIONEERING CODE OF ETHICS AND CONDUCT AT THE IBERIAN LEVEL

- **Code of Ethics and Conduct pioneering in its sector of activity, aimed at regulating business relations within a demanding regulatory framework**

Luís Simões, reference logistics operator at an Iberian level, has just created its Compliance and Risk Management Department, a decision which is regarded as an exercise of transparency and corporate governance. The mission of this new department is to assure the implementation and effectiveness of a Compliance Programme in the pursuit of compliance with legal and regulatory requirements, and in accordance with LS internal policies and practices.

Since its creation, legal compliance, risk management and ethical principles have always been a priority of LS in all its practices. The new department aims to keep alive the culture of commitment to excellence and assure the correct operation of the Internal Control Systems of the LS Group, seeking to reduce the risks inherent to the complexity of each business.



One of the first projects of the Compliance and Risk Management Department involved the creation of the LS Code of Ethics and Conduct, making Luís Simões the first company of the sector, at an Iberian level, to have recorded regulations of this type, which are intended to act in accordance with the most demanding standards. Situations of fraud, corruption, bribery, disrespect for human and labour rights, environmental damage or other illegal or unethical practices are some of the topics considered.

In order to ensure a broad view of all processes in this field, LS has appointed a Compliance Committee formed by several functions of the company, whose main objective is to control the implementation of the Compliance Program to be implemented,

and to assist the Board of Directors. Management in fulfilling its supervisory responsibilities. To ensure the correct performance of these commitments, Pedro Ventura, Process and Compliance Officer was appointed as the new Chief Compliance Officer, reporting directly to Rui Simões, Administrator of the area of Innovation, which includes this Directorate in an organic manner.

For José Luís Simões, Chairman of Luís Simões, *"the launch of this new organisational area is a step forward in our commitment to business transparency and ethics, indispensable values for organisations like ours, which seek to be recognised in the market for the reliability of their processes and for the ethics in its relations with all agents involved."*

02.3 | MAIN EVENTS



RETA ANNOUNCES NEW PARTNERSHIP WITH NEXUS TRUCK

RETA – Serviços Técnicos and Rent-a-Cargo, S. A. has been, since the beginning of June, the partner of the Nexus Group for the Nexus Truck concept. Founded just two years ago, the Nexus Group is showing resounding growth all over Europe, rapidly becoming one of the largest international players of distribution of parts.

The agreement arises from RETA's positioning as a specialised and multi-brand facility and, simultaneously reinforces the strength of the brand in the tractor maintenance and repair category. Furthermore, the partnership also allows RETA to expand its range of services offered to the market and create conditions to repair a larger variety of trucks, in addition to offering clients a wide range of multi-brand parts for heavy vehicles, through its Truckline parts by URVI.



Paulo Caires, RETA's marketing director, explains that *"change is an important constant factor for the achievement of new goals and facing of challenges. We have positive expectations concerning this partnership. Moreover, the exponential growth by Nexus at an European level has given us high expectations regarding to the outcomes of this relationship"*.

THE FOOD BANK DISTINGUISHES LS

Luís Simões attended the ceremony organised by the Madrid Food Bank to thank the active participation of companies, the media and volunteers in the "Great Collection of 2015".

On 7th April, Ignacio Gutiérrez, Regional Director of the Transport's in Center Region of Spain, represented LS at the event to receive a distinction for the participation of Luís Simões in the "Great Collection of 2015", a large-scale operation which collected 22 million kg of food throughout Spain.

The event began with a brief speech given by the Chairman of the the Madrid Food Bank, Javier Espinosa, who used the occasion to thank the companies, people, volunteers and media for the collaboration which allowed the "Great Collection" to surpass its defined goals.



LS renewed its commitment to the Great Collection for the second consecutive year in the transport of donated food from the logistic platforms of the food distribution chains to the warehouses of the Madrid Food Bank.

02.3 | MAIN EVENTS



LUÍS SIMÕES IS THE FIRST COMPANY IN THE WORLD TO COMBINE SOLAR ENERGY AND KINETICS IN REFRIGERATED TRUCKS

Partnership with AddVolt involved two years of research and development and 70,000 Km of tests

Luís Simões is the first company to combine energy from the sun and energy recovered during braking and deceleration of trucks to supply the goods refrigeration system. The WeTruck technology, developed in partnership with AddVolt, brings in immediate effects in reducing the pollutant gas emissions of the refrigeration units that equip the trucks and trailers, enabling a reduction up to 87% of CO2 emissions, during the transport of products subject to temperature control.

During two years of research and development and with over 70,000 Km of tests and trials in real operation, Luís Simões and AddVolt have demonstrated that the technology contributes significantly to cut CO2 emissions, achieving monthly reductions of 844kg per vehicle, and also representing a noise reduction of over 30%, of the order of 30dB, and consequent increased efficiency in the refrigeration of the goods during their transport.

At Luís Simões we focus on a strategy of innovation, through partnerships with universities, start-ups, R&D centres, government institutions and business partners, in building more sustainable transport models - crucial for the growth of the sector. The Collection with the scientific and technological community enables a bridge between the business and academic world, developing new skills and creating disruptive applications. The WeTruck project is, precisely, the most recent embodiment of this concept", remarked Cláudia Trindade, Fleet Manager of Luís Simões.



Traditionally, refrigerated trucks need two diesel engines, one for the traction of the actual vehicle and the other entirely dedicated to the refrigeration of the products. The solution, which combines the reuse of the kinetic energy created by the braking and deceleration of the actual vehicle with solar energy production, allows the refrigeration system to operate only in electric mode, thus moving towards a solution to our current dependence on fossil fuel. In this regard, the Fleet Manager noted that "the potential use is enormous, from the replacement of diesel as a primary source for auxiliary equipment of a vehicle, to the energy supply of a warehouse. We believe that the future will involve cleaner technologies and that are less dependent on fossil fuels."

Apart from enabling a truck to produce its own energy, the WeTruck system also allows it to be shared with other refrigerated trucks or even with the warehouse. This leap of progress, which will strengthen the weight of electric power as a supply solution for these units, which are traditionally activated by a dedicated diesel engine, will enable improving the product delivery conditions, with a lower impact on the environment as well as cities' sustainability, by reducing the pollution and noise levels.

02.4 ON THE SUSTAINABILITY ROAD / SUSTAINABILITY VALUES AND STRATEGY

In 2008, Luís Simões developed a sustainability strategy based on the analysis of the results of the stakeholders engagement, the sectoral framework, the management guidelines and internal best practices, and the benchmarking of similar companies. In 2015, Luís Simões proceeded with a reassessment of materiality, once again based on the stakeholders engagement, the sectoral framework and benchmarking.



Stakeholders Engagement

The identification of stakeholders, namely their concerns and expectations, is of vital importance in the process of reassessment of the sustainability strategy. LS updated the mapping of the stakeholders, based on the analysis of the importance of LS for these stakeholders and vice-versa.



02.4 ON THE SUSTAINABILITY ROAD / SUSTAINABILITY VALUES AND STRATEGY

The stakeholder consultation enabled a review of the activities of Luís Simões, identifying strengths, weaknesses, opportunities and threats:

STRENGTHS

- Image
- Proactivity
- Leadership in the sector and in sustainability
- Financial soundness
- Investment in equipment and machinery / Fleet renewal
- Training in occupational health and safety
- Safer, more comfortable and efficient vehicles
- Innovation (natural gas fuelled truck)
- Road safety (PT)
- Organisation and procedures (PT)

WEAKNESSES

- Asymmetry in the perception of quality service between the two countries
- Lack of coordination and alignment between Transport and Logistics
- Outsourcing/subcontracting impact on quality service and efficiency
- Investment in the training of human resources
- Streamlining the adaptation of a new requirement (technological barriers)
- Road safety (SP)
- Empowerment and retention, training, OHS (SP)

OPPORTUNITIES

- Assuming own fleet for relevant clients
- Adaptation to the market's challenges and needs
- Streamlining the implementation of solutions (namely technological)
- Multimodality
- Being a partner between producers and distributors
- Door-to-door business and online trade
- Investing and empowering our employees
- Innovate with quality

THREATS

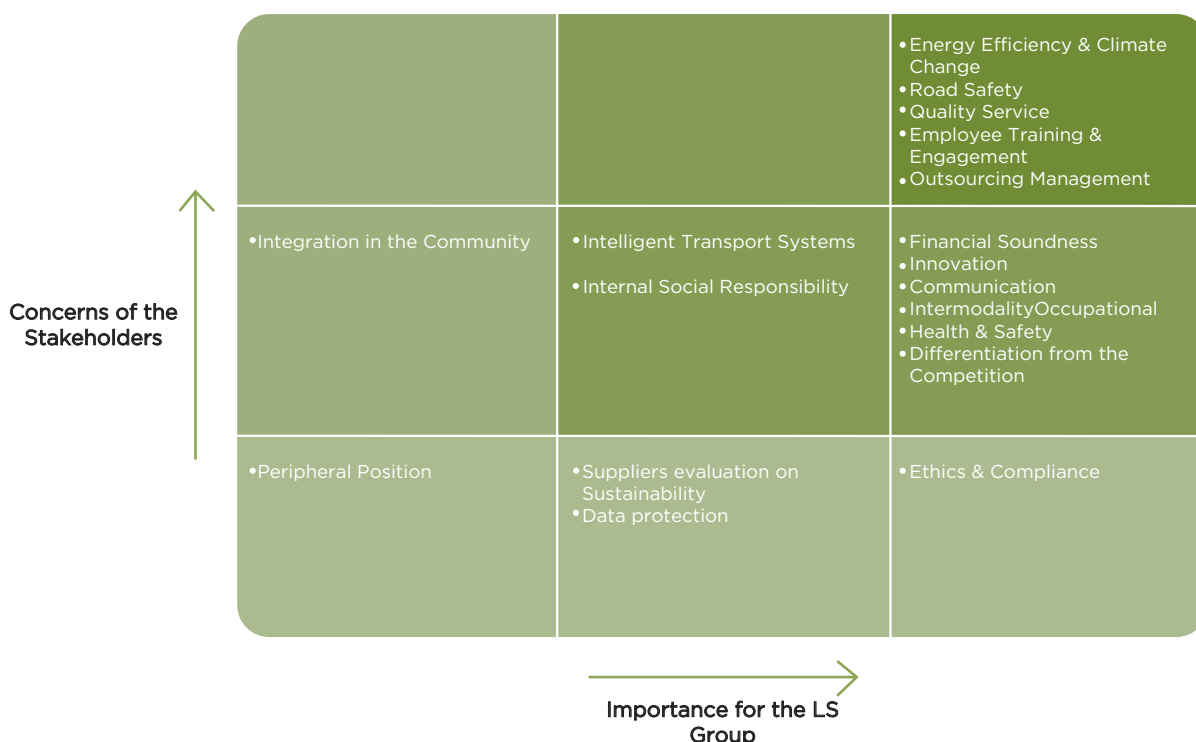
- Quality service
- Subcontracting
- Human resources Lack of training
- Structural difficulties in adaptation due to the company's size
- Excessive usage of temporary labour

PT - Portugal
SP - Spain
OHS - Occupational Health & Safety

The identified challenges were examined together with the best practices of the sector and with the practices of LS for their integration in the Materiality Matrix that summarises the importance of the challenges for LS and for the stakeholders.

02.4 ON THE SUSTAINABILITY ROAD / SUSTAINABILITY VALUES AND STRATEGY

MATERIALITY MATRIX



The internal operationalisation of the challenges identified in the Materiality Matrix is carried out in “Principles” that aggregate the initiatives to be developed in order to improve the performance of LS.

The Value Chain of Luis Simões was initiated in 2015, where the transport outsourcing has presented as particularly important due to the impact on the quality service provided.

In both countries, the transport providers are mainly small-scale (small or micro enterprises). This reality reflects the interdependence between companies, not only financially but likewise environmental and social. The performance of transport providers, either in their social behaviour or in the energy efficiency regarding fuel consumption, brings them to the top Sustainability priorities of Luis Simões.

The Sustainability strategy approved in 2008 was reviewed, identifying the new challenges, promoting a simplification of the topics and standardisation in communication.

02.4 | ON THE SUSTAINABILITY ROAD / SUSTAINABILITY VALUES AND STRATEGY

The 9 principles of sustainability of LS are in harmony with its values, and their operationalisation is closely related to the policies already developed by the Group:

1. Provide a Service with High Quality and Responsibility



Challenges: Quality service, Management of Subcontractors; Ethics and Compliance; Suppliers evaluation on sustainability issues; Differentiation from the competitors; Data protection
See chapter 4

- A) Meeting customer's expectations, offering flexible and innovative solutions;
- B) Ensuring high quality standards for its own and the outsourced fleet, for internal logistic operations as well as sales and technical assistance for trailers and rent-a-cargo;
- C) Ensuring high safety standards for the products, including food safety, during their involvement in the supply chain;
- D) Ensuring absence of corruption in all its forms, including extortion and bribery;
- E) Understanding the value chain's performance and impact, in order to support the performance management of Luis Simões along its value chain and allow risk identification.

2. Ensuring the Group's Financial Soundness



Challenges: Financial soundness
See chapter 8

- A) Promoting an earnings retention policy, reinforcing its own equity and subsequent financial balance;
- B) Aligning the time structure of outside capital to the nature of the financial investments;
- C) Efficiently managing the portfolio of clients, focused on reducing the average collection period, assuring the financing of the operating cycle.

02.4 | ON THE SUSTAINABILITY ROAD / SUSTAINABILITY VALUES AND STRATEGY

3. Promoting Innovation



Challenges: Innovation; Intelligent Transport Systems
See chapter 3

- A) Implementing a culture of innovation in service, processes and organisation, increasing efficiency and creating value for the client and for the Group;
- B) Adopting the best available solutions for the operation and whenever possible anticipating customer needs and the regulatory requirements.

4. Promoting Energy Efficiency



Challenges: Energy Efficiency and Climate Change; Management of Subcontracted parties; Intermodality
See chapter 5

- A) Promoting efficient engines, alternative fuels, and inter and co-modality solutions;
- B) Optimising the Roads, reducing empty mileage and increase the vehicle occupancy rates;
- C) Investing in training on Eco-Driving;
- D) Promoting energy efficiency in warehouses, Technical Assistance Centers for heavy-duty vehicles and offices;
- E) Monitoring energy consumption (electricity and fuel) and greenhouse gas emissions;
- F) Investing in relationship with haulage subcontracted parties and other suppliers, supporting them in a growing adoption of sustainability criteria;
- G) Fostering a preventive approach to environmental challenges.

02.4 | ON THE SUSTAINABILITY ROAD / SUSTAINABILITY VALUES AND STRATEGY

5. Employee Training and engagement



Challenges: Employee Training and Engagement; Ethics and Compliance
See chapter 7

- A) Stimulating selection and retention of employees with potential;
- B) Ensuring continuity of management capability via qualification and motivation of people;
- C) Potenciando o desenvolvimento profissional e realização pessoal;
- D) Boosting professional development and personal accomplishment;
- E) Ensuring respect for the protection of the internationally recognised human rights;
- F) Supporting freedom of association and effectively recognising Collective bargaining;
- G) Contributing to the abolition of all forms of force and mandatory labour stemming from its activity;
- H) Ensuring the absence of discrimination in employment.

6. Promoting Road Safety



Challenges: Road Safety
See chapter 6

- A) Promoting good driving practices , by training and monitoring of performance, and awarding good behaviours;
- B) Ensuring suitable working conditions for drivers both in terms of ergonomics and driving and resting periods;
- C) Ensuring preventive maintenance of the vehicles.

02.4 | ON THE SUSTAINABILITY ROAD / SUSTAINABILITY VALUES AND STRATEGY

7. Promote Occupational Health and Safety



Challenges: Occupational Health and Safety
See chapter 7

- A) Monitoring and mitigating risks associated with the activity;
- B) Ensuring proper means to promote safety and health during work performance;
- C) Improving ergonomics at the workplace and the work environment

8. Promoting Internal and External Citizenship



Challenges: Internal social responsibility and Community Integration .

- A) Encouraging its employees' citizenship, promoting their health and investing in partnerships which benefit them;
- B) Promoting increasing closeness with the community, through a strategy of supporting social initiatives;
- C) Supporting public-interest institutions, organisations and projects, providing technical skills, and human and financial resources.

9. Promote Internal and External Communication



Challenges: Communication; Community Integration; Ethics and Compliance

- A) Structuring communication channels and boosting in-person activities for the drivers and other employees;
- B) Promoting strategic communication and web platforms of operational communication with suppliers and clients;
- C) Communicating in a transparent way with the media, and local and national authorities;
- D) Promoting visits of educational establishments, employees' families and/or other interested parties to LS sites.

02.5 | STAKEHOLDER INVOLVEMENT

In view of the influence, dependence and power that some stakeholders have in relation to LS, and in order to promote transparent communication, the forms of communication of Luís Simões with its stakeholders are presented below.

| CLIENTS | EMPLOYEES | PERMANENT SUBCONTRACTORS |
|--|---|---|
| <ul style="list-style-type: none"> • Customer satisfaction survey • LSnet Portal • Digital newsletter • Presentations • Meetings • LS website • Sustainability Report and Accounts • Social Networks | <ul style="list-style-type: none"> • "Somos LS" • Employee satisfaction survey • Intranet • Training actions • Managers Meeting • Posters • Events • LS Family Day • LSnet Portal • LS website • Sustainability Report and Accounts • Social Networks | <ul style="list-style-type: none"> • Training actions • LSnet Portal • E@sy7 • LS website • Sustainability Report and Accounts • Social Networks |
| OCCASIONAL SUBCONTRACTORS | BANKING | OTHER SUPPLIERS |
| <ul style="list-style-type: none"> • LSnet Portal • E@sy7 • LS website • Sustainability Report and Accounts • Social Networks | <ul style="list-style-type: none"> • Periodic meetings • Sustainability Report and Accounts • LS website | <ul style="list-style-type: none"> • Posters • Regular communication • LSnet Portal • Sustainability Report and Accounts • Social Networks • LS website • Digital newsletter |
| UNIONS | ASSOCIATIONS | UNIVERSITIES |
| <ul style="list-style-type: none"> • Negotiation of collective bargaining agreements • Meetings • Sustainability Report and Accounts • Social Networks | <ul style="list-style-type: none"> • Protocols development • Participation in associations • Events • Sustainability Report and Accounts • Social Networks | <ul style="list-style-type: none"> • Visits to Operation Centers • Partnerships • Sustainability Report and Accounts • Social Networks • LS website |
| MEDIA | NGOS | NATIONAL, REGIONAL AND LOCAL AUTHORITIES |
| <ul style="list-style-type: none"> • Standard communication • Commercial and institutional presence • LS website • Digital newsletter • Sustainability Report and Accounts • Social Networks | <ul style="list-style-type: none"> • Protocols development • Events • LS website • Sustainability Report and Accounts • Social Networks | <ul style="list-style-type: none"> • Standard communication • LS website • Sustainability Report and Accounts • Social Networks |

A large group of people, mostly men, are posing for a group photo. They are arranged in several rows, some standing and some kneeling or sitting in the front. Most of them are wearing bright green high-visibility jackets. They are standing in front of a large green wall. On the wall, the name 'Luis Simões' is written in a large, white, stylized font. Above the name, there is a large, light green letter 'C' that is partially obscured by the group. The background shows some trees and a clear sky. The overall tone is professional and team-oriented.

LS ADDS VALUE WITH SUSTAINABILITY

03 | LS ADDS VALUE WITH SUSTAINABILITY

Challenges: Quality Service; Occupational Health and Safety; Training and Involvement of Employees; Communication; Road Safety

In the service offered to its clients in the supply chain, Luís Simões differentiates itself through the solutions it develops along with its clients and partnerships in the search for improvement on matters of productivity, safety of the operations and reducing environmental impacts.

The CHANGE project stands out in 2016, incorporating sustainability variables in implementing a change management process along with employee engagement focused on the mission of the service provided to Heineken aimed at improving the service and safety levels in operations.

Luís Simões, in partnership with Heineken, launched the Safety Journey, a presentation of the results of the project of engagement and safety of people in operations. A priority for Heineken, in a path developed in collaboration, focused on people and the pride on doing better.



All working together towards common goals!



03.1 CHANGE PROJECT

HOW DID IT COME TO BE?

Luís Simões has been part of Heineken's value chain since 2002 as its service provider, a path that has arisen from challenges and the involvement of both companies. In 2016, the challenge faced was one of greater closeness and alignment of the teams.

The goal was to achieve greater team involvement in line with the priorities of both companies, achieving a service improvement with increased safety for the employees and operations.

The project began with the alignment of the vision of both companies, clearly identifying the vision of the Logistic Operation Center that works with Heineken.

Vision

Being the best Logistics Operations Center (LOC) for Heineken, from manufacturing till delivery at end customer, as well as being a reference center at LS.

Heineken *As company purpose to lead the brewing industry, being a reference for other companies and be recognized as the best beer in the world.*



As well as being a good place to work where employees can fully develop their potential.

Vision *Being an Iberian reference in terms of quality of service of the logistics and transport sector.*



This vision in line with the values of LS, supported by the Sustainability strategy regarding the employees training and engagement, Occupational Health and Safety, ensuring the quality service provided to the client, is the building block of this change process.

In early 2016, the CHANGE project began with the Luís Simões team of Daganzo's Logistics Operation Center. The highlight of this project was the Safety Journey developed at Heineken's Plant of San Sebastian de los Reyes.

LS implements the 10 Rules that Save lives at the facilities where it operates with client Heineken.

03.1 CHANGE PROJECT

What is CHANGE?

The CHANGE Project consists of a change management process focused on Involvement, Proactiveness and Teamwork. Aimed at promoting a behaviour change and the employee involvement to improve service performance, in order to reduce accidents, with impact on the improvement of the facilities.



The CHANGE Project was implemented with a multidisciplinary team which selected a series of initiatives with short term victories, aimed at engaging employees in a new way of being safe.

We highlight the following initiatives:



03.1 CHANGE PROJECT

Celebration of the 2nd Anniversary - Safety Journeys

The Day celebrating the 2nd anniversary involved a series of training sessions on safety and continuous improvement (Warehouse Risks , Office Risks , Emergencies, KAIZEN) which enabled raising employee's awareness , and conveying the urgent need for the involvement of all.

On the issue of employee engagement, various actions were carried out to stimulate teamwork:

Collection of Caps - Committed to society, working in a team with involvement and proactiveness, collecting caps to be donated to the West Syndrome foundation.



Suggestions Box - With the implementation of a suggestions box they contributed to the continuous improvement of the service level, thus increasing customer satisfaction.



Recycling Day - During the recycling day as ambassadors of the center committed to the environment, together they built as a team the furniture for the resting area for drivers in the warehouse.

03.1 CHANGE PROJECT

BBS – Behaviour Based Safety

The BBS programme started in July 2016, aimed at transforming unsafe behaviour into safe behaviour. A pilot was carried out in the Bottle Sorting / Classification zone. The team drew up a check-list with the behaviour to be observed and weekly audits were conducted. The detected risks were: noise, risk of being run over and the risk of damage due to lack of protection.



“Safety Journey”

The “Safety Journey” event focused on aligning the communication of both companies regarding customer service and the safety of people. This event was the culmination of the employee’s engagement process in a new way of being in safety, supported by the pride and spirit of belonging.

Held at Heineken’s plant in San Sebastian de los Reyes, this event represented not only a unique opportunity to celebrate the victories achieved in the alignment and sharing of both teams of LS and Heineken, but also the challenges that safety implies.

During the Safety Journey, the personal experience shared by Begoña regarding her occupational accidents at LS enabled employee’s involvement in a particular way , related to her perception of work accidents at LS.



Throughout this journey teams brought the enthusiasm, shared experiences both gains and incidents. Were presented the “10 Rules that Save Lives”, a new safety culture to follow.

~03.1 CHANGE PROJECT

What are the advantages?

The implementation of project CHANGE brings in new safety dynamics to the operations. A new way of work, in line with the objectives of both organisations, focused on the safety of people.

With significant advantages either on reducing accident's rate, improving quality service, or employee's involvement and training, this is a win-win project regarding sustainability.

New tools applied for risk assessment and decrease:

Preventive Safety Observations (PSO)

"We work with commitment and proactiveness in our priority: "Safety". With the PSO League we promote motivation and assure the center's evolution in terms of safety."

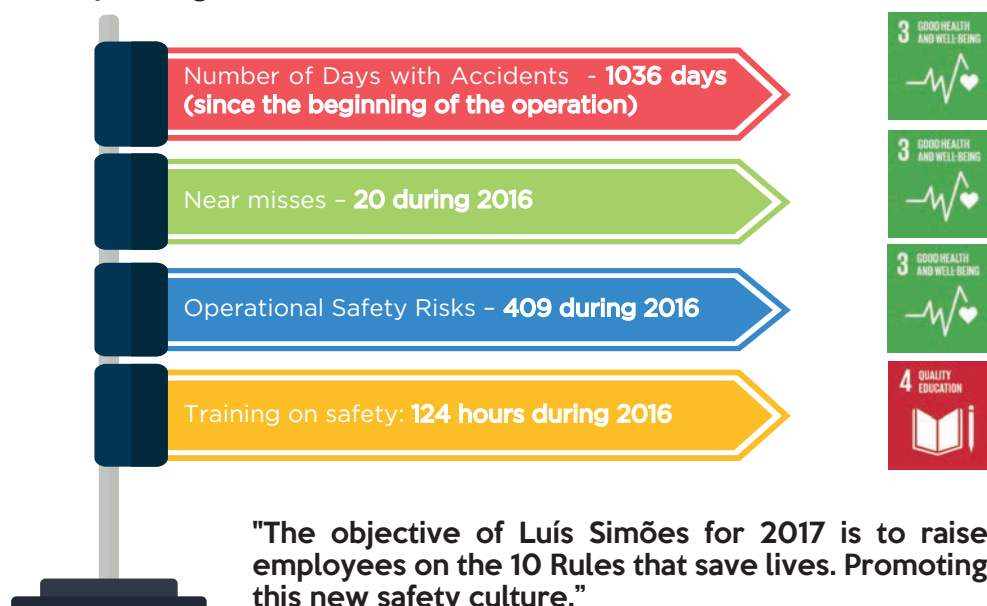
Reduction of Operational Risks (ROR)

Implemented in the dispatch area at Daganzo Center, this implied significant alterations: New dispatch facilities; a new access to the facilities; and change of checkpoint location .

Impact: The Risk of the Dispatch zone fell from 1433 to 110

This outcome was clearly influenced by the 124 hours of training, the investments in infrastructures and the involvement of the teams.

The indicators that reflect this project gains show its contribution to the Sustainable Development goals:





QUALITY SERVICE

~04¹ QUALITY SERVICE

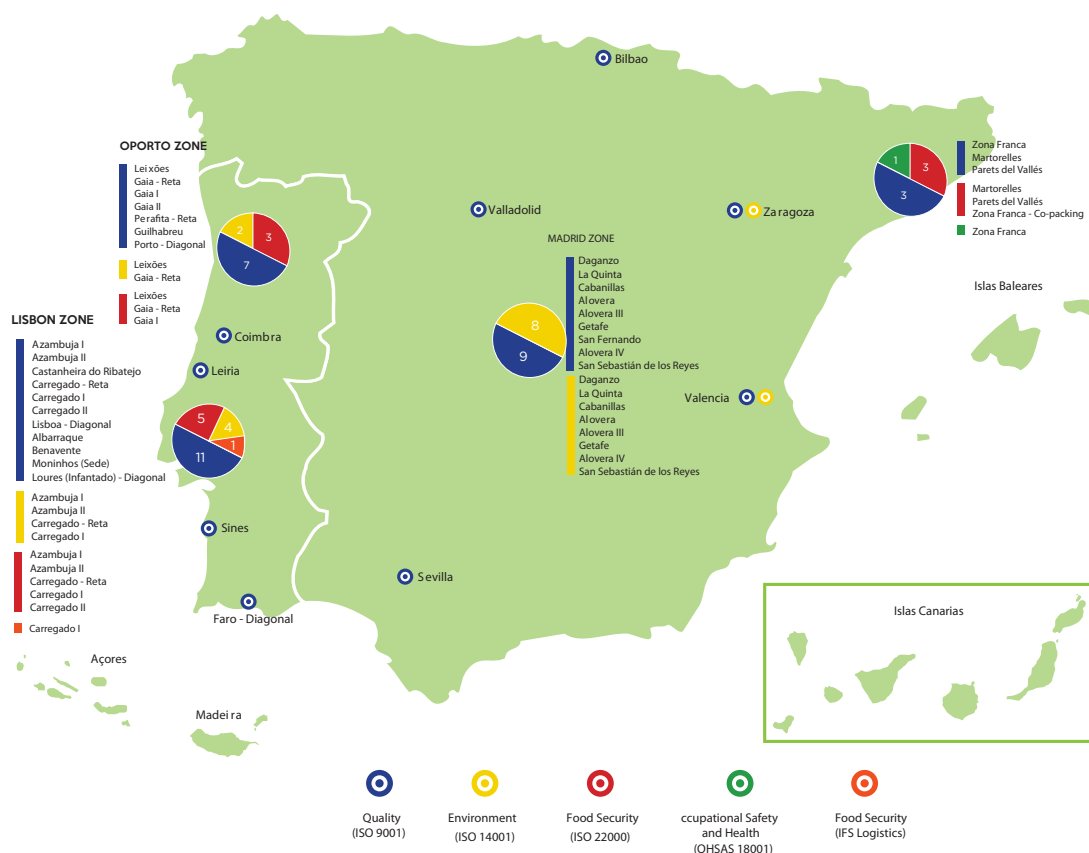


Challenges: Quality service , Management of Subcontractors
See chapter 2 – On the Sustainability Road

The vision of Luís Simões is to be an Iberian reference in terms of quality service for the Transport and Logistics sector as an integrated operator, incorporating customer expectations in its values and sustainability strategy.

As a link in the supply chain, Luís Simões takes on a positioning of high responsibility, integrating logistics and transport aspects in the implementation of solutions, namely with the use of subcontracting.

Consistent with this positioning, and meeting the need to control quality service and improved service to the client, Luís Simões certified its activities in the Iberian Peninsula regarding Quality (ISO 9001), and at the operating centres of particular relevance in terms of Food Security (ISO 22000) and Environment (ISO 14001).



The maintenance of the existing processes involved conducting 57 internal audits to the different business units, and the clients conducted 23 audits (18 in the logistic operations and 5 in the transport units). External audits of certification were also carried out for standards ISO 9001, ISO 20000, ISO 14001 and IFS (Carregado) and OHSAS (Zona Franca - Barcelona).

04.1 CUSTOMER SATISFACTION SURVEY

The process of Continuous Improvement in which Luís Simões companies are involved includes the annual undertaking of customer satisfaction surveys. Furthermore, the main transport and logistics clients are followed more regularly at the activity monitoring meetings.

The Customer Satisfaction questionnaire regarding 2015 was sent during the first quarter of 2016. The results of the Customer Satisfaction Survey of the Luís Simões companies were obtained during the first semester: Luís Simões Logística Integrada (Transport and Logistics), RETA and Diagonal.

In addition to the overall assessment of the service provided to the client, this format also aims to understand the client's image of the Luís Simões companies, assess their concerns with the service and bring out opportunities for improvement.

This report presents the overall results relative to 2015 in comparison with 2014.

| BUSINESS | ISC2014 | ISC2015 | 2015 VS 2014 |
|-----------|---------|---------|--------------|
| LOGISTICS | 83% | 74,2% | ▼ |
| TRANSPORT | 90% | 75,4% | ▼ |
| RETA | 82% | 66,6% | ▼ |
| DIAGONAL | 97% | 82,5% | ▼ |

Results of the Customer Satisfaction Survey (ISC)

The overall participation obtained was 56%, representing a 12% increase regarding the previous year (44%), while the level of general satisfaction stood at 74.5%, a 10.5% reduction in comparing to the result of the previous year.

During 2016, the Process & Quality Assurance area followed up on the action plans subsequent to the report, enabling a better appraisal of the impacts of the stakeholder hearing and implemented measures.

~04.2| ZERO TOLERANCE

At Luís Simões companies we are dedicated to operating in accordance with the very highest ethical and legal standards, in all businesses and professional relations, regardless of where we are.

The Code of Ethics and Conduct was created in 2016, making Luís Simões the first company of the sector, at an Iberian level, to have a regulatory registration such as this. – Image of the Code of Ethics



We promote a culture of compliance and conformity, and declare a Zero Tolerance Policy to the practice of acts of corruption and bribery. Fraudulent situations shall never be acceptable, when carried out by any Employee of Luís Simões companies, or by companies with which we conduct business.

The integrity of all the Employees is critical for our success.

Civil society and our stakeholders expect to find competent and trustworthy professionals at the Luís Simões Group, who provide their activities in the best interest of our organisation.

As the concept of Compliance is transversal to all LS companies and areas, the Compliance and Risk Management Department was created with the Mission of assuring the implementation and effectiveness of the Compliance Programme, in the pursuit of compliance with the legal requirements and in accordance with the internal policies and internal practices of LS, including practices of ethics and conduct. (See 2.2 - Governance structure)

Ethics online “etica@luis-simoes.com”

Following a perspective of trustworthiness and transparency, all Employees, Suppliers and other business Partners of LS should collaborate in complying with the rules established in the LS Code of Ethics and Conduct, reporting the occurrence of any fact that is or may be in breach of the provisions established in this Code. This particularly refers to situations of fraud, corruption, bribery, and disrespect for human or labour rights, environmental damage, or other illegal or unethical practices.

This can be done confidentially, by addressing the Compliance and Risk Management Department. All incidents are analysed in an independent and transparent manner, in order to establish the facts and provide the appropriate response. It is our duty to appropriately investigate all the issues that are submitted, safeguarding the secrecy and fundamental rights of whoever reports any incident.



ENERGY EFFICIENCY

VEÍCULO MOVIDO A GÁS

Luis Simões
Descubra o
nosso mundo.
Muito além
do que se vê.

57·OV·95

TP

ALV 00226/1981

05 ENERGY EFFICIENCY



Challenges: Energy Efficiency and Climate Change; Management of Subcontracted parties; Inter-modality
See chapter 2 - On the Sustainability Road

Energy efficiency is at the very base of the environmental concerns of Luís Simões, being directly related to the productivity of the operations, in transports via fossil fuel consumption and in logistics in electric power consumption, considered a differentiating factor.

The implementation of vehicles of larger capacity is an example of how energy efficiency is a differentiating factor in the design of transport solutions.

The use of solar and kinetic energy in the power supply of a refrigerated truck was the project of the last 2 years in which Luís Simões and AddVolt participated, testing WeTruck technology.

During two years of research and development and with over 70,000 Km of tests and trials in real operation, Luís Simões and AddVolt have demonstrated that this technology contributes significantly to cut CO2 emissions, achieving monthly reductions of 844kg per vehicle, and also representing a noise reduction of over 30%, of the order of 30dB, and consequent increased efficiency in the refrigeration of the goods during their transport.

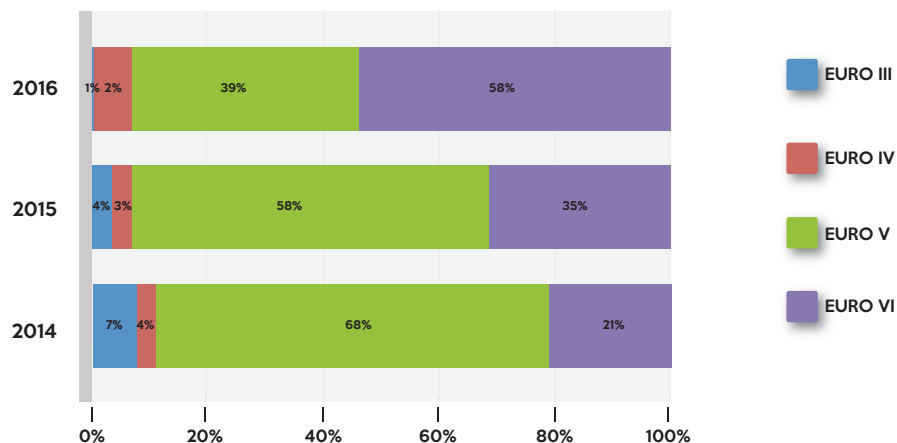
A sustainable solution, cutting on costs, atmospheric emissions and noise, with capacity to share energy gains.



05.1 FLEET COMPOSITION

In 2004, Luís Simões restarted a new cycle of fleet renovation by including Euro VI vehicles tractors and 8 Giga liners. 212 Euro VI vehicles were purchased in 2016.

The increased EURO VI motoring has been substantial, having reached 35% of the fleet in 2015 and 58% in 2016, maintaining the fleet age with an average of 3.7 years.



Evolution of the distribution of the LS fleet by type of Euro standard

Under the latest renovation cycle the fleet of Luís Simões already has 97% of vehicles with Euro V and Euro VI motoring, and only 3% of vehicles with Euro III and IV motoring.

The energy efficiency of the vehicle is considered in the fleet renovation, as well as the necessary adaptations to minimise attrition and in this way reduce fuel consumption and greenhouse gas emissions. The new MAN and IVECO tractors highlight the adaptations made to the vehicles.



05.2 | PERFORMANCE OF THE DRIVER

The “Ecodriving” project emerged in 2008 aimed at changing the behaviour of the drivers and following their performance, a necessary component to support the energy efficiency of the fleet.

In 2016 the drivers attended 5,177 hours of training on the different topics included in the training plan.

For the analysis of the impact of this project on the reduction of greenhouse gas emissions, the comparison was made with the reference year (2007), prior to the implementation of the project.

INDICATORS LS - EVOLUTION

| YEARS | 2007 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------|-------|--------|-------|-------|-------|--------|
| GREENHOUSE GAS EMISSIONS (KG CO ₂ eq/l)/ 1000 KMS | 1.039 | 988 | 927 | 961 | 976 | 961 | 927 |
| SPECIFIC CONSUMPTION (gep/ VK) | 326 | 310 | 307 | 312 | 308 | 307 | 289 |
| VARIATION FROM THE REFERENCE YEAR (2007) | 0 | -4.9% | -10.7% | -7.5% | -6.1% | -7.4% | -10.8% |

Greenhouse Gas Emissions of the Own Fleet

The impacts of the Ecodriving project are visible, being crucial in the efficiency of the transport operations in terms of greenhouse gas emissions. In 2016, a 10.8% reduction was achieved in relation to the reference year.



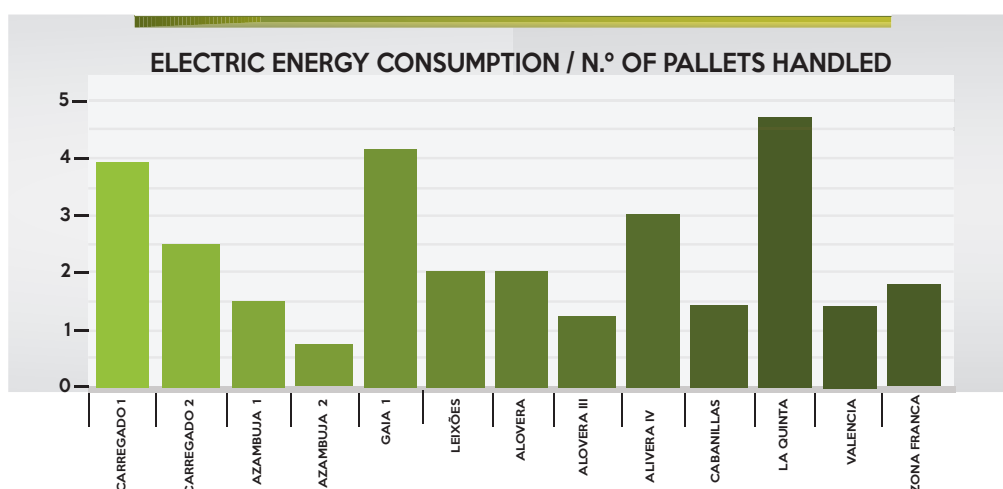
~05³ ENERGY EFFICIENCY IN THE LOGISTIC OPERATING CENTRES

The focus on energy efficiency is equally important at the Logistic Operation Centres. Electric power is consumed at the warehouses and the indicator used to monitor energy consumption is “kWh electricity consumed / total number of pallets handled (In + Out)”.

The values for the Logistic Operation Centres (LOC) for which the energy consumption indicator is followed are presented below for 2016. Indirect greenhouse gas emissions are also recorded for these centres.

| LOGISTIC OPERATION CENTERS | | | | | | | | | | | | | | |
|---|-------------|-------------|------------|------------|--------|--------|---------|---------|-------------|------------|------------|-----------|----------|-------------|
| LOC | CARREGADO 1 | CARREGADO 2 | AZAMBUJA 1 | AZAMBUJA 2 | GAIA 1 | GAIA 2 | LEIXÕES | ALOVERA | ALOVERA III | ALOVERA IV | CABANILLAS | LA QUINTA | VALENCIA | ZONA FRANCA |
| KWH/PALLETS HANDLED | 3,74 | 2,32 | 1,32 | 0,59 | 3,9 | 19,8 | 1,82 | 1,82 | 0,96 | 2,86 | 1,26 | 4,41 | 1,19 | 1,58 |
| INDIRECT GREENHOUSE GAS EMISSIONS(TON CO ₂ eq) | 1.404 | 593 | 189 | 118 | 462 | 167 | 410 | 89 | 55 | 53 | 61 | 28 | 14 | 39 |

Electric power consumption at the Logistic Operating Centres and indirect greenhouse gas emissions



The Logistic Operation Center with the highest consumption of energy is the Carregado 1 which has areas of controlled temperature. Due to being classified as a major energy consumer, this facility has a Plan to streamline energy consumption currently underway, in force up to 2019.

An overall goal was defined for this indicator (2) for 2016, whose results were actually kept below it (1.79). Goals per LOC were also defined for this indicator, which was only exceeded at the centers of Gaia 1, Gaia 2, La Quinta and Alovera 4.

Energy consumption is also monitored at the Technical Assistance Centres (RETA). The energy consumption indicator “Kwh/Number of billed hours” has also been implemented at the Carregado centre since 2015, whose accumulated value by December was 5.7, below the defined goal (6), for the second year.



ROAD SAFETY

06 | ROAD SAFETY



Challenges: Road Safety; Occupational Health and Safety
See chapter 2 – On the Sustainability Road

The nature of the activity of LS implies that hundreds of employees and suppliers drive millions of kilometres every year on the roads of the Iberian Peninsula. The safety of these employees and suppliers, as well as that of all the other users of the road network, is of great concern to LS.

In 2010 LS subscribed the European Road Safety Charter in both countries, having been one of the first organisations of transport of goods and logistics in the Iberian Peninsula to do so. This commitment was assumed by the road accident rate indicator, defined as “% of Drivers with 500 days or more without accidents” for which the goal of 60% was established. This goal was surpassed with the achievement of 82% of employees without accidents during more than 500 days in 2015. However, LS considers that the most representative indicator would be the “% of Drivers with 365 days or more without accidents” because it would enable a more balanced annual assessment.



For this reason, the accident rate indicator was recalculated since 2013, with the result always standing above the goal.

| GOAL | 2016 | 2015 | 2014 |
|------|------|------|------|
| 60% | 84% | 85% | 83% |

% of Drivers with 365 days or more without accidents

In the road transport of goods the European requirements to improve the visibility of the vehicles have progressively increased, which is in line with the objective of improving road safety. Trailers are covered by standard UN ECE 104 for the application of reflective tape on both sides and rear end.

LS already has trailers meeting the new requirements, improving the visibility of its fleet.





EMPLOYEE TRAINING AND INVOLVEMENT

07 | EMPLOYEE TRAINING AND INVOLVEMENT



Challenges: Employee Training and Involvement ; Ethics and Compliance

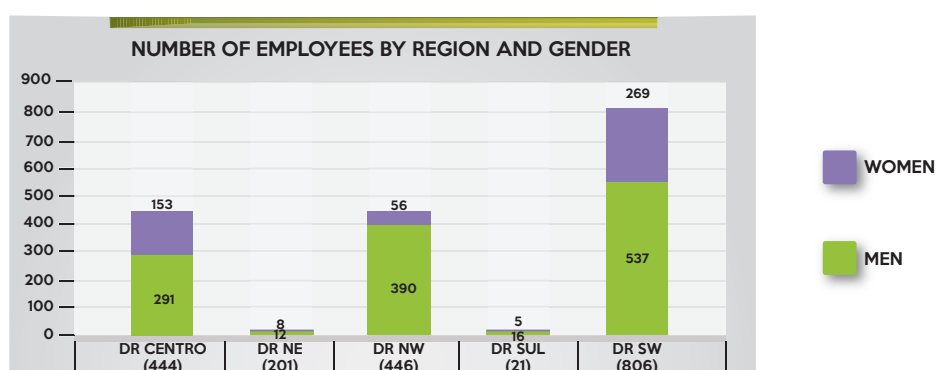
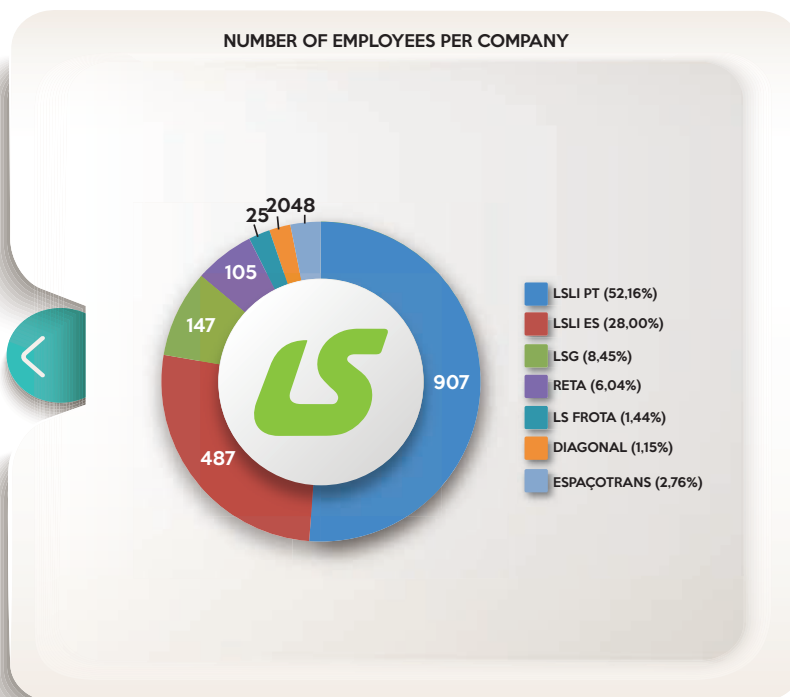
For LS, training and the capacity to involve the employees in the service we provide to the client lies at the basis of its differentiation. With the respect for people being incorporated in its values, LS has contributed for 68 years to the creation of employment and value in the supply chain.

The Corporate Division of Human Resources is responsible for the assessment and compliance with policies on human resources and training.



~07.1 LS EMPLOYEES

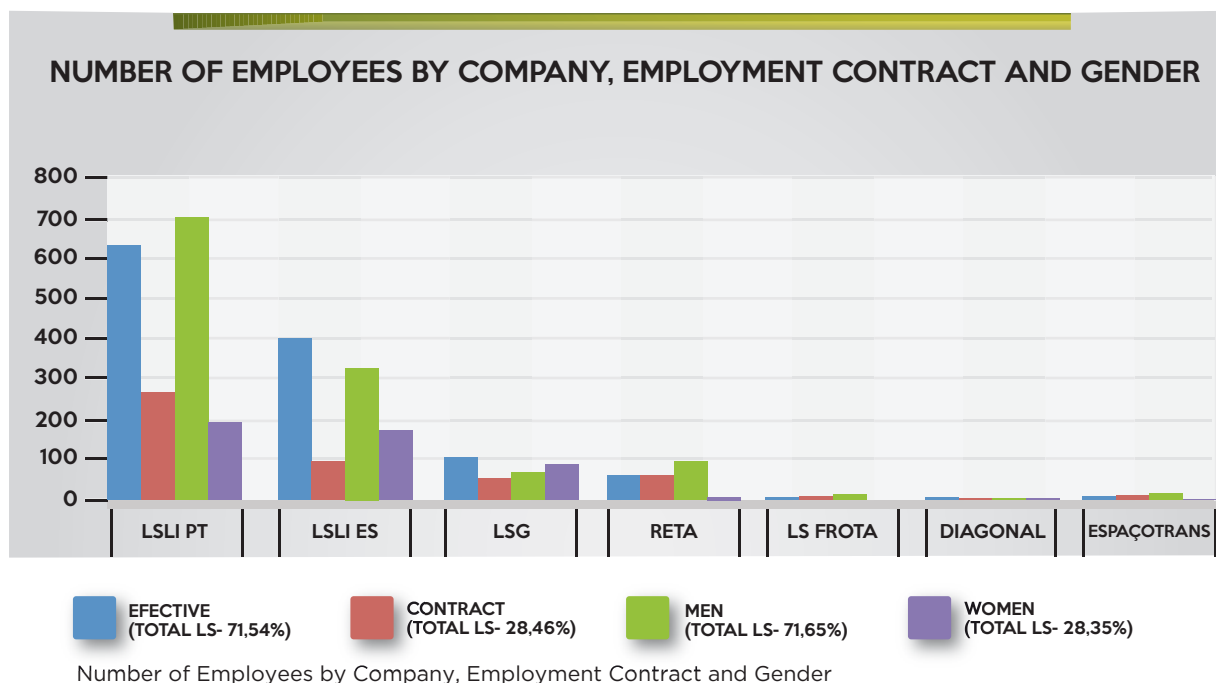
Currently, LS has 1739 employees dispersed all over its companies and geographic regions. The overall values by company and the geographic dispersion only in Luís Simões Logística Integrada companies are presented below.



Number of Employees by Region and Gender (only LSLI companies in Portugal and Spain)

Although at LS there are still more male employees than female, the truth is that LS assures equal opportunities without discrimination. Very often the existing differences are cultural. While at the level of the warehouse operator position only 17% are women, the fact is that in the top management women are already showing a change of this trend, as 50% of the senior management positions are held by women.

07.1 LS EMPLOYEES



The employee involvement is of paramount importance to LS. To this end, Tributes are paid annually, distinguishing all the employees that in the previous year completed 15, 25, 35 and 45 years of uninterrupted employment with LS. Moreover, the “We are LS” magazine party is held in May every year, as a token acknowledgement of gratitude to all the employees who give their time to write the Group’s newsletter, a fundamental tool for the Group’s cohesion.



Annual celebration "Somos LS"



Gaia Homages (Logistics)



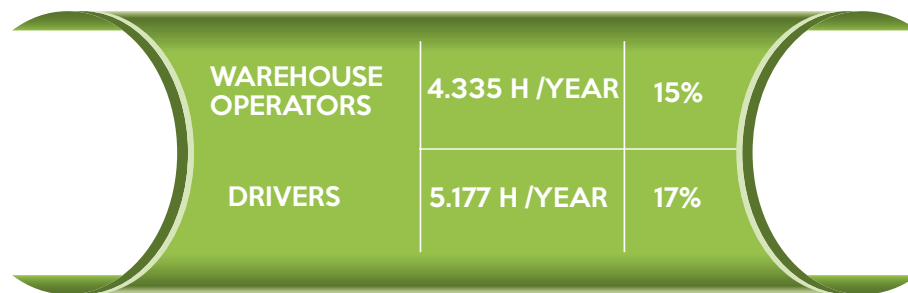
Madrid Homages

07.2 | TRAINING

LS invests in the annual training plan for employees, as well as the preparation of new employees by designing integration plans for each job position.

With a total volume of over 29,000 hours of training in 2016, the capacity-building of the employees and their involvement in the organisation is among the priorities of LS.

With an average number of 17 hours of training per employee, the asymmetry of the training given by functional category is significant, although a considerable volume occurs with the warehouse operators and drivers. In 2016, over 400 hours of training were also ministered to transport operators in Portugal.



Number of Training Hours in 2016

LS Compliance training is an integral part of the Reception and Integration Plan, for all Employees, specific training is given according to the level of responsibility assumed by each Employee.

Employees who take on senior positions, whether at the time of their recruitment in LS, or in the case of change of duties, are given presential training by the Compliance and Risk Management Department. For all other employees, the training is ministered by the Department of Human Resources or by the actual management structure.

During 2016, 12 training sessions with presential attendance were given by the Compliance and Risk Management Department.

All Employees should be attentive to the possibility of the occurrence of situations of non-compliance, which is why it is indispensable for them to participate in appropriate training/awareness-raising actions on the LS Code of Ethics and Conduct, Policies on Offers, Policy on Management of Risks of Fraud, among others.

07.3 | PROJECTS

PROJECTS

Luís Simões is a company that invests in the professional growth of its employees. In this regard, the implementation of these projects aims to strengthen the role of training and processes of personal and professional development, adding value to the organisation.

LS ACADEMY

The LS Academy was designed for the purpose of creating a process of training and integration at Luís Simões aimed at:

- Endowing the corporate and business areas with young people who can add value to the organisation;
- Increase the level of qualifications and skills at the centres, integrating young people with higher education;
- Integrating young people who contribute to the development of the organisation, contributing with innovation and creativity.
- Integrating young people in projects with goals, activities and tasks that are well defined and of value to the organisation;

The duration of the LS Academy is of 12 months and all the interns are supervised during their internship period by a Tutor in order to receive continuous feedback. The Tutor will be directly responsible for the intern.

The positions held by the employees of the LS Academy range from jobs in operations, assistance to clients or resources, corporate areas, communication, human resources or projects.

Since its first edition in Portugal, 45 interns have been trained here, of whom 25 continue at LS (56%). With 2 editions of the Academy in Spain, 12 interns have been trained, of whom 7 continue at LS (58%).



~07.3 | PROJECTS

LS PLUS

LS Plus is an innovative method of development aimed at endowing each employee that participates with the experiences, knowledge and tools to grow and evolve, both personally and professionally, and achieve the highest performance in their job.

LS Plus has 3 protagonists:

The first protagonist is the employee who has been identified with the skills to be developed (leadership, sales guidance, management control, etc.). The Tutee is the driver of his/her own development. The profile of the tutee is that of young managers and/or coordinators with potential development and good professional performance.

The second protagonist of the programme is the Tutor, the LS professional who, due to his/her experience, knowledge and predisposition can play the role of facilitator of the development of other professionals. The Tutor is the Guide who supervises the process of growth of the Tutee.

The last key figure of this development programme is the Manager who is Directly in Charge. This manager's work is fundamental as it is the engine stimulating the growth of the person of his/her team, in the perspective that the development of the employees is indispensable for the growth of LS

From the beginning of the LS Plus Programme, over 80 employees have already collaborated, including both Tutors and Tutees, accomplishing yet another step towards the growth of the most important of Luís Simões: Our people.

SER LÍDER

This is a programme of transformation of the culture of leadership of communication at Luís Simões, supported by 5 pillars:



07.3 | PROJECTS

The objective is to strengthen the management and leadership skills of our employees, as the basis of the process of competitive differentiation.

This programme aims to:

- Internally share a homogeneous vision and leadership style;
- Enhance the fluidity of communication at all levels, through a single Model aligned with the organisation's objectives;
- Clarify and empower the role of the leader, as an agent of change and manager of people;
- Increase the levels of quality and efficiency in communication, as a way of ensuring the continuous improvement of the results;
- Replacing limitative beliefs by others, driving change and continuous improvement;

This programme, its objectives and model are treasured by the directors of Luis Simões and for this reason, they were the first group of change to inspire this path. In 2015, the following participated: Directors (ambassadors of the programme), Executive Committee and most senior managers of the business and corporate areas.

In its first edition, the Ser Líder received the participation of 39 Senior Managers and over 3,000 hours of training. During this period, the participants designed an action plan where they recorded and followed up on the actions with a view to accomplishing their personal goals.

For the year of 2016-2017, the estimates point to over 5,000 Ser Líder training hours.

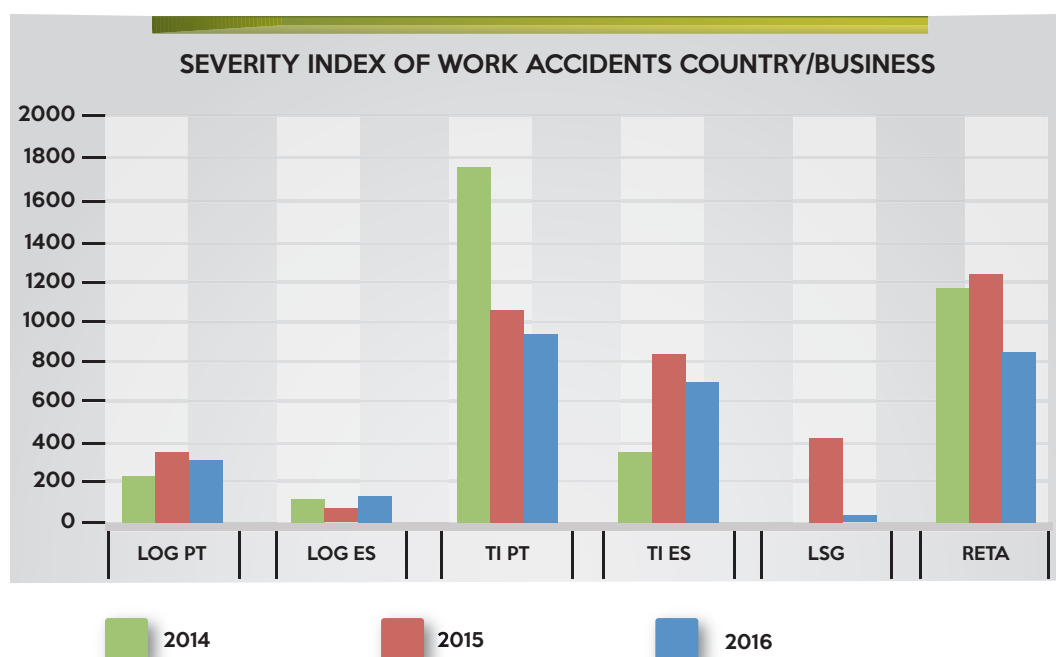


07.4 | OCCUPATIONAL HEALTH AND SAFETY

The accident rate continues to be a major challenge for LS; in logistics in Portugal there was a reduction of the number of work accidents (4%) and of its severity index (7%). In logistics in Spain, the accident rate increased in comparison to 2015, both in terms of number of accidents (frequency index +3%) and in the severity of the accidents (severity index). In the transport sector there was also a reduction of the accident rate both in terms of number of accidents (frequency index -18% PT and -19% ES) and in the severity of the accidents (severity index -11% PT and -17% ES).

In all the other areas the accident rate has fallen in terms of severity. However, the frequency of accidents is equivalent to that of the previous year.

The monitoring of the accident rate indicators at the centres is an investment in the safety culture that should be reinforced every day.



Severity Index¹ - Work Accidents by Business and Country

Severity Index¹ - Number of accumulated days of absence / Total number of days that could be worked

07.4 | OCCUPATIONAL HEALTH AND SAFETY

Apart from the safety conditions, LS assures surveillance of the health of its employees, encouraging their participation in the health prevention and protections actions that are held in Portugal and Spain:

- Flu vaccination
- Blood Donation
- Screening: Prostate-specific antigen (PSA) and mammography
- Blood sugar testing
- Visual evaluation
- Audiogram
- Electrocardiogram (ECG) at rest
- Spirometry



The image shows a large commercial building at dusk. The building's facade is dark, and a large, illuminated green logo is mounted on it. The logo consists of a stylized 'LS' followed by the name 'Luis Simões' in a green, sans-serif font. Below the logo, there are large windows reflecting the ambient light. In the foreground, a row of white semi-trucks is parked, their headlights on. The trucks also feature the green 'LS' logo on their sides. The overall scene is dimly lit, with the primary light sources being the building's logo and the trucks' headlights. There are some decorative graphic elements overlaid on the image, including a large white circle and several smaller circles and wavy lines in white and grey.

LS Luis Simões

FINANCIAL SOUNDNESS

08 | FINANCIAL SOUNDNESS



Challenges: Financial soundness
See chapter 2 – On the Sustainability Road

The evolution of the economic performance of LS is the result of a sustained business strategy that has given it the leadership position which it currently holds in terms of the sector of the road transport of goods in Portugal, and which has also enabled founding the bases of its positioning as an important logistic and transport operator in the Iberian Peninsula.

This report is incorporated in the Annual Report & Accounts of the Luís Simões companies. This chapter presents the summary of the consolidated indicators and the chapter on Accounts presents the management report of Luís Simões SGPS, as well as the Financial Statements and the Notes to the Balance Sheet and Income Statement.



~08.1

KEY CONSOLIDATED INDICATORS

| CONSOLIDATED | | | | |
|---|----------------------|----------------------|---------------------|---------------------------|
| (VALUES IN MILLION EUROS) | 2014 | 2015 | 2016 | △ 2015-16 |
| TURNOVER | 219,2 | 220,3 | 222,1 | 0,8% |
| EBITDA % TURNOVER | 15,2 7,0% | 16,4 7,4% | 14,6 6,6% | (11,0%) (11,8%) |
| EBIT % TURNOVER | 3,2 1,5% | 4,3 2,0% | 3,0 1,3% | (32,0%) (32,6%) |
| NET INCOME FOR THE YEAR ¹ % TURNOVER | 1,1 0,5% | 1,8 0,8% | 1,7 0,8% | (4,7%) (5,4%) |
| TOTAL ASSETS | 157,7 | 156,0 | 157,3 | 0,8% |
| EQUITY | 49,0 | 42,0 | 42,8 | 2,1% |
| NET FINANCIAL DEBT ² Net Debt / EBITDA | 53,6 3,5 X | 43,8 2,7 X | 43,9 3,0X | 0,2% 12,6% |

(1) Excludes non-controlling interests.

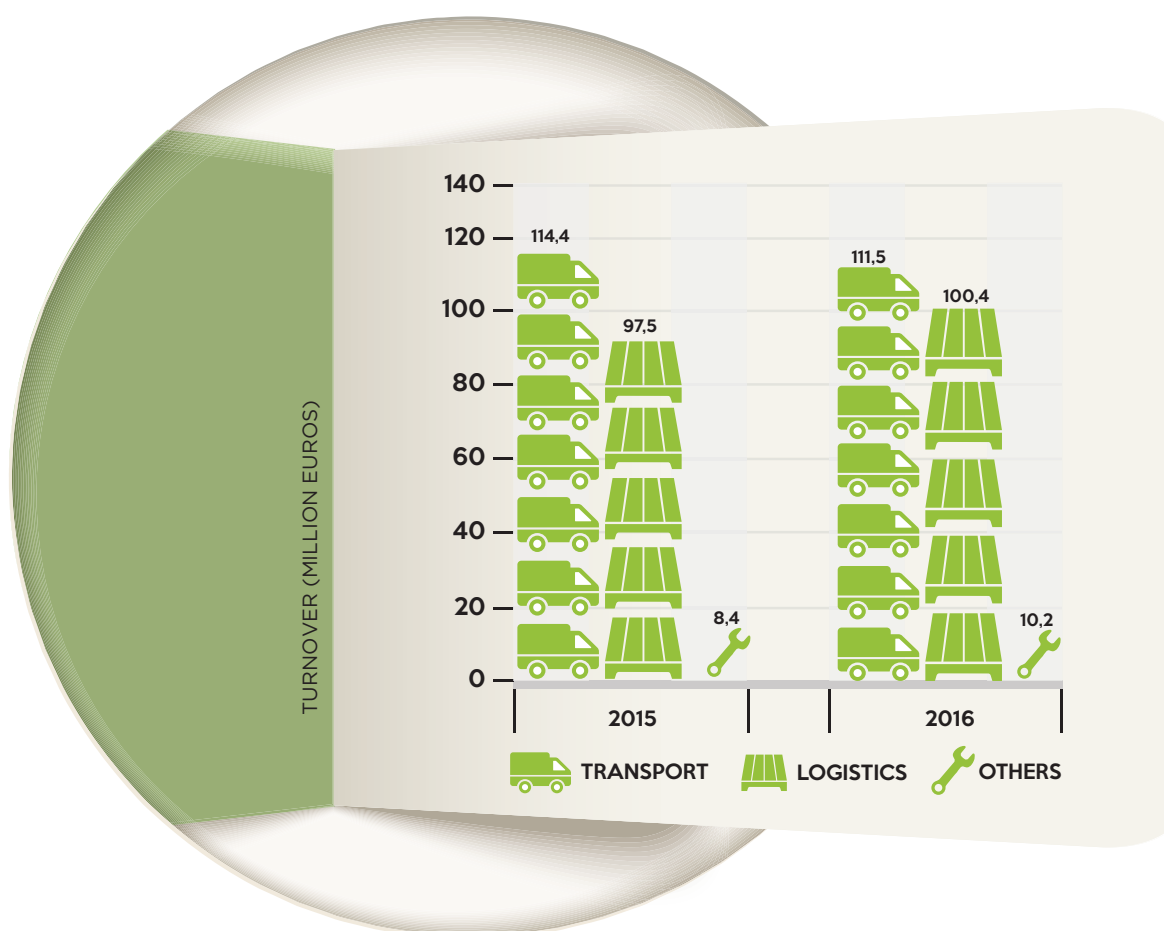
(2) Includes bank loans, fixed asset suppliers, factoring and confirming, and excludes debts to shareholders and provisions.

Key consolidated indicators

In 2016, Luís Simões achieved 0.8% growth of the consolidated turnover which stood at 222.1 million euros, primarily influenced by the logistics activity, and corresponds to a slight acceleration compared to the growth of 0.5% recorded in 2015. It should be noted that the turnover of Luís Simões almost exclusively consists of services rendered, with sales of goods showing a residual value.

~08.1 | KEY CONSOLIDATED INDICATORS

Although Luís Simões started its activity in the road transport of goods, the logistics activity currently represents 45.2% of the consolidated turnover, maintaining the growth trend of the last few years. The logistics figure includes the turnover of Espaçotrans, a company which complements the logistics business area of Luís Simões with its customs logistics activity that has progressively contributed positively to the increased turnover of the Group. The business areas relative to RETA and Diagonal concern other businesses.



~08.1 | KEY CONSOLIDATED INDICATORS

LSLI Portugal and LSLI Spain account for approximately 95% of the Group's Turnover, having recorded, respectively, growth of 0.3% and 1.0% in turnover. Among the remaining companies, we highlight the growth of 46.7% at Espaçotrans and 14.4% at Diagonal. RETA maintained the turnover achieved in 2015.

In the road transport of goods business, Luís Simões provides a vast array of services in various sectors of activity, with emphasis on the transport of complete and partial cargo, the hire of vehicles with driver and integrated management of flows, transport of industrial production, plant management and dedicated transport. In view of the increased logistics business, the transport business, which has a higher level of maturity, has gradually lost weight in the Group's total turnover. Even so, it still represents close to 50% of the total.

With regard to the logistics business, Luís Simões offers a comprehensive portfolio of services, including transport, storage, movement in and out, picking, distribution, other value added services such as packaging, labelling, preparation of promotional packs and product customisation, in addition to customs logistics services and all the administrative treatment required for the development of the activities provided to its customers. Logistics turnover grew by 3.0% in 2016, due to the good performance of this business in Spain and at Espaçotrans. At Espaçotrans, the opening of a new warehouse at Alverca led to growth above 100% in sales of the South region. At LSLI Spain, the distribution, storage and co-packing activities were the main drivers of the 1.0% growth recorded by the company in 2016. At LSLI Portugal, it was also logistics that gave the most positive contribution to the 0.3% growth recorded in 2016, where special note should be made of the two-digit growth of the co-packing activity.

It should also be noted that both businesses experienced an increased involvement of some of the Group's largest customers, providing evidence of the good performance and trustworthiness that Luís Simões has been showing in the Iberian market. In terms of profitability, two consecutive years of growth were interrupted, with the Group having generated consolidated EBITDA of 14.6 million euros in 2016.

The Group's operating profitability in 2016, reflected in the EBITDA margin, received the positive impact on the business of RETA, Espaçotrans and Diagonal. We also highlight Diagonal, which reversed the trend of the last 5 years and generated a two-digit EBITDA margin, which was the result of 14.4% growth in turnover combined with a greater control of operating costs and staff costs. Espaçotrans benefited from the significant increase of turnover while RETA's EBITDA margin increased largely due to the good results achieved in the sale of vehicles, an activity that grew by 17.3% in 2016.



08.1 | KEY CONSOLIDATED INDICATORS

On the other hand, LSLI Portugal and LSLI Spain had a less favourable impact on the Group's EBITDA margin, but still presented positive indicators. LSLI Portugal showed an increase of 4.5% in costs related to transport and distribution subcontractors, which currently represent 55% of the company's turnover. On the other hand, the new policy on fleet renewal had mixed impacts through the 16.8% growth in the renting of vehicles and, consequently, the slowdown of vehicle sales activity. Staff costs increased by 3.6%, to a large extent, due to the incorporation of temporary workers in the Logistics business. A decrease in the purchase and sale of fuel was also evident.

LSLI Spain showed an increase of 1.0% in costs related to transport and distribution subcontractors, which currently represent 76% of turnover. On the other hand, there was an increase on staff costs and the stronger activity in Logistics led to increased hire and rental charges related to premises.

The profitability of 2016 was furthermore marked by some non-recurring events such as the return of the sanitary cent, an extraordinary tax on hydrocarbons that was charged in previous years. The investment in fixed assets essentially occurred in the sphere of RETA, as a consequence of the normal vehicle purchase and sales activity and at LSLI Spain, due to the investment in a new centrality of the logistics operations in Madrid, which shall be completed in 2017 and shall aggregate 4 logistics platforms in a single one covering 65,000m². Particular note should also be made of the fleet renewal that occurred in all companies of the Group, and of the investment in an information system that supports the transport and distribution business.

In 2016, Luís Simões continued to reduce its debt level, as has been progressively the case over these last few years. It should be noted that LSLI Portugal and LSLI Spain have shown an increase of debt due to the investments referred to above.





GRI TABLE

09 | GRI 4.0 TABLE

| GRI 4.0 | Indicator | Location or Assessment |
|---------|---|---|
| | Strategy and Analysis | |
| G4-1 | Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability. | To our stakeholders |
| | Organisational profile | |
| G4-3 | Name of the organisation. | LS SGPS |
| G4-4 | Primary brands, products and services. | Discover our World |
| G4-5 | Location of organisation's headquarters. | Rua Fernando Namora - Moninhos 2670-501 Loures - Portugal |
| G4-6 | Number of countries where the organisation operates and names of countries with either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report. | Portugal and Spain |
| G4-7 | Nature of ownership and legal form. | Limited Company |
| G4-8 | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) | See: Discover our World |
| G4-9 | Scale of the organisation, including: - Total number of employees; - Total number of operations; - Net sales | See: Discover our World Key performance indicators Total Capitalisation (Assets / Equity): 3.68 |
| G4-(10) | Number of Employees per Company / employment contract / gender / total LS (permanent staff or fixed-term staff) Number of Employees by region and gender | See: Our World; Training and Involvement of the employees; |
| G4-11 | Percentage of employees covered by collective bargaining agreements. | 89% |
| G4-12 | Description organisation's supply chain. | See: On the Sustainability road |
| G4-13 | Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: - Changes in the location of or changes in operations, including facility openings, closings and expansions; - Changes in the share capital structure and other capital formation, maintenance and alteration operations (for private sector organisations); - Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination. | See: Governance; Main Events |

09 | GRI 4.0 TABLE

| | | |
|-------------------------|---|--|
| G4-14 | Whether and how the precautionary approach is addressed. | See; Governance, Quality Service; LS has its Management system certified in the context of Service Quality (ISO 9001) audited internally (57 audits) and externally by clients (23) and by the certifying entity |
| G4-15 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses. | LSLI (PT + ES): Road Safety Charter - see: "Road Safety"; LS: Punctual Payment Commitment (ACEGE) |
| G4-16 | Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: - Holds a position in the governance body; - Participates in projects or committees; - Provides substantive funding beyond routine membership; - Views membership as strategic. | See: Involvement with Stakeholders and associations in which the Luís Simões Group participates table at the end (image) |
| Material Aspects | | |
| G4-17 | a. List all the entities included in the organisation's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by this report. | See: Accounts |
| G4-18 | Explain the process for defining the report content and the Aspect Boundaries. Explain how the organisation has implemented the Reporting Principles for Defining Report Content. | See: Discover our world - On the sustainability road / values and sustainability strategy |
| G4-19 | List all the material aspects identified in the process for defining report content. | See: Discover our world - On the sustainability road / values and sustainability strategy |
| G4-22 | Reformulation of information in previous reports and the reasons for this reformulation.. | NA |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries. | NA |
| Stakeholder Involvement | | |
| G4-24 | Stakeholder groups engaged by the organisation. | See: On the sustainability road |
| G4-25 | Basis for identification and selection of stakeholders with whom to engage. | See: On the sustainability road |
| G4-26 | Organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process. | See: On the sustainability road |

09 | GRI 4.0 TABLE

| | | |
|--------|---|--|
| G4-27 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns. | See: On the sustainability road |
| | Report Profile | |
| G4-28 | Reporting period for information provided. | 2016 Calendar year |
| G4-29 | Date of most recent previous report (if any). | 2015 |
| G4-30 | Reporting cycle | Annual |
| G4-31 | Contact point for questions regarding the report and its contents. | Cláudia Simões; claudia.simoes@luis-simoes.com |
| G4-32 | a. Report the 'in accordance' option the organisation has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured. | See: Scope / About this report GRI Table Report without external assurance |
| G4-33 | a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report. | Report without external assurance |
| | Governance | |
| G4-34 | Governance structure of the organisation, including committees of the highest governance body. | See: Governance |
| | Ethics and Integrity | |
| G4 -56 | Organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics. | See: Discover our World - Who we are |

Economic Indicators

| GRI 4.0 | Indicator | Location or Assessment |
|---------|---|------------------------|
| | Economic Performance | |
| G4-EC1 | Direct economic value generated: LS Net Sales | 222.076.686,78 € |
| | Economic value distributed in services / donations | 37.940 € |
| G4-EC4 | Significant financial assistance received from Government | 61.183 € |

Environmental Indicators

| GRI 4.0 | Indicator | Location or Assessment |
|-----------|--|---|
| | Energy | |
| G4-DMA | Management Approach | See: Energy Efficiency |
| G4-EN3 a) | Total Diesel Consumption of the fleet (Unit: Joule) | N.D. |
| G4-EN3 a) | Total Liquefied Natural Gas Consumption of the fleet (Unit: Joule) | N.D. |
| G4-EN5 | Specific Fuel Consumption of Own Fleet | 289.17 gep/VK (oil equivalent grams / kilometre value) |
| G4-EN5 | Electric Power Consumption Factor (Logistics operations centres) | 1,79 (kwh/ number of pallets handled) |
| | Water | |
| G4-EN8 | Consumption Factor in Washings (RETA - Carregado) | Network Water Consumption (m3) / Number of Washing Services=0.8 |
| | Emissions | |
| G4-DMA | Management Approach | See "Energy Efficiency" The quantification of greenhouse gas emissions was carried out for the Group's own fleet (scope 1) and for electric power consumption (scope 2). |
| G4-EN16 | Indirect greenhouse gas emissions derived from the acquisition of energy (scope 2) | 3748 TonCO ₂ eq |
| G4-EN18 | Emissions of the Own Fleet in KgCO ₂ e/1000Km | 927 |

09 | GRI 4.0 TABLE

| | | |
|---------|--|--|
| G4-EN21 | Emissions of NO, SOx and other significant atmospheric emissions | RETA: Carregado: 8,70 kg NOx/year Gaia: 9,57kg NOx/year Carregado: 8,70kg NOx/year Carregado: 117,94 kg COV/year Gaia: 279,81 kg COV/year |
|---------|--|--|

Social Indicators:

| GRI 4.0 | Indicator | Location or Assessment |
|---------|--|--|
| | Employment | |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region . | N.D. |
| G4-LA2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation. | N.D. |
| G4-LA3 | Return to work and retention rates after parental leave, by gender | N.D. |
| | Labour relations | |
| G4-LA4 | Minimum number notification on significant operational changes and whether they are specified in collective bargaining agreements. | N.D. |
| | Occupational health and safety | |
| G4-LA6 | Types and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities, by region and gender | See: Employees Training and Involvement - Occupational Health and Safety |
| G4-LA6 | Index of severity of Work Accidents (IG) = Number of accumulated days of absence / Total number of days that could be worked | See: Employees Training and Involvement |
| | Training and education | |
| G4-DMA | DMA (Disclosure Management Approach) | See: Employees Training and Involvement |
| G4-LA9 | Average hours of training per year per employee, detailed by gender and employee category | See: Employees Training and Involvement |
| G4-LA10 | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | N.D. |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews, by gender and by employee category | N.D. |

| | Diversity and equal opportunities | |
|---------|--|---|
| G4-LA12 | Composition of the governing bodies of the company and list of employees by category according to gender, age group (by gender), minorities (by gender) and other indicators of diversity (by gender). | See: Governance Women per employment category: Senior management 50%; Warehouse operators 17%; Average age of LS employees: 41 years old |
| | Equal remuneration for women and men | |
| G4-LA13 | Ratio of basic salary and remuneration of women to men by employee category and significant locations of operation | N.D. |
| | Assessment of supplier labour practices | |
| G4-LA14 | Percentage of new suppliers that were screened using labour practices criteria | N.D. |
| G4-LA15 | Significant actual and potential negative impacts for labour practices in the supply chain and actions taken | N.D. |
| | Labour practices grievance mechanism | |
| G4-LA16 | Number of grievances about labour practices filed, addressed and resolved through formal grievance mechanisms | N.D. |
| | Society | |
| | Local communities | |
| G4-SO1 | Percentage of operations with implemented local community engagement, impact assessments and development programs | N.D. |
| G4-SO2 | Operations with significant actual and potential negative impacts on local communities | N.D. |

Anti-corruption

| | | |
|--------|---|------|
| G4-SO3 | Total number and percentage of operations assessed for risks related to corruption and the significant risks detected | N.D. |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | N.D. |
| G4-SO5 | Confirmed cases of corruption and actions taken | N.D. |

09 | GRI 4.0 TABLE

| | | |
|--------|---|----------|
| | Public policy | |
| G4-SO6 | Total value of political contributions by country and recipient/beneficiary | 0 € |
| | Anti-competitive behaviour | |
| G4-SO7 | Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes | 0 |
| | Compliance | |
| G4-SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | 45.105 € |

Supplier assessment for impacts on society

| | | |
|---------|--|------|
| G4-SO9 | Percentage of new suppliers that were screened using criteria for impacts on society | N.D. |
| G4-SO10 | Significant actual and potential negative impacts in the supply chain and actions taken | N.D. |
| | Grievance mechanism for impacts on society | |
| G4-SO11 | Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms | N.D. |
| | Human Resources | |
| | Non-discrimination | |
| G4-HR3 | Total number of incidents of discrimination and corrective actions taken. | 0 |
| | Freedom of association and collective bargaining | |
| G4-HR4 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights | N.D. |

| | Child labour | |
|---------|--|---|
| G4-HR5 | Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour | 0 |
| | Forced or compulsory labour | |
| G4-HR6 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of all forms of forced or compulsory labour | 0 |
| | Human rights grievance mechanisms | |
| G4-HR12 | Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms | 0 |

Product Responsibility

| | Customer health and safety | |
|--------|---|------|
| G4-PR1 | Percentage of significant product and service categories for which health and safety impacts are assessed for improvement | N.D. |
| G4-PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and security during their life cycle, by type of outcomes . | N.D. |

Product and service labelling

| | | |
|--------|--|--|
| G4-PR3 | Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements | N.D. |
| G4-PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes | N.D. |
| G4-DMA | Management Approach | See: Quality Service - Customer satisfaction |
| G4-PR5 | Results of customer satisfaction surveys | See: Quality Service - Customer satisfaction |

09 | GRI 4.0 TABLE

| | Marketing communications | |
|--------|---|------|
| G4-PR6 | Sale of banned or disputed products | N.D. |
| G4-PR7 | Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes . | 0 |
| | Customer privacy | |
| G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | N.D. |
| | Compliance | |
| G4-PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services . | N.D. |

Nota:

• N.A. – applicable

• N.D. – Not developed

• N.E. – Non-existent

Associations in which the Luís Simões Group participates:



~ FINANCIAL STATEMENTS

BALANCE SHEET

LS - LUIS SIMÕES SGPS. S.A, CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

| HEADINGS | NOTES | DATES | |
|---------------------------------|-------|----------------|----------------|
| | | 31/12/16 | 31/12/15 |
| NON-CURRENT ASSETS | | | |
| Tangible fixed assets | 8 | 76,917,951.46 | 80,108,151.38 |
| Investment properties | 10 | 1,159,862.67 | 1,381,088.14 |
| Intangible assets | 7 | 1,860,106.18 | 1,321,596.23 |
| Other financial investments | 18,1 | 57,583.48 | 874,698.63 |
| Credit receivable | 18,1 | 1,343,970.97 | - |
| Deferred tax assets | 17 | 642,937.60 | 727,823.89 |
| | | 81,982,412.36 | 84,413,358.27 |
| CURRENT ASSETS | | | |
| Inventories | 11 | 1,470,910.12 | 1,755,706.61 |
| Customers | 18,1 | 64,770,981.31 | 59,875,282.82 |
| State and other public entities | 21.4 | 1,734,141.74 | 2,561,508.00 |
| Other credit receivable | 18,1 | 6,582,569.97 | 6,629,834.06 |
| Deferrals | 21.1 | 730,312.32 | 418,939.92 |
| Cash and bank deposits | 4 | 274,792.23 | 243,424.07 |
| | | 75,563,707.69 | 71,484,695.48 |
| Total assets | | 157,546,120.05 | 155,898,053.75 |

**LS - LUIS SIMÕES SGPS. S.A,
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016**

| HEADINGS | NOTES | DATES | |
|--------------------------------------|-------|---------------|---------------|
| | | 31/12/16 | 31/12/15 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Underwritten capital | 18 | 30,000,000.00 | 30,000,000.00 |
| Legal reserve | 21,2 | 213,343.60 | 124,681.38 |
| Other reserves | 21,2 | 4,562,969.49 | 4,562,969.49 |
| Retained earnings | 21,2 | 5,770,842.50 | 4,515,827.14 |
| Ajustments / other changes in equity | 21,2 | 268,414.41 | 268,414.41 |
| Net income for the period | | 40,815,570.00 | 39,471,892.42 |
| Non-controlling interests | 21,3 | 1,690,786.49 | 1,773,244.37 |
| Total equity | | 340,610.73 | 725,88.48 |
| | | 42,846,967.22 | 41,971,019.27 |
| LIABILITIES: | | | |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 13 | 614,267.77 | 547,435.87 |
| Loans received | 18,2 | 32,642,783.45 | 29,432,392.45 |
| Deferred tax liabilities | 17 | 2,426,424.67 | 2,340,296.62 |
| Other debts payable | 18,2 | 90,000.00 | 105,000.00 |
| | | 35,773,475.89 | 32,425,124.94 |

**LS - LUIS SIMÕES SGPS. S.A,
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016**

| HEADINGS | NOTES | DATES | |
|-------------------------------------|-------|----------------|----------------|
| | | 31/12/16 | 31/12/15 |
| CURRENT LIABILITIES | | | |
| Suppliers | 18,2 | 36,507,171.63 | 34,880,594.37 |
| State and other public entities | 21,4 | 2,417,851.05 | 2,198,620.72 |
| Loans received | 18,2 | 22,183,636.82 | 27,269,923.52 |
| Other debts payable | 18,2 | 17,040,913.17 | 15,903,479.51 |
| Deferrals | 21,1 | 776,104.27 | 1,249,291.42 |
| | | 78,925,676.94 | 81,501,909.54 |
| Total liabilities | | 114,699,152.83 | 113,927,034.48 |
| Total equity and liabilities | | 157,546,120.05 | 155,898,053.75 |

The notes attached herewith are an integral part of these financial statements.

The Chartered Accountant:

Vítor José Caetano de Sousa

The Board of Directors:

José Luís Soares Simões - Chairman | Leonel Fernando Soares Simões - Member | Jorge Manuel Soares Simões - Member | Fernanda Maria Oliveira Simões - Member | Daniela Alexandra Lopes Simões - Member | Rui Miguel Marcos Simões - Member | Maria Celeste Morgado Venâncio dos Santos - Member

~ FINANCIAL STATEMENTS

INCOME STATEMENT BY NATURE

| LS - LUIS SIMÕES SGPS. S.A, CONSOLIDATED INCOME STATEMENT BY NATURE PERIOD ENDED ON 31 DECEMBER 2016 | | | |
|--|-------|----------------------|----------------------|
| HEADINGS | NOTES | PERIODS | |
| | | 2016 | 2015 |
| Sales and services rendered | 12 | 222,076,686.78 | 220,330,160.87 |
| Operating grants | 14 | 61,182.95 | 176,235.26 |
| Gains / losses imputed to subsidiaries, associates and joint ventures | | (0.00) | 12,055.88 |
| Own work capitalised | 21,5 | 477,816.96 | 610,873.81 |
| Cost of goods sold and materials consumed | 11 | (13,016,272.13) | (15,146,880.64) |
| External supplies and services | 21,6 | (161,319,160.52) | (158,491,350.98) |
| Staff costs | 19 | (46,775,953.28) | (44,368,145.10) |
| Impairment of inventories (losses / reversals) | 11 | (274,991.21) | - |
| Impairment of debts receivable (losses / reversals) | 18,1 | (299,124.77) | (8,571.58) |
| Provisions (increases / reductions) | 13 | (429,169.53) | 175,841.59 |
| Other income | 21,7 | 16,091,218.86 | 14,811,185.16 |
| Other costs | 21,8 | (2,031,406.87) | (1,731,430.49) |
| Earnings before interest, taxes, depreciation and amortisation | | 14,560,827.24 | 16,369,973.78 |
| Depreciation and amortisation costs/reversals | 21,9 | (11,402,030.47) | (12,026,184.10) |
| Impairment of depreciable / amortisable investments (losses / reversals) | 10 | (206,448.31) | - |
| Net operating income (earnings before interest and taxes) | | 2,952,348.46 | 4,343,789.68 |
| Interest and similar income received | 21,10 | 8.33 | 409.39 |

**LS - LUIS SIMÕES SGPS. S,A,
CONSOLIDATED INCOME STATEMENT BY NATURE
PERIOD ENDED ON 31 DECEMBER 2016**

| HEADINGS | NOTES | PERIODS | |
|---|-------|----------------|----------------|
| | | 2016 | 2015 |
| Interest and similar costs paid | 21,11 | (1,056,773.50) | (1,071,807.78) |
| Earnings before taxes | | 1,895,583.29 | 3,272,391.29 |
| Income tax for the period | 17 | (565,739.32) | (1,359,298.35) |
| Net income for the period | | 1,329,843.97 | 1,913,092.94 |
| Net income for the period attributable to: | | | |
| Shareholders of the parent company | | 1,690,786.49 | 1,773,244.37 |
| Non-controlling interests | | (360,942.52) | 139,848.57 |
| Earnings per basic share | 21,3 | 0.28 | 0.30 |

The notes attached herewith are an integral part of these financial statements.

The Chartered Accountant:

Vítor José Caetano de Sousa

The Board of Directors:

José Luís Soares Simões - Chairman | Leonel Fernando Soares Simões - Member | Jorge Manuel Soares Simões - Member | Fernanda Maria Oliveira Simões - Member | Daniela Alexandra Lopes Simões - Member | Rui Miguel Marcos Simões - Member | Maria Celeste Morgado Venâncio dos Santos - Member

~ FINANCIAL STATEMENTS

CASH FLOW STATEMENT

| LS - LUIS SIMÕES SGPS. S.A, CONSOLIDATED CASH FLOW STATEMENT PERIOD ENDED ON 31 DECEMBER 2016 | | | |
|---|--|------------------|------------------|
| HEADINGS | NOTES | PERIODS | |
| | | 2016 | 2015 |
| Cash flow from operating activities | | | |
| Revenue from customers | | 271,829,835.14 | 271,381,705.95 |
| Payments to suppliers | | (209,068,542.86) | (207,410,956.38) |
| Staff payments | | (29,835,717.63) | (28,195,678.41) |
| | cash generated by the operations | 32,925,574.65 | 35,775,071.16 |
| Income tax payment / revenue | | (153,717.77) | (367,684.93) |
| Other revenue / payments | | (24,440,523.49) | (23,565,706.95) |
| | Cash flow from operating activities (1) | 8,331,333.39 | 11,841,679.28 |
| Payments relative to: | | | |
| Tangible fixed assets | | (11,870,280.84) | (13,646,504.90) |
| Intangible assets | | (100,660.23) | (225,079.64) |
| Financial investments | | - | (1,044,000.00) |
| Revenue derived from: | | | |
| Tangible fixed assets | | 7,329,883.17 | 5,598,837.16 |
| Financial investments | | 54,093.25 | 6,353.56 |
| Other assets | | 499.37 | 499.37 |
| Interest and similar income | | 762.70 | - |
| | Cash flow from investment activities (2) | (4,585,702.58) | (9,309,894.45) |

**LS - LUIS SIMÕES SGPS. S.A,
CONSOLIDATED CASH FLOW STATEMENT
PERIOD ENDED ON 31 DECEMBER 2016**

| HEADINGS | NOTES | PERIODS | |
|--|-------|-----------------|-----------------|
| | | 2016 | 2015 |
| Cash flow from financing activities | | | |
| Revenue derived from: | | | |
| Loans received | | 21,006,271.32 | 39,236,452.47 |
| Payments relative to | | | |
| Loans received | | (21,303,102.77) | (29,635,979.54) |
| Interest and similar costs | | (1,132,956.38) | (1,207,840.16) |
| Dividends | 21,2 | (429,566.79) | (1,037,802.93) |
| Reductions of capital and other equity instruments | 18,4 | - | (6,830,400.00) |
| Other financing operations | | (1,854,908.03) | (3,391,648.43) |
| Cash flow from financing activities (3) | | (3,714,262.65) | (2,867,218.59) |
| Change of cash and cash equivalents (1)+(2)+(3) | | 31,368.16 | (335,433.76) |
| Cash and cash equivalents at the beginning of the period | 4 | 243,424.07 | 578,857.83 |
| Cash and cash equivalents at the end of the period | 4 | 274,792.23 | 243,424.07 |

The notes attached herewith are an integral part of these financial statements.

The Chartered Accountant:

Vítor José Caetano de Sousa

The Board of Directors:

José Luís Soares Simões - Chairman | Leonel Fernando Soares Simões - Member | Jorge Manuel Soares Simões - Member | Fernanda Maria Oliveira Simões - Member | Daniela Alexandra Lopes Simões - Member | Rui Miguel Marcos Simões - Member | Maria Celeste Morgado Venâncio dos Santos - Member

~ FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

LS-LUIS SIMÕES SGPS. S.A, CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 2015

| | | | | | | | | | | | euros |
|---|-------------|-------------------------|-----------------------------|------------------|-------------------|----------------------|---------------------------------------|---------------------------------|----------------|----------------------------------|----------------|
| | Notes | Underwritten Capital | Other equity instruments | Legal reserve | Other reserves | Retained earnings | Adjustments in financial assets | Net income for the period | Total | Non- controlling interests | Total equity |
| Position at the beginning of 2015 | | 30,000,000.00 | 6,830,400.00 | 68,088.82 | 4,562,969.49 | 4,515,827.05 | 268,414.41 | 1,131,851.12 | 47,377,550.89 | 1,653,653.41 | 49,031,204.30 |
| Changes in the period | | | | | | | | | | | |
| Other changes recognised in equity | | | | | | | | | | | |
| Appropriation of Net Income | | - | - | 56,592.56 | - | 1,075,258.56 | - | (1,131,851.12) | - | - | - |
| Adjustments for deferred taxes | | - | - | - | - | - | - | - | - | (2,891.35) | (2,891.35) |
| Effect of acquisition / divestment of stakes | | - | - | - | - | - | - | - | - | (1,032,335.21) | (1,032,335.21) |
| Other changes recorded directly under equity | | - | - | - | - | - | - | - | - | 279.33 | 279.33 |
| | 18,4 21,2 | 30,000,000.00 | 6,830,400.00 | 124,681.38 | 4,562,969.49 | 5,591,085.61 | 268,414.41 | - | 47,377,550.89 | 618,706.18 | 47,996,257.07 |
| Net income for the period | | | | | | | | 1,773,244.37 | 1,773,244.37 | 139,848.57 | 1,913,092.94 |
| Comprehensive net income | | | | | | | | 1,773,244.37 | 1,773,244.37 | 139,848.57 | 1,913,092.94 |
| Operations with shareholders in the period | | | | | | | | | | | |
| Additional paid-in capital | 18,4 | - | (6,830,400.00) | - | - | - | - | - | (6,830,400.00) | - | (6,830,400.00) |
| Other transactions | | | | | | | | | | | |

LS-LUIS SIMÕES SGPS. S,A,
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 2015

| | | | | | | | | | | | euros |
|-------------------------------------|----------------|-------------------------|-----------------------------|------------------|-------------------|----------------------|---------------------------------------|---------------------------------|----------------|----------------------------------|----------------|
| | Notes | Underwritten Capital | Other equity instruments | Legal reserve | Other reserves | Retained earnings | Adjustments in financial assets | Net income for the period | Total | Non- controlling interests | Total equity |
| Distribution of dividends | | - | - | - | - | (1,075,258.47) | - | - | (1,075,258.47) | (32,672.27) | (1,107,930.74) |
| | | - | (6,830,400.00) | - | - | (1,075,258.47) | - | - | (1,075,258.47) | (32,672.27) | (1,107,930.74) |
| Positions at the end of 2015 | 18,4 21,2 | 30,000,000.00 | - | 124,681.38 | 4,562,969.49 | 4,515,827.14 | 268,414.41 | 1,773,244.37 | 41,245,136.79 | 725,882.48 | 41,971,019.27 |

LS-LUIS SIMÕES SGPS. S.A,

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 2016**

euros

| | Notes | Underwritten Capital | Other equity instruments | Legal reserve | Other reserves | Retained earnings | Adjustments in financial assets | Net income for the period | Total | Non- controlling interests | Total equity |
|---|-------------|-------------------------|-----------------------------|------------------|-------------------|----------------------|---------------------------------------|---------------------------------|---------------|----------------------------------|---------------|
| Position at the beginning of 2016 | | 30,000,000.00 | - | 124,681.38 | 4,562,969.49 | 4,515,827.05 | 268,414.41 | 1,773,244.37 | 41,245,136.79 | 725,882.48 | 41,971,019.27 |
| Changes in the period | | | | | | | | | | | |
| Other changes recognised in equity | | | | | | | | | | | |
| Appropriation of Net Income | | - | - | 88,662.22 | - | 1,684,582.15 | - | (1,773,244.37) | - | - | - |
| | 18,4 21,2 | 30,000,000.00 | - | 213,343.60 | 4,562,969.49 | 6,200,409.29 | 268,414.41 | - | 41,245,136.79 | 725,882.48 | 41,971,019.27 |
| Net income for the period | | | | | | | | 1,690,786.49 | 1,690,786.49 | (360,942.52) | 1,329,843.97 |
| Comprehensive net income | | | | | | | | 1,690,786.49 | 1,690,786.49 | (360,942.52) | 1,329,843.97 |
| Operations with shareholders in the period | | | | | | | | | | | |
| Other transactions | | | | | | | | | | | |
| Sistribution of dividends | 21,2 | - | - | - | - | (429,566.79) | - | - | (429,566.79) | (24,329.23) | (453,896.02) |
| | | - | - | - | - | (429,566.79) | - | - | (429,566.79) | (24,329.23) | (453,896.02) |
| Position at the end of 2016 | 18,4 21,2 | 30,000,000.00 | - | 213,343.60 | 4,562,969.49 | 5,770,842.50 | 268,414.41 | 1,690,786.49 | 42,506,356.49 | 340,610.73 | 42,846,967.22 |

The notes attached herewith are an integral part of these financial statements,

The Chartered Accountant:

Vítor José Caetano de Sousa

The Board of Directors:

José Luís Soares Simões - Chairman | Leonel Fernando Soares Simões - Member | Jorge Manuel Soares Simões - Member | Fernanda Maria Oliveira Simões - Member | Daniela Alexandra Lopes Simões - Member | Rui Miguel Marcos Simões - Member | Maria Celeste Morgado Venâncio dos Santos - Member

NOTES

(Amounts in euros)

1. IDENTIFICATION OF THE ENTITY

The Luis Simões Group (“Group”) is composed of LS – Luis Simões, SGPS, S.A. and its subsidiaries.

LS - Luís Simões, SGPS, S.A. (“Company”), a public limited liability company, with head office in Moninhos, Loures, was incorporated on 5 August 1996 and its corporate object is the management of holdings of other companies, as an indirect way of exercising economic activities. The entity’s head office is at Rua Fernando Namora in Moninhos, municipality of Loures.

The Group operates in the following business areas:

1- The road transport of goods activity which represents about 48% of Group turnover, leading the national transport market and the road flow market in the Iberian Peninsula.

2- Logistics activity accounts for approximately 45% of Group turnover, leading the Logistics and Distribution of mass consumption products in Portugal, providing integrated transport, storage, order preparation, inventory control and distribution services, as well as other value added services. In Spain, this activity is also specialised in the Logistics and Distribution of mass consumption products.

3- The other activities which represent about 7% of the Group-s total turnover aimed to meet two vital objectives: support the Group-s core business activities and develop autonomous business in its specific markets.

The corporate name of the parent company is LS – Luís Simões, SGPS, S.A.

The company is held by the entities described in the table below:

| Shareholders | Number shares held | % Voting rights | % Stake |
|------------------------------------|--------------------|-----------------|---------|
| Leonel Simões & Filhas, SGPS, S,A, | 1,999.700 | 33.33% | 33.33% |
| Varanda do Vale, SGPS, S,A: | 1,999.700 | 33.33% | 33.33% |
| Mira Serra, SGPS, S,A, | 1,999.700 | 33.33% | 33.33% |
| José Luís Simões | 300 | 0.01% | 0.01% |
| Leonel Fernando Simões | 300 | 0.01% | 0.01% |
| Jorge Manuel Simões | 300 | 0.01% | 0.01% |
| | 6,000,000 | 100.00% | 100.00% |

These financial statements were approved by the Board of Directors at the meeting held on 30 March 2017. The Board of Directors believes that these financial statements are a true and appropriate reflection of the Company’s operations, as well as its financial position and cash flow.

These consolidated financial statements will be approved at the General Meeting of Shareholders.

2. ACCOUNTING FRAMEWORK USED TO PREPARE THE FINANCIAL STATEMENTS

2.1. BASIS OF PREPARATION

These financial statements were prepared in accordance with the Accounting and Financial Reporting Standards (NCRF) in force at the present date.

The preparation of financial statements in accordance with the Accounting Standardisation System (SNC) requires the use of estimates, assumptions and critical judgements in the process of determining the accounting policies to be adopted by the Group, with significant impact on the book

value of the assets and liabilities, as well as the income and expenses of the reporting period.

Although these estimates are based on the best experience of the Board of Directors and its best expectations for the current and future events and actions, current and future results could differ from these estimates. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 3.22.

The Board of Directors appraised the Group's capacity to operate as a going concern, based on the relevant information, facts and circumstance, of financial, commercial or other nature, including events that occur after the reporting date of the financial statements that are available about the future. Although the current assets are lower than the current liabilities as at 31 December 2016 by 3,266,646.21 euros, it should be noted that the operating cash flow generated by the Group, as at 31 December 2016 and 2015, stood at 8,331,33.39 euros and 11,841,679.28 euros, respectively, with the Group having recorded positive operating results of 14,560,827.24 euros and 16,369,973.78 euros. Furthermore, the Group can use the available and unused credit lines which, as at 31 December 2016, reached 15,460,101.90 euros.

3. MAIN ACCOUNTING POLICIES

The main accounting policies adopted in the preparation of the financial statements attached herewith are described below. These policies have been consistently applied to all financial years submitted, unless stated otherwise.

3.1. BASIS OF CONSOLIDATION

The corporate universe of the Group is made up of the Subsidiaries described in Note 6.

In compliance with the provisions in article 6 of Decree-Law 158/2009, of 2 June, re-published by the SNC, the entity presents consolidated Group accounts constituted by itself and all the Subsidiaries in which:

- Regardless of the ownership of capital, it is the case that, alternatively:
 - It may exercise, or effectively exercises, dominant influence or control;
 - It exercises management as if both constituted a single entity;
- If it owns equity:
 - It has the majority of voting rights, unless it should be demonstrated that these rights do not confer control;
 - It is entitled to appoint or dismiss the majority of the holders of the management body of an entity empowered to manage the financial and operating policies of this entity;
 - It exercises a dominant influence over an entity pursuant to a contract signed with the latter or another clause of the memorandum of association thereof;
 - It holds at least 20% of the voting rights and the majority of the officers of the management body of an entity empowered to manage the financial and operating policies of this entity which have been in office during the financial year to which the consolidated financial statements refer, as well as in the preceding financial year and until the time when they are drawn up, have been exclusively appointed as a consequence of exercising its voting rights;
 - It holds, alone or pursuant to an agreement with other shareholders of this entity, the majority of the voting rights of the shareholders thereof. Despite holding a stake of less than 20%, Solmoninhos – Consultoria, Gestão e Execução Imobiliária, S.A. is considered a subsidiary, and

consolidated by the full method, as it is possible to demonstrate that the Group exercises effective control over it.

The existence and effect of the potential voting rights which can currently be exercised or converted are considered when it is assessed as to whether control exists or not.

The subsidiaries are consolidated by the full method, as of the date when control is transferred to the Group, being excluded from the consolidation as of the date when this control ceases.

The purchase method is used to record the acquisition of the Subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition.

Any excess cost of acquisition with regard to the fair value of the Group's share of the identifiable assets and liabilities acquired is recognised as goodwill.

If the acquisition cost is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly in the consolidated income statement for the period in which acquisition occurs.

In the consolidation process, the transactions, balances and unrealised gains in intra-group transactions and dividends distributed between group companies are eliminated. Unrealised losses are also eliminated, unless the transaction reveals evidence of the existence of impairment in the assets that have been transferred and have not yet been divested

The accounting policies used by the Subsidiaries to prepare their individual financial statements were changed, whenever necessary, so as to ensure consistency with the policies adopted by the Group.

Any temporary differences which arose from the elimination of the results derived from intra-group transactions were subject to the provisions of NCRF 25 - Income Taxes.

The Equity and Net Income of the Subsidiaries which are held by third parties from outside the Group are presented in the Minority Interests headings of the Consolidated Balance Sheet (autonomously within the Equity) and Consolidated Income Statement, respectively.

3.2. CURRENCY CONVERSION

The Group's financial statements and respective items of these Notes are presented in euros, unless stated otherwise, being the Group's functional currency.

3.3. TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at cost or considered cost (for assets acquired before the NCRF transition date), minus accumulated depreciation and any impairment losses.

The acquisition cost includes the purchase price of the asset, costs directly attributable to the acquisition and costs incurred for preparation of the asset so that it is under adequate conditions of use.

Costs of major repairs and replacements are capitalised whenever they increase the useful life of the fixed asset to which they refer and are depreciated over the remaining period of useful life of this fixed asset or its actual useful life, if lower.

Maintenance and repair costs (subsequent expenditure) that are not likely to generate future economic benefits are recorded as costs for the period when they are incurred.

Costs incurred with the dismantling or removal of assets installed in the property of third parties will be considered as part of the initial cost of the assets when the amounts are significant.

The depreciation rates arising from the determination of estimated useful lives for more relevant tangible fixed assets are as follows:

| Asset | 2016 |
|------------------------------------|---------------|
| Buildings and other constructions | 2.00 - 33.33 |
| Basic equipment | 5.00 - 33.33 |
| Transport equipment | 10.00 - 33.33 |
| Administrative Transport equipment | 8.33 - 33.33 |
| Other tangible fixed assets | 10.00 - 33.33 |

Depreciation is measured on a duodecimal basis after the moment the asset is able to be used in accordance with the estimated useful life for each group of assets.

Depreciation costs are recognised in the income statement under the heading “Depreciation and Amortisation costs/reversals”.

Whenever there are indications of loss of value in tangible fixed assets, impairment tests are performed in order to estimate the recoverable amount of the asset, and when required, to record an impairment loss. The recoverable value is determined as the highest level between the net selling price and the asset’s value in use. The value in use is calculated based on the current value of the estimated future cash flow, derived from the continued use and divestment of the asset at the end of its useful life.

The useful lives of assets are reviewed in each financial reporting period so that depreciation is in accordance with the expected consumption patterns of the assets. Changes to useful lives are treated as a change

in accounting estimate and are applied prospectively, affecting the net income for the period.

The gain (or loss) derived from the divestment or write-off of a tangible fixed asset is determined as the difference between the amount received in the transaction and the book value of the asset and it is recognised through profit or loss for the period when the divestment occurs.

Tangible fixed assets in progress refer to assets that are still under construction or development and are measured at acquisition cost and depreciated only when they are available for use.

3.4. LEASES

Financial leases are capitalised at the beginning of the lease at the lower value between the fair value of the leased asset and the current value of minimum lease payments, each determined at the starting date of the contract. The debt resulting from a financial lease is recorded net of financial costs under the “Loans received” heading. The financial costs included in the lease payment and depreciation of leased assets are recognised in the income statement for the period to which they refer, under the heading of interest and similar costs paid.

Tangible fixed assets acquired through financial leases are depreciated at the lower value between the useful life period of the asset and the lease period if, at the end of the contract, the Group does not have the purchase option, or over an estimated useful life period if the Group intends to acquire the assets at the end of the contract.

For leases classified as operating, the lease payments are recognised as a cost in the profit and loss account on a linear basis during the lease period.

3.5. INVESTMENT PROPERTIES

Investment properties are immovable assets (land, buildings or parts of buildings) held for the purpose of capital appreciation, achievement of rents, or both. Investment properties were valued at cost or deemed cost (corresponding to their fair value on the NCRF transition date, minus accumulated depreciation and impairment losses).

According to the adopted accounting standards, and in particular regarding the valuation criterion according to the depreciated cost model, the disclosure of the fair value of the investment properties in the complete financial statements is required.

The fair value of other land and financial years is determined based on assessments undertaken by external valuers taking into account the conditions of their use or the best use, depending on whether it is rented or not.

3.6. INTANGIBLE ASSETS

Initial recognition

The cost of intangible assets acquired separately reflects, in general, the expected future economic benefits and includes:

- The purchase price, including costs related to intellectual property rights and taxes on non-refundable purchases, after deducting trade discounts and rebates; and
- Any cost directly attributable to the preparation of the asset, for its intended use.

The Group values its intangible assets, after initial recognition, through the Cost Model as defined in NCRF 6 – Intangible Assets, which defines that an intangible asset should be recorded at its cost minus accumulated amortisation and any accumulated impairment losses.

The Group determines the useful life and the amortisation method of intangible assets based on the consumption estimate of the economic benefits associated with the asset.

The remainder of intangible assets are amortised on a systematic basis as of the date when they are available for use, throughout their estimated useful life.

Amortisation costs are recognised in the income statement under the heading “Depreciation and Amortisation costs/reversals”.

The useful lives and the amortisation method of various intangible assets are reviewed on an annual basis.

The effect of any changes to these estimates is recognised in the consolidated income statement prospectively.

The amortisation rates resulting from the determination of estimated useful lives for the most significant intangible assets are as follows:

| Assets | 2016 |
|-------------------------|---------------|
| Computer programmes | 16.66 - 33.33 |
| Other intangible assets | 10.00 |

3.7. IMPAIRMENT OF ASSETS

At each reporting date, a review of the book values of the Group’s assets is carried out to determine whether there is any indication of impairment.

In cases where the book value of the asset or cash-generating unit is higher than its recoverable amount, an impairment loss is recognised. The impairment loss is immediately recorded in the consolidated income statement under the heading of “Impairment losses”, unless this loss

offsets a revaluation surplus recorded under equity. In the latter case, this loss will be treated as a revaluation decrease.

The recoverable amount is the highest between the asset's fair value less sales costs and its value in use. For the determination of impairment, assets are allocated to the lowest level of the separately identifiable cash flows (cash generating units).

Non-financial assets other than goodwill, for which impairment losses have been recognised, are assessed at each reporting date on the possible reversal of impairment losses.

The reversal of impairment losses recognised in previous financial years is recorded when there is evidence that the impairment losses no longer exist or have decreased. The reversal of impairment losses is recognised in the income statement under the heading "Reversals of impairment losses". The reversal of the impairment loss is carried out up to the limit of the amount that would have been recognised (net of depreciation) if the impairment loss had not been recorded.

When impairment is recorded or reversed, the amortisation and depreciation of the assets are recalculated prospectively in accordance with the recoverable amount.

3.8. FINANCIAL HOLDINGS – OTHER METHODS

The Group uses the cost model for the initial recognition of financial holdings in entities in which the use of the equity method is not compulsory and in which the conditions are not in place for the use of fair value, namely financial holdings in unlisted companies.

According to the cost model, financial holdings are initially recognised at acquisition cost, which includes transaction costs, with their value being subsequently reduced by impairment losses whenever there are any.

3.9. INCOME TAX

Corporate income tax corresponds to the sum of current taxes and deferred taxes. Current taxes and deferred taxes are recorded through profit or loss, unless they refer to headings recorded directly under equity. In these cases, current and deferred taxes are also recorded under equity.

Current tax payable is based on taxable profit for the financial year of the various entities included in the consolidation perimeter. The taxable profit differs from the accounting profit as it excludes various costs and income which will only be taxable or deductible in other financial years. Taxable also excludes costs and income that will never be deductible or taxable.

Deferred tax refer to temporary differences between the amounts of assets and liabilities for accounting reporting purposes and their amounts for tax purposes.

Deferred tax assets and liabilities are measured using the tax rates expected to be in force at the date of reversal of the corresponding temporary differences, based on tax rates (and tax legislation) formally or substantively enacted at the reporting date.

Deferred tax assets are recognised to the extent that there are likely to be future taxable profits available for the use of the temporary difference. Deferred tax liabilities are recognised over all taxable temporary differences.

Deferred tax assets are reviewed annually and always reduced when it is no longer probable that they may be used.

3.10. INVENTORIES

Inventories are recorded at acquisition cost, adopting the weighted average cost as the inventory outgoing costing method.

Whenever the net realisable value is lower than the acquisition or production cost, the value of the inventories is reduced by recognition of an impairment loss, which is reversed when its underlying reasons cease to exist.

To this end, the net realisable value is the estimated selling price during the ordinary course of business activity minus the estimated completion costs and the costs required for the effective sale. The estimates take into account the variations related with events occurring after the end of the period insofar as said events confirm conditions in place at the end of the period.

3.11. FINANCIAL ASSETS AND LIABILITIES

The Board of Directors determines the classification of financial assets and liabilities, at the initial recognition date, according to NCRF 27 - Financial instruments.

Financial assets and liabilities can be classified/measured:

- (a) At cost or amortised cost minus any impairment loss; or
- (b) At fair value with changes in fair value being recognised in the income statement.

The Group classifies and measures financial assets and liabilities at cost or amortised cost:

- i) that in terms of maturity are at sight or have a defined maturity;
- ii) whose return corresponds to a fixed amount, a fixed interest rate or variable rate corresponding to a market reference rate; and
- iii) that have no contractual clause which may result in the loss of nominal value and accrued interest (in the case of assets) or a change in

the liability for repayment of the nominal value and accrued interest payable (in the case of liabilities).

With respect to assets and liabilities recorded at amortised cost, the interest received to be recognised in each period is determined according to the effective interest rate method, which corresponds to the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

The following are recorded at amortised cost:

- (i) financial assets consisting loans granted, accounts receivable (customers, other debtors, etc.) and equity instruments, as well as any associated derivative contracts, which are not negotiated in an active market or whose fair value cannot be determined reliably and
- (ii) financial liabilities consisting in loans received, accounts payable (suppliers, other creditors, etc.) and equity instruments, as well as any associated derivative contracts which are not negotiated in an active market or whose fair value cannot be determined reliably.

The Group classifies and measures at fair value the financial assets that do not comply with the conditions to be measured at cost or amortised cost, as described above. Financial assets that are equity instruments listed in an active market, derivative contracts and financial assets held for trading are recorded at fair value. Changes in fair value are recorded in the income statement, except for derivative financial instruments that qualify as a cash flow hedge relationship.

The Group assesses at each financial reporting date the existence of indicators of loss of value of financial assets that are not measured at fair value through profit or loss. If there is objective evidence of impairment, an impairment loss in the income statement is recognised by the Group.

Financial assets are derecognised when the rights to receive cash flows generated by these investments expire or are transferred, as well as all risks and benefits of ownership. An entity should derecognise a financial liability (or part of it) only when it is extinguished, i.e. when the obligation under the contract is settled, cancelled or expires.

3.12. CASH AND CASH EQUIVALENTS

The amounts included under the heading of Cash and bank deposits correspond to bank deposits with a maturity of less than twelve months and which can be immediately mobilised with insignificant risk of change in value. These values are stated at cost.

For cash flow statement purposes, the “Cash and cash equivalents” heading, apart from Cash and Bank deposits with a maturity of less than three months, is also composed of bank overdrafts, which are included in the Balance Sheet heading of “Loans received”, when these overdrafts result from one-off situations.

3.13. LOANS RECEIVED

The loans received are initially recognised at fair value, net of transaction and assembly costs incurred. Loans are subsequently submitted at amortised cost, which is the difference between the nominal value and the initial fair value recognised in the consolidated income statement over the loan period, using the effective interest rate method.

Loans received are classified as current liabilities, unless the Group has an unconditional right to defer the payment of liabilities by, at least, 12 months after the reporting date, in which case they are classified as non-current liabilities.

Interest costs related to loans received are recorded under the heading of financing costs and losses through profit or loss for the year.

3.14. GOVERNMENT GRANTS

Government grants are only recognised when there is a reasonable certainty that the Group will meet the conditions for their assignment and that they will be received.

Government grants associated with the acquisition or production of non-current assets (Investment grants) are initially recognised under equity, being subsequently imputed on a systematic basis (in proportion to the amortisation of the underlying assets) as income for the financial year during the useful lives of the assets with which they are related.

Other Government grants (Operating grants) are, generally speaking, recognised as income in a systematic manner during the periods required to balance them with the costs which they are supposed to offset. Government grants whose purpose is to offset losses which have been incurred or which do not have associated future costs are recognised as income for the period when they become receivable.

Government assistance in the form of attribution of repayable financing at a subsidised interest rates should be discounted on the initial recognition date, with the discount value corresponding to the value of the subsidy to be amortised over the financing period.

3.15. PROVISIONS

Provisions are only recognised when the Company has a present obligation (legal or constructive) resulting from a past event, when it is more likely than not that an outflow of resources will be required to settle this liability and that the amount of this obligation can be reasonably estimated.

The recognised amount of provisions consists of the best estimate, on the reporting date, of the resources required to settle the liability. This estimate is determined bearing in mind the risks and uncertainties

associated with the obligation that are known and assessed by the management on the reporting date.

3.16. ACCRUAL BASED ACCOUNTING

Costs and income are recorded in the period to which they refer, regardless of the payment or receipt, in accordance with the accrual based accounting system. The differences between the amounts received and paid and those corresponding to revenue and costs are recognised as assets or liabilities, should they be classified as such, under the Balance Sheet headings of “Other accounts payable” and “Deferrals”.

3.17. REVENUE

Revenue is measured at the fair value of the consideration received or receivable. The revenue to be recognised is deducted by the estimated amount of refunds, discounts and other write-offs, and does not include VAT or other taxes settled in relation to the sale.

Revenue from the sale of assets is recognised when all the following conditions are met:

- All significant risks and rewards of asset ownership have been transferred to the buyer;
- The Group no longer maintains any control over the sold assets;
- The amount of the revenue can be measured reliably;
- It is likely that future economic benefits associated with the transaction will flow to the Group;
- The costs incurred or to be incurred with the transaction can be measured reliably.

Revenue derived from the provision of services is recognised according to the stage of completion of the transaction at the reporting date, provided that all the following conditions have been met:

- The amount of the revenue can be measured reliably;
- It is likely that future economic benefits associated with the transaction will flow to the Group;
- The costs incurred or to be incurred with the transaction can be measured reliably;
- The stage of completion of the transaction at the reporting date can be measured reliably.

3.18. BORROWING COSTS

Borrowing costs (financial costs related to loans) are generally recognised as expenses as they are incurred under the Income Statement heading of “Interest and similar costs paid”.

3.19. CONTINGENT ASSETS AND LIABILITIES

A contingent asset is a possible asset arising from past events and whose existence will only be confirmed by the occurrence or otherwise of one or more uncertain future events not totally under the control of the entity.

Contingent assets are not recognised in the financial statements so as not to give rise to the recognition of income which might never be realised. However, they are disclosed whenever a future influx is likely to occur.

A contingent liability is:

- A possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or otherwise of one or more uncertain future events not totally under the control of the entity or
- A present obligation that arises from past events, but which is not recognised because:
 - It is not likely that an outflow of resources will be required to settle the obligation,

- The amount of the liability cannot be measured with sufficient reliability

Contingent liabilities are not recognised in the financial statements so as not to give rise to the recognition of costs that might never become effective. However, they are disclosed whenever future outflows are likely to occur.

3.20. EQUITY

Ordinary shares are classified under equity. Costs directly attributable to the issue of new shares or options are stated under equity as a deduction, net of taxes, of the amount issued.

Own shares acquired through a contract are recognised under equity, under a separate heading. Pursuant to the Commercial Company Code, the Company must ensure at all times the availability of reserves under Equity to cover the value of those quotas, limiting the amount of reserves available for distribution.

Own shares are recorded at acquisition cost, should the purchase be made in cash, or at estimated fair value, should the purchase be deferred. Dividends distributed to shareholders are recognised as liabilities on the date when this approved by the shareholders.

3.21. ENVIRONMENTAL MATTERS

Provisions for environmental matters are recognised whenever the Group has a legal or constructive obligation, as a result of past events, regarding which it is probable that an outflow of resources will become necessary to settle this obligation and a reliable estimate can be made of the amount of the obligation.

The Group incurs environmental costs which, in accordance with their nature, are capitalised or recognised as operating costs for the period.

Accordingly, expenditure on equipment and operating techniques that ensure compliance with applicable legislation and regulations, as well as the reduction of environmental impacts to levels that do not exceed those representing a viable application of the best available technologies, which permit minimising energy consumption, atmospheric emissions, the production of residues and noise, are capitalised when they are intended to serve the Group's business in a durable way, as well as those associated with future economic benefits and which serve to prolong useful life, increase capacity or improve the safety or efficiency of other assets under Group ownership.

3.22. MAIN ESTIMATES AND JUDGEMENTS PRESENTED

The estimates and judgements that have an impact on the consolidated financial statements of the Luís Simões Group are assessed continuously, representing as of the date of each report the best estimate of the Board, taking into account the historical performance, accumulated experience and expectations about future events that, under the circumstances, are believed to be reasonable.

The intrinsic nature of the estimates may lead to the real reflection of the situations that have been estimated, for financial reporting purposes, being different from the estimated amounts. The following estimates and judgements present a significant risk of causing a material adjustment to the book values of assets and liabilities during the next financial year:

3.22.1. Tangible fixed assets and intangible assets

The determination of the useful lives of assets as well as the method of depreciation/amortisation to be applied is essential to determine the amount of depreciation/amortisation to be recognised in the income statement for each financial year.

These two parameters are defined according to the best judgement of the

Board of Directors for the assets in question, considering the practices adopted by the companies of the sector whenever possible.

3.22.2. Impairment losses

The determination of: a possible impairment loss can be triggered by the occurrence of different events, many of which are outside the sphere of influence of the Group, such as the availability of future financing, the cost of capital or any other changes, both inside and outside the Group The Company.

The identification of impairment indicators, the future estimated cash flows and the determination of the fair value of assets involve a high degree of judgement by the Board of Directors as to the identification and evaluation of different impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

In particular, from the analysis carried out periodically to the accounts receivable may result the need to record impairment losses, which are determined on the basis of available information and estimates made by the Group of cash flows expected to be received.

3.22.3. Provisions

The Group periodically analyses possible obligations arising from past events that must be recognised or disclosed.

The subjectivity inherent in determining the likelihood and amount of resources necessary for the payment of the obligations could lead to adjustments of the registered values, namely with respect to the proceedings in progress and the contingencies.

3.22.4. Deferred taxes

Deferred tax assets are only recognised when there is reasonable

certainty that there will be sufficient future taxable profits to use them or when there are deferred tax liabilities whose reversal is expected to occur in the same period of the reversal of the deferred tax assets. The book value of deferred tax assets is reviewed by the Board of Directors at the end of each reporting period and takes into consideration the expectation of future performance.

3.23. Subsequent events

Events after the reporting date which provide additional information on the conditions existing on the reporting date (adjusting events) are reflected in the financial statements. Events after the balance sheet date which provide additional information about conditions which occurred after the balance sheet date “non-adjusting events”) are disclosed in the financial statements, if considered material..

4. CASH AND CASH EQUIVALENTS

As at 31 December 2016 and 2015, the heading of Cash Equivalents is broken down as follows:

| | 2016 | 2015 |
|------------------------------|-------------|-------------|
| Cash | 16,006..05 | 16,359..95 |
| Demand deposits | 258,786..18 | 227,064..12 |
| Total cash and bank deposits | 274,792..23 | 243,424..07 |

5. ACCOUNTING POLICIES, ALTERATIONS TO ACCOUNTING ESTIMATES AND ERRORS

During the financial years of 2016 and 2015 there were no changes in the accounting policies used and no material errors were detected.

6. RELATED PARTIES

For the purpose of presentation of these financial statements, all the subsidiaries of LS – Luís Simões, SGPS, S.A. and their key management staff are considered related parties.

6.1. ENTITIES OF THE GROUP

The following Group Companies are included in the consolidation as at 31 December 2016 and 2015:

| Subsidiaries | Head Office | Activity | % Stake 2016 | % Stake 2015 | Effective Control 2016 | Effective Control 2015 | RETGS (*) |
|--|--------------------------------------|--|--------------|--------------|------------------------|------------------------|-----------|
| LS - Luís Simões, SGPS, SA (Holding) | Moninhos - Loures | Holding Company | | | | | Yes |
| Luís Simões Logística Integrada, SA (Portugal) | Moninhos - Loures | Logistics and transport | 100% | 100% | 100% | 100% | Yes |
| Luís Simões Logística Integrada, SA (Spain) | Madrid - Espanha | Logistics and transport | 100% | 100% | 100% | 100% | No |
| LS Frota, Lda. | Carregado - Alenquer | Transport | 100% | n/a | 100% | n/a | Yes |
| Reta - Serviços Técnicos e Rent-a-Cargo, SA | Moninhos - Loures | Rental, sale and maintenance of vehicles | 100% | 100% | 100% | 100% | Yes |
| Diagonal - Corretores de Seguros, SA | Moninhos - Loures | Insurance broker | 100% | 100% | 100% | 100% | Yes |
| LS - Gestão Empresarial e Imobiliária, SA | Moninhos - Loures | Services supporting the group | 100% | 100% | 100% | 100% | Yes |
| Patrimundus - Investimentos Imobiliários, SA | Carregado - Alenquer | Real estate | 100% | 100% | 100% | 100% | No |
| Solmoninhos - Consultoria, Gestão e Execução Imobiliária, Lda. | Moninhos - Loures | Real estate | 11,51% | 11,51% | 100% | 100% | No |
| Espaçotrans - Gestão Entrepósitos Aduaneiros, Lda. | Quebradas de Cima - Póvoa Santa Iria | Customs warehouse management | 70.00% | 70.00% | 70% | 70% | No |

(*) RETGS – Special Taxation Scheme for Groups of Companies

There are no subsidiaries excluded from the consolidation process using the full consolidation method.

Despite holding a stake of less than 20%, Solmoninhos – Consultoria, Gestão e Execução Imobiliária, S.A. is considered a subsidiary, and consolidated by the full method, as it is possible to demonstrate that the Group exercises effective control over it.

6.2. REMUNERATION OF KEY MANAGEMENT PERSONNEL

During the financial years ended on 31 December 2016 and 2015 the following remunerations were attributed to the key management staff:

| Remuneration | 2016 | 2015 |
|--------------------------------------|------------|--------------|
| Short-term benefits of the employees | 955,511.09 | 1,084,490.32 |
| | 955,511.09 | 1,084,490.32 |

The Group's Board of Directors was considered, pursuant to NCRF 5, as the only "key" management element.

6.3. TRANSACTIONS WITH RELATED PARTIES

a) Nature of the relationship with related parties

| | Nature of the relationship (Services rendered) | Nature of the relationship (Services received) |
|------------------------------------|---|---|
| Other related parties | | |
| Leonel Simões & Filhas, SGPS, S.A. | Shareholders' loans | Dividends |
| Varanda do Vale, SGPS, S.A. | Shareholders' loans | Dividends |
| Mira Serra, SGPS, S.A. | Shareholders' loans | Dividends |
| Others shareholders | Shareholders' loans | Dividends |



b) Amounts of transactions and outstanding balances with related parties

| | Year | Shareholders' loans received (Note 18,2) | Interest paid (Note 21,11) |
|--------------------------------------|------|---|-------------------------------|
| Other related parties: | | | |
| Leonel Simões & Filhas, SGPS,S.A. | 2015 | 195,800.00 | 7,605.98 |
| | 2016 | 195,800.00 | 6,970.44 |
| Varanda do Vale, SGPS, S.A. | 2015 | 202,800.00 | 7,627.45 |
| | 2016 | 202,800.00 | 7,219.68 |
| Mira Serra, SGPS, S.A. | 2015 | 203,800.00 | 7,604.17 |
| | 2016 | 203,800.00 | 7,255.32 |
| Individual shareholders | 2015 | 12,566,649.44 | 158,368.22 |
| | 2016 | 11,683,737.67 | 436,199.70 |
| | 2015 | 13,169,049.44 | 181,205.82 |
| | 2016 | 12,286,137.67 | 457,645.14 |

7. INTANGIBLE ASSETS

During the financial years ended on 31 December 2016 and 2015, the movement in the book value of intangible assets, as well as their accumulated amortisation and impairment losses was as follows:

| | Computer programmes | Other intangible assets | Intangible assets in progress | Total |
|--|---------------------|-------------------------|-------------------------------|----------------|
| Value as at 01.01.2015 | | | | |
| Gross book values | 5,292,463.29 | 690,476.12 | 20,130.00 | 6,003,069.41 |
| Accumulated depreciation and impairment losses | (4,363,234.05) | (115,079.38) | - | (4,478,313.43) |
| Net book values | 929,229.24 | 575,396.74 | 20,130.00 | 1,524,755.98 |
| Additions | 133,175.05 | - | 20,130.00 | 310,383.75 |
| Divestments. claims and write-offs | 2,367.17 | - | (2,367.17) | - |

| | Computer programmes | Other intangible assets | Intangible assets in progress | Total |
|--|---------------------|-------------------------|-------------------------------|----------------|
| Gross book values | (40,770.61) | - | - | (40,770.61) |
| Accumulated amortisation and impairment losses | 38,155.32 | - | - | 38,155.32 |
| Amortisation (Note 21.4) | (441,880.57) | (69,047.64) | - | (510,928.21) |
| Value as at 31.12.2015 | | | | |
| Gross book values | 5,384,867.73 | 690,476.12 | 197,338.70 | 6,272,682.55 |
| Accumulated depreciation and impairment losses | (4,766,959.30) | (184,127.02) | - | (4,951,086.32) |
| Net book values | 617,908.43 | 506,349.10 | 197,338.70 | 1,321,596.23 |
| Additions | 152,014.18 | - | 768,507.66 | 920,521.84 |
| Transfers | 177,208.70 | - | (177,208.70) | - |
| Divestments, claims and write-offs | | | | |
| Gross book values | (1,499.00) | - | - | (1,499.00) |
| Accumulated amortisation and impairment losses | 441.00 | - | - | 441.00 |
| Amortisation (Note 21.4) | (291,776.25) | (69,047.64) | - | (360,823.89) |
| Values as at 31.12.2016 | | | | |
| Gross book values | 5712,591.61 | 690,476.12 | 768,507.66 | 7,171,575.39 |
| Accumulated amortisation and impairment losses | (5058,294.55) | (253,174.66) | - | (5,311,469.21) |
| Net book values | 654,297.06 | 437,301.46 | 768,507.66 | 1,860,106.18 |

The main additions that occurred in 2016 refer to licensing and other costs incurred with new management software for transport operations



("TMS"), still in progress at the end of the year, and which is expected to enter into production in 2017.

The heading "Other intangible assets" refers to an insurance portfolio which was acquired in 2013. This intangible asset is being amortised over the period of 10 years, corresponding to the useful life estimated by the Board of Directors.

The Computer Programmes are not owned by the Group, which only has the respective usage rights under the terms of the contract signed with the supplier.

There are no intangible assets pledged as security for liabilities.

There are no future commitments for acquiring intangible assets.

8. TANGIBLE FIXED ASSETS

During the financial years ended on 31 December 2016 and 2015, the movement in the book value of tangible fixed assets, as well as their accumulated depreciation and impairment losses was as follows:

(valores expressos em euros)

| | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Administrative equipment | Other tangible fixed assets | Tangible fixed assets in progress | Totais |
|--|----------------------------|-----------------------------------|-----------------|---------------------|--------------------------|-----------------------------|-----------------------------------|-----------------|
| Value as at 01.01.2015 | | | | | | | | |
| Gross book values | 12,168,068.98 | 64,509,276.84 | 72,099,085.84 | 836,292.31 | 8,255,059.47 | 2,188,210.14 | 5,259,513.61 | 165,315,507.19 |
| Accumulated depreciation and impairment losses | - | (32,666,164.14) | (42,396,930.42) | (782,632.79) | (7,383,634.08) | (1,380,011.91) | - | (84,609,373.34) |
| Net book values | 12,168,068.98 | 31,843,112.70 | 29,702,155.42 | 53,659.52 | 871,425.39 | 808,198.24 | 5,259,513.61 | 80,706,133.85 |
| Additions | - | 193,096.11 | 6,803,846.48 | - | 578,015.91 | 82,874.14 | 5,204,277.41 | 12,862,110.05 |
| Transfers of investment properties | | | | | | | | |

(valores expressos em euros)

| | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Administrative equipment | Other tangible fixed assets | Tangible fixed assets in progress | Totais |
|--|----------------------------|-----------------------------------|-----------------|---------------------|--------------------------|-----------------------------|-----------------------------------|-----------------|
| Gross book values | 71,147.53 | 213,442.59 | - | - | - | - | - | 284,590.12 |
| Accumulated depreciation and impairment losses | - | (4,268.88) | - | - | - | - | - | (4,268.88) |
| Transfers | - | 55,951.16 | 954,435.81 | - | - | - | (1,010,386.97) | - |
| Other changes | - | - | (360.00) | - | - | - | (64,000.00) | (64,360.00) |
| Divestments, claims and write-offs | | | | | | | | |
| Gross book values | - | (100,718.29) | (13,432,800.55) | - | (40,024.65) | (5,050.00) | - | (13,578,593.49) |
| Accumulated depreciation and impairment losses | - | 75,539.80 | 11,294,087.14) | - | 29,289.33 | 4,102.19 | - | 11,403,018.46 |
| Depreciation | - | (2,625,725.81 | (8,156,841.30 | (44,240.19) | (524,125.24) | (149,546.19 | - | (11,500,478.73 |
| Value as at 31.12.2015 | | | | | | | | |
| Gross book values | 12,239,216.51 | 64,871,048.41 | 66,424,207.58 | 836,292.31 | 8,793,050.73 | 2,266,034.28 | 9,389,404.05 | 164,819,253.87 |
| Accumulated depreciation and impairment losses | - | (35,220,619.03) | (39,259,684.58) | (826,872.98) | (7,878,469.99) | (1,525,455.91) | - | (84,711,102.49) |
| Net book values | 12,239,216.51 | 29,650,429.38 | 27,164,523.00 | 9,419.33 | 914,580.74 | 740,578.38 | 9,389,404.05 | 80,108,151.38 |
| Additions | - | 469,443.14 | 7,474,131.91 | 3,796.00 | 528,338.07 | 141,032.26 | 2,578,443.30 | 11,195,184.68 |
| Transfer of investment properties | | | | | | | | |
| Gross book values | - | - | - | - | - | - | - | - |
| Accumulated depreciation and impairment losses | - | - | - | - | - | - | - | - |
| Transfers | - | 6,207,238.42 | 529,683.25 | - | 4,864.26 | 1,848.85 | (6,761,476.56) | (17,841.78) |
| Other changes | - | - | - | - | - | - | - | - |
| Divestments, claims and write-offs | | | | | | | | |
| Gross book values | - | (1,497,589.92) | (14,297,910.51) | (13,500.00) | (27,625.89) | (103,273.33) | (14,191.64) | (15,954,091.29) |
| Accumulated depreciation and impairment losses | - | 1,451,892.95 | 11,027,931.03 | 11,604.16 | 19,234.76 | 102,314.99 | - | 12,612,977.89 |
| Depreciation | - | (2,827,562.83) | (7,597,993.75 | (5,461.73) | (462,624.73) | (132,786.38) | - | (11,026,429.42) |
| Value as at 31.12.2016 | | | | | | | | |

(valores expressos em euros)

| | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Administrative equipment | Other tangible fixed assets | Tangible fixed assets in progress | Totais |
|--|----------------------------|-----------------------------------|-----------------|---------------------|--------------------------|-----------------------------|-----------------------------------|-----------------|
| Gross book values | 12,239,216.51 | 70,050,140.05 | 60,130,112.23 | 826,588.31 | 9,298,627.17 | 2,305,642.06 | 5,192,179.15 | 160,042,505.48 |
| Accumulated depreciation and impairment losses | - | (36,596,288.91) | (35,829,747.31) | (820,730.55) | (8,321,859.96) | (1,555,927.30) | - | (83,124,554.02) |
| Net book values | 12,239,216.51 | 33,453,851.14 | 24,300,364.92 | 5,857.76 | 976,767.21 | 749,714.77 | 5,192,179.15 | 76,917,951.46 |

The main additions which occurred in 2016 refer to the acquisition of vehicles, shelving, hardware, radio frequency equipment and security facilities.

The main transfers of 2016 refer to the remodelling and expansion of the Gaia premises, which began to be used in early 2016.

The divestments that occurred in 2016 primarily refer to the sale of vehicles. There are no tangible assets pledged as security for liabilities or mortgages on land and buildings owned by the Group for the financial years ended on 31 December 2016 and 2015, with the exception of assets acquired under a financial leasing regime (Note 9).

The amount of expenditure recognised in tangible fixed assets in progress is broken down as indicated in the following table:

| | 31-12-2016 | 31-12-2015 |
|----------------------------------|--------------|--------------|
| Vehicles under preparation | 781,852.87 | 514,165.98 |
| Azambuja terminal | 2,602,405.98 | 2,598,935.85 |
| Remodelling of the Gai Permisses | - | 6,201,658.42 |
| New Madrid Logistics Centre | 1,683,443.96 | - |
| Other | 124,476.34 | 74,643.80 |
| | 5,192,179.15 | 9,389,404.05 |

The tangible fixed asset relative to Azambuja terminal refers to two plots of land which will be used by the Company in the near future, in the context of its activity.

In 2016, the Company incurred a series of costs related to the preparation of the new logistics centre in Madrid, which will become operational in the first quarter of 2017.

During the financial year, the value of 23,543.94 euros was recognised for indemnities receivable from insurers relative to claims for total loss of vehicles. During 2015, the amount recognised was 123,296.54 euros.

9.LEASES

Financial leases

The net book value of assets under financial leases as at the reporting date, for each asset category, is presented in the table below.

| | 31/12/16 | 31/12/15 |
|-----------------------------------|----------------------|----------------------|
| <u>Tangible fixed assets</u> | | |
| Land and natural resources | 2,196,421.11 | 4,207,187.81 |
| Buildings and other constructions | 9,483,099.76 | 11,934,035.02 |
| Basic equipment | - | 60,318.47 |
| | <u>11,679,520.87</u> | <u>16,201,541.30</u> |



The minimum payments of financial leases as at 31 December 2016 and 2015 are detailed as follows:

| | 31/12/16 | | 31/12/15 | |
|---------------------------------------|------------------|---------------------------|------------------|---------------------------|
| | Minimum payments | Present value of payments | Minimum payments | Present value of payments |
| Up to 1 year | 1,477,561.91 | 1,461,980.54 | 1,656,666.50 | 1,633,470.81 |
| 1 to 5 years | 3,255,799.81 | 3,241,877.67 | 4,729,183.80 | 4,701,162.39 |
| Total minimum payments | 4,733,361.72 | 4,703,858.21 | 6,385,850.30 | 6,334,633.20 |
| Financial costs | (29,503.52) | n/a (*) | (51,217.10) | n/a (*) |
| Present value of the minimum payments | 4,703,858.21 | 4,703,858.21 | 6,334,633.20 | 6,334,633.20 |

(*) - not applicable

The Group has lease contracts for land and buildings.

These contracts do not foresee any contingent instalments and include a purchase option.

Operating leases

The non-cancellable future minimum payments of operating leases as at 31 December 2014 and 2015 are detailed as follows:

| | 2016 | | | |
|----------------------|------------------|-------------------------|---------------|--------------|
| | Cost of the year | Future minimum payments | | |
| | | Up to 1 year | 1 to 5 years | Over 5 years |
| Real estate leases | 7.279.239,41 | 5.457.406,69 | 8.568.776,00 | - |
| Light vehicle leases | 530.360,95 | 491.956,97 | 762.356,71 | - |
| Heavy vehicle leases | 2.837.891,61 | 3.179.117,28 | 5.313.831,72 | - |
| Fork-lift leases | 2.286.233,00 | 919.551,71 | 882.248,32 | - |
| | 12.933.724,97 | 10.048.032,65 | 15.527.212,75 | - |

| | 2015 | | | |
|----------------------|------------------|-------------------------|--------------|--------------|
| | Cost of the year | Future minimum payments | | |
| | | Up to 1 year | 1 to 5 years | Over 5 years |
| Real estate leases | 6.509.649,54 | 4.172.519,50 | 1.037.164,63 | - |
| Light vehicle leases | 490.198,84 | 436.057,00 | 746.783,11 | 170.479,26 |
| Heavy vehicle leases | 1.527.631,58 | 1.412.333,24 | 757.104,78 | - |
| Fork-lift leases | 1.793.820,52 | 1.094.959,50 | 856.295,54 | - |
| | 10.321.300,48 | 7.115.869,24 | 3.397.348,06 | 170.479,26 |

10. INVESTMENT PROPERTIES

Invest properties are composed of land and buildings that are not assigned to the Group's activity and whose evolution is as follows:

| | 31-12-2016 | 31-12-2015 |
|--|--------------|--------------|
| As at 1 January | | |
| Gross value | 1.440.293,88 | 1.724.884,00 |
| Accumulated depreciation and impairment losses | (59.205,74) | (48.697,46) |
| Net value | 1.381.088,14 | 1.676.186,54 |
| Transfers to tangible fixed assets | | |
| Gross value | - | (284.590,12) |
| Accumulated depreciation and impairment losses | - | 4.268,88 |
| Depreciation (Note 21.9) | (14.777,16) | (14.777,16) |
| Impairment losses | (206.448,31) | - |
| As at 31 December | | |



| | | |
|--|---------------------|---------------------|
| Gross value | 1.440.293,88 | 1.440.293,88 |
| Accumulated depreciation and impairment losses | (280.431,21) | (59.205,74) |
| Net value | 1.159.862,67 | 1.381.088,14 |

The purpose of investment properties is the assignment of operations to external entities.

During 2016, the Group obtained a market valuation relative to part of the investment properties, which revealed that their fair value was below their book value by 206,448.31 euros, with the respective impairment loss having been recorded.

Apart from the exception noted above, the fair value of the assets as at the reporting date does not differ significantly from the amounts stated in the Group's financial statements that date.

As at 31 December 2016 there were no investment properties pledged as guarantees to third parties.

As at 31 December 2016 there were no major contractual obligations relative to the purchase, construction or development of investment properties.

The Group recognised in the Consolidated Income Statement by Nature, under the "Other income and gains" heading, the amount of 44,239.05 euros (39,159.05 euros in 2015) relative to Investment Property rents.

11. INVENTORIES

As at 31 December 2016 and 2015, the Group inventories were detailed as follows:



| | 2016 | 2015 |
|-------------------------------|--------------|--------------|
| Goods | | |
| Gross value | 1,351,965.69 | 1,350,739.76 |
| Impairment losses | (267,023.26) | - |
| | 1,084,942.43 | 1,350,739.76 |
| Raw materials and consumables | | |
| Gross value | 393,935.64 | 404,966.85 |
| Impairment losses | (7,967.95) | - |
| | 385,967.69 | 404,966.85 |
| | 1,490,910.12 | 1,755,706.61 |

The inventories indicated in the table above correspond to land, spare parts acquired for vehicle repair and maintenance and fuel for use in the Group's own vehicles and assignment to subcontracted parties.

During the financial years ended on 31 December 2016 and 2015, the inventory amounts recognised as a cost were as follows:

Cost of Goods Sold and Materials Consumed

| | Goods | Raw materials. & consumables | Total |
|---|--------------|------------------------------|---------------|
| Inventories as at 1 January 2015 | 1,145,453.10 | 405,540.81 | 1,550,993.91 |
| Purchases | 6,291,718.68 | 9,122,037.38 | 15,413,756.06 |
| Inventoriy adjustments | - | (62,162.72) | (62,162.72) |
| Stock on 31 December 2015 | 1,350,739.76 | 404,966.85 | 1,755,706.61 |
| Cost of goods sold and materials consumed | 6,086,432.02 | 9,060,448.62 | 15,146,880.64 |

| | | | |
|---|--------------|--------------|---------------|
| Inventories as at 1 January 2016 | 1,350,739.76 | 404,966.85 | 1,755,706.61 |
| Purchases | 4,958,025.47 | 8,116,375.26 | 13,074,400.73 |
| Impairment losses | (267,023.26) | (7,967.95) | (274,991.21) |
| Inventory adjustments | - | (67,933.88) | (67,933.88) |
| Stock as at 31 December 2016 | 1,084,942.43 | 385,967.69 | 1,470,910.12 |
| Cost of goods sold and materials consumed | 4,956,799.54 | 8,059,472.59 | 13,016,272.13 |

The amounts presented as cost include 6,574,766.46 euros (7,057,508.54 euros in 2015) with reference to the cost of fuel sold to subcontracted parties, whose revenue is recorded under the “Other income and gains” heading (Note 21.7).

Adjustments recognised as costs of the period

| | 2016 | 2015 |
|-------------------------------|------------|------|
| Impairment losses: | | |
| Goods | 267,023.26 | - |
| Raw materials and consumables | 7,967.95 | - |
| | 274,991.21 | - |

During 2016, the Group obtained a market valuation relative to land recorded as inventories, which revealed that their fair value was below their book value by 274,991.21 euros, with the respective impairment loss having been recorded.

12. REVENUE

The revenue recognised by the Group in 2016 and 2015 is broken down as follows:

| | 2016 | 2015 |
|--------------------------|-----------------------|-----------------------|
| Sale of goods | | |
| Goods | 4,458,357.58 | 4,201,205.92 |
| Returned Sales | (15,341.78) | - |
| Discounts and Write-offs | (24,192.07) | (11,442.24) |
| | <u>4,418,823.73</u> | <u>4,189,763.68</u> |
| Services Rendered | | |
| Services | 217,676,295.21 | 216,182,427.70 |
| Discounts and Write-offs | (18,432.16) | (42,030.51) |
| | <u>217,657,863.05</u> | <u>216,140,397.19</u> |
| | <u>222,076,686.78</u> | <u>220,330,160.87</u> |

The distribution of revenue by business and geographic markets is as follows:

| | 2016 | 2015 |
|-----------|-----------------------|-----------------------|
| Logistics | 100,455,764.34 | 96,780,268.13 |
| Transport | 106,907,419.40 | 109,973,424.82 |
| Other | 14,713,503.04 | 13,576,467.92 |
| | <u>222,076,686.78</u> | <u>220,330,160.87</u> |

| | 2016 | 2015 |
|-----------------|-----------------------|-----------------------|
| Domestic Market | 209,368,576.93 | 205,498,175.06 |
| External Market | 12,708,109.85 | 14,831,985.81 |
| | <u>222,076,686.78</u> | <u>220,330,160.87</u> |

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

13.1. PROVISIONS

The values recorded under the heading of “Provisions” refer to the Board of Director’s best estimate of the amount required to meet losses considered as probable in relation to lawsuits underway.

The movement in the provisions heading during the financial years ended on 31 December 2016 and 2015 is reflected in the table below:

| | Provisions for law suits in progress | Other provisions | Total |
|-------------------------------|--------------------------------------|------------------|--------------|
| As at 1 January 2015 | 410,667.85 | 386,609.61 | 797,277.46 |
| Uses un the year | (10,000.00) | (64,000.00) | (74,000.00) |
| Reversals of the year | (19,859.98) | (322,609.61) | (342,469.59) |
| Increases of the year | 166,628.00 | - | 166,628.00 |
| As at 31 December 2015 | 547,435.87 | - | 547,435.87 |
| As at 1 January 2016 | 547,435.87 | - | 547,435.87 |
| Uses un the year | (362,337.63) | - | (362,337.63) |
| Reversals of the year | (79,705.83) | - | (79,705.83) |
| Increases of the year | 508,875.36 | - | 508,875.36 |
| As at 31 December 2016 | 614,267.77 | - | 614,267.77 |

During the years ended on 31 December 2016 and 2015, the Group recorded costs of 429,169.53 euros and reversals of 175,841.59 euros, respectively.

13.2. CONTINGENT LIABILITIES

A lawsuit is currently underway against the Group petitioning an indemnity due to an accident which occurred inside its premises, for which it has not been possible to estimate the cost that may eventually be incurred. The maximum contingency of this lawsuit stands at 150,000 euros, which corresponds to the value of the petitioned indemnity. The Board of Directors, based on the opinion of its legal advisers, believes that the risk of loss is low, and decided not to record any provision for this effect.

13.3. CONTINGENT ASSETS

The subsidiaries Luís Simões Logística Integrada, S.A. (Portugal) and Luís Simões Logística Integrada, S.A. (Spain) have submitted objections on the “Tax on Minority Sales of Certain Hydrocarbons” (IVMDH), both to the Autonomous Communities and State Tax Administration Agency (AEAT), relative to the fiscal years of 2002 to 2012.

The IVMDH is in breach of the harmonised Community legislation on Special Taxes and specifically article 3, number 2 of Directive 92/12/EEC of the Council, of 25 February 1992, relative to the general regime, mandate, circulation and control of products subject to Special Taxes. Dated 27 February 2014, the court of justice of the European Union stated that the IVMDH is contradictory to the Directive on Special Taxes, which implies that companies may claim the value from the respective public administrations.

The total value claimed as at 31 December 2016 is 4,532,305.64 euros, plus late payment interest. During the financial year of 2016, the amount of 1,893,929.88 euros plus late payment interest of the value of 598,303.96 euros was returned, as shown in the Cash Flow Statement under “Other revenue”. Therefore, at the closing date of this year, the values claimed, which amount to 2,955,146 euros plus late payment interest, are not



recorded in the accounting books. Rather, the values are only recorded upon confirmation from the Spanish Tax Authorities that the amounts will be returned.

The amount indicated in the preceding paragraph includes a value of 690,545 euros claimed via Material Responsibility of the State, in February 2015, relative to periods that have lapsed (first quarter of 2002 to third quarter of 2004, and first to third quarters of 2009).

13.4. OTHER INFORMATION

In February 2013 and March 2014 the Group was notified by the Inspection Department of the Social Security Institute to submit various documents, which were delivered by the established deadlines. Up to the date of preparation of these financial statements, no information has been received from the Social Security Institute on the outcome of these inspection proceedings. It is our belief that no infractions will result from these inspection proceedings that could significantly affect these financial statements.

14. GOVERNMENT GRANTS AND ASSISTANCE

The nature and extent of the government grants recognised in the consolidated financial statements is detailed in the table below:

| | 2016 | 2015 |
|-----------------------|-----------|-----------|
| Government grants | | |
| Internships | 27,721.58 | 70,891.46 |
| Employment incentives | 28,016.61 | 65,432.55 |
| Optimum incentives | - | 34,031.25 |

| | | |
|--------------------------------|-----------|------------|
| Gas-fuelled vehicle incentives | - | 5,880.00 |
| Other | 5,444.76 | |
| | 61,182.95 | 176,235.26 |

The Group did not benefit directly from any other forms of Government support in 2016 and 2015.

15. ALTERATIONS IN EXCHANGE RATES

During the years ended on 31 December 2016 and 2015, no income or costs were recognised relative to favourable and unfavourable exchange rate differences.

16. EVENTS AFTER THE REPORTING DATE

No subsequent events were recorded as at 31 December 2016 that, due to their relevance and material significance, require adjustment or disclosure, as described in Note 3.23.

17. INCOME TAXES

The Group is subject to Corporate Income Tax (IRC) in Portugal. The current rate is 21% plus a Municipal Surcharge at a maximum rate of 1.5% on taxable profit, reaching a total aggregate tax rate of 22.5%.

Under the terms of Article 88 of CIRC (Corporate Income Tax Code), the Company is subject to autonomous taxation on a set of charges at the rates specified therein.

Some Group companies, subsidiaries in Portugal are included in the Special Taxation Regime for Corporate Groups ("RETGS") under the terms of article 69 and following of the CIRC, led by the shareholder LS

- Luis Simões, S.G.P.S. S.A. The foreign subsidiary is taxed in accordance with the taxation rules in force in the respective country of origin. The companies included in “RETGS” are presented in the table below:

| Company | Starting Date |
|--|---------------|
| LS - Luís Simões, SGPS, S.A. | 01-01-2007 |
| Luís Simões Logística Integrada, S.A. - Portugal | 01-01-2007 |
| Reta - Serviços Técnicos e Rent-a-Cargo, S.A. | 01-01-2007 |
| Diagonal - Corretores de Seguros, S.A. | 01-01-2007 |
| LS - Gestã Empresarial e Imobiliária, S.A. | 01-01-2011 |
| LS Frota, Lda. | 01-01-2016 |

LS - Luís Simões SGPS, S.A., as the parent company, is responsible for calculating the taxable profit of the Group, based on the algebraic sum of the taxable profits and of the tax losses recorded in the income statements of each of the controlled companies belonging to the RETGS. The charge for the year relating to tax payable is calculated in each of the companies forming part of the Group, depending on their taxable profit. Any gain or loss resulting from RETGS is recognised in each of the companies belonging to the Audit Group.

Pursuant to the legislation in force, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when tax losses have been reported, or inspections, claims or objections are in progress, in which case, depending on the circumstances, the periods of time are extended or suspended. Therefore, the Company’s tax returns from 2013 to 2016 may still be subject to review and correction. The Board of Directors believes that any corrections arising from reviews/inspections conducted by tax authorities to those tax returns will not have a significant effect on the financial statements under analysis.

The rules of deduction of tax losses carried forward have been changed for the financial years of 2013 and following. The reporting period for

tax losses carried forward calculated in tax periods started on or after 1 January 2014 has changed to twelve tax periods (this period is five years for tax losses carried forward calculated in the tax periods of 2012 and 2013, four years for tax losses carried forward calculated in the tax periods of 2010 and 2011, and six years for previous tax periods). Furthermore, the deduction of tax losses carried forward is now limited to 70% of taxable profit, with this rule being applicable to deductions made in tax periods started on or after 1 January 2014, regardless of the tax periods for which they were calculated (in 2013 this limit was 75%).

17.1. SEPARATE DISCLOSURE OF THE FOLLOWING MAIN TAX COST (INCOME) COMPONENTS

a) Tax cost (income);

The tax cost (income) is indicated in the table below:

| | 2016 | 2015 |
|---|------------|--------------|
| Current tax | | |
| Corporate income tax of the year | 433,944.98 | 336,142.01 |
| | 433,944.98 | 336,142.01 |
| Deferred tax | | |
| Derived from and subject to reversal due to temporary differences | 131,794.34 | 1,023,156.34 |
| | 131,794.34 | 1,023,156.34 |
| | 565,739.32 | 1,359,298.35 |

b) Adjustments recognised in the period for current taxes from previous financial years;

The adjustment recognised in the period for current taxes from previous periods is indicated in the table below:

| | 2016 | 2015 |
|---------------------------|-----------|----------|
| Excess tax estimate | 106.35 | 1,822.39 |
| Insufficient tax estimate | 23,233.32 | 5,771.37 |
| | 23,339.67 | 7,593.76 |

c) Amount of deferred tax cost (income) derived from and subject to reversal of temporary differences;

The amount of deferred tax cost (income) derived from and subject to reversal of temporary differences is shown in the table below:

| | 2016 | 2015 |
|---|--------------|--------------|
| Deferred tax assets | | |
| Tax losses | 3,488.10 | 750,489.83 |
| Provisions and adjustments | (100,219.34) | 64,540.37 |
| Limitation of tangible fixed asset and intangible asset depreciation/amortisation (Ley 16/2012) | 33,719.66 | 22,800.74 |
| Tax benefits | - | 336,299.40 |
| Effect of intra-group tangible fixed asset transfers | 108,677.87 | 75,637.33 |
| | 45,666.29 | 1,249,767.67 |
| Deferred tax liabilities | | |
| Property leaseback | (11,299.06) | (14,058.49) |
| REvaluation reserves | 97,427.11 | (209,661.47) |
| | 86,128.05 | (223,719.96) |
| | 131,794.34 | 1,026,047.71 |

d) Amount of deferred tax cost (income) related to changes in the taxation rates or to the imposition of new taxes;

No change to the corporate income tax (IRC) rate occurred in Portugal

during the financial year of 2016. In Spain, corporate income tax (“Impuesto de Sociedades”) shifted from 28% to 25%. However, this change had no impact whatsoever on the deferred taxes in 2016 as this effect had already been recognised in 2015. In Portugal, the change of the corporate income tax rate from 23% to 21% was recorded in 2015.

17.2. RELATIONSHIP BETWEEN TAX COST (INCOME) AND BOOK VALUE PROFIT

The numerical reconciliation between the average effective tax rate and the applicable tax rate is indicated in the table below.

| | Tax basis | | Tax rate | |
|--|--------------|--------------|----------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Earnings before taxes | 1,895,583.29 | 3,272,391.29 | | |
| Income tax rate in Portugal | 22.50% | 22.50% | 22.50% | 22.50% |
| income tax at the nominal rate | 426,506.24 | 801,735.87 | | |
| Non-taxable income | | | | |
| Reversal of impairment losses taxed in previous years | 378,922.00 | 652,950.25 | | |
| Refund of non-deductible taxes and excess tax estimate | 106.35 | 1,822.39 | | |
| Book value capital gains | 2,989,042.11 | 2,968,292.23 | | |
| Differences in amortisations / earnings ascertained in consolidation | 112,398.86 | 727,494.58 | | |
| Tax Benefits | 567,273.31 | 52,882.92 | | |
| | 4,047,742.63 | 4,403,442.37 | | |
| Cost not deductible for tax purposes | | | | |
| Depreciation and amortisation not accepted as costs | 1,045,668.42 | 1,056,306.09 | | |
| Donations | 4,666.50 | 1,988.97 | | |
| Corporate income tax and other tax on profits | 48,516.34 | 5,771.37 | | |
| Fines, penalties and compensatory interest | 47,893.12 | 101,340.01 | | |
| Charges not duly documented | 8.50 | 170.67 | | |
| Tax capital gains | 1,597,129.67 | 1,581,508.58 | | |
| Recording of impairment losses | 829,551.26 | 378,922.00 | | |
| Non-deductible social utility payments | 69,349.22 | - | | |
| Limitation of financing cost deductibility | 44,058.01 | - | | |
| Corrections relative to previous years | 220.80 | 1,440.00 | | |

| | Tax basis | | Tax rate | |
|---|-------------------|---------------------|---------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Other | 32,922.23 | 64,518.04 | | |
| | 3,719,984.07 | 3,191,965.73 | | |
| Taxable profit / Tax loss | 1,567,824.72 | 2,060,914.65 | | |
| Income tax rate in Portugal | 21.00% | 21.00% | | |
| Surcharge rate | 1.50% | 1.50% | | |
| Calculated corporate income tax | 329,243.19 | 432,792.08 | 17.37% | 13.23% |
| Surcharge | 36,575.67 | 37,016.27 | | |
| Autonomous taxation | 125,210.31 | 126,969.62 | | |
| Tax benefits used | - | (18,310.10) | | |
| Effect of the existence of different tax rates in force in Portugal | 1,861.98 | 13,209.70 | | |
| Use of tax losses | (58,946.17) | (255,535.56) | | |
| Current tax | 433,944.98 | 336,142.01 | 22.89% | 10.27% |
| Effect of the increase / reversal of deferred taxes | 131,794.34 | 1,023,156.34 | | |
| | 131,794.34 | 1,023,156.34 | 6.95% | 31.27% |
| Income tax for the period | 565,739.32 | 1,359,298.35 | 29.85% | 41.54% |

17.3. AGGREGATE AMOUNT OF TEMPORARY DIFFERENCES ASSOCIATED TO INVESTMENTS IN SUBSIDIARIES, BRANCHES, ASSOCIATES AND INTERESTS IN JOINT VENTURES RELATIVE TO WHICH DEFERRED TAX LIABILITIES HAVE NOT BEEN RECOGNISED

There are no temporary differences associated to investments in subsidiaries, branches, associates and interests in joint ventures, relative to which deferred tax liabilities have not been recognised.

17.4. FOR EACH TYPE OF TEMPORARY DIFFERENCE AND WITH RESPECT TO WHICH TYPE OF UNUSED TAX LOSS AND TAX CREDIT

a) Amount of deferred tax assets and liabilities recognised in the balance sheet for each period presented;

The amounts of deferred tax losses and liabilities recognised in the balance sheet for each period presented for each type of temporary difference and regarding each type of unused tax loss and unused tax credits are shown in the table below:

| | Balance Sheet | | Income statement | |
|---|----------------|----------------|------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax assets | | | | |
| Other | | | | |
| Tax losses - Constitutions (*) | 3,735,535.36 | 3,505,306.80 | 230,228.56 | 85,549.54 |
| Tax benefits - Use (*) | (3,733,350.28) | (3,447,358.09) | (285,992.19) | (863,039.37) |
| | 2,185.08 | 57,948.71 | (55,763.63) | (750,489.83) |
| Tax benefits | | | | |
| Provisions not accepted for tax purposes | 66,936.40 | 53,880.89 | 13,055.51 | (336,299.40) |
| Constitution of provisions not accepted for tax purposes | 2,201,300.84 | 2,006,614.85 | 194,685.99 | 79,654.54 |
| Reversal of provisions not accepted for tax purposes | (2,014,021.43) | (1,926,960.70) | (67,060.73) | (144,194.91) |
| | 187,279.41 | 79,654.15 | 107,625.26 | (64,540.37) |
| Limitation of tangible fixed asset and intangible asset depreciation / amortisation (Ley 16/2012) | 269,757.26 | 303,476.91 | (33,719.66) | (22,800.74) |
| Effect of intra-group tangible fixed asset transfers | 116,779.44 | 232,863.22 | (116,083.78) | (75,637.33) |
| | 642,937.60 | 727,823.89 | (84,886.30) | (1,249,767.67) |
| | 642,937.60 | 727,823.89 | 642,937.60 | (1,249,767.67) |

(*) Part of these values was not recognised through profit or loss because they were used in the Special Taxation Scheme for Groups of Companies (RETGS).

| | Balance Sheet | | Income statement | |
|--|---------------|--------------|------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Deferred tax liabilities | | | | |
| Temporary differences: | | | | |
| Financial Leaseback - Amortisations not accepted | 67,476.45 | 78,775.50 | (11,299.05) | (14,058.49) |
| Revaluation of tangible fixed assets | 2,358,948.22 | 2,261,521.12 | 97,427.10 | (209,661.47) |
| | 2,426,424.67 | 2,340,296.62 | 86,128.05 | (223,719.96) |

As at 31 December 2016, the amount of deductible tax losses reached 10,405.15 euros, which refers to the company Solmoninhos, and can be used up to 2018, but only in the sphere of Solmoninhos as this Company does not fall under the RETGS due to not complying with the conditions of admissibility.

18. FINANCIAL INSTRUMENTS

18.1. FINANCIAL ASSETS

The financial assets measured at cost are indicated in the table below:

| | 31/12/15 | 31/12/15 |
|--------------------------------|---------------|---------------|
| Non-Current | | |
| Other financial investments | | |
| Holding in unlisted companies | 3,794.86 | 53,794.86 |
| Labour Compensation Fund (FCT) | 43,788.62 | 18,845.65 |
| Other | 10,000.00 | 4,095.14 |
| | 57,583.48 | 76,735.65 |
| Credit receivable | | |
| Collateral | 1,343,970.97 | 797,962.98 |
| Current | | |
| Customers - current account | 64,770,981.31 | 59,875,282.82 |



| | | |
|--|----------------------|----------------------|
| Other credit receivable | | |
| Accrued income receivable | 1,880,414.99 | 2,167,768.07 |
| Advances to suppliers | 241,829.38 | 226,697.19 |
| Staff | 8,485.48 | 8,537.41 |
| Other debtors - insurance mediation activity | 138,540.84 | 115,278.76 |
| Other debtors | 4,313,299.28 | 4,111,552.63 |
| | <u>6,582,569.97</u> | <u>6,629,834.06</u> |
| Cash and bank deposits | | |
| Cash | 16,006.05 | 16,359.95 |
| Other bank deposits | 258,786.18 | 227,064.12 |
| | <u>274,792.23</u> | <u>243,424.07</u> |
| | <u>73,029,897.96</u> | <u>67,623,239.58</u> |

In 2016, the heading of “Other receivables” includes 3,194,010.96 euros (3,034,597.39 euros in 2015) relative to the divestment of tangible fixed assets.

The financial assets measured at cost for which impairment has been recognised are indicated in the table below:

| | 31/12/16 | 31/12/15 |
|--|----------------------|----------------------|
| Customers | | |
| Gross value | 69,360,185.19 | 65,076,189.29 |
| accumulated impairment | (4,589,203.88) | (5,200,906.47) |
| Net book value | <u>64,770,981.31</u> | <u>59,875,282.82</u> |
| Other debtors - insurance mediation activity | | |
| Gross value | 165,339.71 | 148,194.73 |
| accumulated impairment | (26,798.87) | (32,915.97) |
| Net book value | <u>138,540.84</u> | <u>115,278.76</u> |

The amount of impairment losses recognised under each category of financial asset is indicated in the tables below:

| Year 2016 | Opening Balance | Reinforcement | Use | Reversal | Closing Balance |
|---|-----------------|---------------|--------------|--------------|-----------------|
| Financial assets measured at amortised cost net of impairment | | | | | |
| Customers - current account | 5,200,906.47 | 509,256.15 | (870,714.83) | (250,243.91) | 4,589,203.88 |
| Other debtors | 32,915.97 | 6,704.30 | (8,626.63) | (4,194.77) | 26,798.87 |
| Other financial assets | 3,606.13 | | | | 3,606.13 |
| | 5,237,428.57 | 515,960.45 | (879,341.46) | (254,438.68) | 4,619,608.88 |
| Year 2015 | Opening Balance | Reinforcement | Use | Reversal | Closing Balance |
| Financial assets measured at amortised cost net of impairment | | | | | |
| Customers - current account | 5,337,328.66 | 195,139.46 | (112,077.80) | (219,483.85) | 5,200,906.47 |
| Other debtors | - | 32,915.97 | - | - | 32,915.97 |
| Other financial assets | 3,606.13 | | | | 3,606.13 |
| | 5,340,934.79 | 228,055.43 | (112,077.80) | (219,483.85) | 5,237,428.57 |

The effect through profit or loss in 2016 amounted to 299,124.77 euros (8,571.58 euros in 2015).

18.2. FINANCIAL ASSETS

The financial assets measured at amortised cost are indicated in the table below:

| | 31/12/16 | 31/12/15 |
|--------------------|---------------|---------------|
| Non-current | | |
| Funding | | |
| Bank loans | 17,114,768.11 | 11,510,680.82 |

| | | |
|---|-----------------------|-----------------------|
| Financial leases | 3,241,877.67 | 4,701,162.39 |
| Equity holders | 12,286,137.49 | 13,169,049.26 |
| From other entities | - | 51,499.98 |
| | <u>32,642,783.27</u> | <u>29,432,392.45</u> |
| Other debts payable | | |
| Investment suppliers | 90,000.00 | 105,000.00 |
| Current | | |
| Suppliers | 36,507,171.63 | 34,880,594.37 |
| Loans received | | |
| Bank loans | 15,663,884.98 | 13,149,026.23 |
| Bank overdrafts | 5,006,271.32 | 12,333,643.04 |
| Financial leases | 1,461,980.54 | 1,633,470.81 |
| From other entities | 51,499.98 | 153,783.44 |
| | <u>22,183,636.82</u> | <u>27,269,923.52</u> |
| Other accounts payable | | |
| Investment suppliers | 3,896,816.70 | 2,204,317.92 |
| Advances from customers | 48,826.47 | - |
| Accrual for holidays and holiday allowance | 3,739,696.74 | 3,534,994.04 |
| Bonuses and daily allowances | 305,320.03 | 628,989.72 |
| Outsourcing accrual | 4,987,035.11 | 5,455,645.06 |
| Other accrued costs | 3,377,161.32 | 3,581,888.56 |
| Staff | 99,023.80 | 135,662.22 |
| Other accounts payable - insurance mediation activity | 174,797.03 | 267,552.78 |
| Other accounts payable | 412,235.97 | 94,429.21 |
| | <u>17,040,913.17</u> | <u>15,903,479.51</u> |
| | <u>163,290,924.98</u> | <u>164,293,705.82</u> |

The maturity of the non-current loans falls entirely between 1 and 5 years.

At the closing of the financial year of 2016, the value of the contracted credit lines was 40,600,000.00 euros (37,600,000.00 euros in 2015), of which only 5,006,271.32 euros is being used (12,333,643.04 euros in 2015).

Credit lines with movement up to 1 year are automatically renewable as defined contractually with the credit institutions.

The interest paid by the Group in 2016 and 2015 relative to loans and credit lines contracted and approved with credit institutions are mainly indexed to the Euribor plus a market spread.

18.3. RECOGNISED NET GAINS AND LOSSES

For the financial years ended on 31 December 2016 and 2015, the income, costs, gains and losses related to financial instruments are broken down as follows:

| | 2016 | | 2015 | |
|---|-------------------|-------------------|-------------------|-------------------|
| | Income | Costs | Income | Costs |
| Financial assets at amortised cost: | | | | |
| Interest (Note 21,10) | 8.33 | - | 409.39 | - |
| Impairment losses (Note 18,2) | - | 515,960.45 | - | 228,055.43 |
| Reversal of impairment losses (Note 18,2) | 254,438.68 | - | 219,483.85 | - |
| | <u>254,447.01</u> | <u>515,960.45</u> | <u>219,893.24</u> | <u>228,055.43</u> |

Passivos financeiros ao custo amortizado

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Juros suportados (Nota 21,11) | - | 1,056,773.50 | - | 1,071,807.78 |
| Desconto pronto pagamento obtidos (Nota 21,7) | 830,825.69 | - | 917,003.99 | - |
| | 830,825.69 | 1,056,773.50 | 917,003.99 | 1,071,807.78 |
| | 1,085,272.70 | 1,572,733.95 | 1,136,897.23 | 1,299,863.21 |

18.4. EQUITY INSTRUMENTS

The carrying amount of share capital issued by the Group as at 31 December 2016 and 2015 is broken down as follows:

| | 31-12-2016 | 31-12-2015 |
|---------------|---------------|---------------|
| Capital | | |
| Nominal value | 30,000,000.00 | 30,000,000.00 |
| | 30,000,000.00 | 30,000,000.00 |

The number of shares representing the share capital is indicated in the table below:

| | Value | Quantity |
|---------------------------------|---------------|-----------|
| Shares issued | | |
| Ordinary shares at 5 euros each | 30,000,000.00 | 6,000,000 |
| | 30,000,000.00 | 6,000,000 |

Additional paid-in capital amounting to 6,830,400 euros were repaid during 2015.

19. STAFF COSTS

Staff costs are detailed in the following table:

| | 2016 | 2015 |
|---|---------------|---------------|
| Staff remuneration | 36,287,754.60 | 34,774,259.15 |
| Indemnities | 822,349.24 | 447,509.34 |
| Charges on remunerations | 8,342,117.09 | 7,978,196.45 |
| Occupational accident and disease insurance | 332,968.24 | 296,281.18 |
| Social action costs | 15,181.05 | 18,967.46 |
| Other | 975,583.06 | 852,931.52 |
| | 46,775,953.28 | 44,368,145.10 |

The average number of employees working for the Group in 2016 was 1,680 (1,566 in 2015).

20. INFORMATION REQUIRED BY LEGAL DIPLOMAS

Regarding the information legally required in other diplomas, namely articles 66, 324, 397, 447 and 448 of the Commercial Companies Code, the legal provisions arising from Decree-Law 328/95, of 9 December and the provisions referred to in Decree-Law 411/91, of 17 October, it is important to note that:

I. Pursuant to the provisions in number 2 of article 324 of the Commercial Companies Code, it is disclosed that the Company does not possess any own shares and, up to the present moment, has not undertaken any business which involved securities of this nature;

II. Pursuant to the provisions in number 4 of article 397 of the Commercial Companies Code it is disclosed that no business was undertaken between the Company and members of its governing bodies during 2016;

III. Pursuant to the provisions in number 1 of article 21 of Decree-Law number 411/91, of 17 October, it is disclosed that the Company has no debts in arrears to any welfare institution, with the balances reported as at 31 December 2016 arising from the withholding at source of deductions and contributions relative to the month of December, whose payment was made in January 2017, within the legal deadlines.

IV. The members of the Board of Directors indicated below, hold the following shares of the Company:

| | |
|--------------------------------|-----|
| José Luis Soares Simões: | 300 |
| Jorge Manuel Soares Simões: | 300 |
| Leonel Fernando Soares Simões: | 300 |

As required by law, the Board of Directors declares that the Group does not have any debts to the State in a situation of late payment, and that

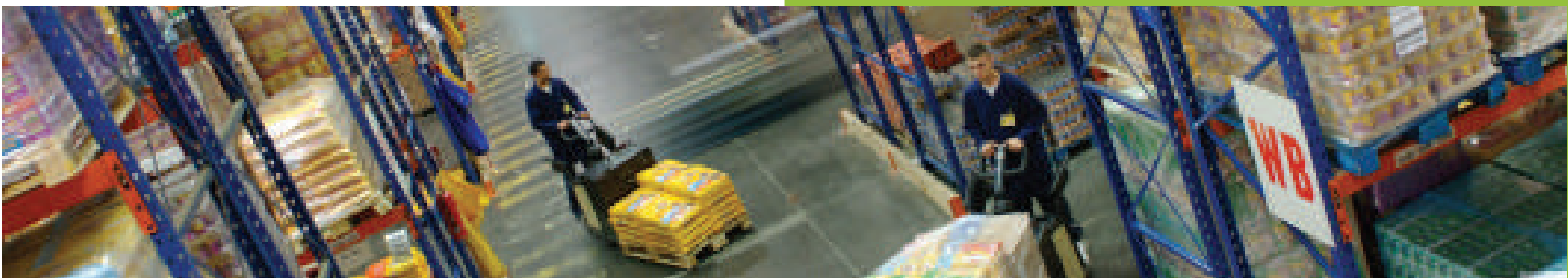
the situation of the Group relative to Social Security is settled, within the legally stipulated periods of time.

21. OTHER INFORMATION

21.1. DEFERRALS

As at 31 December 2016 and 2015, the “Deferrals” heading of the current assets and current liabilities was broken down as follows:

| | 31,12,2016 | 31,12,2015 |
|---|-------------------|-------------------|
| Deferred assets | | |
| Deferred Costs - Insurance | 290,611.86 | 181,638.98 |
| Deferred Costs - External Supplies and Services | 435,233.50 | 237,063.58 |
| Deferred Costs - Interest | 4,466.96 | 237.36 |
| | <u>730,312.32</u> | <u>418,939.92</u> |



Deferred liabilities

| | | |
|----------------------------|------------|--------------|
| Fleet Management Agreement | 544,011.38 | 1,109,010.19 |
| Other Deferred Income | 232,092.89 | 140,281.23 |
| | 776,104.27 | 1,249,291.42 |

21.2. RESERVES, NET INCOME AND OTHER CHANGES IN EQUITY

The heading of net income and other changes in equity are detailed in the following table:

| | Legal Reserves | Other Reserves | Retained Earnings | Net income of the period | Total |
|--------------------------------|----------------|----------------|-------------------|--------------------------|---------------|
| Balance as at 1 January 2016 | 124,681.38 | 4,562,969.49 | 4,515,827.14 | 1,773,244.37 | 10,976,722.38 |
| Dividends | - | - | (429,566.79) | - | (429,566.79) |
| Appropriation of net income | 88,662.22 | - | 1,684,582.15 | (1,773,244.37) | - |
| Net income of the year | - | - | - | 1,690,786.49 | 1,690,786.49 |
| Balance as at 31 December 2016 | 213,343.60 | 4,562,969.49 | 5,770,842.50 | 1,690,786.49 | 12,237,942.08 |

| | Legal Reserves | Other Reserves | Retained Earnings | Net income of the period | Total |
|--------------------------------|----------------|----------------|-------------------|--------------------------|----------------|
| Balance as at 1 January 2015 | 68,088.82 | 4,562,969.49 | 4,515,827.05 | 1,131,851.12 | 10,278,736.48 |
| Dividends | - | - | - | (1,075,258.56) | (1,075,258.56) |
| Appropriation of net income | 56,592.56 | - | - | (56,592.56) | - |
| Net income of the year | - | - | - | 1,773,244.37 | 1,773,244.37 |
| Other | - | - | 0.09 | - | 0.09 |
| Balance as at 31 December 2015 | 124,681.38 | 4,562,969.49 | 4,515,827.14 | 1,773,244.37 | 10,976,722.38 |

Non-distributable reserves

Apart from that which has been described above, in accordance with

the legislation in force in Portugal, income and other recognised positive variations in net worth as a result of the use of the equity method may only be distributed to shareholders when they are realised. 2015, the Company recognised income and other unrealised positive variations in net worth, resulting from the application of the equity method and, consequently, of a non-distributable nature, in the amount of 1,796,827.39 euros. As at 31 December 2016, the accumulated total of income and other positive variations in net worth of a recognised non-distributable nature came to 11,004,017.66 euros, including the amount indicated above included in net income for the year.

Legislation in force in Portugal also establishes that the difference between the result appropriated by the application of the equity method and the amount of dividends paid or deliberated with reference to the same holdings shall be recorded as legal reserves.

As at 31 December 2016, non-distributable reserves, by heading, are detailed as follows:

| | Non-distributable amount | Distributable amount | Total |
|---------------------------------|--------------------------|----------------------|---------------|
| Other reserves | 3,436,347.77 | 1,126,621.72 | 4,562,969.49 |
| Retained earnings | 5,770,842.50 | - | 5,770,842.50 |
| Adjustments in financial assets | - | 268,414.41 | 268,414.41 |
| Net income for the period | 1,796,827.39 | (106,040.90) | 1,690,786.49 |
| | 11,004,017.66 | 1,288,995.23 | 12,293,012.89 |

The movements in reserves and other equity headings as at 31 December 2016 and 2015 arise exclusively from the appropriation of net income.

Fiscal Year 2015

By deliberation of the General Meeting of 3 May 2016, the net income for

the period ended on 31 December 2015, of the value of 1,773,244.37 euros was appropriated as follows:

| | |
|------------------------------|--------------|
| - Legal Reserve: | 88,662.22 |
| - Distribution of Dividends: | 429,566.79 |
| - Retained Earnings: | 1,255,015.36 |

Fiscal Year 2014

By deliberation of the General Meeting of 22 June 2015, the net income for the period ended on 31 December 2014, of the value of 1,131,851.30 euros was appropriated as follows:

| | |
|------------------------------|--------------|
| - Legal Reserve: | 56,592.56 |
| - Distribution of Dividends: | 1075,258.74 |
| - Distribution of Dividends: | 1,075,258.74 |

The legal reserve has not yet been fully constituted under the terms of the law (20% of share capital). This reserve may only be used to cover losses or increase the share capital.

The legal reserve is not available for distribution, and may only be used to increase the share capital or offset losses. Pursuant to the law, the legal reserve is reinforced annually by at least 5% of the net profit, until a minimum of 20% of the share capital is reached. This reserve is not distributable, unless the Company enters into liquidation. Nevertheless, it can be used to absorb losses, after other reserves are depleted, or incorporated in the share capital.

21.3. NON-CONTROLLING INTERESTS

During the financial years of 2016 and 2015, the balance of non-controlling interests evolved as follows:

| | 2016 | 2015 |
|----------------------------|--------------|----------------|
| Balance as at 31 December | 725,882.48 | 1,653,653.41 |
| Acquisitions / Divestments | - | (1,032,335.21) |
| Profit for the period | (360,942.52) | 139,848.57 |
| Dividends | (24,329.23) | (32,672.27) |
| Divesments | | |
| Other | - | (2,612.02) |
| Balance as at 31 December | 340,610.73 | 725,882.48 |

The acquisition in 2015 of the amount of 1.032.335.21 euros corresponds to the acquisition of 88.24% of the share capital of Patrimundus - Investimentos Imobiliários, S.A.

The heading of non-controlling interests as at 31 December 2016 and 2015 is detailed as follows:

| | 2016 | 2015 |
|---|------------|------------|
| Solmoninhos - Consultoria. Gestão e Execução Imobiliária. Lda | 263,283.48 | 631,192.55 |
| Espaçotrans - Gestão Entrepósitos Aduaneiros. Lda | 77,327.25 | 94,689.93 |
| | 340,610.73 | 725,882.48 |

21.4. STATE AND OTHER PUBLIC ENTITIES

As at 31 December 2016 and 2015, the headings of “State and other public entities” were broken down as follows:

| | 31-12-2016 | | 31-12-2015 | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | Assets | Liabilities | Assets | Liabilities |
| Corporate income tax | | | | |
| Payments on account | 749,772.16 | (37,893.00) | 987,337.49 | (31,803.00) |
| Tax estimate | (371,018.87) | 56,951.27 | (399,798.29) | 44,329.47 |
| Tax withheld at source | 53,227.82 | 42.28 | 56,692.77 | - |
| Personal income tax | - | 457,752.11 | - | 387,614.26 |
| Value added tax - recoverable | | | | |
| VAT recoverable- Portugal | 350,891.07 | - | 466,042.96 | - |
| VAT recoverable - Spain | 438,475.60 | - | 413,425.74 | - |
| VAT recoverable - other countries | 58,472.74 | - | 62,849.64 | - |
| VAT refund requests - Spain | 382,035.63 | - | 929,154.68 | - |
| VAT refund requests - other countries | 72,285.59 | - | 45,803.01 | - |
| Value added tax - payable | - | 1,003,115.08 | - | 929,098.24 |
| Social Security Contributions | - | 934,852.51 | - | 867,220.21 |
| Other Taxes | - | 3,030.80 | - | 2,161.54 |
| | 1,734,141.74 | 2,417,851.05 | 2,561,508.00 | 2,198,620.72 |

21.5. OWN WORK CAPITALISED

This heading is detailed in the following table:

| | 2016 | 2015 |
|-----------------------|------------|------------|
| Own work capitalised | | |
| Tangible fixed assets | 477,816.96 | 610,873.81 |
| | 477,816.96 | 610,873.81 |

21.6. EXTERNAL SUPPLIES AND SERVICES

The heading of “External supplies and services” is broken down as follows for the financial years ended on 31 December 2016 and 2015:

| | 2016 | 2015 |
|-------------------------------|-----------------------|-----------------------|
| Subcontracts | 116,406,122.21 | 118,716,443.95 |
| Hire and rental charges | 14,131,605.48 | 11,559,257.38 |
| Fuels | 7,879,925.89 | 8,771,029.21 |
| Maintenance and repair | 5,433,740.27 | 4,003,163.41 |
| Specialized work | 4,932,791.10 | 3,273,378.94 |
| Tolls | 1,874,508.25 | 1,653,803.22 |
| Insurance | 1,638,751.83 | 1,571,156.24 |
| Cleaning, hygiene and comfort | 1,331,626.83 | 1,367,414.59 |
| Electricity | 1,197,653.61 | 1,303,625.01 |
| Travel and accommodation | 1,040,424.46 | 1,049,297.76 |
| Communication | 821,608.92 | 815,917.66 |
| Surveillance and security | 639,272.48 | 897,646.13 |
| Fees | 408,800.77 | 429,900.98 |
| Advertising and promotion | 320,267.56 | 224,910.30 |
| Other | 3,262,160.86 | 2,854,406.20 |
| | 161,319,160.52 | 158,491,350.98 |

Costs recognised as being of environmental nature are included in the heading of cleaning, and reached 301,095.15 euros in 2016 (131,812.90 euros in 2015).

21.7. OTHER INCOME

The heading of “External income” is broken down as follows for the financial years ended on 31 December 2016 and 2015:

| | 2016 | 2015 |
|-------------------------------------|----------------------|----------------------|
| Supplementary income: | | |
| Sale of fuel | 6,776,702.42 | 7,590,369.57 |
| Assignment of staff | 8,450.15 | 34,564.21 |
| Vehicle hire | 260,524.92 | 329,089.80 |
| Insurance | 36,857.32 | 73,704.44 |
| Assignment of operations | 2,223.20 | 1,881.30 |
| Vehicle maintenance and repair | 224,116.51 | 151,928.75 |
| Recovered waste | 187,286.76 | 117,032.96 |
| Other supplementary income: | 344,893.47 | 79,775.95 |
| Cash discounts received (Note 18,3) | 830,825.69 | 917,003.99 |
| Claim indemnities | 215,723.61 | 269,145.29 |
| Gains in tangible fixed assets | 3,694,141.53 | 3,222,064.29 |
| Income from renting contracts | 329,175.34 | 440,454.58 |
| Tyre contract initial charge | 236,609.66 | 26,160.00 |
| Investment property rents | 47,239.05 | 39,159.05 |
| Tax refunds | 1,893,929.88 | 1,035,756.82 |
| Other interest received | 599,935.26 | 309,049.03 |
| Other | 402,584.09 | 174,045.13 |
| | 16,091,218.86 | 14,811,185.16 |

The heading of “Tax refunds” refers to the return of the Tax on Minority Sales of Certain Hydrocarbons (IVMDH), more commonly known as the Sanitary Cent (Cêntimo Sanitário). The heading of “Other interest received” refers mainly to late payment interest on the refunded amounts of the Sanitary Cent. (Note 13.3).

This tax refund resulted from claims made by the company, as mentioned in Note 13.3.

21.8. OTHER COSTS

The heading of “Other costs” is broken down as follows for the financial years ended on 31 December 2016 and 2015:

| | 2016 | 2015 |
|---------------------------------|---------------------|---------------------|
| Taxes and Rates | 740,795.32 | 674,948.22 |
| Losses in tangible fixed assets | 137,733.58 | 147,065.59 |
| Donations | 37,914.27 | 49,101.21 |
| Levies | 25,857.80 | 17,253.18 |
| Claims | 838,042.05 | 657,271.40 |
| Insufficient tax estimate | 6,899.11 | 5,771.37 |
| finances | 45,104.77 | 101,238.77 |
| Other | 199,059.97 | 78,780.75 |
| | <u>2,031,406.87</u> | <u>1,731,430.49</u> |

21.9. DEPRECIATION/AMORTISATION

The heading of “Depreciation and amortisation costs/reversals” is broken down as follows for the financial years ended on 31 December 2016 and 2015:

| | 2016 | 2015 |
|---------------------------------|----------------------|----------------------|
| Intangible assets (Note 7) | 360,823.89 | 510,928.21 |
| Tangible fixed assets (Note 8) | 11,026,429.42 | 11,500,478.73 |
| Investment properties (Note 10) | 14,777.16 | 14,777.16 |
| | <u>11,402,030.47</u> | <u>12,026,184.10</u> |

21.10. INTEREST AND SIMILAR INCOME RECEIVED

The heading of “Interest and similar income received”, for the financial years ended on 31 December 2016 and 2015, is broken down as follows:

| | 2016 | 2015 |
|-------------------|-------------|---------------|
| Interest Received | | |
| From deposits | 8.33 | 409.39 |
| | <u>8.33</u> | <u>409.39</u> |

21.11. INTEREST AND SIMILAR COSTS PAID

The “Interest and Similar Costs Paid” heading is broken down as follows for the financial years ended on 31 December 2016 and 2015:

| | 2015 | 2014 |
|---|------------|------------|
| Interest Paid | | |
| On loans received | 398,305.93 | 547,518.05 |
| On loans received - Other related entities - Note 6 | 457,645.14 | 181,205.82 |
| On bank overdrafts | 176,119.24 | 186,375.40 |

| | | |
|----------------------------------|--------------|--------------|
| On financial leases | 21,651.87 | 116,798.04 |
| On Factoring | 111.02 | 3,811.70 |
| On Confirming | - | 35,818.71 |
| Other | 2,940.30 | 115.42 |
| Other Financial Costs and Losses | | |
| Other | - | 164.64 |
| | 1,056,773.50 | 1,071,807.78 |

21.12. GUARANTEES PROVIDED

The liability due to guarantees provided by the companies included in the consolidation stands at 7,386,328.10 euros (8,834,928.40 euros in 2015) and essentially refers to bank guarantees.

Furthermore, the Group submitted promissory notes to third parties to secure the payment of debts, which as at 31 December 2016 amounted to 33,100,009.59 euros (39,389,712.83 euros as at 31 December 2015).



21.13. EARNINGS PER SHARE

The earnings per share for the financial years ended on 31 December 2016 and 2015 were determined as follows:

| | 2015 | 2014 |
|----------------------------------|--------------|--------------|
| Results: | | |
| Net income for the period | 1,690,786.49 | 1,773,244.37 |
| Numer of shares | | |
| Wrighted verage number of shares | 6,000,000.00 | 6,000,000.00 |
| Earnings per basic share | 0.28 | 0.30 |

The Chartered Accountant:

Vítor José Caetano de Sousa

Administrador

José Luís Soares Simões - Chairman | Leonel Fernando Soares Simões - Member | Jorge Manuel Soares Simões - Member | Fernanda Maria Oliveira Simões - Member | Daniela Alexandra Lopes Simões - Member | Rui Miguel Marcos Simões - Member | Maria Celeste Morgado Venâncio dos Santos - Member

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CERTIFICAÇÃO LEGAL DAS CONTAS

RELATO SOBRE A AUDITORIA DAS DEMONSTRAÇÕES FINANCEIRAS CONSOLIDADAS

Opinião

Auditámos as demonstrações financeiras consolidadas anexas da LS – Luís Simões, SGPS, S.A. (a Entidade) e suas subsidiárias (o Grupo), que compreendem o balanço consolidado em 31 de dezembro de 2016 (que evidencia um total de 157.546.120 Euros e um total de capital próprio de 42.846.967 Euros, incluindo um resultado líquido de 1.690.786 Euros), a demonstração consolidada dos resultados por naturezas, a demonstração consolidada das alterações no capital próprio e a demonstração consolidada dos fluxos de caixa relativos ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada da LS – Luís Simões, SGPS, S.A. em 31 de dezembro de 2016 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data de acordo com as Normas de Contabilidade e Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística.

Bases para a opinião

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria (ISA) e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas" abaixo. Somos independentes das entidades que compõem o Grupo nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

Responsabilidades do órgão de gestão pelas demonstrações financeiras consolidadas

O órgão de gestão é responsável pela:

- preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa do Grupo de acordo com as Normas de Contabilidade e Relato Financeiro adotadas em Portugal através do Sistema de Normalização Contabilística;
- elaboração do relatório de gestão nos termos legais e regulamentares;
- criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras consolidadas isentas de distorção material devido a fraude ou erro;
- adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e
- avaliação da capacidade do Grupo de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

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Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras consolidadas como um todo estão isentas de distorções materiais devido a fraude ou erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança mas não é uma garantia de que uma auditoria executada de acordo com as ISA detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISA, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

- identificamos e avaliamos os riscos de distorção material das demonstrações financeiras consolidadas, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;
- obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Grupo;
- avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;
- concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Grupo para dar continuidade às suas atividades. Se concluímos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Grupo descontinue as suas atividades;
- avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e acontecimentos subjacentes de forma a atingir uma apresentação apropriada;
- obtemos prova de auditoria suficiente e apropriada relativa à informação financeira das entidades ou atividades dentro do Grupo para expressar uma opinião sobre as demonstrações financeiras consolidadas. Somos responsáveis pela orientação, supervisão e desempenho da auditoria do Grupo e somos os responsáveis finais pela nossa opinião de auditoria;
- comunicamos com o órgão de gestão, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria incluindo qualquer deficiência significativa de controlo interno identificado durante a auditoria.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras consolidadas.

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RELATO SOBRE OUTROS REQUISITOS LEGAIS E REGULAMENTARES

Sobre o relatório de gestão

Dando cumprimento ao artigo 451.º, n.º 3, al. e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e apreciação sobre o Grupo, não identificámos incorreções materiais.

Lisboa, 4 de abril de 2017



Deloitte & Associados, SROC S.A.
Representada por Jorge Carlos Batalha Duarte Catulo, ROC