reditus SGPS

ANNUAL REPORT

2016

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ÍNDICE

PART I – CONSOLIDATED MANAGEMENT REPORT

1. Chairman's Statement

Francisco Santana Ramos

Dear Shareholders,

On March 25th, 2016, Reditus celebrated its 50th Anniversary, so we would like to acknowledge and thank the invaluable participation of all those who have contributed to the **REDITUS** project over these five decades. These five, long decades, were marked by phases of intense growth, by successes and also by adversities, but above all by an enormous capacity of adaptation to the various challenges and realities that our Group has faced over these years.

This was also a year of major changes within the Reditus Group. In addition to a deep organizational restructuring, Reditus closed the year with an operation having a major operational and structural impact, the sale of ROFF to the French group *GFI Informatique*.

This operation, which must be understood within the scope of Reditus' strategic repositioning, will allow for the acceleration of our internal restructuring process, and simultaneously create the conditions for the execution of a Business Plan, which is based on the evolution of its core activities.

The 2016 results reveal the company's resilience in a clearly challenging context, both domestically and internationally, and also reflect the impact od ROFF's disposal, having been restated in order to present a basis for appreciation adjusted to the current structure of the Group.

In 2016, Reditus' total revenues reached 44.9 million euros, a negative variation of 23.9% compared to 2015, due in part to Roff's disposal, and an adjusted EBITDA of 8.1% amounting to 3.7 million euros.

The revenue and EBITDA for 2016 present a contraction in relation to the 2015 figures for the same consolidation perimeter, and are the result of major downturns in the IT Consulting, IT Outsourcing and also in the International operations, while not yet revealing the impact of an important program of structural cost adjustments.

On the other hand, the international activity of Reditus generated revenues of 17.6 million euros, having increased its share to 39% of overall turnover.

As a direct consequence of the challenging markets and of the costs associated with the Group's reorganization, these results reflect the end of two large contracts in the Client Services area which the company was unable to replace with others of equivalent size, the crushing of margins caused by a very aggressive and competitive marketplace, the reduction of activity in our main international market, as well as the discontinuation of some projects in Nearshoring, where the clients chose to establish themselves directly in Portugal.

The on-going internal reorganization, while tailoring the cost structure to the new reality of the Group, will allow for a continued focus of our efforts on the development of integrated, innovative and higher value-added offers, while reducing external subcontracting and optimizing operational margins.

At the international level and as a result of its positioning in the marketplace, Reditus will continue to take advantage of the window opened when some competitors exited the different geographies in which it is present, and will also explore the various opportunities for Nearshore projects in 2017, already in its portfolio.

At the level of our offering, we will continue to focus on innovative solutions based on state-of-the-art technologies such as Cloud, Hyper-Convergence and Systems Management, as well as those that may offer added-value to the various segments of our activity, namely Process Automation through “Robotisation” and the implementation of “self-learning algorithms”.

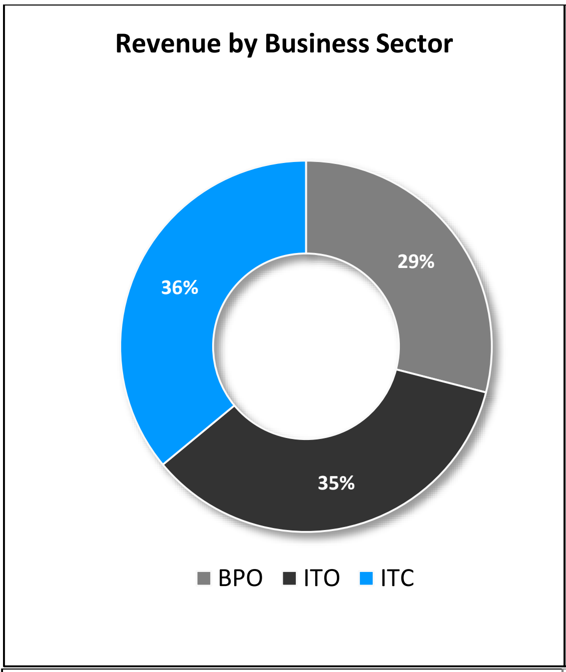
Reditus is the oldest IT Company in Portugal and, despite having undergone several periods of great difficulties, we have always been able to overcome them and to re-emerge in strength, thanks to the unshakeable trust of our stakeholders and to the efforts of our employees.

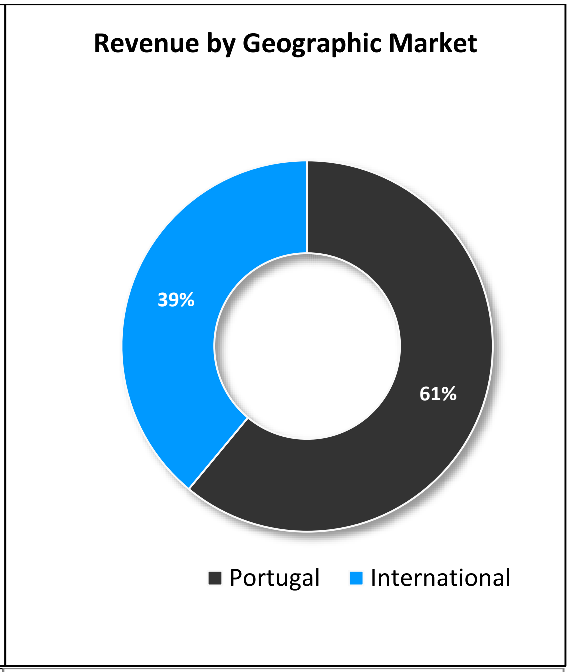
We are assured that, just as we have been able to accompany every stage of market evolution and of technological progress, always succeeding in finding the right course, we will strive to maintain and enhance the professionalism and the quest for quality that brought us this far, with the commitment of those who wish to celebrate at least 50 more years.

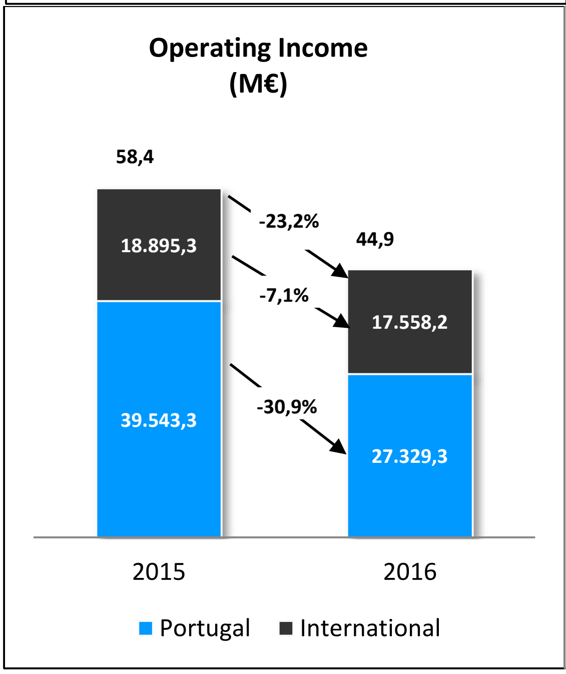
Francisco Santana Ramos

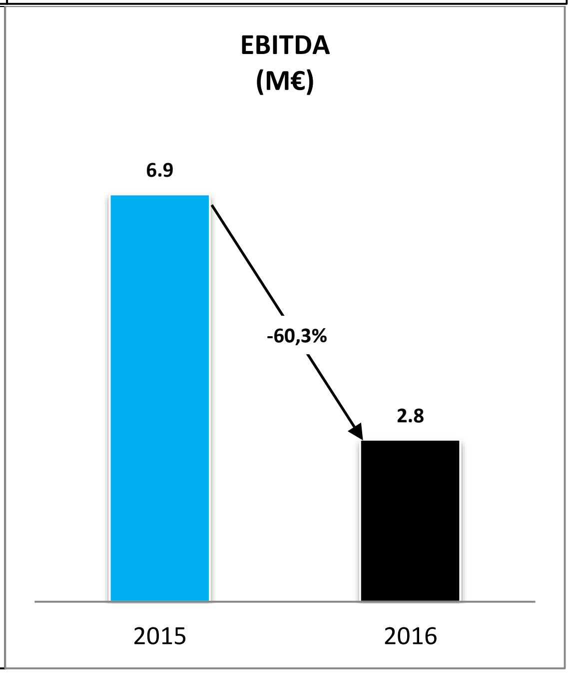
Chairman of the Board

2. Key Operating Indicators of the Group









3. Main Events in 2016

January

- *Reditus selected by Banco de Portugal in a public tender*, to supply specialized software application development services supported by .NET (Dot Net) technology.
- *Reditus Mozambique raised to the status of official supplier* to the Mozambican state, through Certification by the UFSA - Functional Procurement Unit.

March

- *Reditus celebrates its 50th Anniversary* on March 25th, 2016, an achievement that few national and international companies can claim.

April

- *Presentation of FY 2015 Results*

May

- *Reditus' customers report high levels of satisfaction.* According to the results of the annual survey promoted by Reditus Quality Management, Reditus Customers report a satisfaction level of 86%.
- *Presentation of First Quarter results*. During Q1-2016, Reditus maintained its bet on international operations. The continued focus on operational efficiency and higher value-added services has remained one of the Group's top priorities.

June

- *Reditus is distinguished* with the *OutSystems Partner Premier* status.
- The *CTT* and *CTT Expresso* lines, managed by Reditus, are recognized at the *APCC Best Awards* 2016 event.

July

- *Reditus enters a partnership with Digital Guardian* and reinforces skills in the area of *data protection*. Strategic partnerships help Portuguese companies to respond to the challenges imposed by the *new European regulations for data protection*.

August

- *Galp Frota's (Reditus-managed) Service Contact Center* is awarded the *APCC Gold Trophy* in the *Energy* category.
- *Presentation of First Half results*. During H1-2016, Reditus maintained its strategy of investment in international operations, namely in nearshoring, while continuing efforts to consolidate its position in the domestic market.

October

- *Reditus promotes the event "Rethinking Storage with SDS"*, on the latest technologies and information management models designed to leverage the *new opportunities offered by Cloud, Analytics, Social and Mobile*.
- *Reditus provides training in the e-learning model.* Reditus Business School initiates training programs for the *e-learning* model, aimed at customers and employees.

November

- *Reditus presents offer for GDPR and promotes event "How to Implement a Strategy for GDPR".*
- *Reditus announces a new operating structure*. Reditus has been operating since the end of September according to a new operating model, aimed at adapting the company's dynamics to the demands of the market.
- *Reditus sells ROFF, in order to focus on the development of its Business Plan.* This sale is part of a strategic repositioning of Reditus Group, allowing for the speeding-up of the ongoing process of internal restructuring (both operational and financial) and fostering the conditions for implementing its business plan, grounded on the development of its operations in external markets, especially in Africa.
- *Reditus is invited by a global telecommunications giant to recruit and place more than 60 professionals in the areas of Network Planning and Optimization (NPO) and Network Integration (NI).*

December

- *Reditus promotes training and certification for Data Protection Officers (DPO).* The training program takes on the challenges laid by the new European Data Protection Regulation (GDPR).

4. Macroeconomic and Sectorial Overview

4.1. Macroeconomic Overview

International

The world economy presented a historically low real growth rate in 2016, reflecting the serious problems of some emerging economies (such as Brazil and Russia), the continued slowdown in the Chinese economy and the difficulty experienced by developed economies to reach expressive growth rates.

In Brazil and Russia, the continuing low oil prices was one of the reasons for the poor performance which, in turn, extended to other economies that are heavily dependent on oil revenues, such as Angola. On the other hand, reasons related to institutional issues and the widening of some imbalances that had already been manifested, accentuated the recession in these economies. China's growth rate for 2016 confirmed the slowdown already felt in 2015, as a reflection of the change in its respective paradigm of growth, hitherto very much based on export dynamics.

In the Euro Zone and despite a better performance in the second half of the year, the ECB has had to maintain the monetary stimulus. In the United States, the reversion of monetary policy from expansionist to contractionist, revealing the success in job creation that has been registered, began and should be continued and accentuated in 2017.

Portugal

The year of 2016 can be divided in two distinct periods: a slow economic growth in the first half, with a clear recovery in the second.

In the first half of the year, GDP grew by a modest 0.9% year-on-year, extending the deceleration profile initiated in the second half of 2015. The comparative slowdown in activity resulted from lower positive contributions from domestic demand and from exports. The decreasing dynamics in domestic demand reflected essentially the decline in investment, with a 2.7 percent reduction in GFCF in the first half of 2016 (+4.5 percent in 2015). The evolution of this aggregate figures is largely explained by the falls in GFCF for the construction and for the machinery and equipment sectors. In turn, the more moderate growth of exports in the first half of 2016 reflected the negative evolution of fuel exports, of which the import content is very high (around 95 percent). To a lesser degree, exports of services, excluding tourism, also showed a slowdown. In the first half of 2016, the labor market situation continued to improve, with a reduction in the unemployment rate (by -1.2 percentage points compared to the same period last year) and an increase in total employment.

The third quarter showed a strong acceleration in the economic activity, with a 1.6 percent growth over the same period last year and a 0.8 percent growth over the previous quarter, reflecting a year-on-year increase in exports and a slightly higher growth in domestic demand. This growth continued in the fourth quarter of the year, with the economy showing a year-on-year growth of more than 1.2%. The reduction of unemployment continued throughout the year.

4.2. Sectorial Overview

Portuguese ITC Market

According to IDC and at the national level, investment in information technology is expected to reach 3.6 billion euros in 2017, a growth of 0.9% compared to 2016.

This growth will not be uniform throughout all technology sectors, with the major growth being foreseen in technologies associated with third-generation platforms (cloud, mobility, social business and big data). This technology segment is expected to grow by 11.5% during 2017. Second-generation platforms are expected to fall by 3%.

In what concerns another segment, of technologies associated with the new "innovation accelerators" where IDC includes, among others, solutions in IoT, Robotics and 3D Printing, a 25.4% growth is expected for 2017.

In light of a recent European legislative amendment, due to be enforced in 2018, the concerns of 75% of the CIOs of the 500 largest national organizations will be focused on the RGDP subject in the course of 2017.

According to this analysts, the technologies associated with the new "innovation accelerators" will be responsible for boosting the IT market, leading to growth rates of 4.8% by 2020. Still according to IDC, the third-generation platforms will, together with the innovation accelerators, represent 52% of overall technology spending in Portugal in 2020, so that 25% of the 500 largest Portuguese organizations will focus their strategy of competitive differentiation through digital transformation.

This process of organizational transformation will in turn open additional opportunities for IT providers, namely in the strategies of governance, security, privacy, agility (OpDevs) and contracting, through the third platform. In 2019, more than 50% of the largest Portuguese companies will have a team dedicated to digital transformation, and more than half of the organizations will invest in the channel for the distribution and integration of services from large suppliers, with more than 50% of revenues deriving from their Partners.

Strategic Technologies for 2017

Although in technological terms the world is becoming more and more global, the adoption of technologies continues to be quite asymmetric, with significant delays resulting from the maturity of the markets and the investment capacity of the Organizations. At the international level, Gartner believes that other types of technology will show a disruptive potential, both in terms of the global IT market and in terms of its impact on the innovation process of the sectors.

According to Gartner, these technologies are the basis of the "intelligent digital mesh" and can be classified into 3 large groups, namely:

- The first three will focus on intelligence everywhere, on how data science technologies are evolving, and will include advanced machine learning and artificial intelligence, enabling the creation of software-based physical intelligence systems, programmed to learn and to adapt themselves:
    - Artificial Intelligence and *Machine Learning;*
    - Intelligent App's;
    - Intelligent "things".

- The three next evolve around the digital world and on how the physical and the digital dimensions are intermingling:
  - Virtual reality;
  - Augmented reality;
  - Digital Twin.
- The last four tendencies are centered around the interconnection of platforms and services required to ensure delivery of an intelligent digital network:
  - Conversational Systems;
  - Applications and service architecture network;
  - Digital technological platforms;
  - Adaptive security architecture.

The Portuguese Call-Center Market

According to the study "Sectores Portugal - Call Centers" published by Informa DBK, the Portuguese Call-Center market maintained in 2015 an upward trend in billings, reaching a value of around 530 million euros, or an increase of 3,5% over the previous year. Nevertheless, there has been a slower growth of the sector compared to previous years, which had registered double-digit growths.

The increase of services to customers abroad, taking advantage of lower labor costs in Portugal, also contributed to this growth.

This trend will have remained in 2016, albeit at a somewhat lower pace of around 2%, while an average annual growth of 3% is expected for the 2017-2018 period, resulting in an overall turnover of around 575 million euros in 2018.

Inbound calls are the main growth driver for the sector. Billings in this segment, with a turnover of 347 million euros, represent more than 65% of the sector total. On the other hand, the number of outbound calls represents about 20% of the total, with the remaining relating to “other services” and showing a tendency to increase its market share Among the segments of activity, demand in the Telecommunications and Media sectors stand out as and represented 57% of the total in 2015.

The increase in certain expenditures was, together with a very aggressive competition, responsible for the achieved margins and prevented a significant improvement in the sector’s profitability. However and in spite of the rivalry, an increase in sales coupled with cost containment efforts and more flexible structures, should allow for a moderate growth in the margins for the largest companies.

The Portuguese call-center market offers a considerable development potential, due to the trend of process outsourcing by Portuguese companies and public entities as a means of reducing expenses, of achieving more flexible cost structures and of increasing the quality of their services. The broadening services portfolio, the improvements in alternative communication channels such as e-mail and social networks are, together with the incorporation of technological innovations, among the main trends that will shape the activity of the sector’s in the short and medium term.

5. General Business Outlook

With its strong national and international presence, Reditus provides services and solutions in three main areas, namely *IT Consulting, IT Outsourcing* and *Business Process Outsourcing*.

5.1. IT Consulting

The *IT Consulting* area integrates the segments of Applicational Development and Integration, and Specialized Outsourcing. This area of activity represented 36% of Reditus' revenues in 2016.

Applicational Development and Integration

The matters associated with the digital transformation of organizations remain on the agenda of those entities that have found in these initiatives the opportunity to respond to critical business challenges. Some organizations set their goals on the so-called *third platform*, such as *Cloud, Mobile, Social, Big Data, Internet of Things* or *Agile* development solutions.

Throughout 2016, the corporate market maintained the tendency to optimize its processes and render them more flexible, in order to ensure quicker responses to their new business demands. Taking into account such market needs, Reditus has restructured its offer in *Application Development and Integration*, namely through its *Development, Management and Maintenance* solutions and the integration of *Applicational and Analytical Solutions*.
Accordingly and in what concerns 2017, we will materialize a reinforcement of our market positioning in order to present a complete Reditus' *Applicational Solutions* offering.

Under this assumption, the positioning for Reditus' *Applicational Solutions* will be based on four specific areas:

- *Enterprise Content Management*
- *Analytics & Big Data*
- *Costumer Engagement*
- *Business Solutions*

The *IT Consulting* area will seek to propose a complete offer of Reditus' *Applicational Solutions* to the market, while positioning the offer as solutions that objectively address the needs of Customers.

Reditus will also continue to strengthen its positioning in *agile* platforms, as well as in *mobility*, *analytics* and *cloud computing* solutions, leveraging its innovation capabilities and the *applicational development* and *maintenance* opportunities in *nearshoring*.

Specialized Outsourcing

Specialized Outsourcing is, in the current economic context and in a perspective of corporations' operating costs reduction, an area for which great future growth is not only forecasted, but is already a fact.

The *Specialized Outsourcing* market is motivated by the challenges posed by an increasingly competitive global economy, whereby the availability of highly qualified and outsourced IT professionals promotes the flexibility and quality enhancement required for successfully overcoming the increasingly demanding challenges that IT's place on Organizations.

Under these assumptions, promoting an increasingly qualified offering of *skills* does bring clear benefits in terms of billings and of business growth, but above all in terms of an enhanced presence at the customer's, leading to greater customer loyalty and the resulting benefits.

It is in this environment that Reditus has been providing services to companies in virtually all sectors of activity.

We can consider that 2016 was an overall positive year for Reditus in this business area, with a reinforced client portfolio and a number of consultants that places us as one of the key players in the sector.

The increasing demand by multinational companies for shared service centers to be installed in Portugal has greatly contributed to the increase of opportunities in this business segment. Although this trend is seen by Reditus as a major opportunity, with a set of initiatives aimed at reinforcing the offer in *Specialized Outsourcing* underway, the shortage of qualified professionals has been an inhibiting factor in the development of further initiatives.

As in previous years and aware of this limitation, Reditus has promoted and will continue to promote *knowledge academies* and *cooperation protocols* with manufacturers, customers and universities, in order to accelerate the training of consultants in the technologies where there availability of resources is scarcest.

Reditus' main focus on this segment is, in line with the Group's strategy, to grow organically in the domestic and international markets both through the installed base and the acquisition of new customers.

5.2. IT Outsourcing

The Reditus *IT Outsourcing* area is composed of *IT Infrastructure skills* and represented 35% of total revenues in 2016.

The IT Infrastructure area at Reditus proposes solutions composed of *services* and *projects* focused on *information technology infrastructures* to the market. The services include the *management, administration and support of technological platforms*, in a logic of *liability agreement* or of *functional outsourcing*.

In the course of 2016, Reditus' *IT Services* unit further reinforced its skills and partnership relationships, in order to support the offer of services and solutions commensurate with the market expectations.

The *IT Infrastructure* areas we consider as strategic in 2017, not only in terms of their individual growth potential but mainly in terms of the leverage they can bring to the other core segments, are:

- Physical Infrastructures
- Systems Management
- Hiper-Convergence
- *Cloud* Solutions

Reditus has invested in the reinforcement of its engineering and operational teams and has launched offerings that answer the priority challenges of corporations in the different business sectors, namely in the areas of *IT management, managed services, information security, business continuity, storage* and *networking*.

From a perspective of providing global solutions and addressing certain market segments (e.g. SMBs), the supply of *physical infrastructures* will continue to be of importance to the *IT Services* area. The commercialization of *physical infrastructures* promotes the commercialization of Reditus' *implementation, upgrade* and *migration* services, important factors for the maintenance of high indexes of allocation for the engineering team's staff, while at the same time positively impacting the opportunities for *assistance and maintenance contracts*, both in hardware and in software.

At the same time, and with the increasing competition within the different business sectors, corporations are more concerned with monitoring and ensuring the "health" of their technologic systems, so critical for the continuity of their business. Reditus will therefore continue to invest in the development of its services in the areas of:

- Monitoring of Technologic Infrastructures
- Asset Management
- System Health-Check
- System Management

Another focus area will be the optimization of *infrastructure costs*, through the consolidation of the different components in a *centrally managed IT platform*. *Hyper-convergence* solutions will play a key role in these situations and the focus on this type of solution will enable the *IT Services* area to support the critical *Datacenter* infrastructures of our customers and leverage the sale of *services*.

In today's IT paradigm, *Cloud Solutions* is an area with significant growth potential. When reinforcing this area of focus, Reditus is betting on its customers' loyalty and on strengthening the cross-selling with two other areas of its offering: *perimetric security* and *mobility solutions*, since they are closely related to *Cloud* solutions.

5.3. BPO

The Reditus' area of Business Process Outsourcing is composed of the non-technological competencies of the Group, namely in *BPO* and *Contact Centre*, and represented 29% of total revenues in 2016.

With more than 15 years of accumulated experience, mainly in the financial, insurance and telecommunications sectors, Reditus was a pioneer provider of this type of services in Portugal, having played a key role in the national and international spread of this sector.

In Q1 2016 the Business Unit management model was simplified, with a focus on people, Clients and Assistants, on processes and on technology. Merging the *BPO,* the *front* and the *back office* services management, afforded an increase in the levels of efficiency and operational excellence, while at the same time improving the profitability of the projects.

In Q3, Reditus innovates again with *RedOps* and offers an integrated, multiplatform tool for control of the operations, both from a Client and from an operational perspective, blending BPO and Contact Center services. *Real time visualization* and a *business analysis* module have made outsourcing operations monitoring simple and transparent.

The continued bet in *nearshoring* keeps bearing fruits, with projects under development that will reach a significant dimension for this Business Unit in the near future.

Our process innovations, which also use in-house technological solutions, allow for a differentiated offer with the flexibility of being tailored to the needs of our Clients, an advantage widely recognized and identified in the market satisfaction surveys we carry out.

The focus on people, while maintaining a policy of direct contracting and of attractive models of meritocracy, has allowed us to retain the developed know-how, in a climate of social peace that should be acknowledged in a sector under major transformation. The continued bet on employee progression within Client Services and inside the Group represents a differentiating opportunity for our staff.

Having committed to outsourcing their BPO services, a larger number of organizations should continue to be attracted to Portugal, taking advantage of the local maturity of this market coupled with the need to focus on their core business, and betting on the *efficiency and quality* of the services made available to their end Customers. The *lower unit price* vision is no longer a priority for the organizations most advanced in BPO process subcontracting, who increasingly seek partners with the capacity for innovation and control over the processes from A to Z and willing to assume operational risks, in exchange receiving fairer returns for the services provided.

We will in 2017 continue to focus on people, processes and technology, following the new trends in, among others, *automation of processes* through *robotisation* and implementation of *self-learning algorithms*, while believing that *People* will continue to be the main differentiating factor in the quality of the services we offer to our Customers.

5.4 International Area

In 2016, Reditus maintained its commitment with an internationalization strategy through the markets where it has traditionally been active, while reinforcing its approach to new markets, which, due to their internal and external economic dynamics, offer excellent business opportunities.

The weight of the international area at Reditus grew in 2016, representing 39% of the total Group revenues with a turnover of 17.6 million euros. This increase reflects the focus on the international area and the sustainability of long-term ITC and ITO projects for several multinationals.

The international activity of Reditus is based on three distinct organizational models, namely through the creation of local offices, the promotion of export activity, and the supply of services in *Nearshoring*, focusing on carefully selected countries where the company can bring value and explore opportunities deriving from their respective stages of development.

It is worth highlighting the company's efforts in the development of the *Nearshore* opportunities, having won several projects with different multinational companies, namely in *aviation*, *on-line-retail*, *traditional retail*, *food & beverage* and *export manufacturing* industries.

It should also be mentioned that Reditus' international clients are active in several sectors of the economy, among others in: *Public Administration*, *Health, Transportation, Industry, Banking, Insurance, Retail, Oil & Gas* and *Utilities*.

6. Quality and Client Satisfaction

Reditus recognizes the Customer as the key party in its activity. Its mission continues to be to "... contribute to improving the efficiency of its customers' business by investing in a relationship of trust and valuing the people ..." with whom it works.

In 2016, Reditus pursued the activities meant to maintain excellent levels of customer satisfaction and of efficiency improvements, receiving widespread external recognition as illustrated in the following examples.

Client Satisfaction

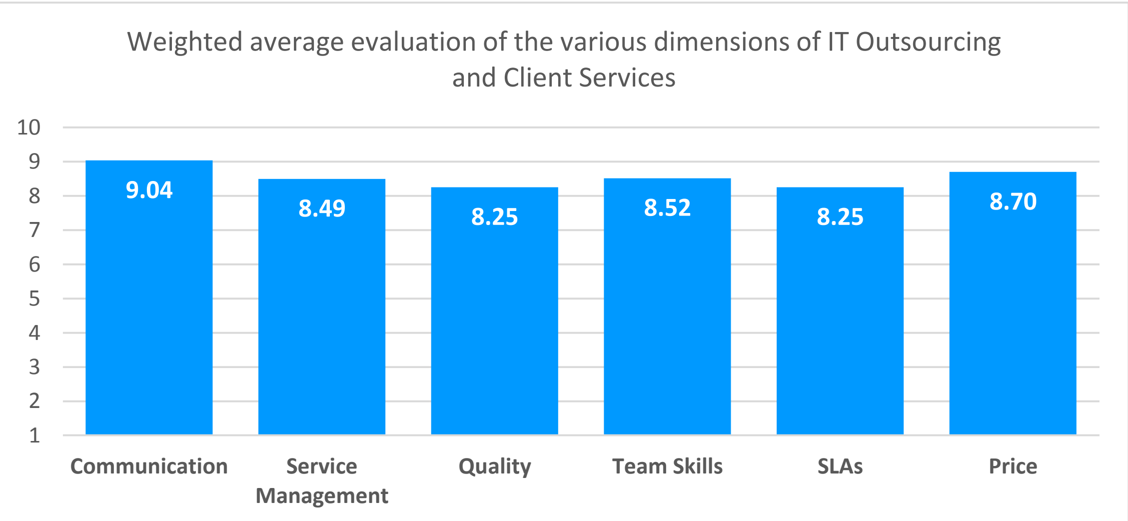
The results obtained in this latest *Satisfaction Study* demonstrate that Reditus maintains *high levels of Customer satisfaction*,

Reditus reached a customer satisfaction global average level of 8.2 on a scale of 1 (very dissatisfied) to 10 (fully satisfied). The final 8.2 value corresponds to the weighted average of the individual business unit’s results.

In this study, conducted through face-to-face interviews and online surveys, Customers continue to consider as distinctive features of Reditus against the competition such aspects as:

- Flexibility and Availability*;*
- Relationship and Identification with the Customer*;*
- Team Commitment and Competence.

Customers are very satisfied with all service dimensions as shown in the following chart:



Client Services

In this scale of [1, 10], where 1 corresponds to very dissatisfied and 10 to fully satisfied) *Client Services* (CS) customer's *average overall satisfaction* is 7,8.
Such value reflects a:

- 7,6 average satisfaction with *Business Process Outsourcing* services;
- 8,0 average satisfaction with *Contact Center* (CC) services.

IT Services

In the *Technology Services* (TS) the overall customer satisfaction was 8.6 in the [1;10] scale.
Such value is derived from the following results:

- 8,3 as the *global average* for IT Outsourcing services' *customer satisfaction* (value obtained through interviews);
- 9,3 as the *average* result for IT Outsourcing *user satisfaction*;
- 8,3 as the result of the enquiries with *Service and Maintenance customer's satisfaction*.

Platforms and Applications

The average level of the P&A customer satisfaction obtained a score of 8.25, in this same [1;10] scale.

Awards and Certifications

- Reditus maintained in 2016 the SGQ and the APCER certification according to the NP EN ISO 9001:2008 norm for all the business areas of its subsidiaries *Reditus Consulting*, *Ogimatech Portugal* and *Reditus Business Solutions*;
- Reditus *Business School* kept its *certified training centre* status;
- Reditus acquired the status of *OutSystems Partner Premier*
- *CTT* and *CTT Expresso* lines, managed by Reditus, were rewarded at the *APCC Best Awards 2016*.
- Reditus Mozambique was raised to the status of *official supplier* to the Mozambican state, through Certification by the UFSA - Functional Procurement Unit

Internal Improvement Projects

In 2016, Reditus continued to focus on efficiency, having initiated new projects with the objective of supporting its *process* and *cost optimization policies*, and pursued the projects initiated in the previous year.

- Internal communication, strongly supported via intranet, was enhanced.
- Continuous improvement of the internal process supporting tools, namely through the in-house development of *open source*-based applications. A key example is the CRM tool, used to support the commercial processes;
- Support for new *BPO e Contact Center* operations through more robust applicational solutions, namely *RedOps*, an integrated, multiplatform tool for 360-degree control of the operations, both from a Client and from an operational perspective, blending BPO and Contact Center services. *Real time visualization* and a *business analysis* module have made outsourcing operations monitoring simple and transparent;

- The re-parameterization and the improvement of *operational project control* and *capacity management* tools was initiated;
- A systematic program to improve the business areas' *management efficiency*.

7. Social Responsibility and Sustainability

Reditus continuously pays attention to, and is engaged with the broader society, having ongoing activities aimed at the personal and professional development of its employees, but also at their development as active participants in society, the economy and the environment.

Employees

- Promoting diversity and equal opportunities for all employees;
- Professional and personal development within and outside Group companies through involvement in ambitious and innovative projects;
- Transparency in performance and evaluation in order to promote a policy of fair rewards and recognition;
- Encouraging employees to be involved in social causes by promoting various initiatives in support of charitable institutions;
- Focus on Training. At the Reditus Business School we provide training for our employees in areas such as personal development, management and administration, company environment, information technology and health and safety at work;
- Development of internal initiatives aiming to promote team spirit and camaraderie;
- Implementation of health and well-being support measures, such as health insurance for employees.

Society

- Protocol of cooperation with the Faculty of Economics at the Universidade Nova de Lisboa, based on technical support services and a prize money for the best student of the Information Technologies' subject;
- Protocol with the Faculty of Science and Technology at the Universidade Nova de Lisboa, for research and development of SDN technologies;

Economy

- Adoption of non-aggressive business practices, out of respect for all our stakeholders.

Environment

- Motivating employees towards environmentally friendly practices;
- Promoting reduced paper consumption;
- Recycling various materials;
- The effective use of water and energy through improved energy management in our buildings and facilities.

8. Economic and Financial Analysis of the Group

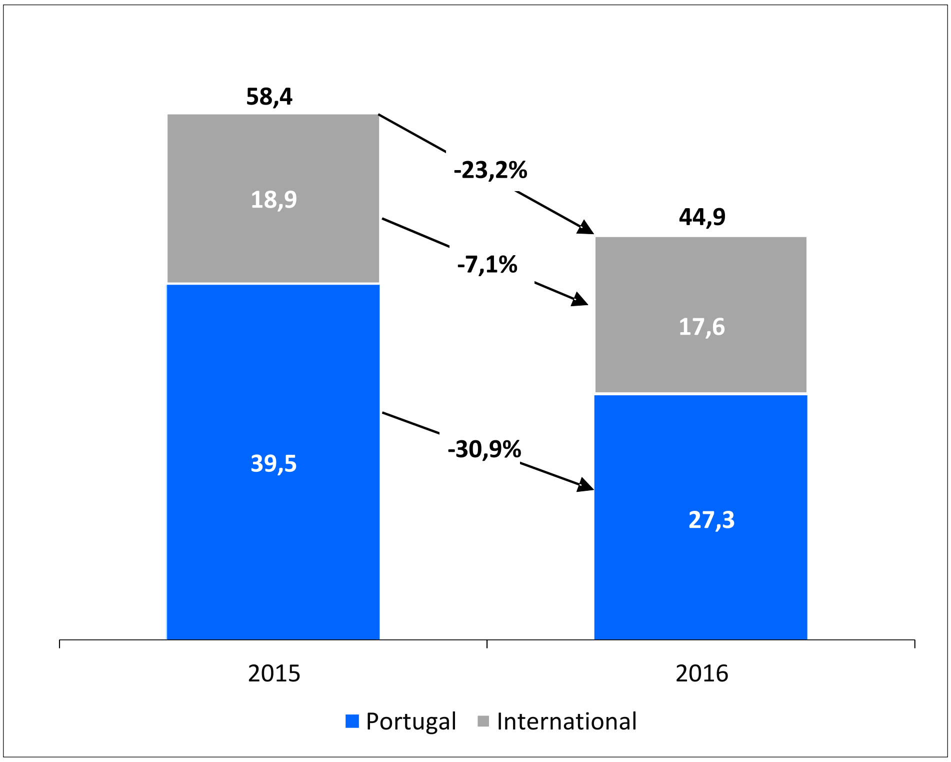
8.1. Consolidated Operating Income

The Consolidated Operating Revenues amounted to 44,9 million euros in 2016, against 58,4 million euros or a decrease of 23.2% over last year, mainly due to the postponement of investment decisions and contraction of the business in African markets, as well as the persisting adverse economic environment in the domestic market.

Business in the domestic market contracted 30.9% over 2015, and the difficulties in the international market, particularly in Africa, continued to occur, with negative impact on the Group's international revenue, which decreased 7.1% over last year.

International sales represented 39% of the Group's total revenues, which compares to 32% in 2015, even taking into account Roff's exclusion from the consolidation perimeter.

Operating Revenues € Millions



8.2. Operating Expenses

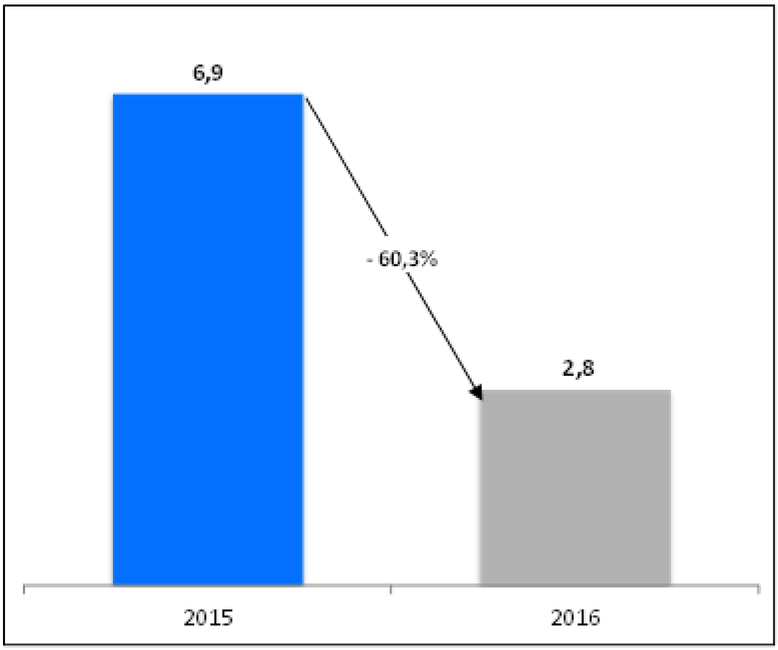
Consolidated operating expenses, net of depreciation, provisions and adjustments amounted to 42,1 million euros in 2016, 18.2% lower than in the last year and accounted for 93.9% of total income, compared to 88.2% in the year before.

8.3. Operational Result Before Amortizations (EBITDA)

Consolidated EBITDA reached 2,8 million euros, which compares with 6,9 million euros in 2015. The EBITDA margin was 6.1%, or 5.7pp below the margin of 11.8% achieved in 2015.

It should be noted that the consolidated EBITDA of 2,8 million euros was negatively affected by approximately 0,9 million euros, relating to extraordinary, "one-off" capital loss situations in the year. Adjusted for these costs, it would have reached a value of 3,7 million euros, or an EBITDA margin of 8.1%.

EBITDA
€ Millions



8.4. Net Income

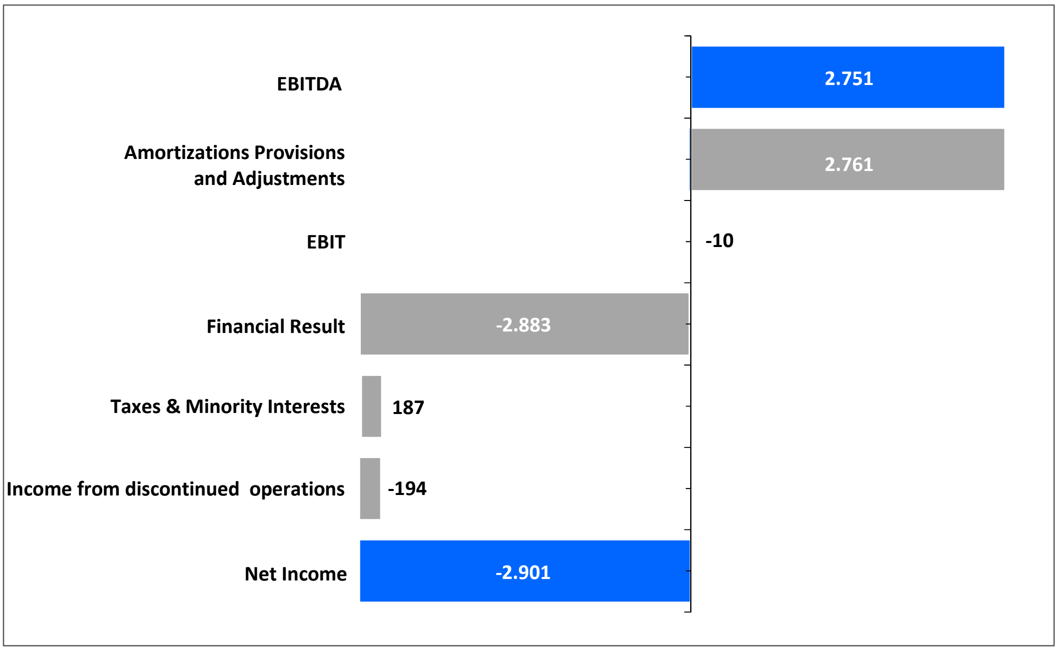
Depreciations, Amortizations, Provisions e Adjustments amounted to 2,8 million euros, a decrease of 34.0% from last year.

Operating income (EBIT) was negative with 10 thousand euros, against a positive value of 2,7 million euros in 2015.

Net financial expenses recorded a positive performance, registering 2,9 million euros in 2016 or a decrease of 25.5% over last year. This performance reflects the improved financing conditions through the renegotiation of the main credit lines, namely in what concerns to their average pricing.

Income from Continued Operations was a negative 2,7 million euros, against a negative value of 1,8 million euros last year, or a decrease of 46.7%.

The Consolidated Net Income shows a loss of 2,9 million euros, against a gain of 264 thousand euros last year.



8.5. Main Balance Sheet Items

Millions Euros

	31-12-2016	31-12-2015	Var. %
Total Assets	172,7	204,8	-15,7%
Non-Current Assets	72,7	76,7	-5,3%
Current Assets	100,0	128,1	-21,9%
Equity	32,4	35,8	-9,7%
Total Liabilities	140,3	169,0	-17,0%
Non-Current Liabilities	95,3	98,5	-3,2%
Current Liabilities	45,0	70,5	-36,2%
Net Debt	59,2	65,2	-9,2%

At the end of 2016, net bank debt (including loans and lease liabilities, less cash and cash equivalents) was 59,2 million euros, which compares with 65,2 million euros at the end of 2015, or a decrease of 9.2%.

9. Economic and Financial Analysis by Business Area

9.1. *IT Consulting*

IT Consulting integrates the business segments of Consulting, Platforms and Applications, and Specialized Outsourcing. This area represented 36% of the Group's total revenue in 2016.

The IT Consulting segment offers consulting, process management, application development / maintenance and management services, business intelligence and applications, open source solutions, and outsourcing services specializing in information technology. Services include the management, administration and support of technology platforms.

The income of the business area reached 18,2 million euros, a decrease of 25.4% over last year.

EBITDA was a negative EUR 25 thousand, comparing with a positive 1,4 million euros in 2015.

9.2. *IT Outsourcing*

Reditus' IT Outsourcing area comprises the IT Infrastructure skills and represented 35% of total revenues in 2016. The IT Infrastructure segment offers services, projects and infrastructure solutions for information technology. Services include management, administration and support of technological platforms, based on a logic of liability agreement or of functional outsourcing. Revenues from this area reached 17,6 million euros, a decrease of 14.7% over last year. EBITDA reached 3,7 million euros, or a decrease of 46.8% over last year. The EBITDA margin decreased 13pp, to 21.0%.

9.3. *Business Process Outsourcing* (BPO)

The BPO area provides Contact Center services and business support, developing inbound and outbound services for customer support and retention, mail handling, document preparation, scanning, file custody, credit processing - corporate, mortgage, consumer and automobile, insurance claims - automotive, multi-risk and occupational hazards, processing of credit, debit and student cards, complaint management, among others. This area represented 29% of Reditus' global business in 2016.

The BPO revenues amounted to 14,5 million euros, a decrease of 27.3% over the previous year. EBITDA was better over the period but still negative by 1,0 million euros, which compares with a negative result of 1,5 million euros in 2015.

10. Outlook for 2017

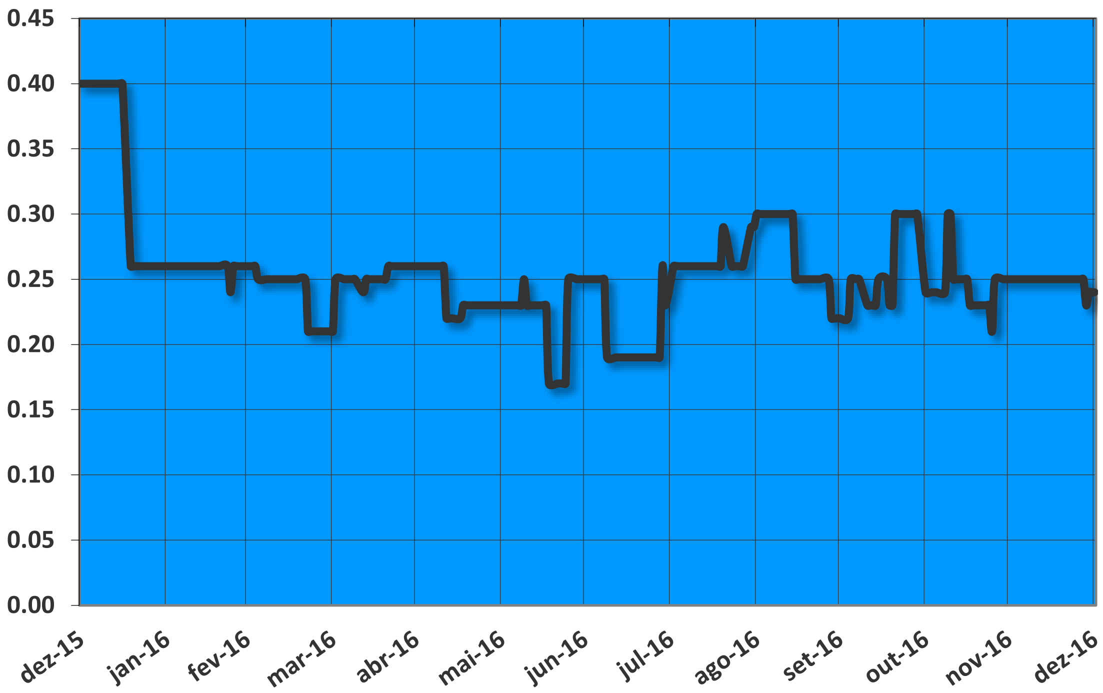
Despite the forecast for a slight recovery of the economy, Reditus will continue to operate in a context of economic fragility, both nationally and internationally, so that the profitability of its business will remain one of the Group's top priorities.

Reditus will thus continue to focus on the development of integrated, innovative and higher added value offerings for the domestic market, reinforcing internal competencies in order to avoid external subcontracting and to allow for the maintenance of margins.

At the international level, Reditus will leverage its position in the Angolan market, in order to take advantage of the window of opportunity created by the exit of some companies due to the adverse market situation, and will also continue to search for different opportunities in Nearshore projects.

In what concerns its offer portfolio, Reditus will continue to focus on innovative solutions based on “Cloud”, hyper-convergence and systems management, as well as on those other that particularly enhance its offer in various segments of its activity, such as “automation of processes” through “robotization”, and implementation of “self-learning” algorithms.

11. Stock Market Performance



At the end of 2016, Reditus’ share closing price was 0,24 euros, which compares to 0,40 euros at the beginning of the year.

In terms of liquidity, around 516 thousand Reditus’ shares were traded during the year, representing a transaction value of 131 thousand euros.

The average number of shares traded daily stood at about 2.023, corresponding to a daily average of approximately 512 euros.

12. Activities of Non-Executive Directors

As described in the Corporate Governance Report, the company has a number of Specialized Committees, which verify and pronounce on the different strands of strategic and operational support.

Generally speaking, and in addition to monitoring the functioning of these committees in conjunction with members of the Executive Board, the Non-Executive Directors continuously monitor the activities of the company and its branches, both in terms of the operational plan and the economic and financial aspects.

13. Net Income

The Consolidated Net Income for the year, after minority interests, was a negative € 2.900.747.

14. Declaration of Conformity

In accordance with the provisions article 245 (1)(c) of the Portuguese Securities Code, the members of the Company's Board of Directors declare that, to the best of their knowledge, the information contained in the Management Report, Annual Accounts, the Statutory Audit and other accounting documents, has been prepared in accordance with the applicable accounting standards and provides a true and fair account of the assets and liabilities, financial position and income of the Company and the companies included in its consolidation perimeter. They further state that the Management Report faithfully describes the trend of the business activities, the performance and position of the Company, and the companies included in its consolidation perimeter, and contains a description of the principal risks and uncertainties that it faces.

15. Acknowledgements

We would like to emphasize our gratitude for the confidence shown in the companies of the Reditus Group by our clients, for our employees' the commitment in achieving the goals we have set ourselves, as well as the qualified support of the Audit Committee, Strategy Board, Specialized Committees, Banks, Auditors and other business partners who have helped with the foundations for the future sustainability of the Reditus Group.

Alfragide, April 28th, 2017

The Board of Directors,

Eng. Francisco José Martins Santana Ramos - Chairman & CEO

Eng. Miguel Maria de Sá Pais do Amaral - Non-Executive Director

Eng. José António da Costa Limão Gatta – Non-Executive Director

Dr. Fernando Manuel Cardoso Malheiro da Fonseca Santos – Non-Executive Director

Dr. Helder Filipe Ribeiro Matos Pereira – Director & CFO

REDITUS SGPS, SA

PART II – CONSOLIDATED FINANCIAL STATEMENTS

REDITUS SGPS, SA

CONSOLIDATED STATEMENT of FINANCIAL POSITION

ON DECEMBER 31st, 2016 AND DECEMBER 31st, 2015 (restated)
(Values expressed in Euros)

	Notes	31-12-2016	Restated 31-12-2015	Variation (%)
NON-CURRENT ASSETS:				
Tangible Fixed Assets	8	7,456,886	9,285,583	-19.69%
Investment Properties	9	1,500,000	1,500,000	0.00%
Goodwill	10	41,473,191	41,473,191	0.00%
Intangible Assets	11	20,228,928	22,564,963	-10.35%
Advances for Financial Investments	12	74,707	74,707	0.00%
Other Accounts Receivable	17	-	1,500,000	-100.00%
Other Financial Investments	13	1,339,140	48,852	2641.22%
Deferred Tax Assets	14	606,155	288,561	110.06%
		72,679,007	76,735,857	-5.29%
CURRENT ASSETS:				-
Inventories	15	532,887	255,084	108.91%
Customers	16	60,381,289	63,825,837	-5.40%
Other Accounts Receivable	17	16,969,189	4,832,525	251.15%
Other Current Assets	18	19,044,900	11,030,264	72.66%
Financial Assets at Fair Value	19	47,599	144,800	-67.13%
Cash and Equivalents	20	3,047,867	1,736,801	75.49%
Assets Held for Sale		-	46,250,566	-100.00%
		100,023,731	128,075,877	-21.90%
TOTAL ASSETS		172,702,738	204,811,734	-15.68%
EQUITY AND LIABILITIES				
EQUITY:				
Share Capital	21	73,193,455	73,193,455	0.00%
Treasury Shares	21	(1,426,438)	(1,426,438)	0.00%
Share Premium Account	21	9,952,762	9,952,762	0.00%
Reserves	21	3,608,430	3,601,755	0.19%
Retained Earnings	21	(50,865,855)	(51,122,799)	-0.50%
Adjustments in Financial Assets	21	(501,763)	(501,763)	0.00%
Surplus Valorisation of Fixed Assets	21	1,129,470	1,213,436	-6.92%
Consolidated Net Income for the Year	21	(2,900,747)	263,621	-1200.35%
Equity Attributable to REDITUS Shareholders		32,189,314	35,174,029	-8.49%
Equity Attributable to Minority Holdings	22	190,653	671,266	-71.60%
Total Equity		32,379,967	35,845,295	-9.67%
LIABILITIES:				
NON-CURRENT LIABILITIES:				
Loans	23	54,381,333	54,412,076	-0.06%
Other Accounts Payable	24	32,540,810	34,576,736	-5.89%
Deferred Tax Liabilities	14	4,001,735	4,293,565	-6.80%
Financial Leasing Liabilities	25	4,420,877	5,229,687	-15.47%
		95,344,755	98,512,064	-3.22%
CURRENT LIABILITIES:				
Loans	23	3,005,126	6,504,688	-53.80%
Suppliers	26	9,564,203	10,910,201	-12.34%
Other Accounts Payable	24	17,243,325	21,777,208	-20.82%
Other Current Liabilities	27	14,736,980	17,712,342	-16.80%
Financial Leasing Liabilities	25	428,382	742,019	-42.27%
Liabilities Held for Sale		-	12,807,917	-100.00%
		44,978,016	70,454,375	-36.16%
Total Liabilities		140,322,771	168,966,439	-16.95%
TOTAL LIABILITIES AND EQUITY		172,702,738	204,811,734	-15.68%

The Annex is integral part of the Consolidated Financial Position Statement
as of 31 December 2016 and 31 Decemeber 2015.

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

REDITUS SGPS, SA
CONSOLIDATED INCOME STATEMENT
FOR THE PERIODS ENDED DECEMBER 31st, 2016 and DECEMBER 31st, 2015 (Restated)
(Values expressed in Euros)

	Notes	31-12-2016	Restated 31-12-2015	Variation (%)
OPERATING REVENUE:				
Sales	28	1,713,193	3,635,493	-52.88%
Services Rendered	28	42,476,170	53,987,824	-21.32%
Other Operating Revenues	29	698,078	815,309	-14.38%
Total Operating Revenues		44,887,441	58,438,626	-23.19%
OPERATING COSTS				
Inventories Consumed and Sold	30	(1,070,381)	(2,625,185)	-59.23%
External Supplies and Services	31	(15,110,754)	(17,138,226)	-11.83%
Staff Costs	32	(24,124,864)	(30,763,723)	-21.58%
Depreciation and Amortization Costs	33	(2,773,971)	(2,952,211)	-6.04%
Provisions and Impairments	34	13,469	(1,231,198)	-101.09%
Other Operating Costs	35	(1,830,697)	(987,896)	85.31%
Total Operating Costs		(44,897,198)	(55,698,439)	-19.39%
Net Operating Income		(9,757)	2,740,187	-100.36%
FINANCIAL RESULTS:				
Net Financial Costs	36	(2,883,063)	(3,871,955)	-25.54%
Net Losses in Associated Companies		-	-	
		(2,883,063)	(3,871,955)	-25.54%
Income Before Taxes		(2,892,820)	(1,131,768)	155.60%
Income Tax	37	266,577	(715,612)	-137.25%
Income Before Minority Interests		(2,626,243)	(1,847,380)	42.16%
Minority Interests	22	(80,044)	2,580	-3202.48%
Results from Ongoing Operations		(2,706,287)	(1,844,800)	46.70%
				-
Results from Discontinued Operations		(194,460)	2,108,421	-109.22%
				-
Net Income		(2,900,747)	263,621	-1200.35%
Attributable to:				
Shareholders of the Parent Company		(2,900,747)	263,621	
Minority Interests	22	80,044	(2,580)	
		(2,820,703)	261,041	
Earnings Per Share from Ongoing and Discontinued Operations				
Basic		(0.1982)	0.0180	
Dilluted		(0.1982)	0.0180	
Earnings Per Share from Ongoing Operations				
Basic		(0.1849)	(0.1260)	
Dilluted		(0.1849)	(0.1260)	

The annex is intergal part of the Consolidated Income Statement
for the Periods ended 31 December 2016 and 31 December 2015

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

REDITUS SGPS, SA

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED DECEMBER 31st, 2016 and DECEMEBR 31st, 2015 (restated)
(Values expressed in euros)

	31-12-2016	31-12-2015
Consolidated Net Income for the Year (before miority interests)	(2,626,243)	(1,847,380)
Items which will not be reclassified on the results		
Changes in Surplus Valorisation of Fixed Assets (IAS 16, IAS 38)	(83,966)	(214,185)
Consolidated Comprehensive Income	(2,710,209)	(2,061,565)
Attributable to:		
Shareholders of the Parent Company	(2,790,253)	(2,058,985)
Minority Interests	80,044	(2,580)
	(2,710,209)	(2,061,565)

REDITUS SGPS, SA
CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIODS ENDED DECEMBER 31st, 2016 and DECEMEBR 31st, 2015 (restated)
(Values expressed in euros)

	31-12-2016	Restated 31-12-2015
OPERATIONAL ACTIVITIES:		
Receipts from Customers	46,647,056	55,418,373
Payments to Suppliers	(12,559,692)	(16,709,624)
Staff Payments	(17,245,164)	(20,085,815)
Payment / Receipt of Income Tax	(11)	(2,051)
Other Receipts/(Payments) relatiing to the Operational Activity	(19,642,201)	(12,976,832)
Cash Flow from Operating Activities (1)	(2,800,012)	5,644,051
INVESTMENT ACTIVITIES:		
Receipts derived from:		
Financial Investments	19,292,058	46,862
Investment Subsidies	45,361	10,680
Others	44	1,319
	19,337,463	58,861
Payments relative to:		
Acquistion of Tangible Assets	-	(44,549)
Aquisition of Intangible Assets	-	(571,128)
Others	(1,290,130)	(63,723)
	(1,290,130)	(679,400)
Cash Flow from Investment Activities (2)	18,047,333	(620,539)
FINANCING ACTIVITIES:		
Receipts relating to:		
Loans Received	13,313,185	20,230,475
	13,313,185	20,230,475
Payments relating to:		
Loans Received	(15,082,705)	(17,602,687)
Interest and equivalent costs	(2,361,544)	(3,495,699)
Others	(7,711,800)	(4,975,273)
	(25,156,049)	(26,073,658)
Cash Flow from Financing Activities (3)	(11,842,864)	(5,843,183)
Variation in Cash and Equivalents (4) = (1) + (2) + (3)	3,404,457	(819,671)
Effect of Exchange Rate Variations	-	-
Non-Current Assets Held for Sale	-	(3,714,057)
Cash and Equivalent at the Beginning of the Perioc	(407,841)	4,125,898
Cash and Equivalent at the End of the Period	2,996,616	(407,830)

REDITUS SGPS, SA
NOTES TO THE CONSOLIDATED CASH FLOWS STATEMENTS
FOR THE PERIODS ENDED DECEMBER 31st, 2016 and December 31st, 2015 (restated)
(Values expressed in euros)

	31-12-2016	31-12-2015
Cash	113,036	105,753
Bank Deposits	2,934,830	1,631,048
Cash and Equivalents (Balance Sheet)	3,047,866	1,736,801
Overdraft Facilities	(51,250)	(2,144,631)
Cash and Equivalents (Cash Flow Statement))	2,996,616	(407,830)

REDITUS, SGPS, SA

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE PERIODS ENDED DECEMBER 31st, 2016 and DECEMBER 31st, 2015 (restated)
(Values expressed in euros)

	Equity Attributable to the Shareholders of the Parent Company										Equity Attributable to Minority Interests	Total Equity
	Share Capital	Treasury Shares	Share Premium Account	Legal Reserves	Other Reserves	Retained Earnings	Adjustments in Financial Assets	Excess Valorisation on Fixed Assets	Consolidated Net Income for FY	Total		
Balance as of 31 December 2015	73,193,455	(1,426,438)	9,952,762	2,034,086	1,567,669	(51,122,799)	(501,763)	1,213,436	263,621	35,174,029	671,266	35,845,295
Share Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-
(Acquisition) / Sale of Treasury Shares		-	-	-	-	-	-	-	-	-	-	-
Application of Results	-	-	-	6,675	-	256,946	-	-	(263,621)	-	-	-
Acquisition of Minority Interests (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	(560,657)	(560,657)
Minority Interests for the Period	-	-	-	-	-	-	-	-	-	-	80,044	80,044
Changes in Surplus Valuation (IAS 16, IAS 38)	-	-	-	-	-	-	-	(83,966)	-	(83,966)	-	(83,966)
Consolidated Net Income for the Fiscal Year	-	-	-	-	-	-	-	-	(2,900,747)	(2,900,747)	-	(2,900,747)
Balance as of 31 December 2016	73,193,455	(1,426,438)	9,952,762	2,040,761	1,567,669	(50,865,853)	(501,763)	1,129,470	(2,900,747)	32,189,316	190,653	32,379,969
Balance as of 31 December 2014	73,193,455	(1,426,438)	9,952,762	2,024,635	1,567,669	(51,531,269)	(501,763)	1,427,621	417,921	35,124,593	620,295	35,744,888
Share Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-
(Acquisition) / Sale of Treasury Shares	-	-	-	-	-	-	-	-	-	-	-	-
Application of Results	-	-	-	9,451	-	408,468	-	-	(417,921)	-	-	-
Acquisition of Minority Interests (Note 10)	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	53,551	53,551
Minority Interests for the Period	-	-	-	-	-	-	-	-	-	-	(2,580)	(2,580)
Changes in Surplus Valuation (IAS 16, IAS 38)	-	-	-	-	-	-	-	(214,185)	-	(214,185)	-	(214,185)
Consolidated Net Income for the Fiscal Year	-	-	-	-	-	-	-	-	263,621	263,621	-	263,621
	-	-	-	-	-	-	-	-	-	-	-	-
Balance as of 31 December 2015	73,193,455	(1,426,438)	9,952,762	2,034,086	1,567,669	(51,122,801)	(501,763)	1,213,436	263,621	35,174,029	671,266	35,845,295

The Annex is an integral part of the Consolidated Statement of Equity Changes for the Periods ended 31 December 2016 and 2015.

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

Notes to the Consolidated Financial Statements

1. Activity

Reditus, Sociedade Gestora de Participações Sociais, S.A. is the holding company (parent company) of the Reditus Group and is head-quartered in Lisbon, Avenida 5 de Outubro, nº 125, Loja 2.

Reditus was founded in 1966 under the name of *Reditus - Estudos de Mercado e Promoção de Vendas, SARL* and had as its main activity the supply of specific services, including market research. It evolved into data processing for the Banco de Agricultura, its main stockholder together with the insurance company "A Pátria”.

In December 1990, Reditus changed its corporate name and became a *Sociedade Gestora de Participações Sociais* (holding company), with its main activity being the management of shareholdings in other companies as an indirect way of pursuing economic activities.

The Reditus Group operates in three different business areas: *Business Process Outsourcing* (BPO), *IT Outsourcing* (ITO) e *IT Consulting* (ITC).

The activity of the company is not subject to significant seasonality.

Reditus has been listed on Euronext Lisbon (former Stock Exchange of Lisbon and Oporto) since 1987.

These Financial Statements were approved by the Board of Directors on April 28th, 2017 and are expressed in euros.

2. The Most Significant Accounting Policies

2.1 Presentation basis

The consolidated financial statements of Reditus, SGPS, SA have been prepared on a going concern basis, based on the books and accounting records of the companies included in the consolidation, maintained in accordance with the accounting principles generally accepted in the country of each subsidiary and adjusted during the consolidation process so that the consolidated financial statements comply with international financial reporting standards ("IFRS"), as adopted by the European Union.

The consolidated financial statements of Reditus, SGPS, SA, presented here, reflect the results of its operations and the financial position of all its subsidiaries (Reditus Group) for the years ended December 31st, 2016 and December 31st, 2015 (restated).

The accounting policies have been applied consistently by all companies throughout the Group and for all the periods presented in the consolidated financial statements.

However, as described in section 2.1.1 Reditus adopted, for the fiscal year ended December 31st, 2016, the standards, interpretations, amendments and revisions endorsed by the European Union and with mandatory application in fiscal years starting on or after January 1st, 2016. The adoption of these standards and interpretations in 2016 had no significant impact on the Group accounts.

2.1.1 New standards, interpretations and amendments, effective from January 1, 2016

Annual improvements regarding: round 2010-2012 (Regulation 28/2015 of December 17th, 2014)

Improvements include amendments to eight international accounting rules, as follows:

- **IFRS 2 Share-based Payment - Definitions of vesting conditions >** The amendments extol the current definition of *vesting conditions* through the addition of separate criteria for *performance conditions* and *conditions of purchase*. Amendments have also clarifies the definitions of the two acquisition types, *vesting* and *non-vesting* conditions.

- **IFRS 3 Concentration of Enterprise Activities –Accounting of contingent remuneration >** The amendments intended to clarify that: (i) all contingent remuneration, regardless of its nature, must be measured at their fair value on the date of initial recognition; (Ii) paragraph 40 of IFRS 3 requires that contingent remuneration as a financial instrument should be reported as equity or as a liability, in accordance with IAS 32; and (iii) all contingent remuneration, regardless of its nature, should be subsequently measured at fair value against profits or losses. Resulting from amendments to IFRS 3, the IAS 37, IAS 39 and IFRS 9 norms are also amended.

- **IFRS 8 Operating Segments>** The amendments clarify the requirements of: (i) disclosure of the management bodies' appreciation on the application of the aggregation criteria for operating segments; and (ii) presentation of the segments' reportable assets reconciliation with the entity's assets.

- **IAS 16 Fixed Tangible Assets - Revaluation model >** The amendments clarify the treatment of tangible assets (gross and cumulated depreciation) on the revaluation date.

- **IAS 24 Related Party Disclosures – Services by key Management's Personnel** > The amendments extend the concept of entity that is related to a reporting entity to: entities, or any member of a group to which they belong, which provide key management personnel's services to the reporting entity or its parent company, and add disclosure requirements related to the provision of services by management's key personnel through a management entity.

- **IAS 38 Intangible assets - Valuation Model >** The amendments clarify the treatment to be applied to intangible assets (gross and cumulated depreciation) on the revaluation date.

- **IAS 19 Employee Benefits (Regulation nº 29/2015 of December 17th, 2014)**
  The amendments clarify the guidance for entities in the allocation of contributions from employees or third parties associated with the service, and require entities to allocate the contributions associated with the services in accordance with paragraph 70, i.e. using the plan's contribution formula or else a linear method. In addition, the amendments add an appendix with an application guide for contributions from employees or third parties. These amendments aim to reduce complexity by introducing a practical expedient, which allows an entity to recognize the contributions of employees or third parties associated with the service that are independent of the number of years of service, such as a reduction on service costs, for the period in which the related service is provided.

Agriculture - Plants for production: Amendments to IAS 16 and IAS 41 (Regulation 2015/2113 of November 23rd, 2015)

Amendments to IAS 16 and IAS 41 determine that plants used only for the cultivation of products over several periods, designated plants for production, are now accounted for in the same way as tangible fixed assets according to IAS 16 Tangible Assets, since their operation is similar to that of industrial activities.

Amendments to IFRS 11 Joint Arrangements (Regulation No 2015/2173 of November 24th, 2015)

The amendments provide further guidance on the accounting treatment of acquisitions of interests in joint operations whose activities are business activities, in particular stating that when an entity acquires an interest in a joint operation whose activity is a business activity within the meaning of IFRS 3 it shall apply, proportionally to its share, all accounting principles for concentration of business activities defined in IFRS 3 and other IFRSs that do not conflict with IFRS 11, and shall provide the required information in relation to the concentration of business activities. This applies to the acquisition of both the initial interest and additional interests in a joint operation, whose business is a business activity.

Clarification of acceptable depreciation and amortization methods: Amendments to IAS 16 and IAS 38 (Regulation 2015/2231 of December 2nd, 2015)

The amendment to IAS 16 clarifies that it is not appropriate to use a depreciation method for a tangible fixed asset, which is based on income generated by an activity. On the other hand, the amendment to IAS 38 clarifies that only in very limited circumstances it is possible to overcome the presumption that an amortization method of an intangible asset based on the income generated by the activity is inappropriate.

Annual improvements regarding the 2012-2014 round: (Regulation nº 2015/2343 of December 15th, 2015)

Improvements include amendments to five international accounting standards, as follows:

- **IFRS 5 Non-current assets held for sale and discontinued operations** > The amendments clarify that if an entity reclassifies an asset or a asset group directly from held for sale to held for distribution to owners, or directly from held for distribution to owners to held for sale, the change in the classification shall be considered as a continuation of the initial disposal plan.

- **IFRS 7 Financial Instruments: Disclosures >** Clarifies that amendments introduced by the document *Disclosures - Compensation between Financial Assets and Financial Liabilities* (Amendments to IFRS 7), should be applied for annual periods beginning on or after January 1st, 2013. The entities must provide retrospectively the disclosures required by those amendments.
  It also clarifies that when an entity transfers a financial asset, it may retain the right to (debt) service of the financial asset, in exchange for commissions included, for instance, in a service contract. The entity evaluates the service contract to decide whether the entity maintains a continuing involvement as a result of this agreement, for the purposes of disclosure requirements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards >** Amendments to this standard are directly related to the amendments made to IFRS 7 mentioned above.

- **IAS 19 Employee Benefits -** The amendments clarify that for currencies (becomes independent of the country) for which there is no active market in high quality corporate bonds, market yields (at end of period report) for government bonds expressed in that currency should be used.

- **IAS 34 Interim Financial Reporting >** The amendments clarify that disclosures highlighted in paragraph 16a of IAS 34 should be disclosed in the interim financial statements, or by cross-reference to the interim financial statements, or to other statements that are available to users of financial statements, in the same conditions and at the same time as the interim financial statements. If users of the interim financial statements do not have access to the information incorporated by cross-reference, in the same conditions and at the same time, the interim financial report is deemed incomplete.

Disclosure Initiative: Amendments to IAS 1 (Regulation 2015/2406 of December 18th, 2015) >

The amendments to IAS 1 *Presentation of Financial Statements* are intended to improve the effectiveness of dissemination, and encourage companies to apply their professional judgment in determining the disclosures in its financial statements when applying IAS 1.

Equity equivalence method under the Separate Financial Statements: Amendments to IAS 27 (Regulation 2015/2441 of December 19th, 2015)

Changes to IAS 27 *Separate Financial Statements* are made to ensure that companies can use the equity equivalence method, as described in IAS 28 - *Investments in Associates and Joint Ventures,* to account for investments in subsidiaries, joint ventures, and associate companies in their separate financial statements.

Investment Entities: Applying Exceptions to Consolidation – Changes to IFRS 10, IFRS 12 and IAS 28 (Regulation 2016/1073 of September 22nd, 2016)

These changes clarify several aspects of IFRS 10, IFRS 12 and IAS 28 related with the exception of consolidation, applicable to investment entities.

2.1.2 New standards, interpretations and modifications, effective January 1st, 2017

- **IFRS 15: Revenue from Contracts with Clients (Regulation 2016/1905 of September 22nd, 2016) >** This new standard applies to contracts for the delivery of products or services, and requires the entity to recognize the revenue when the contractual obligation to deliver goods or provide services is satisfied and for the amount that reflects the consideration that the entity is entitled to, as set out in the "5 step methodology". This standard will apply to fiscal years beginning on or after January 1st, 2018

- **IFRS 9: Financial Instruments (Regulation 2016/2067 of November 22nd, 2016) >** IFRS 9 replaces the requirements of IAS 39 for: (i) the classification and measurement of financial assets and liabilities; (Ii) the recognition of impairment on receivables (through the expected loss model); and (iii) the requirements for recognition and classification of hedge accounting. The adoption of this standard also entails: (i) amendments to IAS / IFRS standards and of the interpretations (IFRIC / SIC): IAS 1, IAS 2, IAS 8, IAS 10, IAS 12, IAS 20, IAS 21 , IFRS 2, IFRS 3, IFRS 4, IFRS 4, IFRS 5, IFRS 7, IFRS 7, IFRS 13, IFRIC 2, IFRIC 5, IFRIC 10, IFRIC 12, IFRIC 16, IFRIC 19, SIC 27; and (ii) revocation of IFRIC 9 *Embedded Derivatives Revaluation*. This rule will be applicable to fiscal years beginning on or after January 1st, 2018.

2.1.3 Standards (new or revised) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and not yet endorsed by the European Union.

In addition, up to the approval date of these financial statements, the following standards and interpretations, not yet endorsed by the European Union, were also issued:

- **Sale or Contribution in the form of Assets between an Investor and its Associated or Joint Venture – Modifications to IFRS 10 and IAS 28 >** This amendment clarifies the accounting treatment for transactions when a parent company loses control in a subsidiary by selling all or part of its interest in that subsidiary to an associate or joint venture accounted for using the equity equivalence method. The date of application of the amendment has not yet been defined, and the process of endorsement by the European Union will only begin after confirmation of the date of application of the amendments by the IASB.

- **Asset Recognition due to Deferred Taxes from non-incurred Losses - Changes to IAS 12 >** This amendment clarifies how to account for deferred tax assets related to debt instruments measured at fair value. Applicable to annual periods beginning on or after January 1st, 2017, this change is still subject to the endorsement process by the European Union.

- **Disclosure Initiative – Changes to IAS 7** > This amendment requires entities to disclose information about changes in their funding liabilities, so that investors can better understand changes in the entity's debt. Applicable to annual periods beginning on or after January 1st, 2017, this change is still subject to the endorsement process by the European Union.

- **Revenue from Contracts with Customers – IFRS 15 Clarifications >** These amendments to IFRS 15 have clarified some requirements and provide greater ease in the transition for Entities that are implementing this Standard. Applicable to annual periods beginning on or after January 1st, 2018, this change is still subject to the endorsement process by the European Union.

- **Clarifications to IFRS 2 – Classification e Measurement of Stock-Based Payment Transactions >** These changes to IFRS 2 are related to classification and measurement issues for a set of subjects for which the recommendations included in the previous standard were unclear. Applicable to annual periods beginning on or after January 1st, 2018, this change is still subject to the endorsement process by the European Union.

- **Clarifications to IFRS 4 - Apply to IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts >** These changes to IFRS 4 answer worries relating to the implementation of the new Standard on Financial Instruments (IFRS 9) prior to the enforcement of the Standard on Insurance Contracts, which will replace IFRS 4 and which is still under study. These changes are still subject to the endorsement process by the European Union.

Yearly Improvements: 2014-2016 Cycle

These improvements include minor amendments to three international accounting standards, as follows:

- **IFRS 12 - Disclosure of Interests in other entities**
- **IFRS 1 - First-time adoption of IFRS**
- **IAS 28 - Investments in Related and Joint Ventures**

These changes are still subject to the endorsement process by the European Union.

- **Adoption of IFRIC 22 - Foreign Currency Transactions and Advance Considerations >** IFRIC 22 establishes the exchange rate to be used in transactions involving a consideration paid or received in advance, in foreign currency. Applicable to annual periods beginning on or after January 1st, 2018, this new interpretation is still subject to the endorsement process by the European Union.

- **Clarifications to IAS 40 - Transfers of Investment Properties >** The changes to IAS 40 Investment Properties clarify the requirements related to transfers, from and to, Investment Properties. Applicable to annual periods beginning on or after January 1st, 2018, this new interpretation is still subject to the endorsement process by the European Union.

- **IFRS 14: Accounting for Regulatory Deferments >** This standard allows first-time adopters of IFRS to continue recognizing regulatory assets and liabilities in accordance with the policy followed under the previous standard. However and to allow for comparability with entities that already adopt IFRSs and do not recognize regulatory assets / liabilities, such amounts must be disclosed separately in the financial statements. Applicable to annual periods beginning on or after January 1st, 2016, but the European Commission has decided not to initiate the process of endorsing this transitional rule and to wait for the final rule, to be issued by the IASB.

- **IFRS 16: Leases >** This new standard establishes a single model for lessee's accounting of leases, eliminating the distinction between operating leases and financial leases from the lessee's perspective. Applicable to annual periods beginning on or after January 1st, 2019, this new interpretation is still subject to the endorsement process by the European Union.

2.2. Basis for Consolidation

2.2.1. Reference dates

The consolidated financial statements include, with reference to December 31st, 2016, the assets, liabilities, results and cash flows of the Group companies, which are presented in note 5.

2.2.2. Financial holdings in Group Companies

Holdings in companies in which the Group detains, directly or indirectly, more than 50% of the voting rights at the General Shareholders Assembly, or is able to exercise control over its financial and operating policies (*Control* criteria, as used by the Group) are included in the consolidated financial statements using the full consolidation method. The share in equity capital and in the net result of these companies, which corresponds to third parties' holdings, are respectively presented in the consolidated balance sheet and in the consolidated income statement under the heading 'Minority Interests'. Subsidiary companies are consolidated from the date on which control is transferred to the Group, being excluded from the consolidation from the date on which the control ends.

The *purchase method* is used to account for acquired subsidiaries. The acquisition cost corresponds to the fair value of the assets received, the shares issued and the liabilities assumed, on the date of acquisition, added of the costs incurred and directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities, assumed in a concentration of business activities, are measured initially at their fair value on the date of acquisition, regardless of any minority interests. The acquisition cost excess over the share of the total acquired net identifiable assets' fair value, is recorded as *goodwill*. If the cost of acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in the results for the period.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment for the transferred asset. Whenever considered necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

All companies included in the consolidation perimeter, identified in note 5, were consolidated using the full consolidation method, since the Group holds the majority of voting rights.

2.2.3. Balances and Transactions between Companies of the Group

Balances and transactions between companies in the Group, and between these and the parent company, are eliminated in the consolidated financial statements.

2.2.4. Consistency with the Previous Fiscal Year

The consolidation methods and procedures applied are consistent with those for the 2015 Fiscal Year.

2.2.5. Changes to the set of Consolidated Companies

During 2016, eight companies were excluded from the consolidation perimeter, as a result of the disposal of ROFF Consultores Independentes, S.A (Note 5).

2.3. Segment Reporting

IFRS 8 – *Operating Segments*, has replaced IAS 14 – *Segment Reporting*, establishing the principles for the disclosure of information concerning the operating segments of an entity, which must be presented on the basis of the report prepared for the analysis by the Corporate Management. The application of this financial reporting standard by Reditus Group led to the alteration of the operating segments that were the object of the report.

Three (3) business segments have been identified: *Business Process Outsourcing* (BPO), *IT Outsourcing* (ITO) and *IT Consulting* (ITC).

2.4. Investment Properties

Investment properties comprise, in essence, land and buildings held for income, or capital appreciation, or both, and not for use in the production, or supply of goods or services, or for administrative purposes, or for sale in the ordinary course of business.

The Group classifies as investment properties, properties held with the objective of capital appreciation and/or obtaining income.

Investment properties, considered under IAS 40 – *investment Properties*, are investment properties under development, which fulfill the conditions for their fair value to be reliably determined.

Investment properties are stated at their fair value, the building is subject to internal evaluation.

2.5. Tangible Fixed Assets

2.5.1. Measurement

Tangible fixed assets are recorded at acquisition cost deducted of the respective accumulated depreciation, except for land and buildings, which are measured using the revaluation model.

The expenses directly attributable to the acquisition of assets (sum of the respective purchase prices with the expenses incurred, directly or indirectly, to convert it to its current condition), are considered as the *cost of acquisition.*

Subsequent costs are added to the book value of the asset, or else recognized as a separate asset, but only in cases where there is a probable, future economic benefit associated with the asset and its cost can be reliably measured. All other service, maintenance and repair costs are recorded in the income statement for the financial period in which they are incurred.

The revaluation value of the land and buildings is based on market values, determined by means of evaluations carried out by independent experts (note 7.3), a procedure that has been adopted in recent years.

The increases in the book value of the land and buildings, as a result of revaluations, are debited to tangible fixed assets. Eventual reductions, which may be compensated by previous revaluations of the same asset, are charged against the respective revaluation reserve, and the remaining reductions are recognized in the income statement.

2.5.2. Leasing contracts

Goods whose use stems from financial leasing contracts, in respect of which the Group substantially assumes all risks and rewards incidental to ownership of the leased assets, are classified as tangible fixed assets.

Assets acquired under leasing, as well as the corresponding liabilities, are recorded using the financial method. According to this method, the cost of the asset is booked under tangible fixed assets and the corresponding liability is booked under liabilities. Depreciation of those goods and the interest included in the value of the rents, are recorded in the results for the year to which they relate.

Leasing contracts are recorded on the date of their inception as assets and liabilities, at the lowest of the fair value of the leased good or the current value of the outstanding lease payments.

Assets acquired under lease are depreciated according to the Group's established policy for tangible fixed assets.

Rents comprise both the financial charge and the financial depreciation of the capital. Charges are allocated to the respective periods during the lease term, so as to result in a constant periodic rate of interest on the remaining debt.

2.5.3. Depreciation

Depreciation is calculated on the basis of the acquisition value, using the straight-line method, with duodecimal allocation. The applied annual rates do satisfactorily reflect the economic useful life of the assets.

The estimated useful lives are as follows:

	Years
Buildings and Other Constructions	50
Basic Equipment	3 – 20
Transport Equipment	4 – 6
Administrative Equipment	3 – 10
Other Tangible Fixed Assets	10 - 20

2.6. Intangible Assets

Intangible assets consist primarily of development costs.

Research expenses, incurred in the search for new technical or scientific knowledge or in the search for alternative solutions, are recognized in the results when they are incurred. Development costs are recognized as intangible assets, when: i) the technical feasibility of a product or process development can be proved, ii) the Group intends, and has the ability to complete their development, iii) commercial viability is ensured and iv) the expense can be reliably measured.

Development costs previously recorded as expenditure are not recognized as an asset in the subsequent period. Development costs that have a finite lifespan and have been capitalized are depreciated from the time of their commercialization, using the straight-line method and over the expected economic benefit period, that does not usually exceed five years.

Expenditures capitalized under this heading include expenditures on direct labor, as well as the expenditures incurred, if applicable, when subcontracting external entities.

Intangible assets developed within the Reditus Group are related to the re-engineering and optimization of processes, to new processes, and to customized computer applications, and are depreciated using the straight-line method.

2.7. Goodwill

Goodwill represents the excess of the acquisition cost of the investment in Group companies over the fair value of the identifiable assets and liabilities of these holdings (proportional equity values) at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the acquired subsidiary, the difference is recognized directly in results for the period. Before January 1st, 2004, Goodwill was amortized over the estimated period of investment recovery, generally ten years, and the depreciation was recorded in the income statement under the heading 'Amortization and Depreciation for the Fiscal Year'. From January 1st, 2004 and in accordance with IFRS 3 – *Business Combinations*, the Group suspended the amortization of Goodwill. From that date, Goodwill is subject to annual impairment tests with the corresponding asset values determined at cost less any cumulated impairment losses. Any impairment loss is recorded immediately in period’s results.

2.8. Asset Impairment

Assets that do not have a defined useful life are not subject to amortization and depreciation, but subject to annual impairment tests. Assets subject to depreciation and amortization are reviewed annually to determine eventual impairment, when events or circumstances indicate that their book value may not be recoverable. Whenever the amount for which an asset is registered exceeds its recoverable amount, an impairment loss is recognized and recorded in the income statement. The recoverable amount is determined as the highest of the net selling price and the utilization value. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction, less the costs of disposal. Utilization value is the present value of the estimated future cash flows that are expected to derive from the continued use of the asset and from its disposal at the end of its useful life. The recoverable amount is estimated individually for each asset or, if this is not possible, for the cash- generating unit in which the asset is integrated.

2.9. Non-Current Assets Held For Sale

Non-current assets (or discontinued operations) are classified as *held for sale* if the respective value can be realized through its sale, instead of through its continued use. This situation is only considered as fulfilled when:

- (i) the sale is highly probable;
- (ii) the asset is available for immediate sale in its present condition;
- (iii) the management is committed to a disposal plan;
- (iv) It is expected that the sale will materialize within a period of twelve months.

Non-current assets (or discontinued operations), which are classified as *held for sale,* are measured by the lowest of their book value and respective fair value, deducted of the disposal expenses.

Non-current assets held for sale are presented on a dedicated line in the consolidated statement of financial position, and the results of the discontinued operations are presented on a dedicated line in the income statement by type of income, below Income Tax and above Net Result.

When the Group ceases to classify an entity as *held for sale*, the results of that entity's operational components, previously presented in discontinued operational units, are reclassified and included in the income from continuing operational units, for all reported periods.

However, and according to IFRS 5 – paragraph 40 - the amounts reported under assets and liabilities that were classified as *held for sale* in the statement of financial position for the previous period, are not reclassified.

2.10. Other Financial Investments

The *other financial investments* item consists of securities and other financial investments.

Other financial investments are valued at their market value at the balance sheet date. Actual capital gains and capital losses, resulting from the effective sale of these securities, are recorded in the profit and loss statement for the year in which they occur.

Financial holdings that have undergone permanent reductions in their realizable value have been provisioned.

2.11. Deferred Taxes

Deferred taxes are calculated on the basis of the balance sheet liability method, and reflect the temporary differences between the assets and liabilities amount for accounting report purposes and their respective amount for taxation purposes. However, no deferred taxes are calculated on the differences arising from initial recognition of assets and liabilities in a transaction relating to the concentration of business activities, when these do not affect either the accounting result or the tax result at the time of the transaction.

Deferred tax assets are recognized whenever there is reasonable assurance that future profits will be generated, against which the assets can be utilized. Deferred tax assets are reviewed annually and reduced whenever it is no longer likely that these may be utilized.

Deferred taxes are calculated according to the rate expected to be in force at the time it is expected that the asset or the liability will be realized.

2.12. Inventories

Inventories are recorded at cost or at net realizable value, whichever is lower. Inventory expenditures include all expenses associated with the purchase, but do not include financial expenses. The net realizable value is the estimated selling price under normal business circumstances, deducted of the associated selling costs.

The costing method adopted for the valuation of items removed from warehousing, is their weighted average cost.

2.13. Clients and Other Accounts Receivable

The accounts receivable from Clients and other debtors are recorded at fair value of the underlying transaction that originated them, deducted of possible impairment losses, so that they reflect the net realizable value.

Accounts receivable transferred into 'factoring', with the exception of 'factoring' operations without recourse, are recognized in the balance sheet under the heading 'Other Accounts Payable', until the moment they are collected.

2.14. Other Current Assets and Liabilities

Accrued expenses, deferred expenses, accrued income and deferred income are recorded under these headings, so that the expenses and income can be accounted for in the period to which they relate, regardless of the date of payment or collection.

2.15. Cash and Cash Equivalents

The amounts included under cash and cash equivalents correspond to cash at hand, cash at banks, term deposits and other treasury instruments, which can be withdrawn with less than three months notice, and are subject to a negligible risk of change in value.

For the purposes of cash flow statement, the item "Cash and cash equivalents" is deducted of the bank overdrafts included in the consolidated statement of financial position under the heading of "Loans".

2.16. Share Capital

Ordinary shares are classified under shareholders' equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, from the amount received as a result from this issue. Expenses directly attributable to the issue of new shares or options for the acquisition of a business are included in the acquisition cost, as part of the purchasing price.

When the company or its subsidiaries acquire shares in the parent company, the amount paid is deducted from the total equity attributable to shareholders, and presented as *treasury shares* until the date on which these are cancelled, reissued or sold. When such shares are subsequently sold or reissued, the amount received is again included in the equity attributable to shareholders.

2.17. Bank Loans and Overdrafts

Loans are initially recognized at fair value, net of incurred transaction costs. Loans are subsequently stated at amortized cost; any difference between the receipts (net of transaction costs) and the value payable is recognized in the income statement over the loan period, using the effective rate method.

Loans are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date, in which case they are classified as non-current liabilities.

Interest expenditures relating to loans received are recorded under the heading *net financing costs* in the income statement.

2.18. Suppliers and Other Accounts Payable

Accounts payable to suppliers and other creditors are recorded at their nominal value, to the extent that these are due in the short-term.

2.19. Provisions and Contingent Liabilities

Provisions are included in the balance sheet whenever:

(i) The Group has a current legal or constructive obligation resulting from a past event;

(ii) It is likely that a reasonably estimable reduction of resources incorporating economic benefits will be required to settle the obligation, and;

(iii) Its value can be reliably estimated. Provisions are reviewed at the balance sheet date and adjusted to reflect the best current estimate. In case it ceases to be likely that a reduction of resources incorporating economic benefits will be required to settle the obligation, the provision is reversed.

When any of these conditions is not fulfilled, the Group discloses the event as a contingent liability, unless the likelihood of a cash outflow is remote.

2.20. Revenue and Accrual

Revenue is recorded in the income statement, and includes the amounts invoiced on the sale of products and provision of services, net of Value-Added Tax (VAT) and discounts, after eliminating intra-group transactions.

Revenue derived from the sale of products is recognized in the consolidated income statement when the risks and benefits associated with the ownership of the assets are transferred to the buyer, and the revenue amount can be reasonably quantified.

Revenue derived from the provision of services is recognized in the consolidated income statement in reference to the completion stage of the service provision at the balance sheet date.

The suppliers of the represented brands support the warranties for sold equipment.

Financial interests and revenues are recognized in accordance with the accrual principle and according to the applicable effective interest rate.

Expenses and revenues are accounted for in the period to which they relate, regardless of the date of their payment or receipt. Expenses and revenues, whose actual value is not known, are estimated.

Under the headings 'Other Current Assets' and 'Other Current Liabilities' are reported revenue and expenses relating to the current fiscal year, but for which the collections and expenditures will only take place in the future, as well as expenditures and collections that have already taken place, but for which the revenue and expenses will only be recorded, according to their respective values, in future fiscal years' income statements.

2.21. Income Tax

Income tax for the fiscal year is calculated based on the taxable income of companies included in the consolidation and includes deferred taxation.

The current income tax is calculated based on the taxable income of the companies included in the consolidation, in accordance with the taxation rules in force at the registered office location of each individual Group company.

Deferred taxes are calculated on the basis of the balance sheet liability method, and reflect the temporary differences between the assets and liabilities amount for accounting report purposes and their respective amount for taxation purposes.

2.22. Currency Conversion

Functional and Reporting Currency

The elements included in the financial statements of each of the Group's entities are measured using the currency of the economic environment in which the entity operates ("functional currency"). The consolidated financial statements are reported in Euros, which is the functional and reporting currency of the parent company.

Transactions and Balances

Transactions in currencies other than Euros are translated into functional currency using the exchange rates at the date of transactions. Foreign exchange gains or losses, resulting from the settlement of transactions or else from the conversion, at the exchange rate on the balance sheet date, of monetary assets and liabilities denominated in a currency other than Euro, are recognized in the income statement, except when deferred in equity if they qualify as cash flow hedges.

Group Companies

The income and financial position statements of all the Group's entities that have a functional currency different from the reporting currency, are converted into the reporting currency as follows:

- The assets and liabilities in each balance sheet are converted at the exchange rate in effect on the date of the financial statements, and the respective exchange differences are recognized as separate items in equity under the heading *currency translation reserves*.
- Revenue and expenditures in each income statement are converted at the average exchange rate for the reporting period, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenue and expenditures are converted at the exchange rates in effect on the dates of the individual transactions.

2.23. Subsequent Events

Events occurring after the closing date, up to the date of approval of the financial statements by the Board of Directors, that provide additional information about conditions that existed at the balance sheet date, are reflected in the financial statements. Events occurring after the closing date and that are indicative of conditions that arose after the balance sheet date are disclosed, if considered relevant, in the notes to the financial statements.

3. Financial Risk Management / Accounts Receivable / Accounts Payable:

All operations performed with financial instruments require prior approval by the Executive Board, which defines the specifics of each transaction and approves the relevant documents.

The financial risk management for Reditus' Group companies is controlled centrally, through the CFO's Office and in accordance with the policies adopted by the Executive Board. The Financial Director identifies, evaluates, and reports to the Executive Board for approval, the elements for analysis of each individual operation. The Board is responsible for defining general principles of risk management, as well as exposure limits.

The Group's activities involve exposure to financial risks, in particular: (i) market risk - primarily relating to interest rates and exchange rates, which are respectively associated with the risk of changing market interest rates' impact on financial assets and liabilities and on income, and the risk of financial assets and liabilities' fair value fluctuation as a result of changes in foreign exchange rates (ii) liquidity risk - the risk of eventual problems in meeting the obligations associated with financial liabilities, and (iii) credit risk - the risk that its debtors will fail to meet their financial obligations.

INTEREST RATE RISK MANAGEMENT

Reditus Group's exposure to market risks lies essentially in its debt, which is exposed to interest rate risks.

In the context of variable rate loans, the Reditus Group follows the evolution of the markets and, whenever considered necessary, may resort to contracting interest rate derivative financial instruments to hedge cash flows associated with future payments of interest. This has the effect of converting variable interest rate loans to fixed interest rate loans, while the unpredictability of financial markets is analyzed in line with the Group's risk management policy.

Considering the interest rates applied on December 31, 2016, a variation of the reference rate of 0.5% would have the following annual impact:

	Sensitivity Analysis	Variation Charges
Increase	0,50%	286.932
Decrease	-0,50%	-286.932

EXCHANGE RATE RISK MANAGEMENT

The Reditus Group operates primarily in markets where the common functional currency is the Euro. It is nevertheless exposed to exchange rate risks in US dollars (USD) with regard to operations in Angola, even though that risk is mitigated by the fact that the major contracts have been awarded in Euros. The value of the USD balances in customer's due accounts on December 31st, 2016 is USD 464.317. The euro exchange rate on December 31st, 2016 was 0,95.

The debt contracted by the Reditus Group is entirely denominated in Euros, and the Group did not take out financial instruments to hedge against interest rate changes.

LIQUIDITY RISK MANAGEMENT

Liquidity risk management involves maintaining cash and bank deposits at a sufficient level, the feasibility of floating debt consolidation by means of an adequate level of open credit lines, and the capacity to liquidate market positions. Related to the underlying business dynamics, the Group's Treasury aims at keeping the floating debt's flexibility by maintaining the available credit lines.

The Group manages the liquidity risk by contracting and maintaining lines of credit with national financial institutions, which allows immediate access to funds.

The liquidity of the interest-bearing financial liabilities, as well as the liquidity inherent in the financial and operating lease contracts, and in interest-bearing liabilities, will result in the following cash flows:

2016	Capital in debt 31-12-2016	Loans	Leased Assets	Operating lease
Payments up to 1 year	4,278,843	3,005,126	428,382	845,336
Payments between 1 and 5 years	35,071,339	31,533,796	1,808,808	1,728,735
Payments over 5 years	25,459,606	22,847,537	2,612,069	0
	64,809,788	**57,386,459**	**4,849,259**	**2,574,071**

COUNTERPART CREDIT RISK MANAGEMENT

As regards to third parties' debts resulting from the current activity of the Reditus Group, the credit risk results primarily from the possibility of "defaults" by those third parties. This is significantly mitigated by the nature and solidity of the Clients that make up almost the entire Group's Client portfolio.

Balance	31.12.2016	Past Due	Due	
			Up to 1 Year	+ 1 Year
Clients	60,381,289	7,503,827	17,704,328	35,173,134

Amounts due concern basically those receivable from public entities based in the African continent, namely Angola, to a level of around 50,774,000 €, whereby the current market context implies difficulties in the export of capitals due to the lack of foreign currency reserves; the Board nevertheless has the expectation of receiving these amounts in total.

The Group policy in terms of counterparty risk is also governed by an analysis of the technical capacity, competitiveness, credit rating and exposure to each of the counterparties, thus avoiding significant concentrations of credit risk and not allowing for relevant risk of default from the counterparty, whereas no dedicated guarantees are common for this type of operation.

Monitoring risks, both relating to price and volume as well as to credit, requires quantification in measures associated with risk exposures that can be adjusted by means of market operations. This quantification is performed by the CFO's Office.

4. Significant Accounting Estimates and Judgments

The preparation of consolidated financial statements requires from Management a number of judgments and estimates, with an impact in what income, expenses, assets, liabilities and disclosures are concerned. The financial information hereby reported includes therefore items that are influenced by the application of those estimates and judgments, as a reflection of the Group's accounting policies.

The estimates above mentioned are determined by management judgments, which are in turn based on the best available information, on the knowledge of present events, and on the activities that the Group expects to develop in the future. Thus, the use of estimates and assumptions represents a risk that may lead to adjustments in future periods.

The Board of Directors considers that the choices made are appropriate and that the consolidated financial information adequately represents the Group's financial position and the results of its transactions, in all materially relevant aspects.

The main items influenced by estimates and judgments are the following:

(i) Tangible and intangible fixed assets (useful lives);
(ii) Goodwill impairment;
(iii) Impairment on accounts receivable;
(iv) Impairment on prototypes;
(v) Provisions;
(vi) Income tax;
(vii) Revenue recognition;
(viii) Deferred tax assets arising from tax losses carried forward.

(i) Tangible and Intangible Fixed Assets (useful lives)

Depreciation / amortization is calculated using the straight-line method on the cost of acquisition, beginning with the month in which the asset is available for utilization. The depreciation / amortization rates reflect our best knowledge of their estimated useful life. The assets' residual values and their respective useful lives are reviewed and adjusted whenever deemed necessary.

(ii) Goodwill Impairment

Goodwill impairment tests are performed annually by external experts, in accordance with IAS 36 – *Impairment of Assets*. The identified cash-flow generating units are the following business units:

- ITO
- ITC

The recoverable amounts from the cash flow generating units were calculated according to their value in use. These calculations require the use of estimates.

(iii) Impairment on Accounts Receivable

Impairment losses for doubtful debts are based on the Group's assessment of the likelihood of the accounts receivable balances' recovery. This assessment is based on the default period, the client's credit history, and the deterioration in the credit rating of the main clients. Should the clients' financial condition deteriorate, the impairment losses might be higher than expected.

(iv) Impairment on Prototypes

Prototypes represent the internal development of marketable products, in the form of re-engineered administrative processes, new administrative processes or customized computer applications, whose recognition is recorded over the estimated useful life's duration. All prototypes have documentary support and reflect an estimate about their ability to generate cash flows in future fiscal years. In addition to a systematic amortization whenever there is evidence of impairment, the prototypes are still subject to impairment tests carried out by external experts.

(v) Provisions

The Group exercises considerable judgment in the measurement and recognition of *provisions*. Judgment is necessary in order to assess the success probability in case of litigation. Provisions are made when the Group anticipates that ongoing lawsuits will result in cash outflows, loss is likely, and can be reasonably estimated. Due to the uncertainties inherent in the assessment process, actual losses may be different from those originally estimated in the provisions. These estimates are subject to adjustment as new information becomes available. Revisions to the estimates of such losses may impact future results.

(vi) Income Tax

The Group determines *income taxes* through the application of estimates arising from the current tax legislation, in particular adjustments for non tax-deductible expenditures and also adjustments required on securities and financial investments. These calculations demand the use of estimates.

(vii) Revenue Recognition

The recognition of revenue by the Group includes analysis and estimates by Management, in what concerns the completion stage of ongoing projects as on the date of the financial information, which might have a future development different from the one budgeted to date.

(viii) Deferred Tax Assets arising from Tax Losses Carried Forward

The Group accounts for deferred tax assets on the basis of the tax losses existing at the balance sheet date, and the calculation of their recovery. These calculations require the use of estimates.

5. Companies included in the Consolidation

On December 31st, 2016 the Group Companies included in the consolidation and their respective headquarters, share capital and proportion of share capital held, were the following:

Company Name	Headquarters	Consolidation Method	Actual Equity Share		Business Segment
			2016	2015	
Reditus SGPS, SA	Lisboa	Integral	Mãe	Mãe	
Reditus Gestão, SA	Lisboa	Integral	100	100	
J. M. Consultores de Informática e Artes Gráficas, SA	Lisboa	Integral	100	100	IT Outsourcing
Reditus Imobiliária, SA	Lisboa	Integral	100	100	IT Outsourcing
Reditus Business Solutions, S.A.	Lisboa	Integral	100	100	IT Outsourcing
ALL2IT Infocomunicações, S.A.	Lisboa	Integral	100	100	IT Outsourcing
Reditus Business Security, S.A.	Lisboa	Integral	100	100	IT Outsourcing
Reditus Consulting, S.A.	Lisboa	Integral	100	100	IT Consulting
Ogimatech Portugal - Consultoria Empresarial e Institucional, SA	Lisboa	Integral	100	100	IT Consulting
G.Consult Angola - Consultoria e Desenvolvimento, Lda	Angola	Integral	80	80	IT Consulting
Ogimatech - Consultoria Empresarial e Institucional, Lda	Angola	Integral	95	95	IT Consulting
Tora - Sociedade Imobiliária, S.A	Lisboa	Integral	100	100	Suporte
Reditus Business Products	Lisboa	Integral	100	100	IT Outsourcing
SolidNetworks Business Consulting	Arruda dos Vinhos	Integral	95	95	IT Consulting
Reditus Guinea Ecuatorial, S.A	Malabo	Integral	60	60	IT Consulting
Reditus Networks Innovation, Lda.	Arruda dos Vinhos	Integral	100	100	IT Outsourcing
Job Value, S.A	Arruda dos Vinhos	Integral	77.5	77.5	IT Consulting
Reditus Consulting Moçambique, Limitada.	Moçambique	Integral	100	100	IT Consulting

On November 4th, 2016, Reditus disposed of its subsidiary ROFF - Consultores Independentes, S.A. , specialized in SAP.

6. Impacts of restatements and reclassifications as of December 31st, 2015

On November 4th, Reditus SGPS, SA concluded through Reditus Gestão SA, a company with which it is in a controlling relationship, an agreement with the French corporation *GFI Informatique* and with it's affiliate *GFI Portugal Tecnologias de Informação, SA*, for the sale of its "SAP" business, under which terms it sold to the latter stock representing 100% of the share capital of *ROFF - Consultores Independentes, SA*

This divestiture is part of the strategic repositioning of the Reditus Group, allowing it to focus on the core business and accelerate the internal restructuring process (operational and financial), as well as to create the conditions for the implementation of its Business Plan based on the broadening and growth of its BPO and ITO activities, both in the domestic and in the international markets.

The agreed initial price was Euro 25.0 million, to be paid on the date of the transaction and, under the terms of the agreement, subject to eventual adjustments.

The final price is also subject to eventual changes resulting from the final, adjusted EBITDA for the FY 2016 operations.

Reditus in fact recorded, with reference to December 31st, 2016, a capital-loss generated by the sale of the SAP business to GFI, as reflected in the income statement's heading "Results of Discontinued Operations".

An escrow account was created, in order to face possible or potential liabilities.

Reditus restated and reclassified comparative amounts, and the resulting effects on the financial position and income statements are presented in the following tables:

	Restated 31-12-2015	Restated	Published 31-12-2015
NON-CURRENT ASSETS:			
Tangible Fixed Assets	9,285,583	(908,078)	10,193,661
Investment Properties	1,500,000	-	1,500,000
Goodwill	41,473,191	(14,972,216)	56,445,407
Intangible Assets	22,564,963	(465,767)	23,030,730
Advances for Financial Investments	74,707	-	74,707
Other Accounts Receivable	1,500,000	-	1,500,000
Other Financial Investments	48,852	(82,562)	131,414
Deferred Tax Assets	288,561	-	288,561
	76,735,857	(16,428,623)	93,164,480
CURRENT ASSETS:		-	-
Inventories	255,084	(60,475)	315,559
Customers	63,825,837	(19,977,078)	83,802,915
Other Accounts Receivable	4,832,525	(2,508,774)	7,341,299
Other Current Assets	11,030,264	11,030,264	-
Financial Assets at Fair Value	144,800	(13,161,834)	13,306,634
Cash and Equivalents	1,736,801	1,577,072	159,729
Assets Held for Sale	46,250,566	38,953,217	7,297,349
		-	
	128,075,877	15,852,392	112,223,485
		-	
TOTAL ASSETS	204,811,734	(576,231)	205,387,965

EQUITY AND LIABILITIES			
EQUITY:			
Share Capital	73,193,455	-	73,193,455
Treasury Shares	(1,426,438)	-	(1,426,438)
Share Premium Account	9,952,762	-	9,952,762
Reserves	3,601,755	-	3,601,755
Retained Earnings	(51,122,799)	-	(51,122,799)
Adjustments in Financial Assets	(501,763)	-	(501,763)
Surplus Valorisation of Fixed Assets	1,213,436	-	1,213,436
Consolidated Net Income for the Year	263,621	-	263,621
Equity Attributable to REDITUS Shareholders	35,174,029	-	35,174,029
Equity Attributable to Minority Holdings	671,266	-	671,266
Total Equity	35,845,295	-	35,845,295
		-	
LIABILITIES:		-	
NON-CURRENT LIABILITIES:		-	
Loans	54,412,076	(561,685)	54,973,761
Other Accounts Payable	34,576,736	-	34,576,736
Deferred Tax Liabilities	4,293,565	-	4,293,565
Financial Leasing Liabilities	5,229,687	(89,288)	5,318,975
	98,512,064	(650,973)	99,163,037
CURRENT LIABILITIES:			
Loans	6,504,688	(1,467,001)	7,971,689
Suppliers	10,910,201	(2,704,522)	13,614,723
Other Accounts Payable	21,777,208	(3,120,172)	24,897,380
Other Current Liabilities	17,712,342	(5,315,829)	23,028,171
Financial Leasing Liabilities	742,019	(125,651)	867,670
Liabilities Held for Sale	12,807,917	12,807,917	
	70,454,375	74,742	70,379,633
Total Liabilities	168,966,439	(576,231)	169,542,670
TOTAL LIABILITIES AND EQUITY	204,811,734	(576,231)	205,387,965

	Restated 31-12-2015	Restated	Published 31-12-2015
OPERATING REVENUE:			
Sales	3,635,493	(8,669,604)	12,305,097
Services Rendered	53,987,824	(50,202,476)	104,190,300
Other Operating Revenues	815,309	(1,253,994)	2,069,303
Total Operating Revenues	58,438,626	(60,126,074)	118,564,700
OPERATING COSTS			
Inventories Consumed and Sold	(2,625,185)	6,326,032	(8,951,217)
External Supplies and Services	(17,138,226)	19,036,605	(36,174,831)
Staff Costs	(30,763,723)	30,276,054	(61,039,777)
Depreciation and Amortization Costs	(2,952,211)	314,687	(3,266,898)
Provisions and Impairments	(1,231,198)	172,742	(1,403,940)
Other Operating Costs	(987,896)	441,761	(1,429,657)
Total Operating Costs	(55,698,439)	56,567,881	(112,266,320)
Net Operating Income	2,740,187	(3,558,193)	6,298,380
FINANCIAL RESULTS:			
Net Financial Costs	(3,871,955)	270,005	(4,141,960)
Net Losses in Associated Companies	-	-	-
	(3,871,955)	270,005	(4,141,960)
Income Before Taxes	(1,131,768)	(3,288,188)	2,156,420
Income Tax	(715,612)	1,179,767	(1,895,379)
		-	
Income Before Minority Interests	(1,847,380)	(2,108,421)	261,041
Minority Interests	2,580	-	2,580
		-	
Results from Ongoing Operations	(1,844,800)	(2,108,421)	263,621
		-	
Results from Discontinued Operations	2,108,421	-	-
		-	
Net Income	263,621	(2,108,421)	263,621

7. Segment Information

On December 31st, 2016 and December 31st, 2015 the results by business segment were as follows:

December 31st, 2016

	2016					
	ITO	ITC	BPO	Total	Adjustments	Consolidated
Operating revenues:						
External sales of products and	1,043,991	708,832	18,391	1,771,214	(58,021)	1,713,193
Intra-network sales of products and merchandise	107,962	3,904	-	111,866	(111,866)	-
Provision of external services	14,945,629	14,355,248	13,973,509	43,274,386	(798,216)	42,476,170
Provision of intra-network services	1,246,369	2,273,239	481,014	4,000,622	(4,000,622)	-
Other external operating revenue	254,500	230,131	572	485,203	212,875	698,078
Other intra-network operational revenue	-	621,492	-	621,492	(621,492)	-
Total operating revenues	17,598,451	18,192,846	14,473,486	50,264,783	(5,377,342)	44,887,441
Operational expenses:						
Inventories consumed and sold	(879,902)	(128,428)	(62,051)	(1,070,381)	-	(1,070,381)
Supplies and Services External	(7,237,580)	(6,782,068)	(6,264,131)	(20,283,779)	5,173,025	(15,110,754)
Staff Costs	(4,698,294)	(10,651,356)	(8,783,021)	(24,132,671)	7,807	(24,124,864)
Depreciation and amortization Costs	(1,224,870)	(794,550)	(754,551)	(2,773,971)	-	(2,773,971)
Provisions and Impairment Losses	20,161	(3,690)	(3,002)	13,469	-	13,469
Other Operating Costs and Losses	(1,047,820)	(655,658)	(323,729)	(2,027,207)	196,510	(1,830,697)
Total Operating Expenses	(15,068,305)	(19,015,750)	(16,190,485)	(50,274,540)	5,377,342	(44,897,198)
				-		
Operational profits	2,530,146	(822,904)	(1,716,999)	(9,757)	0	(9,757)
Financial results						(2,883,063)
Income before taxes						(2,892,820)
Income tax						266,577
Profit from continuing operations						(2,626,243)

December 31st, 2015

	2015					
	ITO	ITC	BPO	Total	Adjustments	Consolidated
Operating revenues:						
External sales of products and	2,644,572	926,191	124,226	3,694,989	(59,496)	3,635,493
Intra-network sales of products and merchandise	131,074	-	-	131,074	(131,074)	-
Provision of external services	14,840,530	20,391,109	18,790,186	54,021,825	(34,001)	53,987,824
Provision of intra-network services	2,296,927	2,499,940	962,003	5,758,870	(5,758,870)	0
Other external operating revenue	462,373	358,296	41,371	862,040	(46,731)	815,309
Other intra-network operational revenue	263,010	213,969	-	476,979	(476,979)	-
Total de réditos operacionais	20,638,486	24,389,505	19,917,786	64,945,777	(6,507,151)	58,438,626
Gastos operacionais:						
Inventories consumed and sold	(2,469,000)	(103,144)	(74,438)	(2,646,582)	21,397	(2,625,185)
Supplies and Services External	(5,582,061)	(9,804,898)	(8,062,096)	(23,449,055)	6,310,829	(17,138,226)
Staff Costs	(5,303,166)	(12,753,417)	(12,879,680)	(30,936,263)	172,540	(30,763,723)
Depreciation and amortization Costs	(1,176,510)	(831,902)	(943,799)	(2,952,211)	-	(2,952,211)
Provisions and Impairment Losses	(748,855)	(477,722)	(4,621)	(1,231,198)	-	(1,231,198)
Other Operating Costs and Losses	(265,187)	(325,756)	(399,338)	(990,281)	2,385	(987,896)
Total Operating Expenses	(15,544,779)	(24,296,839)	(22,363,972)	(62,205,589)	6,507,151	(55,698,439)
Operational profits	5,093,707	92,666	(2,446,186)	2,740,188	-	2,740,187
Financial results						(3,871,955)
Income before taxes						(1,131,768)
Income tax						(715,612)
Profit from continuing operations						(1,847,380)

On December 31st, 2016 and December 31st, 2015, Assets and Liabilities by business segments were as follows:

December 31st, 2016

	2016			
	ITO	ITC	BPO	Total
Net asset	126,461,853	40,394,556	5,846,328	172,702,738
Liability	51,950,435	51,936,745	36,435,591	140,322,771
Other information:				
Year investment on tangible assets (Note 7)	9,855	93,020	2,691	105,566
Year investment on intangible assets (Note 10)	82,786	76,994	62,084	221,864

December 31st, 2015

	2015			
	ITO	ITC	BPO	Total
Net asset	132,280,856	67,370,463	5,160,415	204,811,734
Liability	83,710,544	63,174,519	22,081,376	168,966,439
Other information:				
Year investment on tangible assets (Note 7)	133,202	263,734	148,658	545,594
Year investment on intangible assets (Note 10)	45,304	1,005,574	21,182	1,072,060

8. Tangible Fixed Assets

8.1 Movements under the items Tangible Fixed Assets and the respective Amortizations:

Gross Assets:

	Gross Assets				
	Balance 31-12-2015	Increases and Revalutations	Scraps and Disposals	Corrections and Transf.	Balance 31-12-2016
Real Estate and Natural Resources	3,045,465	-	(360,215)	-	2,685,250
Buildings and other Cosntructions	7,542,109	0	(1,635,193)	-	5,906,916
Basic Equipment	4,118,399	15,884	(23,439)	-	4,110,843
Transportations Equipment	1,112,201	39,765	(45,890)	-	1,106,075
Administrative Equipment	3,848,337	49,918	-	(9,051)	3,889,204
OtherTangible Fixed Assets	2,915,865	-	-	-	2,915,865
Tangible Fixed Assets Underway	-	-	-	-	-
	22,582,376	105,566	(2,064,738)	(9,051)	20,614,153

Accumulated Depreciation:

	Cummulated Depreciations				
	Balance 31-12-2015	Increases	Disposals	Corrections and Transf.	Balance 31-12-2016
Buildings and other Constructions	2,051,571	137,447	(518,543)	3,494	1,673,968
Basic Equipment	3,819,040	117,054	(17,398)	-	3,918,696
Transportation Equipment	1,019,772	25,322	(44,773)	-	1,000,322
Administrative Equipment	3,580,762	119,945	-	(1,812)	3,698,895
Other Tangible Fixed Assets	2,825,648	39,738	-	-	2,865,386
	13,296,793	439,505	(580,714)	1,682	13,157,267

8.2 Leased Assets

The Group holds leased assets that are used in its operational activities. At the end of the contract, the Group may exercise the option to purchase these assets at less than their fair market value. Lease payments do not include any amount relating to contingent rents.

Follows a description of the assets acquired under leasing and their respective net values:

	Gross Value	Cummulated Depreciation	Net Value
Buildings	6,041,515	1,236,874	4,804,641
IT Equipment	216,148	170,179	45,969
Vehicles	310,555	268,667	41,888
	6,568,218	**1,675,720**	**4,892,498**

8.3 Revaluations

The Group registers real estate allocated to operational activities in accordance with the revaluation model, whereby the assessments are conducted by independent specialist entities; the last valuation, conducted by Aguirre Newman Portugal, is dated December 31st, 2016.

On December 31st, 2016, Reditus owned property in Alfragide (land and building).

The value of the Group's real estate on December 31st, 2016 is as follows:

	Acquisition value	Revaluation Value	Cummulated Depreciation	Fair Value
Building in Alfragide (land included)	6,017,250	2,435,582	1,627,370	6,825,461
Others	139,334		46,598	92,736
	6,156,584	**2,435,582**	**1,673,968**	**6,918,198**

The property located in Rua Pedro Nunes (Lisbon) was disposed of in the course of FY2016, resulting in a capital-loss of Euro 661.000.

9. Investment Properties

The independent fractions 'Q', 'R' and 'S' of the Ogimatech Building located at Rua do Pólo Norte and Alameda dos Oceanos (Lisbon) is Reditus' only real estate classified as investment property. This investment was internally valuated in 2016, following the *discounted cash flow* method.

Its value was determined on the basis of the present 5-year term lease agreement's rents, with perpetuity on expiration. A financing rate of 6% was used to calculate the present value, along with a 2.00% average annual increase, which corresponds to the average rental increase rate for the past 5 years.

10. Goodwill

During the periods ending on December 31st, 2016 and on December 31st, 2015 the movements in goodwill were as follows:

	31-Dec-2016	31-Dec-2015
Balance at the beginning of the Period	41,473,191	56,445,407
Reclassified as non-current assets held for sale (note 6)		(14,972,216)
Balance at the end of the Period	41,473,191	41,473,191
Net accounting value:		
Balance at the beginning of the Period	41,473,191	56,445,407
Balance at the end of the Period	41,473,191	41,473,191

The detail of Goodwill by segment on December 31st, 2016 and on December 31st, 2015 was as follows:

	31-12-2016	31-12-2015
ITC	6,417,901	6,417,901
ITO	32,293,998	32,293,998
Tora	2,761,292	2,761,292
	41,473,191	**41,473,191**

10.1 Goodwill – Impairment Test

Goodwill was subject to impairment evaluation by the *discounted cash flow method* conducted by an independent, external expert. In this context, a value analysis of the following business areas was carried out:

- ITO
- ITC

The forthcoming 5 years, i.e. until 2021, were projected for each business area and taking into consideration the Business Plan established by the management of the Group / Company(ies), the prospects of the concerned sector and macroeconomic considerations. A discount rate of 8,12% was used (for ITO and ITC), constructed using the market Beta, a market risk premium, the average cost of debt and the current *gearing* of the Group. The nominal perpetual growth rate used was 2.0%.

The financial projections are based on the best knowledge at the time and the estimates of the activities that will be implemented, necessarily based on the budgets and business plans approved by the Group's Board of Directors. The quantification of these projections' assumptions was based on market data, historical data and the Group's past experience, supplemented by estimating the impact which specific actions would have in the strategies adopted by each cash-generating unit. However, such assumptions may be affected by changes in facts and circumstances unforeseen at the time of quantification of assumptions.

The value of Tora's goodwill was allocated to both segments and divided according to their individual goodwills, the same criteria having been used for its assessed value and for its operational assets and liabilities. Tora's allocation percentages were 62% for ITO and 38% for ITC.

Line of Business	Evaluation Amount	Goodwill	Total Assets Current Liabilities from Func.	Valuation of areas on accounts	Difference
	(1)	(2)	(3)	(4)= (2) + (3)	(5)= (1) - (4)
ITO	86,105,997	34,009,588	43,101,473	77,111,061	8,994,936
ITC	93,004,699	22,435,818	20,883,589	43,319,408	49,685,292

The following assumptions were used for the Operating Revenue growth:

ITO

The ITO sector should register a CAGR (Compound Annual Growth Rate) between 2014 and 2020 of 2.0%, based on the following assumptions:

- The development of a project in the African market that involves the construction of two data centres and the installation of SAP software. The version chosen will feature several modules, including human resources and logistics management, inventory management and management and maintenance of clients' technical infrastructures;
- Development of an international project involving the deployment of a data center, the development of facilities and equipment register, the implementation of a disaster recovery and redundancy system, four communications control centers and a workflow and document management platform;
- Focus on developing structures to deliver managed service to organizations in Portugal and abroad;
- Focus on platforms for cloud models infrastructures and migration services, high criticality projects with significant impact on the organizations' policies and processes;
- Development of products related to Enterprise Content Management (ECM) Software
- Strengthen the presence in the Security Services area;
- Development of more sophisticated offerings in security products, disaster recovery, cloud / virtualization.

ITC

Operating income is expected to have a CAGR between 2015 and 2020 of 5.1% reflecting primarily:

- Consolidation of leadership in the implementation of SAP solutions in the Portuguese market reinforcing the status of a reference company in this segment in the domestic market;
- Expansion to new rapidly developing markets in (with opening of new branches);
- Innovation on products and services, especially those based on the Cloud;
- Continuous development of knowledge academies and protocols with customers and universities to accelerate the training of consultants in technologies where there is greater lack of resources;
- Offer services with higher added value.

It is the belief of the Board of Directors that the effect of any deviations that may occur in the major assumptions on which the amounts that can be recovered from the cash-generating units are based will not imply, in any material respects, any impairment to the respective goodwill.

With regard to the discount rate and the perpetual growth rate, sensitivity tests were performed because these assumptions are key elements in the determination of future cash flows and consequently the assessment of possible impairment of goodwill. It was found that the updating of future cash flows of each business unit would still prove to be higher than the carrying amount in the balance on December 31 if discount rates are used with a range of 1%, or perpetual growth rates with a range of 0.25%.

11. Intangible Assets

11.1 Movements under item Other Intangible Assets and respective Amortizations.

During the 2016 and 2015 fiscal years, the movement in the intangible assets' value and the respective accumulated amortization and impairment losses were as follows:

Gross Assets

	Gross Assets					
	Balance on 31-12-2015	Perimeter Changes	Accruals	Scraps and Disposals	Corrections and Transfers	Balance on 31-12-2016
Development Projetcs	13,038,017		-	-	-	13,038,017
Industrial Property	13,711,571		-	-	-	13,711,571
Computer Software	1,428,669		221,864	-	-	1,650,533
Other intangible assets	23,155,896			-	(178,942)	22,976,955
Intangible assets underway	219,538		-	-	-	219,539
	51,553,692	**-**	**221,864**	**-**	**(178,942)**	**51,596,614**

Cumulated Amortizations

	Cummulated Amortizations					
	Balance on 31-12-2015	Perimeter Changes	Accruals	Scraps and Disposals	Corrections and Transfers	Balance on 31-12-2016
Development Projects	11,199,061		419,073	-	-	11,618,134
Industrial Property	11,273,959		609,403	-	-	11,883,361
Computer Software	1,288,588		106,152	-	-	1,394,741
Other intangible assets	5,227,121		1,199,838	-	44,491	6,471,449
	28,988,729	**-**	**2,334,466**	**-**	**44,491**	**31,367,686**

11.2 Prototypes

The net amount under item "Development Projects" totaled, as of December 31st, 2016, 1,838,956 euros. These mainly concerned expenses incurred with prototypes, which consist of internal development of products that will allow the Group to obtain future economic benefits.

In the 2014 fiscal year, the company ALL2IT developed three prototypes regarding document management, scanning, and called "RedDoc", "Reditus Scan", and the "CRM", whose purpose is the use of client-relationship software with users, Customer Relationship Management, in order to strengthen the company's relationship with its clients / suppliers and, at the same time, using an advanced reporting tool, the value of capitalized expenses amounted to 1,233,846 euros. The expenditure incurred with the development projects was prior to the start of several service contracts awarded to Reditus in the domestic and international markets. These prototypes have a useful life of 5 years, taking into account the average duration of contracts concluded with clients.

The value of the prototypes per business segment is as follows:

	Capitalized Expenditure	Cummulated Amortization	Net Value
BPO	1,116,557	781,590	334,967
ITO	2,095,366	1,010,451	1,084,916
	3,211,923	**1,792,040**	**1,419,883**

The table below details the prototypes:

Designation	Capitalized Expenditure	Cummulated Amortization	Net Value
Archives	1,116,557	781,590	334,967
REDDOC – Mail management and Document management	224,409	134,645	89,763
REDDOC II– Mail management and Document management	363,558	145,423	218,135
REDMED – Hospital management	260,799	156,480	104,320
REDSCAN - Digitalization	376,313	225,788	150,525
REDSCAN II- Digitalization	619,031	247,612	371,418
CRM	251,257	100,503	150,754
Total	3,211,923	1,792,040	1,419,883

11.3 Industrial Property

The details as on December 31st, 2016 are:

	Net Value on 31-12-2016	Net Value on 31-12-2015
Tora a)	1,828,209	2,437,613
	1,828,209	**2,437,613**

a) This value results from the contract signed in 2004 between Tora, Millennium BCP and Reditus. Resulting from the valuation of the contract, in 2005 an intangible asset amounting to 13,711,571 euros was registered in Tora, to be amortized over 10 years. When Reditus SGPS purchased Tora on December 2010 this asset was also acquired, which was assessed on the basis of future cash flows; such assessment was the basis for establishing the useful life of this intangible, or nine years from that date.

11.4 Other Intangible Assets

The details as on December 31st, 2016 are:

	Net Value on 31-12-2016	Net Value on 31-12-2015
Partblack Customer Database a)	692,556	692 556
Partblack Synergies/cross-selling b)	5,559,319	5 559 319
Tora Acquisition c)	10,863,548	11 105 773
Other	(609,917)	571 128
	16,505,505	**17,928,775**

a) The intangible asset in question stems from the access provided to the Panda products' client database. Reditus absorbed the value of this client database upon the acquisition of Partblack at the end of the FY 2009. The development of the 'Security Services' business was transferred to subsidiaries of Reditus Gestão promoting a particularly diversified range of products in this area, notably *'Safend', 'Symantec', 'Checkpoint', 'M86 Security' and 'McAfee'*. The area of 'Security Services' was significantly enhanced on January 2014, through a partnership agreement with BSPI, distributor of the 'SOPHOS' brand of products (globally recognised as a software leader in this area) in the European Union and Africa. The useful lifetime estimate at the time of acquisition (9 years) was kept and in 2016 the corresponding amortisation was recorded.

b) Upon acquisition of Partblack at the end of the FY 2009, focus was placed on the synergies and potential for 'cross selling'. This term means the sale of new products to the same clients and selling the same products to new clients. A useful lifetime of 15 years was determined, which was maintained as of 31 of December 2016, while the corresponding amortization was registered for the current fiscal year. Considering both intangible assets, the estimated revenue growth will have a 15% CAGR from 2016 to 2024 and a 2% increase thereafter. This growth is based on the development of a national and international strategy in the area of *'Security Services'* with a wide range of products, as mentioned in the previous paragraph. Since Reditus is in 2016 already present in several target geographies and has a substantial number of proposals delivered in 2016 and 2017 which comprise products in this sector, such growth expectations, in terms of the range and interconnection of the products offered as well as the geographical scope, lend increased credibility to the growth forecasts for the area of *'Security Services'.*

c) Based on the margin generated by contracts with Millennium BCP, with a 12% yearly revenue growth until 2020, and 2% thereafter. Such growth is based on the perspectives opened according to the Group's updated Business Plan. This amount has been deducted from Tora's present industrial property assets (note 11.3).

12. Financial Investments

11.1. Advances for Financial Investments

On December 31st, 2016 this item, whose balance amounted to 74,707 Euros, refers to a down payment for investment in the company *Liscongro*.

13. Other Financial Investments

On December 31st, 2016 this item, whose balance amounted to 1,339,140 Euros, included mainly:

- 5,000 Euros related to shares in the company LISGRAN
- 1.290.000 Euros related to the Escrow Agreement between Reditus Gestão and GFI Portugal, resulting from the disposal of ROFF – Consultores Independentes, S.A.
- Work Compensation Fund;

Financial Investments are valued at their cost price.

14. Deferred Tax Assets and Liabilities

The details of the deferred tax assets and liabilities on December 31st, 2016 and on December 31st, 2015, in accordance with the temporary differences that generated them, are as follows:

	ASSETS		LIABILITIES		NET VALUE	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Adjustments **a)**	283,423	288,561	-	-	283,423	288,561
Deferrable Tax Losses **b)**	322,732	-	-	-	322,732	-
Revaluation reserves **c)**	-	-	348,053	348,053	(348,053)	(348,053)
Other **d)**	-	-	3,653,682	3,945,512	(3,653,682)	(3,945,512)
Net Deferred Tax Asset / (Liability)	**606,155**	**288,561**	**4,001,735**	**4,293,565**	**(3,395,580)**	**(4,005,004)**

a) These adjustments relate primarily to losses in fair value of securities and financial investments;

b) The tax losses carried forward are as follows:

FY of Tax Loss	Last Year for Deduction	Remaining Tax Loss	Deduction Value
2016	2028	1 542 787	322 732
		1,542,787	**322,732**

c) The value relative to the revaluation reserves relates to the revaluation of the Reditus building in Alfragide, to the extent that a part of the amortizations will not be tax deductible;

d) Corresponds to the intangible assets generated after the acquisitions of Partblack and Tora, the amortizations of which will not be tax deductible.

15. Inventories

On December 31st, 2016 and December 31st, 2015, the *inventories* were composed as follows:

	31-12-2016	31-12-2015
Product in progress	128 476	
Goods	673,069	523,742
Inventory impairment	(268,658)	(268,658)
	532,887	**255,084**

16. Clients

On December 31st, 2016 and December 31st, 2015, the *"Client accounts"* were composed as follows:

	31-12-2016	31-12-2015
Current Customers:		
National customers	6,425,874	10,848,470
Intra-Community customers	133,430	501,638
Extra-Community customers	56,008,944	54,673,018
Clients impairment	(2,186,960)	(2,197,289)
	60,381,289	**63,825,837**

The item "Clients" includes 952.314 Euros of invoices transferred to factoring (see note 23).

Extra-community client balances refer mostly to clients in the African market, namely in Angola.

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

The Reditus Group has been classifying its clients in 3 categories:

Class A - Ministries, with the exception of Health and Education, and Government agencies.

Class B - Local authorities, the Ministry of Health and its associated government agencies and the Ministry of Education and its associated government agencies.

Class C - Remaining entities.

In general terms, the following rates are being applied for the recognition of impairment losses related to client's receivables:

Category	Debt due between 180 and 270 days	Debt due between 271 and 365 days	Debt due between 366 and 540 days	Debt due between 541 and 720 days	Debt due more 721 days
A	0%	0%	50%	75%	100%
B	0%	50%	75%	100%	100%
C	50%	75%	100%	100%	100%

17. Other Accounts Receivable

On December 31st, 2016 and December 31st, 2015, the item "other accounts receivable" was composed as follows:

	31-12-2016	31-12-2015
Non-Current		
Parroute a)	0	1,500,000
	0	**1,500,000**
Current		
State and other Public Entities	1,509,202	928,425
Other shareholders	122,848	250,780
Advances to suppliers b)	167,492	1,183,678
	1,799,542	2,362,883
Other Debtors		
Personal debts	350,770	373,490
Dinovang	125,840	125,840
Deposits	33,453	32,855
Parroute a)	1,502,574	2,574
GFI c)	6,020,000	0
Roff d)	2,815,280	0
P2020 e)	408,250	0
Amounts related to Phase III	209,433	237,844
Internationalization	812,491	812,491
Other debtors Diverse	2,891,555	884,548
	15,169,647	2,469,642
	16,969,189	**4,832,525**

a) Within the scope of the ongoing negotiations with Parroute and in relation to a Strong Approach's stock option agreement that did not materialize, the recovery or compensation of this amount is now expected;

b) Advances to suppliers were made in the context of national and international activities of the Group, which will be settled during the implementation of the respective projects.

c) Balance to be received in relation to the sale of ROFF Consultores Independentes, S.A;

d) Value to be received in relation to *current account* balances, included in the *net debt* of the sold subsidiary.

e) Eligible incentive amount for our accepted application to the *Portugal 2020* program.

The Reditus Group's debit balances are shown in the following maturity chart:

Balance	31-12-2016	Past Due	Due	
			Up to 1 year	+ 1 Year
Other debtors	15,169,647	350,770	4,321,730	10,497,147

18. Other Current Assets

On December 31st, 2016 and December 31st, 2015, the item "other current assets" was composed as follows:

	31-12-2016	31-12-2015
Debtors by increase of income		
Other increase of income a)	17,107,385	7,258,781
	17,107,385	7,258,781
Expenses to be acknowledged		
Rents	56,131	40,994
Other expenses to acknowledge b)	1,881,384	3,730,487
	1,937,515	3,771,481
	19,044,900	**11,030,262**

a) The item "other accrued income" in 2016 includes the amount of 15.763.405, related to the completion percentage of the project developed in Angola, according to IAS11 - Construction Contracts. The revenue recognition for this project is based on the estimated incurred costs, compared with the estimated total project expenditure;

b) Other expenses mainly include deferrals on fees charged in advance, which will be regularized as services are performed for the clients.

19. Financial Assets Fair Value

On December 31st, 2016 and December 31st, 2015, this item was composed as follows:

	31-12-2016	31-12-2015
Millenniumbcp Shares	1,607,627	1,607,628
Investment Funds	9,741	15,173
Impairment	(1,569,769)	(1,478,001)
	47,599	**144,800**

The Millennium BCP share price on December 31st, 2016 was 1.0710 euros (0.0489 euros on December 31st, 2015).

20. Cash and Cash Equivalents

On December 31st, 2016 and December 31st, 2015, this item was composed as follows:

	31-12-2016	31-12-2015
Bank Deposits	2,934,831	1,631,048
Cash	113,036	105,753
	3,047,867	**1,736,801**

21. Equity

On December 31st, 2016 and December 31st, 2015, this item was (before minority interests) composed as follows:

	Saldo em 31-12-2015	Aplicação Result 2015	Result Liq do Exercicio	Outros	Saldo em 31-12-2016
Capital	73,193,455				73,193,455
Own Shares	(1,426,438)				(1,426,438)
Issue premiums	9,952,762				9,952,762
Legal Reserve	2,034,086	6,675			2,040,761
Other Reserves	1,567,669				1,567,669
Income carried forward	(51,122,799)	256,946			(50,865,855)
Financial Assets adjustments	(501,763)			0	(501,763)
Fixed Assets evaluation surplus	1,213,436			(83,966)	1,129,470
Consolidated net income in fiscal year	263,621	(263,621)	(2,900,747)		(2,900,747)
	35,174,029		**(2,900,747)**	**(83,966)**	**32,189,314**

The share capital of Reditus is 73,193,455 euros, fully subscribed and paid in cash, represented by 14,638,691 shares each with a nominal value of 5 euros.

On December 31st, 2012, Reditus SGPS owned 255,184 of its own shares (*treasury shares*), representing 1.743% of the share capital. This remained unchanged in the 2016 fiscal year.

22. Minority Interests

On December 31st, 2016 and December 31st, 2015, minority interests were represented as follows:

	% Minority Interests		Balance Valuation		Resultados Atribuídos	
	31-12-2016	31-12-2015	31-12-2016	31-12-2015	31-12-2016	31-12-2015
Roff Angola	20%	20%	0	(36,873)	0	(147,098)
Roff França	0%	0%	0	0	0	1
Roff SDF	20%	20%	0	158,061	0	981
Ogimatech - Consult Empresarial e Institucional	5%	5%	54,687	31,837	22,850	68
Solidnetworks	5%	5%	36,228	11,209	1,945	760
RNIC	20%	20%	0	193,448	0	31,548
Roff Marrocos	0%	0%	0	0	0	0
Roff Brasil	0%	0%	0	0	0	0
Roff Suiça	30%	30%	0	41,596	0	20,925
Roff Macau	30%	30%	0	227,500	0	74,421
Reditus Guinea Ecuatorial, S.A	40%	40%	91,956	34,935	57,020	17,512
Job Value	23%	23%	7,782	9,553	(1,771)	(1,697)
			190,653	**671,266**	**80,044**	**(2,580)**

23. Loans

On December 31st, 2016 and December 31st, 2015, the loans obtained were as follows:

	31-12-2016	31-12-2015
Non-Current		
Bank Loans	54,360,001	54,412,076
Commercial paper	21,333	0
	54,381,333	54,412,076
Current Assets		
Bank Loans	1,730,665	2,901,129
Bank Overdrafts	51,250	2,144,631
Commercial paper	73,962	60,000
Secured current accounts	196,934	0
Express bill	0	82,946
Factoring	952,314	1,315,981
	3,005,126	6,504,688
	57,386,459	**60,916,764**

On December 31st, 2016, the deadlines for loan repayment were as follows:

	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Bank Loans	56,111,998	1,730,665	31,533,796	22,847,537
Bank Overdrafts	51,250	51,250		
Commercial paper	73,962	73,962		
Secured current accounts	196,934	196,934		
Factoring	952,315	952,315		
	57,386,459	**3,005,126**	**31,533,796**	**22,847,537**

The average yield on loans, including other financing expenses, is as follows:

	31-12-2016	31-12-2015
Bank Loans	4.22%	4.66%
Bank Overdrafts	6.60%	6.60%
Secured current accounts	7.00%	8.46%
Fatoring	6.25%	6.71%

Existing guarantees in the various loans are:

- Loans from Novo Banco with outstanding amounts of 2,140,125 Euros, 5,650,000 Euros, 1,000,000 Euros and 1,115,000 Euros are guaranteed by 4th degree pledge of 104,428 Reditus SGPS shares and 100,000 Reditus Gestão shares. They have an interest rate of 4.50%, and a clause that allows the bank to request an early reimbursement, total or partial, in case any one of the reference shareholders Miguel Maria de Sá Pais do Amaral, António Maria de Mello Silva César Menezes, Fernando Manuel Cardoso Malheiro Fonseca Santos and José António da Costa Limão Gatta should transfer a number of shares in the groups' capital greater than 5% of their respective present holdings;

- Loan from Banco Efisa, with an outstanding amount of 7,367,256 Euros, with an interest rate of 3.50%, is guaranteed by the assignment of a client contract invoices and has a clause that allows the bank to request an early reimbursement, total or partial, if the shares of shareholders in case any one of the reference shareholders Miguel Maria de Sá Pais do Amaral, the Estate of the late Frederico José Appleton Moreira Rato, António Maria de Mello Silva César Menezes, Fernando Manuel Cardoso Malheiro Fonseca Santos, José António da Costa Limão Gatta and Rui Miguel de Freitas e Lamego Ferreira should not maintain 80% of their individually held investment at the date of the contract's signature;

- Loans from Caixa Económica Montepio Geral, with an outstanding amount of 4,515,762 Euros and 10,000,000 Euros, an interest rate of 2.80% guaranteed by the assignment of a client contract invoices;

- Loans from Deutsche Bank, with an outstanding amount of 277,178 Euros, 98,766 Euros and 89.918 Euros, all with an interest rate of 4.50 %, are guaranteed through the assignment of a client contract invoices;

- Loan from Millennium BCP, with an outstanding amount of 20,180,000 Euros, guaranteed by a pledge of 502,747 shares in Millennium BCP and 10,900,000 shares of Reditus Gestão.

24. Other Accounts Payable

On December 31st, 2016 and December 31st, 2015, the item "other accounts payable" was composed as follows:

	31-12-2016	31-12-2015
Non-Current		
State and Other Public Entities	32,540,810	31,576,736
FACCE a)	0	3,000,000
	32,540,810	34,576,736
Current		
Other shareholders	714,155	59,064
State and Other Public Entities	12,329,575	20,008,683
Other Creditors	4,199,595	1,709,462
FACCE a)	3,000,000	0
Solidnetworks	50,000	50,000
Other	1,149,595	1,659,463
	17,243,325	21,777,209
	49,784,135	**56,353,945**

a) On September 2011, a shareholders' agreement was concluded between Reditus SGPS, SA and *PME Investimentos – Sociedade de Investimento, SA*, acting as management company for the *Fundo Autónomo de Apoio à Concentração e Consolidação de Empresas* (Autonomous Fund for the Support of Merger and Consolidation of Cooporations) which has pledged to invest 3 million euros in the capital of Reditus, SA. The agreement grants Reditus a purchase option for the shares held by FACCE, which can be exercised at any time from October 1st, 2011 thru December 31st, 2016, and a put option to FACCE, which can be exercised at any time from September 30th, 2016 through December 31st, 2018, reason for which Reditus has reclassified the liability. The amount of 3 million Euros has therefore been classified as a *current liability* in FY 2016.

24.1 The State and other Public Entities

On December 31st, 2016 and December 31st, 2015, debit and credit balances with the State and other Public Entities were as follows:

	31-12-2016	31-12-2015
Balance Debtors		
IRC - Receivable	607,007	1,755
IRC - Payment on Account	82,424	83,632
Withholding tax without income	783,111	770,921
VAT - Receivable	36,660	71,786
Other taxes	0	331
	1,509,202	**928,425**
Creditors Balances		
Non-Current		
Social Security - installment plan	17,243,519	17,282,892
VAT - installment plan	3,240,398	1,058,986
Joint - installment plan	12,056,893	13,234,858
	32,540,811	31,576,736
Current		
IRC - Payable	44,102	3,845,091
IRS	646,763	775,240
VAT - Payable	3,697,625	7,406,250
VAT - Payable - installment plan	854,658	558,938
Other taxes	40,792	24,300
Contribution for Social Sec	4,237,942	3,699,701
Contribution for Social Sec - installment pla	1,836,232	2,422,203
Joint Taxes - installment plan	971,462	1,276,961
	12,329,575	20,008,683
	44,870,386	**51,585,418**

Liabilities to the State and other public entities are divided into the current debt relative to the current months and paid in subsequent months, the outstanding debts, and the responsibilities that are being settled in installments. The latter are as follows:

	31-12-2016	31-12-2015
Finance - installment plan	17,140,410	16,025,969
Social Security - installment plan	19,079,752	19,705,095
	36,220,162	35,731,064

- The interest rate on the installment payment plans is 4,0%.
- On December 31, 2016 the tax arrears amounted to 20.696.388 Euros and the Social Security arrears to 22.919.925 Euros. Proposals for payment in installments for the majority of the entire debt were submitted and approval has already been granted to almost all of these, with the agreed payments being met.
- At the same time, a proposal for payment in installments called 'SIREVE' was proposed for subsidiary companies, which were approved by *IAPMEI* on July 2013 and on January 2015. The subsidiary companies have been complying with the payment plans, as well as paying current tax obligations. The guarantees provided as collateral for these agreements include the *business establishment* and *shares* of the subsidiary companies, according to valuations conducted by the Tax Authority.
- On December 31st, 2016, installment payment terms were as follows:

	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Contribution for Social Sec - installment pl…	19,079,752	1,836,232	9,502,517	7,741,002
VAT - installment plan	4,095,056	854,658	2,412,105	828,294
IRS/IRC/Joint - installment plan	13,045,355	988,462	8,048,067	4,008,826
	36,220,162	**3,679,352**	**19,962,690**	**12,578,122**

- Guarantees provided by Reditus Group for other payment agreements are as follows:
  - Reditus Business Solutions – Loans agreements on client receivables, shares and business establishment of the company, as valued by the Tax Authority
  - Reditus Business Solutions - Guarantee originally issued to suspend the litigation, in the meantime won by the company, but not yet returned by the IGFSS (litigation is closed);
  - Reditus Consulting - Loans agreements on client receivables;
  - Ogimatech - Company shares, as valued by the Tax Authority;
  - Reditus SGPS - Company shares, as valued by the Tax Authority;
  - Tora - Company shares, as valued by the Tax Authority.

25. Leasing Liabilities

On December 31st, 2016 and December 31st, 2015, the breakdown of assets financed by liabilities was as follows:

	31-12-2016	31-12-2015
Non-Current Assets		
Buildings	4,352,897	5,131,864
Administrative Equipment	27,301	0
Vehicles	26,610	44,949
IT Equipment	14,069	52,875
	4,420,877	5,229,688
Current Assets		
Buildings	333,299	630,732
Administrative Equipment	12,034	0
Vehicles	44,267	47,766
IT Equipment	38,781	63,520
	428,382	742,019
	4,849,259	**5,971,707**

The average interest rate in leasing contracts was 4.15%.

The maturities of for leasing contract liabilities are as follows:

	Capital in debt 31/12/2016	Capital in debt 31/12/2015
Payments up to 1 year	428,382	742,019
Payments between 1 and 5 years	1,808,808	2,621,447
Payments over 5 year	2,612,069	2,608,241
	4,849,259	**5,971,706**

26. Suppliers

On December 31st, 2016 and December 31st, 2015 the item “Suppliers” was composed as follows:

	31-12-2016	31-12-2015
Suppliers, Current Account	9,061,620	10,408,158
Suppliers, titles to pay	219,106	360,161
Supplier, invoices in rec. and conf.	283,477	141,882
	9,564,203	**10,910,201**

27. Other Current Liabilities

On December 31st, 2016 and December 31st, 2015, the item "Other Current Liabilities" was composed as follows:

	31-12-2016	31-12-2015
Creditors by additions		
Compensations to be paid to personnel a)	1,750,718	2,665,790
External supplies and services	2,873,195	1,338,748
	4,623,913	4,004,538
Compensations to be acknowledged		
Early invoicing b)	2,851,926	5,797,521
Ongoing projects c)	7,261,141	7,910,283
	10,113,067	13,707,804
	14,736,980	**17,712,342**

a) The balance of the remuneration payable to staff refers to the estimate of paid vacation and vacation subsidies, to be paid in 2017;

b) The balance of this item refers essentially to invoices issued in advance, for down payments relating to long-term contracts with different clients, which are amortized in twelfths.

c) The value refers essentially to the *Data Centre* and *SAP-ERP solution* implementation project in Angola. The project is recognized according to the completion percentage method, and the amount refers to invoices not yet recognized as revenue.

28. Revenues from Sales and Services Rendered

On December 31st, 2016 and December 31st, 2015, this item was composed as follows:

Sales	31-12-2016	31-12-2015
BPO	18 391	124,226
IT Outsourcing	1,151,953	2,775,646
IT Consulting	712,736	926,191
Disposals	(169,887)	(190,570)
	1,713,193	**3,635,493**

Services rendering	31-12-2016	31-12-2015
BPO	14,454,523	19,752,189
IT Outsourcing	16,191,998	17,137,457
IT Consulting	16,628,487	22,891,049
Disposals	(4,798,838)	(5,792,871)
	42,476,170	**53,987,824**

29. Other Operating Revenue and Income

On December 31st, 2016 and December 31st, 2015 this item was composed as follows:

Other Operating Income	31-12-2016	31-12-2015
Extra income	421,125	175 808
Operating subsidies	10,836	41 714
Other Operating Income and Earnings	266,116	597 787
	698,077	**815,309**

30. Inventories Consumed and Sold

On December 31st, 2016 and December 31st, 2015 this item was composed as follows:

	31-12-2016	31-12-2015
Initial balance inventories	255,084	355,285
Purchase	1,348,184	2,524,984
Final balance inventories	532,887	255,084
Consumptions	**1,070,381**	**2,625,185**

31. External Supplies and Services

On December 31st, 2016 and December 31st, 2015 this item was composed as follows:

	31-12-2016	31-12-2015
Subcontracts	2,118,496	577,991
Fees	4,220,238	5,623,245
Transports, travel and stays and representation expenses	670,299	1,277,635
Leases and rentals	1,514,866	695,181
Specialized jobs	3,181,837	4,045,087
Communication	408,671	1,549,452
Water, electricity and fuels	351,447	475,328
Other supplies and services	2,644,900	2,894,307
	15,110,754	**17,138,226**

32. Staff Costs

On December 31st, 2016 and December 31st, 2015 this item was as follows:

	31-12-2016	31-12-2015
Staff compensation	20,008,348	24,671,114
Expenses on compensation	3,341,133	4,786,117
Compensation of Social Bodies	275,906	912,828
Insurence, Work Accidents and Professional Diseases	55,580	87,178
Other Staff Costs	443,897	306,486
	24,124,864	**30,763,723**

On December 31st, 2016 and December 31st, 2015 the average number employees by business segment was as follows:

	31-12-2016	31-12-2015
BPO	417	1,146
IT Outsourcing	223	264
IT Consulting	202	224
Support Areas	55	46
	897	**1,680**

33. Amortisation and Depreciation

The item "Depreciation and Amortisation costs" for the fiscal years ending on December 31st, 2016 and December 31st, 2015 was as follows:

	31-12-2016	31-12-2015
Tangible Fixed Assets		
Buildings and Other Constructions	137,447	146,207
Basic Equipment	117,054	120,474
Transport equipment	25,322	100,578
Administrative equipment	119,943	98,982
Other tangible fixed assets	39,739	79,371
	439,505	545,612
Other Intangible Assets		
Development projects	419,073	532,941
Industrial Property	609,403	609,403
Computer programs	106,152	64,138
Other intangible assets	1,199,838	1,200,117
	2,334,466	2,406,599
	2,773,971	**2,952,211**

34. Provisions and Impairment Losses

The item "Provisions and Impairment Losses" for the fiscal years ending on December 31st, 2016 and December 31st, 2015, was as follows:

	31-12-2016	31-12-2015
Clients	(13,469)	671,146
Other debtors	0	552,104
Tangible assets	0	7,948
	(13,469)	**1,231,198**

35. Other Operating Costs and Losses

On December 31st, 2016 and December 31st, 2015, this item was composed as follows:

	31-12-2016	31-12-2015
Taxes and fees	221,430	227,217
Corrections previous fiscal years	736,910	625,351
Other	872,357	135,328
	1,830,697	**987,896**

36. Financial Results

The financial results for the fiscal years ending on December 31st, 2016 and December 31st, 2015 were as follows:

	31-12-2016	31-12-2015
Financial Expenses and Loses		
Supported interests		
Loans	1,620,501	2,808,471
Leasing contracts	242,837	278,677
Factoring	64,840	96,052
Default and compensatory	710,779	550,572
Other	339	144
	2,639,296	3,733,916
Foreign exchange losses	14,693	19,376
Other financial expenses	237,412	164,184
	2,891,401	3,917,476
Financial Income and Gains		
Obtained Interest	45	1,337
Foreign exchange gains	8,289	7,861
Other financial gains	4	36,323
	8,338	45,521
Financial Result	**(2,883,063)**	**(3,871,955)**

37. Income Taxes

On December 31st, 2016 and December 31st, 2015 this item was composed as follows:

	31-12-2016	31-12-2015
Current tax	1,142,825	1,572,719
Deferred tax	(1,409,401)	(857,106)
	(266,576)	715,613

	31-12-2016	31-12-2015
Income before taxes	(2,892,820)	(1,131,768)
Taxes to the rate	(607,492)	(237,671)
Amortizations and provisions not accepted to taxation purpos	18,621	155,055
Fines, compensatory interests	173,481	117,532
Corrections regarding the previous year	154,548	173,232
(Excess)/estimative insuf. tax	195	45
Autonomous Taxation	471,092	721,064
Rate	73,820	175,180
Acknowledgment of deferred taxes	(1,409,402)	(857,106)
Other	899,398	468,282
Tax on fiscal year income	(266,577)	715,612

38. Net Result per Share

	31-12-2016	31-12-2015
Earnings:		
Earnings attributable to majority shareholders for the calculation of the net result by share (net profit of the financial year)	(2,900,747)	263,621
Weighed average number of shares for calculation of the diluted net profit by share	14,638,691	14,638,691
Earning per share		
Basic	(0.1982)	0.0180
Diluted	(0.1982)	0.0180

39. Commitments

As of December 31st, 2016 the financial commitments of the Reditus Group's companies that are not listed on the balance sheet in respect to bank guarantees, are as follows (in addition to those mentioned in notes 22 and 24):

Payable to	Origin	Values (Euros)
Several Clients	Good fulfillment of contract obligations	557,178
Several Suppliers	Good fulfillment of contract obligations	56,199
		613,377

40. Contingencies

In the scope of fiscal inspections made by the Tax Authority (hereinafter *AT*), a few contingent situations have been identified, which were contested by the Company to the *AT* under the form of claims free of fee and of hierarchical appeals, or to the Courts of Law under the form of judicial reviews, still pending on a decision. The total amount of taxes claimed by the *AT* is 2.800.000 Euros, although the Reditus Board of Directors believes there is a high probability of these processes being favorably ruled, thus it is very unlikely the payment will actually be made.

The situations regarding each company are indicated below:

- Reditus SGPS: The company was notified to proceed to corrections in the *IRC* (Company Income Tax) for the years from 2004 to 2007, and received an additional VAT settlement claim relating to 2009:
    - (i) The IRC settlement for 2004 does not relate to tax payable but reflects the corrections of subsequent fiscal years. The Company awaits the outcome of the judicial review it presented in relation to the settlement for 2005, as the applicant was not given the cause during the hierarchical appeal. The hierarchical appeals the Company presented in relation to the settlements regarding the fiscal years of 2006 and 2007 were partially deferred, and the only question remaining, regarding these two fiscal years is related to the reporting of losses from previous fiscal years, as this question depends on the result of the review to the IRC of 2005.
    - (ii) In relation to the settlement of VAT of 2009, the presented claim was partially deferred, and a hierarchical appeal was issued against the dismissed portion.
- InterReditus, in the meantime merged by incorporation with Reditus Business Solutions, was subject to IRC and VAT fiscal inspections regarding the fiscal years 1997 and 1998. The claims and hierarchical appeals presented by the Company against the settlements executed by the *AT* were dismissed by the Revenue Office, and the Company proceeded to claims in the Tax Law Court of Lisbon, invoking the prescription of the debts in question. These claims were dismissed, the Company subsequently appealed to the Central Administration Court, and is awaiting the result of these appeals. Pending the decision of the Courts, which should have caused the suspension of the collection processes, the Revenue Office executed credit seizures to obtain the payment of the values in question of about 1 million Euros, which must be returned in case the court rules for the Company, as is expected;
- Redware, in the meantime merged by incorporation with Reditus Business, was notified to proceed to corrections to VAT regarding the fiscal years 2004 and 2005. The Company determined the corrections were not correct, since this would have represented a double collection and presented claims and hierarchical appeals regarding the settlements executed by the *AT*. The hierarchical appeals were dismissed, and the Company presented judicial reviews of the additional settlements and is awaiting the respective outcome;
- Reditus Gestão: The Company was notified of additional settlements to VAT, for the years of 2008 and 2009. The Company determined the corrections were not correct and presented claims regarding the settlements executed by the *AT*. As the claims were partially dismissed, the Company presented a hierarchical appeal of the Revenue Office's decision, and is now awaiting the respective outcome;

- Tora: Within the legal terms, Tora requested the Minister of Finance that the Company should maintain the right to deduction of fiscal losses relating to the fiscal years 2005 to 2009, regardless of the fact that there was a change of more than 50% in the shareholders composition of the share capital. Considering that there were economic reasons justifying the maintenance of such right to deduction of the losses and considering that the change in the shareholders composition did not have as objective an abusive advantage of such right to the deduction of losses, the Company has always considered the deferral of the request to be likely, thus around 1,375,000 Euros were deducted from the taxable profits in 2010 and 2011. Later, through an Inspection Report, the *AT* corrected almost all the losses relating to the fiscal years from 2005 to 2009, and notified the Company that the request for maintenance of the losses report had been dismissed due to the changes in capital ownership. Tora has legally appealed against the correction of the fiscal losses, with the litigation now taking place in the Tax Law Court of Lisbon and the Central Administration Court (South), and simultaneously presented a hierarchical appeal against the decision of dismissing the request for the maintenance of the losses report due to the change in capital ownership. The company currently awaits the outcome of this litigation, and considers a favorable ruling to be very likely.
- Tora: The *AT* notified the Company of its decision not to accept a VAT deduction regarding to a business executed in 2004. The Company did not agree with this decision and presented an impoundment to the Tax Law Court of Lisbon. The impoundment was denied, and the Company appealed to the Central Administration Court (South), which denied the appeal. The Company is considering new actions, in order to to recover the aforementioned amount.

41. Related Parties

The balances as of December 31st, 2016 and December 31st, 2015, together with the transactions carried out with related companies excluded from the consolidation in the fiscal years ended December 31st, 2016 and December 31st, 2015, are the following:

BALANCES:

	31-12-2016			
	Clients	Other accounts to receive	Other accounts to pay	Suppliers
AHS Invesmentos, S.A	9,607	-	-	-
Parroute SGPS	7,675	1,500,000	-	15,384
Companhia das Quintas, S.A.	1,636	-	-	822
Lanifos - Soc Financiamento, Lda	6,396	-	-	-
Inventum	40,000	-	-	-
Clayton	-	-	-	7,000
Mirol - Prestação de serviços, Lda.	5,000	-	-	-
	70,315	1,500,000	-	23,206

	31-12-2015			
	Clients	Other accounts to receive	Other accounts to pay	Suppliers
Canes Venatici	83,472	-	-	-
Quifel	9,607	-	-	-
Parroute SGPS	7,675	1,500,000	-	15,384
Companhia das Quintas, S.A.	1,636	-	-	822
LEYA SGPS S.A.	157,359	-	-	-
Lanifos - Soc Financiamento, Lda	396	-	-	-
Clayton	568	-	-	-
GTBC - Global Technologie & Business Consulting	40,000	-	-	-
Média Capital	24,539	-		
PARTROUGE - PROJECTOS DE INVESTIMENTO, S.A. (ex-HZVM II)	-	-		
Portuvinus - Wine & Spirits, S.A.	-	-	-	6,636
TEXTO Editores, Lda	-	-	-	-
Mirol - Prestação de serviços, Lda.	5,000	-	-	-
	330,251	1,500,000	-	22,842

TRANSACTIONS:

	31-12-2015			
	Sales	Provision of services	Supplies and external services	Financial costs
Media Capital		19,950		
Leya, SA	119,046	112,749		
Parroute, SGPS		612		
	119,046	133,311	-	-

In the fiscal year ended December 31st, 2016 no variable component of Directors' remuneration was paid, nor under the heading of termination of mandate. The fixed remuneration component was as follows:

	31-12-2016	31-12-2015
Executives		
Francisco Santana Ramos	120,000	120,000
Helder Matos Pereira	110,000	110,000
	230,000	230,000

42. Operating Leases

On December 31st, 2016 and December 31st, 2015 this item was composed as follows:

Amouts identified as expense:	31-12-2016	31-12-2015
Minimal payments of the operating lease Instalations/Equipments	995,358	415,842

Amounts identified as expense:	31-12-2016	31-12-2015
Minimal payments of renting of vehicles	519,508	279,338

On December 31st, 2016 the minimum non-cancellable lease payments are as follows:

Responsibilities undertaken:	31-12-2016	31-12-2015
up to 1 year	845,336	954,031
between 1 and 5 years	1,728,735	2,064,347
more than years	-	-
	2,574,070	3,018,378

There are no contingent rents.

43. Remuneration Paid to Auditors

The total remuneration received by the auditor, and other entities belonging to the same network, for services to companies in the Reditus Group amounted to 102,400 Euros on December 31st, 2016, discriminated as indicated below:

	31-12-2016	31-12-2015
Independent auditor services		
BDO & Associados, SROC	50,000	50,000
Auren Auditores & Associados, SROC	52,400	52,400
	102,400	102,400
Services other than independent autiting		
KPMG- Auditores	0	162
	0	162
	102,400	**102,562**

44. Post Balance Sheet Date Events

No events occurred after the balance sheet date, which may have a material impact on the financial statements herewith presented.

PART III – REPORT ON CORPORATE GOVERNANCE

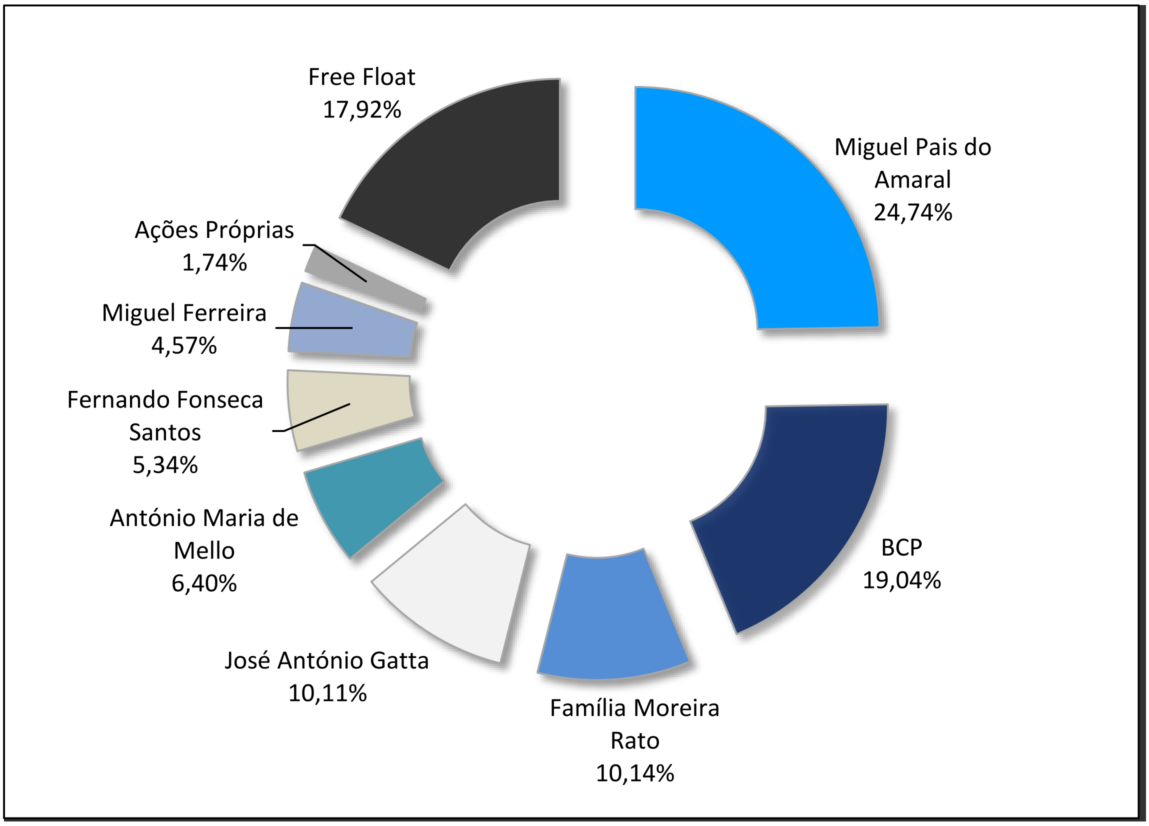
PART I - MANDATORY INFORMATION ABOUT SHAREHOLDER STRUCTURE, CORPORATE ORGANISATION AND GOVERNANCE

A. SHAREHOLDER STRUCTURE

I. Capital Structure

1. Capital structure (share capital, number of shares, distribution of capital by shareholders, etc.), including indication of the shares not admitted to trading, different categories of shares, its inherent rights and obligations, and percentage of capital that each category represents (Art. 245-A, paragraph 1, subheading a)).

On December 31st, 2016, the share capital was 73,193,455 euros, fully subscribed and paid up in cash, represented by 14,638,691 shares with an individual nominal value of 5 (five) euros.



All shares are all titled and issued to the bearer, although their conversion into booked and nominative shares is statutorily permitted. The rights and obligations inherent to all shares are equal. All shares are admitted to trading.

2. Restrictions on the transferability of stock, such as clauses of consent to their disposal or restrictions on the ownership of stock (Art. 245-A, paragraph 1, subheading b)).

The Company's articles of incorporation do not provide for any restriction on the transfer or ownership of shares

3. Number of treasury shares, percentage of share capital, and corresponding proportion of the voting rights attached to the treasury shares (Art. 245-A, paragraph 1, subheading a)).

On December 31, 2016, Reditus SGPS held 255,184 treasury shares in its portfolio, representing 1.743% of the share capital.

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4. Relevant agreements to which the company is a party and which may come into effect, may be amended or may expire, in the event of a change in the control of the company following a takeover bid, as well as the respective effects, unless, by reason of their nature, the disclosure of the same is seriously detrimental to the company, or except where the company is specifically obliged to disclose such information pursuant to other legal imperatives (Art. 245-A, paragraph 1, subheading j)).

The Company has no knowledge of any significant agreements that may enter into force, be amended or expire in the event of a change in the control of the company.

5. Rules to which the renewal or revocation of defensive measures are subject, in particular those providing for the limitation of the number of votes likely to be held or used by a single shareholder, individually or in coordination with other shareholders.

The company has not adopted defensive measures, in particular those providing for the limitation of the number of votes likely to be held or used by a single shareholder, individually or in coordination with other shareholders.

6. Shareholder agreements that are known to the company and may result in restrictions on the transfer of securities or voting rights (Art. 245-A, paragraph 1, subheading g)).

The company is unaware of the existence of any shareholders' agreements.

II. Shareholdings and Bonds Held

7. Identification of natural or legal entities that, directly or indirectly, are shareholders of qualifying holdings (Art. 245-A, paragraph 1, subheadings c) and d) and Art. 16), with a detailed indication of the percentage of the capital and votes attributable, and the source and causes of attribution.

The table below indicates the qualifying holdings in the share capital of Reditus SGPS, SA on December 31st, 2016:

Shareholder	Nº of Shares	% Share Capital	% Voting Rights
Miguel Maria de Sá Pais do Amaral			
Directly	0	0.00%	0.00%
Through Courical Holding SGPS (controlled by the shareholder)	1,408,927	9.62%	9.80%
Through AHS Holdings SGPS (controlled by the shareholder)	2,212,277	15.11%	15.38%
Total attributable	**3,621,204**	**24.74%**	**25.18%**
Banco Comercial Português, S.A.			
Directly	2,787,411	19.04%	19.38%
Total attributable	**2,999,998**	20.49%	20.86%
URCOM - Urbanização e Comércio, SA			
Directly	0	0.00%	0.00%
Through Lisorta, Ltd (controlled by the shareholder)	1,210,124	8.27%	8.41%
Through Vicente Moreira Rato (Director of the company)	274,416	1.87%	1.91%
Total attributable	**1,484,540**	**10.14%**	**10.32%**
José António da Costa Limão Gatta			
Directly	0	0.00%	0.00%
Through ELAO SGPS (controlled by the shareholder)	1,480,000	10.11%	10.29%
Total attributable	**1,480,000**	**10.11%**	**10.29%**
António Maria de Mello da Silva Cézar e Menezes			
Directly	0	0.00%	0.00%
Through António M. de Mello, SGPS (controlled by the shareholder)	738,498	5.04%	5.13%
Through Canes Venatici - Invest. SGPS (controlled by the shareholder	198,833	1.36%	1.38%
Total attributable	**937,331**	**6.40%**	**6.52%**
Fernando Manuel Cardoso Malheiro da Fonseca Santos			
Directly	782,135	5.34%	5.44%
Total attributable	**782,135**	**5.34%**	**5.44%**
Rui Miguel de Freitas e Lamego Ferreira			
Directly	0	0.00%	0.00%
Through Inventum DUE, Ltd (controlled by the shareholder)	668,831	4.57%	4.65%
Total attributable	**668,831**	**4.57%**	**4.65%**

8. Indication of the number of shares and bonds held by members of the administrative and supervisory bodies.

Under the terms and for the purposes of Article 447 of the CSC, in particular the respective paragraph 5, the number of shares held by the members of the administrative and supervisory bodies of Reditus, as well as all its acquisitions or ownership disposals, by reference to 2015 fiscal year, are as follows:

The Board of Directors	2016 Transactions		No. of shares in 2016		
	Purchases	Sales	Direct	Indirect	Total
Miguel Pais do Amaral	0	125,894	0	3,621,204	3,621,204
José António da Costa Gatta	0	0	0	1,480,000	1,480,000
Fernando da Fonseca Santos	0	0	782,135	0	782,135
Francisco Santana Ramos	0	0	0	0	0
Helder Matos Pereira	0	0	0	0	0

The members of the Audit Committee, composed of Dr. Rui António Gomes Nascimento Barreira, Dr. José Maria Franco O'Neill, Eng. Carlos Manuel Águas Garcia and Drª. Maria Rita Afonso Guerra Alves (substitute) did not hold any shares or bonds on December 31, 2016, nor did they conduct any transactions regarding such securities.

In what concerns bonds, Reditus SGPS does not have bonds quoted in the market.

9. Special powers of the Board of Directors, in particular regarding the decisions on a capital increase (Art. 245-A, paragraph 1, subheading i)).

In terms of decisions on capital increases the Board of Directors will be able to, by means of a simple resolution, increase the share capital by means of cash entries, in one or more issues, up to a maximum of one hundred and twenty million euros (Article 6 of the Company's articles of incorporation).

Since the creation of the Company (1990), the corresponding articles of incorporation make it possible to increase the share capital, by means of cash entries, in one or more issues, through a simple resolution by the Board of Directors, with only the maximum amount to be deliberated by the Board of Directors having been increased from time to time. There is no expiration date for the Board of Directors to exercise such right.

This prerogative has been used only once by the Board of Directors, namely to increase the capital from 44,630,250 euros to 51,557,265 euros, as a means to finance Reditus' growth by acquisitions strategy, and was decided during a Board Meeting held on July 2nd, 2010.

In March 2011, a further capital increase amounting to 21,636,190 euros was made, through a Public Offering.

10. Information about the existence of significant relationships of a commercial nature between holders of qualifying holdings and the Company.

During 2016, there were no significant relationships of a commercial nature between holders of qualifying holdings and the Company.

B. GOVERNING BODIES AND COMMITTEES

I. GENERAL ASSEMBLY

a) Composition of the Board of the General Assembly *

** throughout the reference year*

11. Details and designation of the members of the Board of the General Assembly and respective mandate (beginning and end).

During the Fiscal Year 2016, the Board of the General Assembly was composed as follows:

Members of the General Assembly's Board	Category
Diogo de Campos Barradas Lacerda Machado	Chairman
Francisco Xavier Damiano de Bragança van Uden	Deputy Chairman
Maria Isabel Saraiva Rodrigues Abrantes Gonçalves	Secretary

The General Assembly Board members were re-elected in the June 19th, 2014 General Assembly, first initiated in May, for the current mandate (2014-2016).

b) Exercising Voting Rights

12. Any restrictions on voting rights, such as limitations to the exercise of voting rights dependent on the ownership of a number or percentage of shares, deadlines imposed for the exercise of voting rights, or systems of entitlement coupons with a patrimonial nature (Art. 245-A, paragraph 1, subheading f)).

In accordance with the provisions of article 9 of the Articles of Incorporation, the General Assembly is composed of any shareholders holding a number of shares that confer the right to at least one vote, and each share is entitled to one vote.

Shareholders wishing to attend and take part in the General Assembly must provide proof of such quality, up to three working days before the respective meeting, by means of a document issued by the registering or by the depository entity, attesting to the quantity of shares held on that date and also of their locking-up.

There exist no shares which do not entitle to voting rights, or which establish a limit to the number of votes that may be cast by a single shareholder or by related shareholders.

There are no rules on constitutive and decision-making quorums, and the General Assembly is held in accordance with the rules laid out in the Portuguese Companies Code.

Shareholders may be represented by any person at the General Assembly and a simple, signed letter of representation addressed to the Chairman of the General Assembly and delivered by hand, mail or email, and received up until the day before the meeting, constitutes sufficient proof of the mandate, with no legal certification being required.

In accordance with the provisions of Article 10 of the Articles of Incorporation, Reditus' shareholders with voting rights may exercise these by correspondence, under the terms and conditions expressed in the summons to the General Assembly. Shareholders shall, up until the third business day prior to the date of the General Assembly, send a registered letter with acknowledgement of receipt to the Company headquarters, addressed to the Chairman of the General Assembly, marked on the outside and stating "vote by correspondence", and indicating the General Assembly to which it relates. The letter should contain the identification of the voter, indicating the Shareholder's full name or company name, and specifically state its vote in respect of each of the respective agenda items. The identification of the voter shall be signed and the signatory shareholder, if an individual, should attach a copy of his/her identity card, or of an equivalent document issued by the competent authority of the European Union, or of his/her passport, or, in case of a legal entity, affix the appropriate seal and state the capacity of the signing person. In addition to the identification of the voter, the aforementioned letter shall also contain a certificate issued by the registering or the depository entity, demonstrating the legitimacy to exercise the voting rights.

Reditus provides, through its institutional website, www.reditus.pt, a template for the exercising voting rights by correspondence at General Assemblies.

In accordance with of Article 10, paragraph 3, of the Reditus' Articles of Incorporation, any letters containing votes by correspondence must be received at the Company no later than the third business day before the date of the General Meeting.

Exercising the right to vote by electronic means is not provided for as the Company considers that, taking into account its shareholder structure and the limited free-float, the participation of Shareholders in General Assemblies is fully ensured by means of its mechanisms for the vote by correspondence and by representation.

13. Indication of the maximum percentage of voting rights that may be exercised by a single shareholder or shareholders that find themselves in any of the relationships identified in paragraph 1 of Art. 20th.

There is no maximum percentage of voting rights that may be exercised by an individual shareholder, or by shareholders that may be in any of the relationships identified in paragraph 1 of Art. 20th.

14. Identification of shareholders' resolutions, that, according to the rules of procedure, may only be taken with a qualified majority, in addition to those legally laid down, and indication of those majorities.

There are no shareholder resolutions that, according to the rules of procedure, can only be taken with a qualified majority, in addition to those that are legally provided for.

II. ADMINISTRATION AND SUPERVISION

(Board of Directors, Executive Board of Directors and General and Supervisory Board)

a) Composition *

*throughout the reference year

15. Identification of the Model of Government Adopted.

Reditus adopts the one-tier model that integrates the following governing bodies elected by the General Assembly: the Board of Directors, the Audit Committee and the Statutory Auditor.

16. Statutory rules on procedural requirements and materials applicable to the appointment and replacement of members, as applicable, of the Board of Directors, Executive Board of Directors and of the General and Supervisory Board (Art. 245-A, paragraph 1, subheading h)).

Reditus' Articles of Incorporation do not foresee any special rules governing the appointment and replacement of members of the Board of Directors and the Executive Board of Directors. Such matters are only subject to the General Law.

17. Composition, as applicable, of the Board of Directors, Executive Board of Directors and of the General and Supervisory Board, indicating the statutory minimum and maximum number of members, statutory duration of the mandate, the number of effective members, the date of the first appointment and the date of expiry of term of office of each member.

Pursuant to article 13 of the Articles of incorporation, the Board of Directors is composed of three to eleven members, elected by the General Assembly every three years.

The Board of Directors, performing its duties for the 2014-2016 mandate, is currently composed of the following members:

- Francisco José Martins Santana Ramos
- Helder Filipe Ribeiro Matos Pereira
- Miguel Maria de Sá Pais do Amaral
- José António da Costa Limão Gatta
- Fernando Manuel Cardoso Malheiro da Fonseca Santos

Mr. José Manuel Marques da Silva Lemos resigned form his position as Member of the Board in March 2016, with effect from April 30th, 2016.

The Board of Directors may delegate the day-to-day management of the Company to one or more Directors or to an Executive Board consisting of three or five Directors, with the Board of Directors remaining responsible for selecting the Chairman.

The Executive Board has currently two members, Messrs. Francisco Santana Ramos and Helder Matos Pereira.

18. Differentiation of non-executive and executive members of the Board of Directors and, in respect of non-executive members, the identification of members who can be considered independent, or, where applicable, identification of the independent members of the General and Supervisory Board.

The Board of Directors includes an appropriate number of non-executive members who ensure the effective capacity of monitoring, supervision, control and evaluation of the activity of the executive members, particularly taking into account Reditus’ shareholder structure and free float. Thus, on December 31, 2016, two of the five members of the Reditus’ Board of Directors were executive directors.

The table below shows the composition of the Board of Directors on December 31, 2016, identifying its executive and non-executive members:

Members	Category
Francisco José Martins Santana Ramos	Executive
Helder Filipe Ribeiro Matos Pereira	Executive
Miguel Maria de Sá Pais do Amaral	Non-Executive
José António da Costa Limão Gatta	Non-Executive
Fernando Manuel Cardoso Malheiro da Fonseca Santos	Non-Executive

Taking into account the governance model adopted, the size of the company, its shareholder structure and its free float, Reditus has, following the April 2016 resignation of Mr José Lemos, an independent and non-executive Board Member, been selecting an independent member for the Board of Directors.

19. Professional qualifications and other relevant curricular elements of each member, as applicable, of the Board of Directors, the General and Supervisory Board and Executive Board of Directors.

The members of the Board of Directors have the following academic qualifications and professional experience:

Francisco José Martins Santana Ramos has been a member of the Reditus SGPS Board of Directors since July 2009 and has held the position of Chief Executive Officer (CEO) since July 2012. He is Chairman of the Reditus SGPS Board of Directors since October 31, 2014. He holds positions of responsibility at AHS Investimentos SGPS, SA. He has previously held management positions with Explorer Investments SGPS, Argos Soditic, S.A., Apamilux Imagem Corporativa, S.A., Anodil, S.A., Comporcer, Mckinsey & Company, Royal Dutch / Shell and Aprofabril, S.A. He graduated in Civil Engineering from the Instituto Superior Técnico in Lisbon and has a Master's degree in Business Administration from the Universidade Nova de Lisboa.

Helder Filipe Ribeiro Matos Pereira has been a member of the Reditus SGPS Board of Directors since December 2012 and holds the position of Chief Finance Officer (CFO). He was Executive Director of Construtora do Tâmega SGPS and Construtora do Tâmega, S.A., Projecol, S.A. and its branches, General Director of Finertec SGPS and a director and manager of its branches, Adviser to the Chairman of the Board of Brandia SGPS, CFO / Corporate Controller at Netjets Europe (NTA, S.A. and Executive Jet, S.A.) and Manager at Ernst & Young. He holds a degree in Management and Business Administration from the Instituto Superior de Gestão (ISEG) in Lisbon, with a graduate degree in Economics and Business at the Universidade Católica, where he also completed an advanced course in Management for Executives.

Miguel Maria de Sá Pais do Amaral has been a member of the Board of Directors of Reditus since March 2008. He is also Chairman of the publishing group Leya, of AHS Investimentos SGPS, Media Capital SGPS, Companhia das Quintas and others. He has held positions of responsibility at Soci, Fortuna, S.A. (1991-1998), at Diana, S.A. (1991-1998), at Euroknights (1991-1998), at Compagnie Générale des Eaux - Portugal (1991-1998) and at Alfa Capital (1987-1991). He has a degree in Mechanical Engineering from IST (Instituto Superior Técnico de Lisboa) and holds an MBA from INSEAD, Fontainebleau, France.

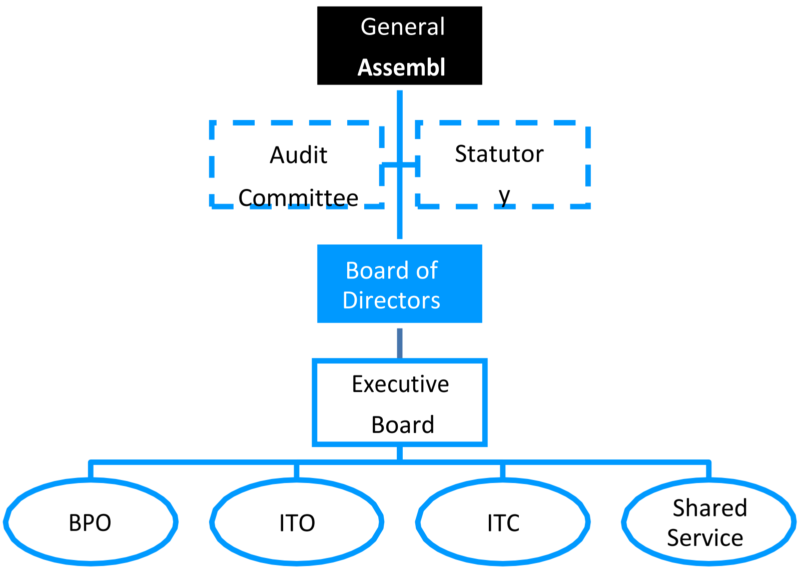
José António da Costa Limão Gatta has been a member of the Reditus Board of Directors since 2000. He is the President of ELAO SGPS (since 1998) and Giessen Beteiligungs KG (since 1995), and member of the Board of Nemotek Technologie, S.A. (since 2010). He has held executive and management positions with Nemotek Technologie S.A. (2011-2013), Caléo S.A. (1997-2010), Scorpion Group Ltd (1994-2008), Giessen Management GmbH (1988-1995), Coors Ceramics Europe Ltd. (1986-1987), General Electric Ceramics Inc (1984-1986), 3M Electrical Laboratories GmbH (1980-1984). He started his career in 1978 at ITT Europe-Int'l Telecommunications Centre as a Software Engineer. He graduated in Electrical Engineering from the Military Academy in Lisbon and is a member of the Order of Engineers.

Fernando Manuel Cardoso Malheiro da Fonseca Santos has been a member of the Reditus Board of Directors since 2000. He was a member of the Board of Directors of Geocapital-Investimentos Estratégicos, S.A., BAO - Banco Ocidental de África, S.A. and Moza Banco S.A. Before his collaboration with the Reditus Group, he held the positions of Chairman of the Supervisory Board of Crédito Predial Português (1992-1993), Director of several holding companies (1988-1992) and of the ANOP (1976), Adviser to the Secretary of State for Social Communication in the Presidency of the Council of Ministers (1976). He practised law in Luanda (1972-1975) and at the IPE (Instituto de Participações do Estado) (1977-1987) in Lisbon. He has a Law degree from the Faculty of Law at Lisbon University.

20. Family, professional or regular and significant commercial relationships of the members, as applicable, of the Board of Directors, the General and Supervisory Board and Executive Board of Directors with shareholders to whom qualifying holdings exceeding 2% of the voting rights are attributed.

Do not exist. Some shareholders with qualifying holdings are also Board members.

21. Organisation charts or functional maps showing the division of responsibilities between the different company bodies, commissions and/or departments of the company, including information about delegation of responsibilities, in particular with regard to delegation of the day-to-day administration of the company.



Within the framework of the corporate governance models authorized by the Portuguese Companies Code, Reditus has adopted the one-tier model that integrates as company bodies the General Assembly, the Board of Directors, the Audit Committee and the Statutory Auditor.

The Reditus Group is structured in four business units: BPO, IT Consulting, IT Outsourcing and Shared Services.

Shared services include the functional areas of support to Group management: Marketing and Communication, Accounting, Treasury, Payables and Receivables, Revenue Assurance, Risk, Legal, Purchase and Logistics, Human Resources, IT, Quality, Investor Relations, and Planning e Management Control.

The management of each business activity is ensured in accordance with the principles of management autonomy and with the criteria and guidelines that are derived from the annual budget for each area, which is reviewed and approved annually by the respective areas and by the Reditus Board of Directors. The strategic, operational and investment guidelines for the various businesses are defined in the Annual Budget, and its control is ensured on a permanent basis, within the framework of a management control system conducted by the Directors of the Group.

Reditus SGPS, S.A. is the holding company of the Group and is responsible for the strategic development and overall management of the different business areas.

Corporate Bodies and Other Committees - Competences

General Assembly – is the highest-level body of the Company and is comprised of all shareholders. This corporate body meets at least once a year to approve the annual report and accounts, the proposal for the application of results and the report of the Compensation Committee, and also to assess the performance of the Board of Directors and the Audit Committee.

Board of Directors - is the body responsible for managing the activities of the Company, under the terms established in the Portuguese Companies Code and in the Articles of Incorporation, namely undertaking to:

- Acquire, mortgage and dispose of any titles, or fixed and non-fixed assets, whenever it is considered advantageous for Reditus;
- Obtain loans and perform any other credit operations in the interest of Reditus, under the terms and conditions it deems appropriate;
- Grant Powers of Attorney on behalf of Reditus, with powers of any scope or extent;
- Establish objectives and management policies for the Company and for the Group;
- Delegate powers in its members, under the terms established in the Articles of Incorporation;
- Designate the Company Secretary and the respective delegate;
- Recruit staff, establish their contractual conditions and exercise the respective disciplinary authority;
- Represent Reditus in and out of court, as plaintiff or defendant, propose legal actions and acknowledge, desist or acquiesce in them, and commit to arbitration agreements;
- Open, move and cancel any Reditus bank accounts, deposit and withdraw money, issue, accept, draw and endorse checks, bills of exchange and promissory notes, invoice statements, and any other debt securities;
- Decide on the participation in the capital of other companies or on the involvement in other businesses;
- Manage the business of Reditus and perform all acts and operations with regard to the

corporate object, that do not fall within the scope of competencies allocated to other corporate bodies.

The Board of Directors may delegate the day-to-day management of the company to one or more directors, or to an Executive Board consisting of two to five directors, with the Board of Directors remaining responsible for selecting the Chairman of the Executive Board (Article 13, paragraph 2 of the Articles of Incorporation).

The Board of Directors shall meet whenever convened by its Chairman or any other two Directors, and can only adopt resolutions when the majority of its members are present or represented (Article 13, paragraph 7 of the Articles of Incorporation).

At its first meeting, the Board of Directors shall elect from among its members the respective Chairman, and if so choses, up to two Deputy Chairmen (Article 13, paragraph 8 of the Articles of Incorporation).

Any Director may be represented by another Director, at any Board meeting, upon presentation of a representations letter to the Chairman (Article 13, paragraph 9 of the Articles of Incorporation).

The table below indicates the composition of the Board of Directors as well as the responsibilities and areas of its members during the Fiscal Year 2016:

Members	Responsibilities	Areas
Francisco Santana Ramos	Chairman / CEO	Board coordination, oversight of the Commercial activities and the International Management, coordination of the Executive Board, in accordance with the applicable regulations
Helder Matos Pereira	Board Member / CFO	Financial, HR, Management Planning and Control, CRM, Revenue Assurance, Assets
Miguel Pais do Amaral	Board Member	Monitoring and assessment of corporate management
José António Gatta	Board Member	Monitoring and assessment of corporate management
Fernando Fonseca Santos	Board Member	Monitoring and assessment of corporate management

Pursuant to article 407, paragraph 4 of the Portuguese Companies Code, the responsibilities that may not be reassigned by the Board of Directors are as follows:

a) Co-optation of Directors;

b) Requests to convene the General Assembly;

c) Preparation of Annual Reports and Accounts;

d) Issue of pledges and personal or real guarantees by the Company;

e) Change of Headquarters and Capital Increases;

f) Resolutions on mergers, de-mergers or modifications to the Corporate Structure

Executive Board - is the body responsible for the day-to-day management of the company, holding all powers of decision and representation necessary and/or convenient for the exercise of the activity that constitutes the company's corporate objective, the delegation of which is not prohibited by law, namely the implementation of the objectives and of management policies for the company, the preparation of the annual financial and activity plans, the management of the company's business, the establishment of the human resources policies for the Company and for the Reditus Group.

In accordance with article 407, paragraphs 3 and 4 of the Portuguese Companies Code, and article 13, paragraph 2 of the Articles of Incorporation, the Board of Directors may delegate the day-to-day management of the company to one or more directors or to an Executive Board.

The members of the Executive Board and respective responsibilities are as follows:

Members	Responsibility
Francisco José Martins Santana Ramos	Chairman / CEO
Helder Filipe Ribeiro Matos Pereira	Member / CFO

According to the Executive Board rules, meetings of this body shall be convened by its Chairman, either on his initiative or at the request of another two of its members, and it shall meet at least once a month. Meetings shall be convened at three day's notice via email, although they may be scheduled with another notice period and by other means, provided that all its members have agreed the set date. The Executive Board may take no resolutions unless the majority of its members are present.

The Executive Board rulings are decided by a simple majority of votes. In the event of a tied vote, the Chairman shall have the casting vote.

The Chairman of the Executive Board shall share the proceedings of the respective meetings with the Chairman of the Board with the Chairman of the Audit Committee.

The Executive Directors shall, when requested by other Board Members, provide in a timely and appropriate manner, all information requested.

Audit Committee - is the body responsible for overseeing the business of the company in accordance with Article 16 of the Reditus Articles of Incorporation, with particular responsibility for:

- Overseeing the management of the company and ensure the observance of the law and of the Articles of Incorporation;
- Verifying the accuracy of the financial reporting documentation prepared by the Board of Directors and overseeing the respective audit;
- Preparing annually a report on its oversight activities, and issuing a statement of opinion on the annual report, the accounts and the proposals presented by the Board;

- Overseeing the process of preparation and dissemination of financial information;
- Monitoring the effectiveness of the risk management and control systems;
- Proposing to the General Assembly the appointment of the Statutory Auditor;
- Supervising and evaluating the performance of the External Auditor;
- Convening the General Assembly whenever the respective Chairman fails in his duties to do so;
- Receiving any communication of irregularities presented by shareholders, employees of the company or others.

The Audit Committee is the company's main interlocutor and the first recipient of reports from the Statutory Auditor, whose activity it monitors and supervises. This Committee indicates the Statutory Auditor, proposes the respective remuneration and ensures that they are provided with adequate conditions for the provision of their services, within the Company.

The Audit Committee is responsible for proposing the termination of its activities to the General Assembly, should justifiable reasons occur.

The Audit Committee has its own rules of operation, which govern its organization and activities.

Statutory Auditor - the supervision of the company rests with the Audit Committee and a Statutory Auditor, in accordance with article 15 of the Reditus' Articles of Incorporation. The current Statutory Auditor of Reditus is *BDO & Associados – SROC*, represented by Dr. José Martinho Soares Barroso.

Committee on Risk Analysis, Sustainability, Internal and Financial Control - this committee has the following charter:

- Assist the Board of Directors with issues related to the establishment and follow-up of risk management and internal control systems, and evaluate the effectiveness of these systems;
- Assess and monitor risks and the sustainable development of the Reditus Group;
- Identify potential conflicts of interest related with the Company activity;
- Assist the Board of Directors in complying with the legal and regulatory rules of the securities market applicable to the Reditus or to the members of its Board of Directors, and continually assess the degree of compliance with these standards;
- Assist the Board of Directors with monitoring and supervising the financial and accounting policies of Reditus and with the disclosure of financial results, in conjunction with the activity developed by the Audit Committee and by the Statutory Auditor, arranging for and requesting the necessary information;
- Analyze the economic and financial situation, taking into account the current situation and future prospects with regard to aspects that are likely to influence and enhance the activity of the Reditus Group.

The Committee on Risk Analysis, Sustainability, Internal and Financial Control was composed of the following members on December 31, 2016: Francisco Santana Ramos, Helder Matos Pereira and José António Gatta.

Appointments and Assessments Committee – this committee has the following scope:

- Identify potential candidates for Boards Members (in particular when it is necessary to fill a position left vacant) or for other senior positions;
- Propose to the Board of Directors the members to be appointed for the Executive Board;
- Determine the criteria for assessing the performance of the Executive Directors.
- Assess the performance of the members of the Executive Board, in order for the Remuneration Committee to establish the variable component of their remuneration;
- Communicate to the Remuneration Committee the performance assessment criteria considered in the Executive's assessment and the respective results;
- Analyze and present proposals and recommendations, in the name of the Board of Directors, regarding remuneration and other compensation for the members of the Board of Directors.

On December 31, 2015, the Nominations and Assessment Committee consisted of the following members: Fernando Fonseca Santos and José António Gatta.

Corporate Governance and Social Responsibility Committee - this committee has the following competences:

- Keep the Board of Directors and the Executive Board informed and updated concerning legal and regulatory changes in terms of corporate governance;
- Follow-up on the application of corporate governance standards within the Reditus Group;
- Follow-up on the preparation of the Management Report, specifically with regard to the chapter dedicated to Corporate Governance;
- Submit a proposal to the Board of Directors concerning a Code of Conduct model, upon request or in case it is deemed appropriate;
- Promote the application of best practices in Corporate Governance, Social Responsibility and Sustainability within the Reditus Group;
- Assess the performance of the Executive Board Members and the existing Reditus' committees, including an auto-assessment, exclusively concerning the fulfillment and the application of the Corporate Governance standards;
- Promote corporate identity and culture.

On December 31, 2015, the Corporate Governance and Social Responsibility Committee was composed of the following members: Fernando Fonseca Santos and José António Gatta.

Committee on International and Strategic Planning - this committee has the following duties:

- Assist the Board of Directors in establishing the organizational and operational structure of the Reditus Group;
- Assist the Board of Directors in establishing, implementing and evaluating the Group's strategy with regard to matters of (i) diversification of businesses and investments; (ii) preparation of strategic plans; (iii) policies for growth and internationalization of the Reditus Group;
- Propose to the Executive Board measures concerning the technical and administrative organization of the Company, as well as internal operating standards, particularly concerning staff and their remuneration;

On December 31, 2015, the Committee on International and Strategic Planning consisted of the following members: Francisco Santana Ramos, Helder Matos Pereira and José António Gatta.

Operational Committee – this committee has the following duties:

- Monitor the execution of, and provide operational support for implementing the resolutions of the Board of Directors and the Executive Board, whenever requested;
- Coordinate the operational activities of the different companies of the Group, whether or not integrated in business units;
- Assist the Board of Directors and the Executive Board in establishing their operational procedures;
- Facilitate the Members of the Board and the Committees' access to information.

On December 31, 2016, the Operational Committee consisted of the following members: Francisco Santana Ramos, Helder Matos Pereira, Miguel Pais do Amaral and José António Gatta.

b) Operation

22. Availability and location where the Rules of Procedure can be consulted, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors.

The Rules of Procedure for the Board of Directors, the Executive Board and the Audit Committee are available and may be consulted on the company's website: http://www.reditus.pt/pt-pt/investidores/governo-das-sociedades/estatutos-e-regulamentos.

23. Number of meetings held and attendance level of each member, as applicable, of the Board of Directors, the General and Supervisory Board and the Executive Board of Directors at the meetings held.

There were 11 meetings of the Board of Directors throughout the FY 2016 and the attendance of its members, either personally or through representation, reached 100%.

The Executive Board normally meets once a week.

The management and supervisory bodies draft the minutes of their meetings, and attendees are able to have a summary of their interventions inscribed into the minutes.

24. Recommendation of the competent corporate bodies to carry out the performance assessment of the Executive Directors.

The Appointments and Assessments Committee conducts the performance assessment of the Executive Directors.

25. Predetermined criteria for assessing performance of the Executive Directors.

The pre-determined measurable criteria for performance assessment of the Executive Directors consider the actual growth of the company which is measured by a combined weighting of consolidated net profit, EBITDA and annual changes in the share prices. These criteria take as reference the relevance of the areas of executive management that make up the duties of each Board Member, and the number of years in office.

26. Availability of each member, as applicable, of the Board of Directors, the General and Supervisory Board and Executive Board of Directors, showing the positions held simultaneously in other companies within and outside the group, and other relevant activities performed by the members of those bodies during the fiscal year.

Miguel Maria de Sá Pais do Amaral

a) Positions in companies of the Reditus Group:

- Member of the Board of Directors
  Reditus, Sociedade Gestora de Participações Sociais, S.A.

b) Positions in other companies:

- <u>Chairman of the Board of Directors</u>

  AHS Investimentos SGPS, SA

  Companhia das Quintas SGPS, SA

  Alfacompetição - Automóveis e

  Cavalos de Competição, SA

  Edge Capital SGPS, S.A.

  Edge International Holdings – SGPS, SA

  Edge Properties SGPS, SA

  Hemera Energías Renovables España, SLU

  Leya Global SA

  Leya SA

  Leya SGPS SA

  Media Capital SGPS, S.A.

  QIH SGPS, SA

  Quifel Natural Resources SA

  Quifel Natural Resources SGPS, SA

  Quinta da Fronteira SA
  Quinta de Pancas Vinhos SA

  Topbuilding - Investimentos Imobiliários SA

  Uksa Portugal, S.A.

- <u>Company Director</u>

  Greypart SGPS, SA

  PARTBLEU SGPS, SA

- <u>Chairman of the Management Board</u>

  BIOBRAX – Energias Renováveis Portugal, Lda

- <u>Company Manager</u>

  Ageiridge - Compra e Venda de Imóveis, Lda

  Ageiron - Compra e Venda de Imóveis, Lda

  Ask4green, Lda.

  Brio - Produtos de Agricultura Biológica, Lda

  Diana - Sociedade de Promoção e Investimentos Imobiliarios, Lda.

  Dreams Corner, Lda.

  Edge Brokers, Lda

  Edge RM, LDA

  Edge SVCS, Lda

Edge vs Prestação de Serviços, LDA

Henergy - Energias Renováveis, Lda.

Ixilu - Compra e Venda de Imóveis, Lda.

Kenuk – Compra e Venda de Imóveis, Unipessoal, Lda

LANIFOS - Sociedade de Financiamentos, Lda.

Neutripromo - Compra e Venda de Imóveis, Lda

Ngola Ventures, Lda.

Polistock - Sociedade Agro-Pecuária Unipessoal Lda.

Quartztown Lda

Situavox, Lda.

Sociedade AGRO-FLORESTAL Serra da Pousada Lda.

SOMARECTA- Investimentos Imobiliários e Turísticos Lda.

- Director

  Global Publishing Group BV

  Phillips Park Investment Corporation

  Phillips Park LLC

Francisco José Martins Santana Ramos

a) Positions in companies of the Reditus Group:

- Chairman of the Board of Directors

  Reditus, Sociedade Gestora de Participações Sociais, S.A.

  Reditus Gestão, S.A

- Company Director

  ALL2IT Infocomunicações, S.A.

  Reditus Business Security, S.A.

  Reditus Consulting, S.A.

  Reditus Business Products, S.A.

  Reditus Imobiliária, S.A.

  Ogimatech, S.A.

  Tora, S.A.

  JM Consultores de Informática e Artes Gráficas, S.A.

b) Positions in other companies:

- None -

Helder Filipe Ribeiro Matos Pereira

a) Positions in companies of the Reditus Group:

- Member of the Board

  Reditus, Sociedade Gestora de Participações Sociais, S.A.

  ALL2IT Infocomunicações, S.A.

  Reditus Gestão, S.A.

  Reditus Imobiliária, S.A.

  Reditus Business Solutions, S.A.

  Reditus Consulting, S.A.

  Reditus Networks Innovation, Lda.

  SolidNetworks – Business Consulting, Lda.

b) Positions in other companies:

- Company Manager

  Portugal Rentals, Lda.
  EuroDingue, Lda.
  Silversnail, Lda.
  Tradecomp II, S.A.

José António da Costa Limão Gatta

a. Positions in companies of the Reditus Group:

- Member of the Board

  Reditus, Sociedade Gestora de Participações Sociais, S.A.

b. Positions in other companies:

- Chairman of the Board of Directors

  ELAO - SGPS, S.A.

  Giessen Beteiligungs KG (Munich, Germany)

- Member of the Board

  Nemotek Technologie S.A. (Rabat, Morocco)

Fernando Manuel Cardoso Malheiro da Fonseca Santos

a) Positions in companies of the Reditus Group:

- Member of the Board

  Reditus, Sociedade Gestora de Participações Sociais, S.A.

- Chairman of the Board of Directors ALL2IT Infocomunicações, S.A.

b) Positions in other companies:
- None -

The executive directors expressed maximum availability for performing their duties and achievement of the established goals and this has been confirmed by their physical attendance at meetings of the Board of Directors and Executive Board and the work within the Reditus Group.

The non-executive directors have expressed the availability required for performing their duties and for achievement of the established goals. This availability has been confirmed by their physical attendance at meetings of the Board of Directors and the work performed within Reditus.

a) Committees within the administrative or supervisory body and managing directors

27. Identification of committees created within, as applicable, of the Board of Directors, the General and Supervisory Board and Executive Board of Directors and a location where the operating regulations can be viewed.

In accordance with the best practices of corporate governance and as a means to improve the operational efficiency of its Board of Directors, Reditus SGPS (holding company) has, in addition to the Executive Board, established five specialized committees for monitoring or assisting the Board of Directors and the Executive Board:

- Committee on Risk Analysis, Sustainability, Internal and Financial Control;
- Appointments and Assessments Committee;
- Committee on Corporate Governance and Social Responsibility;
- Committee on Strategic and International Planning;
- Operational Committee.

Rules of Operation only exist for the Executive Board, which can be viewed at the company's website. The remaining five specialized committees do not have rules of operation.

The Rules of Operation for the Executive Board is available at:

http://www.reditus.pt/sites/default/files/files/regulamento_ce_reditus_sgps_10_07_2012.pdf

28. Composition, if applicable, of the Executive Board and/or identification of managing director (s).

The members of the Executive Board are as follows:

- Francisco José Martins Santana Ramos;
- Helder Filipe Ribeiro Matos Pereira.

29. Description of the responsibilities of each of the established committees and a summary of the activities conducted in carrying them out.

The responsibilities of the Specialized Committees are described in paragraph 21 of this report.

III. SUPERVISION

(Supervisory Board, Audit Committee or the General and Supervisory Board)

a) Composition*

* Throughout the reference year

30. Identification of the Supervisory Body corresponding to the adopted model.

The company has as its supervisory body the Audit Committee, having adopted the one-tier system from within the corporate governance models authorised by the Portuguese Companies Code.

31. Composition, as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, indicating the minimum and maximum statutory number of members, statutory term of office, number of permanent members, date of the first appointment and end of mandate date for each member and reference may be made to the paragraph in the report where this information is already provided pursuant to paragraph 17.

The Audit Committee is composed by Mr. Rui António Gomes do Nascimento Barreira (Chairman), two permanent Members Messrs. Jose Maria Franco O'Neill and Carlos Manuel Águas Garcia and a Substitute, Ms. Maria Afonso Guerra Alves.

Pursuant to Article 15 of the Reditus' Articles of incorporation, the Audit Committee consists of a chairman, two effective members and an alternate elected by the General Meeting every three years.

The dates of the first appointment and end of mandate for each member is indicated below:

Member	Date 1st Appointment	End Date
Rui António Gomes do Nascimento Barreira	2002	2016
José Maria Franco O'Neill	2008	2016
Carlos Manuel Águas Garcia	2014	2016
Maria Rita Afonso Guerra Alves	2014	2016

32. Identification, as applicable, of the members of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs, who consider themselves independent pursuant to Article 414, paragraph 5 CSC and reference may be made to the paragraph in the report where this information is already provided pursuant to paragraph 18.

Every member of the Audit Committee is subject to the rules of incompatibility foreseen in Article 414-A, paragraph 1 of the Portuguese Companies Code.

Dr. Rui António Gomes do Nascimento Barreira and Dr. José Maria Franco O'Neill do not fulfill the requirement of independence foreseen in Article 414, paragraph 5, since they have been reelected for more than two mandates.

33. Professional qualifications as applicable of each member of the Supervisory Board, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs and other relevant professional information and reference may be made to the paragraph in the report where this information is already provided pursuant to paragraph 21.

The members of the Audit Committee have the following academic qualifications and professional experience:

Rui António Gomes do Nascimento Barreira is the Chairman of Reditus' Audit Committee. He is the main Advisor of the Legal Consultancy Body for the Prime Minister's office and is also a member of the Supervisory Board of Benfica SAD. He is a guest lecturer at the Law School of Universidade Nova. He has previously collaborated with the Commission on Fiscal Reform of Income Taxes (1997-1989) and was a member of the Committee on Reform of the Tax Procedure (1998). He holds a Law degree from the Law School of Lisbon and a Masters of Legal and Economic Sciences from the same university. He is an Attorney-at-Law and Legal Advisor.

José Maria Franco O'Neill is a member of the Reditus Audit Committe. He is a Board member of Companhia das Quintas, SGPS, S.A., Agrocardo – Sociedade de Aproveitamentos Agro-Pecuários, S.A., Sociedade Agrícola da Quinta da Cova da Barca, S.A., Sociedade Agrícola Gaianense, S.A., Companhia das Quintas Vinhos, S.A., Portuvinus Wine & Spirits, S.A., AHS Investimentos SGPS, S.A., Greypart SGPS, S.A., Quinta de Pancas Vinhos, S.A. e Worldcom Comunicações, S.A. he is also a Company Manager with Companhia das Quintas, SAQRC – Unipessoal Lda and JON - Sociedade Lda. He was a Member of the Management Board of the Lisbon Subway System, EP (Oct/2003-Nov/2006), President of Sotrans, S.A. (Jan/2003-Nov/2006), Board Member of Ensitrans, AEIE (Nov/2004- Nov/2006), Board Member of Companhia Portuguesa de Trefilaria, S.A. (1985-2003), Chairman of the Management Board of Dial – Distribuidora de Arames, Lda. (1989-2003) and Manager of Dinaço – Sociedade Metalúrgica dos Açores, Lda. (1988-2003). He has a Business Management and Organisation degree from ISCTE (Instituto Superior de Ciências do Trabalho e da Empresa).

Maria Rita Afonso Guerra Alves is a member of the Reditus Supervisory Board. Lawyer since 1994 with experience in Company Law and Labour Law, she is currently a Partner at Alves & Associados, Sociedade de Advogados, RL. She has a degree in Law by the Universidade Lusíada, concluded in 1992.

b) Operation

34. Availability and location where the operating regulations can be consulted, as applicable, of the Board of Directors, the Audit Committee, the General and Supervisory Board or the Committee for Financial Affairs and reference may be made to the paragraph in the report where this information is already provided pursuant to paragraph 22.

The Rules of Operation for the Audit Committee can be consulted on the company's website.

35. Number of meetings held and attendance level of each member, as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Committee for Financial Affairs and reference may be made to the paragraph in the report where this information is already provided pursuant to paragraph 23.

Meetings of the Audit Committee are convened and run by its chairman and are held every three months. In addition to the regular meetings, the Audit Committee may meet whenever convened by its Chairman or by its other two members.

The Audit Committee members attended all convened meetings.

36. Availability of each member as applicable, of the Supervisory Board, the Audit Committee, the General and Supervisory Board and the Committee for Financial Affairs, showing the positions held simultaneously in other companies within and outside the group and other relevant activities performed by the members of those bodies during the fiscal year and reference may be made to the paragraph in the report where this information is already provided pursuant to paragraph 26.

Information on positions held by the Audit Committee members is available in point 33.

The Supervisory Board members demonstrated to have the availability required for the performance of their duties and to achieve the established goals. This availability has been confirmed by their attendance at meetings of the Audit Committee and the work performed within Reditus.

c) Responsibilities and roles

37. Description of procedures and criteria applicable to the intervention by the supervisory body for purposes of hiring additional services to the external auditor.

Services, apart from the audit services, rendered to the Company by the Statutory Auditor and by any related entity, or which integrates the same partnership, are subject to previous approval from the Audit Committee.

The Board of Directors presents a proposal to the Audit Committee with the basis for hiring the aforementioned services from the Auditor, and the Audit Committee must express its authorization, before the corresponding contract is entered between the Company and the Statutory Auditor.

The Audit Committee appraises the proposal of the Board of Directors considering the independence of the Statutory Auditor in the fulfillment of its professional duties and the Auditor's competences for rendering such services, namely its experience and its knowledge of the Company.

Additionally, although it is admissible to contract services different from audit services with the Statutory Auditor, this shall always be considered as an exception. During the FY 2016, no additional services were contracted with the Statutory Auditor.

38. Other roles of the supervisory bodies and if applicable of the Committee for Financial Affairs.

The responsibilities of the Audit Committee are detailed in paragraph 21 of this report.

The Statutory Auditor oversees the implementation of the remuneration policies and systems, the efficiency and operation of the internal control mechanisms and is required to report any significant shortcomings to the company's Audit Committee. The Statutory Auditor also verifies the report Corporate Governance, pursuant to the applicable law.

IV. STATUTORY AUDITOR

39. Identification of the statutory auditor and the partner who may represent it.

The independent auditing firm of BDO & Associados – SROC, represented by José Martinho Soares Barroso, carries out the position of Statutory Auditor for the Company.

40. Consecutive number of years in which the Statutory Auditor provides services for the company and/or group.

The Statutory Auditor has provided services for the company and/or the group for 13 consecutive years. In 2013, the Statutory Auditor completed a fourth term in the governing bodies, having been appointed again for the three-year period 2014-2016. However, in 2011, a new representative was appointed, who is responsible for overseeing or directly executing the external audit activities.

41. Description of other services provided by the Statutory Auditor to the Company.

BDO & Associados – SROC did not provide any services other than independent audit of the Company.

V. EXTERNAL AUDITOR

42. Identification of the appointed external auditor pursuant to Article 8 and statutory auditor partner who represents him in the fulfillment of these duties as well as the respective CMVM (Portuguese Securities Market Commission) registration number.

The External Auditor of Reditus, who is at the same time Statutory Auditor, is BDO & Associados – SROC, registered in the Order of Certified Public Accountants under No. 29 and registered with the CMVM (Portuguese Securities Market Commission) under No. 1122, now represented by Dr. José Martinho Soares Barroso.

43. Consecutive number of years in which the external auditor and his statutory auditor partner provide services for the company and/or group.

The external auditor provides services for the company and/or group for 13 consecutive years.

44. Policy and frequency of rotation of the external auditor and respective statutory auditor partner who represents him in the fulfillment of those duties.

Reditus has not established nor implemented any policy of rotation of the external auditor.

Maintenance of the auditor is based on the opinion of the supervisory body, which specifically weighed the conditions of auditor independence and the benefits and costs of its replacement.

In 2013, the external auditor completed the fourth term of the governing bodies, having been appointed again for the three-year period 2014-2016. However, in 2011, a new member responsible for overseeing or directly executing the external audit works was appointed.

Following the entry into force on January 1st, 2016 of the new Statute of the Order of Statutory

Auditors, approved by the Law no. 140/2015, dated September 7th, and the Legal Regime of Audit Supervision, approved by the Law No 148/2015, dated September 9th, resulting from the Directive 2014/56/EU of the European Parliament and of the Council dated April 16th, 2014, amending Directive 2006/43/EC concerning specific requirements for the statutory audit of annual and consolidated accounts of public interest entities, and ensuring the partial fulfillment of the Regulation (EU) no. 537/2014 of the European Parliament and of the Council dated April 16th, 2014, the rotation of the external auditor will be taken in consideration for the appointment of the corporate bodies for the next mandate, which should occur at the General Assembly to be held for approval of the FY 2016.

45. Recommendation from the entity in charge of the assessment of the external auditor, and frequency of such assessment.

The Audit Committee assesses annually the External Auditor's performance and, should relevant causes occur, proposes his termination to the General Assembly.

46. Identification of tasks, other than auditing, performed by the external auditor for the company and/or companies with which it is in a controlling relationship, as well as internal procedures for the approval of contracting such services, stating the reasons for such contract

.

During the 2016 fiscal year no tasks, other than auditing, were carried out by the external auditor.

47. Annual remuneration paid by the company, and/or by legal entities in a controlling relationship, or from the group to the auditor and other natural or legal persons belonging to the same network, together with details of the proportion for the following services (for purposes of this information, the network concept derives from the European Commission Recommendation No. C (2002) 1873, dated May 16th):

Auditors	Services	31 DEC 2016	31 DEC 2015
BDO & Associados, SROC	Statutory audit	50,000	50,000
Auren Auditores & Associados, SROC*	Statutory audit	51,400	52,400
Total		**101,400**	**102,400**

- Auren Auditors & Associados, SROC performs statutory audit services for the individual Reditus Group's companies and BDO & Associados, SROC performs statutory audit services for Reditus SGPS individually, as well as for the consolidated Reditus Group.
- The amounts indicated for Auren reflect Roff's disposal in 2016, the 2015 amounts having been restated (was 65,400 euros with Roff).

C. INTERNAL ORGANISATION

I. Articles of Incorporation

48. Applicable rules for amendment of the articles of incorporation (Article 245 -A, paragraph 1, subparagraph h).

There are no rules for amending the articles of incorporation other than those deriving from the relevant applicable law.

II. Reporting Irregularities

49. Means and policy on reporting irregularities, which may have occurred in the company.

Reditus Group shareholders, members of the social bodies, employees, service providers, clients and suppliers may report any irregularities identified, which they are aware of, or have strong suspicions of, in order to prevent or stop irregularities which may cause serious damage to Reditus.

The communication of irregular practices is addressed to the Audit Committed, which choses a person from within the Internal Audit Unit as responsible to manage the communications received. This communication must be made in writing, sent to the electronic address *irregularidades@reditus.pt,* and contain all the elements and information that the author disposes of and deems necessary for the evaluation.

Besides the referred email address, Reditus employees also dispose of another, direct and confidential channel, through the *Reditus Intranet*, where they can report to the Internal Audit Unit any financial and accounting irregularities.

Any complaint addressed to the Internal Audit Committee will be maintained strictly confidential and the originator of the complaint will remain anonymous.

The person in charge of the Internal Audit Unit shall evaluate the situation described and decide on, or propose, to the Audit Committee and to the Executive Board the corrective measures which, according to each specific case, is deemed as appropriate.

III. Internal Control and Risk Management

50. Individuals, bodies or committees responsible for internal audit and/or implementation of internal control systems.

Taking into account current market conditions, the Reditus Board of Directors has been paying increasing attention to the development and improvement of the mechanisms and procedures of internal control and risk management, in strategic, operational, economic and financial terms, in order to better manage the risk inherent to the Reditus Group's operations and ensure the effective operation of the internal control systems.

Within this framework and given the evolution of good Corporate Governance practices in compliance with the rules and recommendations issued by the CMVM (Portuguese Securities Market Commission), the Board of Directors approved at a meeting held on May 31st, 2011, the creation of a Committee for Risk Analysis, Sustainability, Financial and Internal Control.

The Reditus Group is subject to a wide range of risks that can have a negative impact on its activity. All these risks are properly identified, assessed and monitored, and it is the responsibility of the different departments within the company to manage them, with special emphasis on the Risk Committee and the on the Committee for Risk Analysis, Sustainability, Financial and Internal Control.

The Risk Committee (integrated into the Financial Department of the Group) has the mission of effective detection of risks related to the company's operations.

This Committee reports to Dr. Helder Matos Pereira, Group CFO and has is responsible for reporting on these matters to the Committee for Risk Analysis, Sustainability, Financial and Internal Control.

The Risk Committee has developed and improved the efficiency of its risk management model, fostering the communication channels between the various business areas, the Unit itself and the Committee for Risk Analysis, Sustainability, Financial and Internal Control, in order to anticipate and identify risks, thus enabling their timely management.

In a first phase the person in charge of the project identifies the typical risks associated with their business namely: (i) excessive concentration of projects in a small number of clients; (ii) the establishment of unbalanced ceilings and investments in terms of services to be provided and operational requirements; (iii) strict contractual penalties for delays or breaches of established goals with clients, delays on delivery dates agreed with the clients, extension of payment terms, and other burdensome conditions; (iii) quick obsolesce of custom-developed IT solutions, (iv) lack of understanding of, or mismatch with client needs, or with market requirements.

In a second phase, the Committee assesses operational risks and identifies risks of a financial nature, namely credit risks, foreign currency risks and cash-flow risks.

All investments or new business of a certain dimension are subject to prior approval by the Committee for Risk Analysis, Sustainability, Financial and Internal Control.

It is worth mentioning that the Risk Committee, in coordination with the Committee for Risk Analysis, Sustainability, Financial and Internal Control, ensures the match and the control of the risks associated with potential transactions, with the strategy and risk profile pre-established for Reditus.

It is the responsibility of the Committee for Risk Analysis, Sustainability, Financial and Internal Control, together with the Risk Committee, to perform the different actions required for monitoring and evaluating the efficiency of the mechanisms and internal control procedures, as well as to implement improvements in these mechanisms and procedures, paying attention to its suitability to the strategy outlined in the risk management model.

Within this framework, the Commission and the Risk Committee are basically governed by the following principles:

- Identification of operational risks arising from the Group's operations;
- Identification of risks which have financial impact on the Group;
- Assessment of the implementation level of internal controls;
- Establishment, together with the various departments, of corrective measures for the mechanisms and procedures of internal control and risk management;
- Monitoring and assessment of the information processing system;
- Compliance of business operations with the strategy outlined for the Group.

The Risk Committee has a methodology for qualifying projects, through the analysis of certain parameters for identification and assessment of the consequences and of the probability of risk occurrence, for each potential transaction.

This methodology has enabled to anticipate and mitigate any negative impacts resulting from the occurrence of certain situations in identified risks.

The external auditor verifies the efficiency and operation of the internal control mechanisms within the framework of his work of statutory auditing, and reports any significant shortcomings to the Audit Committee.

51. Demonstration, including by means of an organization chart, of the relationships of hierarchical and/or functional dependence relating to other bodies or committees of the company.

The Board of Directors and the Audit Committee acknowledge the importance of the systems of risk management and internal control for the Company, fostering the human and technological conditions required for the establishment of an adequate control environment, commensurate with the risks of the activities.

The Board of Directors ensures, through the Risk Committee, the creation and operation of internal control and risk management systems. The Audit Committee supervises the effectiveness of those systems and assesses them in their meetings.

Both the management and the supervisory bodies have access to the reports and opinions issued by the Risk Committee, assessing the functioning and adequacy of the implemented internal control and risk management systems to the company's needs.

52. Existence of other working areas with expertise in risk control.

There are no other operational areas responsible for risk control, other than those identified in paragraph 50.

53. Identification and description of the main types of risks (economic, financial and legal) to which the company is exposed in the course of its activities.

The Reditus Group is exposed to various risks arising from its activities and the following are the main risk factors, with relevance and impact on the business:

Counterpart credit risk - the counterpart credit risk results primarily from the possibility of client default, either because of temporary liquidity problems, or of long-term systemic difficulties.

The management policy for counterpart credit risk consists in the analysis of the technical capabilities and financial exposure of each counterpart. Considering the nature and robustness of the Clients that make up the large majority of the Group's Client portfolio, the risk of counterparty default is significantly mitigated.

Risk associated with interest rates - the interest rate risk arises mostly from loans that are indexed to a benchmark interest rate.

The management of risks associated with interest rates is conducted through sensitivity analysis to changes in interest rates, namely to *Euribor*.

Foreign exchange risk - the foreign exchange risk is associated with of the Reditus Group's operations abroad.
Currently, the largest exposure to foreign exchange risk results from fluctuations between the U.S. Dollar and the Euro, stemming from operations in Africa. The general policy calls for Reditus to enter major contracts denominated in EUR, thus minimizing the impact of currency fluctuations.

Risks of legal nature - the main legal risks are linked to potential problems with clients and employees. These risks are managed through the internal control system, which has a methodology for qualifying projects through the analysis of certain parameters for assessment of the impact and probability of occurrence of risks for each potential business. The internal legal department reviews all contracts and other legal instruments, in order to mitigate potential future risks.

54. Description of the identification, assessment, monitoring, control and risk management processes.

This information is provided in paragraph 50.

55 Main elements of the internal control and risk management systems implemented in the company, in relation to the financial reporting process (Article 245-A, paragraph 1, subheading m)).

It is the responsibility of the Executive Board to ensure proper disclosure of financial information, which faithfully represents the situation of the group at any time, in compliance with the regulations issued by the regulatory entities applicable at any time.

The annual financial information is disclosed only after being reviewed by the Statutory Auditor and by the Audit Committee. The annual financial information, as well as the information relating to the interim periods is disclosed only after authorized by the Board of Directors, following a proposal from the Executive Board, which conducts the corresponding preliminary validation tests.

The Audit Committee supervises the preparation and disclosure of the financial information; within this scope, the Audit Committee has held periodic process review meetings with the Executive Board members, the Statutory Auditor and the staff responsible for accounting, planning and management control.

IV. Investor Relations

56. Service responsible for investor support, its composition, duties, information provided by these services and contacts.

Reditus has an Office of Investor Relations, responsible for the adequate interface with shareholders, financial analysts and regulatory authorities of the capital markets, namely the CMVM (Portuguese Securities Market Commission) and Euronext Lisbon.

It is this department's responsibility to promote an ongoing and permanent contact with the market, complying with the principle of shareholder equality and preventing differences in the access to information by investors, providing in accordance with the law any information requested, or that may somehow contribute to a greater transparency and participation in the life of the Company.

Reditus offers a wide range of information through its website: *www.reditus.pt*. The aim is to open the company to investors, analysts and the general public, providing permanent access to relevant and updated information. Information pertaining to the company's activities, as well as information specifically aimed at investors, may thus be viewed on-line and is available in Portuguese and English, though the site’s "Investors" section. The available information includes the Presentation of Results, Privileged Information and other reports for the CMVM, Accounts and Reporting, the Financial Calendar, the Shareholder structure, the Corporate Bodies and the stock market performance of Reditus’ shares.

Information may be requested by phone, or through the website (www.reditus.pt).

Given the company's dimension, the Investor Relations office is composed only by the representative for market relations, who may be contacted at:

Address

Estrada do Seminário, 2 Edifício Reditus 2614-522 Alfragide
Phone - (+351) 21 412 4100
Fax - (+351) 21 412 4199
E-mail - accionistas@reditus.pt
Site - www.reditus.pt

57. Company’s representative for market relations.

Ms. Dora Rodrigues
Telephone - (+351) 214 124 100
Fax - (+351) 214 124 199
Mobile - (+351) 913 880 114
E-mail - accionistas@reditus.pt

58. Information about the number of, and the response time to, requests for information received during the year, or outstanding from previous years.

Requests for information addressed to the Office were responded within a maximum of two working days.

V. Web Site

59. Address (es).

Reditus’ website is available at: www.reditus.pt

60. The location of information about the firm, the public company status, the headquarters and other items, as mentioned in Article 171 of the Portuguese Companies Code.

In the Reditus website, within the <<*Investors*>> tab, a <<*Corporate Governance*>> tab exists, which contains information concerning the corporation, its public company status, its headquarters, and other items indicated in Article 171 of the Portuguese Companies Code.

61. Location where the Articles of Incorporation and working regulations of the bodies and/or committees are posted.

In the Reditus website within the <<*Investors*>> tab, a <<*Corporate Governance*>> tab exists, which contains the <<*Articles of incorporation and Regulations*>> tab, and inside this last tab the Articles of Incorporation, as well as the following regulations, can be found:

- Board of Directors Regulations;
- Executive Board Regulations;
- Audit Committee Regulations.

62. Location for information on the identity of the members of the corporate bodies, the representative for market relations, the Investor Support Office or equivalent structure, their roles and contact information.

In the Reditus website within the <<*Investors*>> tab, there is a <<*Corporate Bodies*>> tab containing the composition of the corporate bodies.

On the other hand, in the Reditus website within the <<*Investors* >> tab, there is an <<*Investor Support Office*>> tab containing the information posted regarding the identity of the representative for market relations, as well as contact information and roles.

63. Location of financial statements, which should be accessible for at least five years, as well as the half-year calendar of corporate events, disclosed at the beginning of each semester, including among others, General Assemblies, disclosure of yearly, half-year and, if applicable, quarterly accounts.

In the Reditus website, in the tab identified as ‹‹*Investors*››, there is a tab regarding ‹‹*Report and Accounts*››, where accounting documentation, which will remain accessible during five years, are disclosed.

On the other hand, in the Reditus website within the <<*Investors*>> tab, there is an <<*Events Calendar*>> tab where information is posted regarding the bi-annual calendar of corporate events.

64. Location where the General Assembly convening notice is posted along with all the corresponding preparatory and subsequent information.

In the Reditus website within the <<*Investors*>> tab, there is a <<*Proposals and Convening Notices for General Meetings*>> tab where the convening notice, the proposed resolutions and the minutes of the General Assembly meetings are posted.

65. Location of historical records containing the resolutions passed at the company's General Assemblies, the share capital represented and the voting results, covering the previous three years. In the Reditus website within the <<*Investors*>> tab, there is a <<*Proposals and Convening Notices for General Meetings*>> tab, containing the historical record of convening notices, agendas and resolutions passed at General Assemblies, as well as information on the share capital represented and the voting results for the respective meetings, covering the previous five years.

D. REMUNERATION

I. Determining Responsibility

66. Guidelines regarding the responsibility for determining the remuneration of company officers, members of the Executive Board or Managing Director and Company Directors.

The Reditus' General Assembly appoints the members of the Remuneration Committee, which is responsible for establishing remunerations and for presenting the annual declaration on remunerations policies of the administrative and supervisory bodies members. The Remuneration Committee is in charge of presenting and proposing to shareholders the principles of the remuneration policy of the social bodies and of establishing the corresponding remunerations. Furthermore, the proposed declaration is object of evaluation and deliberation by shareholders at the annual General Assembly.

The aforementioned declaration on remuneration policies includes all of the company's Directors (as per the provisions of paragraph 3 of article 248-B of the Portuguese Securities Code), since it is the understanding of the Reditus' Board of Directors that it only extends to the members of the company's administration and supervisory bodies.

II. Remuneration Committee

67. Composition of the Remuneration Committee, including names of natural or legal persons hired to provide support and a statement on the independence of each member and committee chairpersons.

The Remuneration Committee is composed by the Chairman of the General Assembly Dr. Diogo Lacerda Machado, by the Chairman of the audit Committee Dr. Rui Barreira, and by Dr. José Manuel de Almeida Archer, all of which are independent from the Board of Directors.

The Remuneration Committee works with full autonomy, not having hired any natural or legal persons to assist in carrying out its duties.

68. Knowledge and experience of the members of the Remuneration Committee on remuneration policy.

The members of the Remuneration Committee have the adequate and necessary knowledge to reflect, handle and decide on all subjects concerning remuneration policies.

All elements of the Remuneration Committee have academic degrees and extensive professional experience, performing duties as members of management bodies in several entities, including financial institutions, public-listed companies, law firms, hence consolidating relevant practical knowledge regarding remuneration policies, performance evaluation systems and related matters.

III. Remuneration structure

69. Description of the remuneration policy of the management and supervisory bodies pursuant to Article 2 of Law No. 28/2009 of June 19.

According to Article 18, paragraph 1 of the Articles of Incorporation, the members of the Board of Directors' remuneration is established by a Remuneration Committee composed of three members elected every three years by the General Assembly.

At the General Assembly held in May 2016 the criteria applied for establishing the remuneration of members of the Board of Directors for the FY 2016 were approved. These criteria include a combination of relevance of each Board Member's executive duties and the number of years of effective exercise of those roles in the company.

Regarding the variable remuneration of the members of the Executive Board, this is established by the combined weighing of consolidated net result, EBITDA and the annual increase in the price of shares, while the percentage of overall profits allocated to the Board Members' remuneration must not exceed ten percent, according to the provisions of Article 18, paragraph 3 of the Articles of Incorporation.

The non-executive Directors have not been remunerated during the FY 2016.

The members of the Audit Committee are not remunerated for their functions.

The company's articles of incorporation provide for, in Article 18, paragraph 3, that the salaries of members of the Board of Directors may be either fixed or partially include a percentage of the profits for the Fiscal Year, while the percentage of overall profits allocated to the Directors must not exceed ten percent.

Reditus does not have any incentive program with share options.

It is the Remuneration Committee's concern that bonuses for the Board of Directors take into account not only the fiscal year's performance, but also adequate sustainability of profits in subsequent fiscal years.

The members the Board of Directors have not entered into any contracts, with the company or with third parties, in view of mitigating the risk inherent in fluctuations of the remuneration established by the Company.

Reditus does not provide for any compensation in case of dismissal or resignation of Board Members.

70. Information on how remuneration is structured in a way to match the interests of members of the Board of Directors with the long-term interests of the company as well as on how performance assessment is based and discourages excessive risks.

Variable remuneration of the Executive Board members is determined by the Remunerations Committee and is aimed at aligning the variable component part of each Executive's remuneration with the corresponding Company's performance for the fiscal year, which is measured considering the relationship between the consolidated net result, the EBITDA and the annual evolution of shares quotation, and is also related to the responsibilities and to the performance of each individual Executive.

Variable remuneration depends on the positive performance of the Company, and the variable remuneration limits (10% of the net result) aims mainly at discouraging excessive risk-taking, stimulating the pursuit of an adequate risk management strategy.

71. Reference, if applicable, to the existence of a variable remuneration component and information about possible impact of performance assessment on this component.

The variable component of the Executive Board members' remuneration is determined by the Remunerations Committee, aiming to align the variable component part of Executive's remuneration with the Company's performance, which is measured considering the relation between the consolidated net result, the EBITDA and the annual evolution of shares quotation, and is also related to the responsibility and performance of each individual Executive. The performance evaluation thus impacts this remuneration component. An adequate balance between the fixed and variable components of such remunerations is also ensured.

72. Payment deferral of the variable remuneration component, mentioning the period of deferral.

Reditus implemented the procedures required for adopting a policy of deferring payment of the variable remuneration component, as can be verified in the last statements on the remuneration policy by the members of the Board of Directors and the supervisory body of Reditus.

However there is been so far no deferral on the payment of the aforementioned variable remunerations since, for the past 5 fiscal years, the conditions on which payments were dependent, have not been fulfilled.

73. Criteria that underlie the allocation of variable remuneration in shares as well as on the maintenance, by executive directors of these shares, on any eventual signing of contracts relating to these shares, namely *hedging contracts or of risk transfer, the respective ceiling and its relationship to the amount of the total annual remuneration.*

The Company does not have in place any remuneration measures, which allow for the allocation of shares and/or any other incentive mechanism comprising shares.

The members the Board of Directors have not entered into any contracts, with the company or with third parties, in view of mitigating the risk inherent in fluctuations of the remuneration established by the Company.

74. Criteria that underlie the allocation of variable remuneration in options and showing the deferral period and the exercise / strike price.

The Company does not have in effect any remuneration measures allowing for the allocation of rights to purchase stock options.

75. Main parameters and grounds for any annual bonus system and any other non-cash benefits.

This information is provided in paragraph 69.

76. Main characteristics of complementary pension or early retirement systems for board members and the date that they were approved by the general meeting of shareholders, in individual terms.

There are no pensions schemes or early retirement programs for Board Members.

IV. Remuneration disclosure

77. Indication of the annual remuneration earned on aggregate and individually by members of the company's board of directors, from the company including fixed and variable remuneration and regarding this, mentioning the different components that originated it.

Pursuant to Law No. 28/2010 of June 19, below follows the remuneration received by individual members of the Board of Directors:

Executives	**230,000**
Francisco Santana Ramos	120,000
Helder Matos Pereira	110,000
Non-Executives	**0**
Miguel Pais do Amaral	0
José António Gatta	0
Fernando Fonseca Santos	0

In 2016, no variable remuneration component was paid to the Board of Directors.
The fixed remuneration paid to the Executive Board members during the fiscal year ended on December 31st, 2016 amounted to 230,000 euros

78. Amounts paid, for any reason whatsoever by other companies in a control or group relationship or which are subject to common control.

The remuneration of the members of the Executive Board was paid by Reditus Business Solutions.

79. Remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonuses and/or profit sharing were granted.

Remuneration paid in the form of profit sharing and/or bonus payments are described in paragraph 69 and are part of the variable component as bonuses, taking into account the directors' performance, in view of the proposed goals. For the past 5 fiscal years, the conditions on which depended the payment of variable remuneration, have not been fulfilled.

80. Compensation paid or owed to former executive directors regarding the termination of their duties during the year.

No compensation has been paid or was due to former Executive Board Members regarding termination of service during the 2016 fiscal year.

81. Indication of the annual remuneration earned on aggregate and individually by members of the company's supervisory board of directors pursuant to Law No. 28/2009 of June 19.

The members of the Audit Committee do not receive any remuneration for their functions.

82. Details of the Chairman of the General Assembly's remuneration, in the reference year.

The Chairman of the General Assembly does not receive any remuneration for his/her functions.

V. Agreements with implied remuneration

83. Contractual limitations provided for any compensation to be paid upon dismissal without just cause of a director, and its relationship with the variable component of the remuneration.

There are no contractual limitations for compensation to be paid to a Board Member upon dismissal without just cause, this matter being subject to the relevant laws.

84. Reference to the existence and description with details of the amounts involved, of agreements between the company and members of the board of directors and officers, as per paragraph 3 of Article 248.-B of the Portuguese Securities Code, providing for compensation in case of dismissal without just cause or termination of employment following a change of company control. (Article 245-A, paragraph 1, subheading l)).

There are no agreements between the Company and members of the Board of Directors and Officers, in the sense of Article 248-B, paragraph 3 of the Portuguese Securities Code, providing for compensation in case of resignation, dismissal without just cause or termination of employment following a change in control of the Company.

VI. Allocation of shares plans or stock options

85. Plan name and its recipients.

The Company does not have in effect any remuneration measures, which allow for the allocation of shares and/or of any other incentive program with shares.

86. Plan details (terms of allocation, clauses forbidding transfer of shares, criteria on the share price and the exercise price of the options, the period during which the options may be exercised, types of shares or options to be allocated, existence of incentives for purchasing shares and/or exercise options).

Not applicable.

87. Option rights allocated for purchasing shares *('stock options*') that benefit employees and collaborators of the company.

Not applicable.

88. Control mechanisms provided for any system of employee participation in the capital to the extent that voting rights are not exercised directly by them (Article 245-A, paragraph 1, subparagraph e).

Not applicable.

E. TRANSACTIONS WITH RELATED PARTIES

I. Control mechanisms and procedures

89. **Mechanisms implemented by the Company for purposes of monitoring transactions with related parties *(For this purpose we refer to the concept arising from IAS 24).***

Transactions of significant importance with qualified shareholders, or any related entities, pursuant to Article 20 of the Portuguese Securities Code, are submitted to preliminary approval of the Audit Committee. This body establishes the necessary procedures and criteria for the definition of the relevance of such transactions, which are described in paragraph 91.

90. Indication of the transactions, which were subject to control in the reference year.

During FY 2016 there were no transactions between the company and qualified shareholders, or any related entities pursuant to Article 20 of the Securities Code, which were subject to control by the Audit Committee.

91. Description of the applicable procedures and criteria for intervention by the supervisory body for the purpose of preliminary assessment of the transactions to take place between the company and qualified shareholders or entities that have any relationship with them, pursuant to Article 20 of the Portuguese Securities Code.

The transactions of significant importance with qualified shareholders or any related entities, pursuant to Article 20 of the Portuguese Securities Code, are submitted for preliminary approval by the Audit Committee.

Transactions considered to be significantly important are those that are not part of the current activities of the company or of its qualified shareholders, or entities with which they are in one of the situations listed in Article 20 of the Portuguese Securities Code.

In turn and in view of the provisions of Article 246, paragraph 3, subheading c) of the Portuguese Securities Code, are further considered as transactions with significant importance those that significantly affect the financial position or the performance of the company.

All transactions between, on the one hand the Company, and on the other the qualified shareholders or entities with which they are in one of the situations listed in Article 20 of the Portuguese Securities Code, are identified in the Notes to the Consolidated Financial Statements of the Annual Report and Accounts.

II. Elements related to the transactions

92. Indication of the location of the financial statements where information is available on transactions with related parties, pursuant to IAS 24, or alternatively the reproduction of such information.

The main elements of businesses with related parties, pursuant to IAS 24, including the transactions and operations between the Company and the qualified shareholders and related entities are described in the Annexes to the financial statements of the 2016 Report and Accounts.

PART II - EVALUATION OF CORPORATE GOVERNANCE

1. Name of the Corporate Governance Code adopted

The Corporate Governance Code to which the company is subject or has decided to voluntarily submit should be indicated, pursuant to and for the purposes of Article 2 of this Regulation.

The location where the texts of the corporate governance codes are available to the public to which the issuer is subject (Article 245-A, paragraph 1, subheading p)) should be indicated.

Within the framework of the corporate governance models authorised by the Portuguese Companies Code, Reditus has adopted the one-tier model that integrates as company bodies the General Assembly, the Board of Directors, the Audit Committee and the Statutory Auditor.

The texts of the corporate governance rules are available on the company website and were also made public through the CMVM's (Portuguese Securities Market Commission) website.

2. Analysis of compliance with the adopted Corporate Governance Code

Reditus believes that, notwithstanding the failure to fully comply with the recommendations of CMVM, as explained in detail in the table below, the extent of adoption of the recommendations is quite broad and thorough.

The table below lists the CMVM's recommendations laid down in that code, specifying whether they were or were not fully adopted and the location in this report where these are described in greater detail.

Recommendation	Information on adoption	Description in the report
I. VOTING AND COMPANY CONTROL		
I.1. Companies should encourage their shareholders to attend and vote at general meetings, namely by not setting an excessively high number of shares required to have the right to one vote and implementing the essential means to exercise the right to vote by mail and electronically.	**Partially adopted** The exercise of one's voting rights by electronic means is not provided because the Company believes, taking into account its shareholder structure and low distribution of shares that the participation of its shareholders in general meetings through votes submitted by mail and the mechanisms of representation is completely assured.	**Paragraph 12**
I. 2. Companies should not adopt mechanisms, which hinder the approval of resolutions by its shareholders, namely setting a higher resolution quorum than provided by law.	**Adopted**	**Paragraphs 14 and 48**
I.3. Companies should not establish mechanisms, which have the effect of causing discrepancy between the right to receive dividends or to subscribe new securities and the voting rights for each common share, unless properly substantiated in the light of the long-term interests of shareholders.	**Adopted**	**Paragraph 12**
I.4. The Articles of Incorporation which provide for limiting the number of votes that may be held or exercised by a single shareholder, individually or together with other shareholders, shall also provide that at least every five years it will be subject to determination by the general meeting the amendment or keeping that statutory provision - without super quorum requirements compared to the one legally in effect - and that in said resolution, all votes issued are counted without said limitation in force.	**Not applicable** This recommendation is not applicable since the Articles of Incorporation do not provide for a limitation on the number of votes that may be held or exercised by a single shareholder, whether individually or together with other shareholders.	**Paragraph 12**

I.5. Measures which have the effect of requiring payments or assuming charges by the company in the event of change of control or change in the composition of the Board and which appear likely to impair the free transferability of shares and the free assessment by the shareholders of the performance of members of the Board should not be adopted.	**Adopted**	**Paragraph 4**
II. SUPERVISION, MANAGEMENT AND AUDITING		
II.1. SUPERVISION AND MANAGEMENT		
II.1.1. Within the limits established by law and unless the company is of small size, the board of directors shall delegate the daily management of the company and the delegated duties should be identified in the Annual Report on Corporate Governance.	**Adopted**	**Paragraph 21**
II.1.2. The Board of Directors should ensure that the company acts in accordance with its goals and should not delegate its duties, namely with regard to: i) defining the strategy and general policies of the company; ii) defining the corporate structure of the group; iii) decisions that must be considered strategic due to the amounts, risks or their special features.	**Adopted**	**Paragraph 21**
II.1.3. The General and Supervisory Board, in addition to exercising the supervisory powers that are entrusted to it, must assume full responsibility to the corporate governance level by which the statutory provision or by equivalent means, the obligation of this body to comment on the strategy and major company policies must be established, setting the corporate structure of the group and the decisions that must be considered strategic due to the amounts or risks. This body should also assess compliance with the strategic plan and the implementation of key company policies.	**Not applicable** This recommendation is not applicable due to the corporate governance model adopted by Reditus.	**Paragraph 15**

II.1.4. Unless the company is of small size, the Board of Directors and the General and Supervisory Board, according to the model adopted, shall create such committees that may be required to: a) Ensure a competent and independent assessment of the performance of executive directors and their overall performance as well as of other existing committees; b) Reflect on system structure and governance practices adopted, check its effectiveness and propose to the relevant bodies measures to be implemented towards their improvement.	**Adopted**	**Paragraph 21**
II.1.5. The Board of Directors or the General and Supervisory Board, depending on the model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks actually incurred are consistent with those goals.	**Adopted**	**Paragraphs 50 to 55**
II. 1.6. The Board of Directors must include number of non-executive members to ensure effective capacity for monitoring, supervision and assessment of activities of the other members of the board.	**Adopted**	**Paragraph 18**

II. 1.7. Among the non-executive directors there should be a balanced proportion of independent members, taking into account the governance model adopted, the size of the company, its shareholder structure and the respective free float. The independence of the members of the General and Supervisory Board and the members of the Audit Committee is assessed in accordance with applicable law and as to the other members of the Board of Directors, a person is considered independent when he/she is not associated with any specific interest group in the company nor under any circumstance likely of affecting his/her capacity of unbiased analysis or decision, namely by virtue of: a. Having been an employee of the company or a company with which he/she is in a control or group relationship, in the past three years; b. Having in the past three years provided services or established significant business relationship with the company or company with which he/she is in a control or group relationship, either directly or as a partner, director, manager or officer of a legal entity; c. Being a beneficiary of remuneration paid by the company or by a company with which he/she is in a control or group relationship, besides the remuneration arising from the exercise of the duties of a director; d. Living in a common law marriage or being a spouse, relative or kin in line of descent to the third degree, including in a collateral line, of board members or natural persons who are directly or indirectly qualified shareholders; e. Being a qualified shareholder or representative of a qualified shareholder.	**Not Adopted**	**Paragraph 18**
II.1.8. The directors performing executive duties shall, when requested by other Board Members, provide in a timely and appropriate manner, the information requested.	**Adopted**	**Paragraph 21**

II. 1.9. The chairman of the board of executive directors or Executive Board shall provide, as applicable, to the Chairman of the Board of Directors, the Chairman of the Supervisory Board, the Chairman of the Audit Committee, the Chairman of the General and Supervisory Board and the Chairman of the Commission for Financial Affairs, the convening notices and minutes of the respective meetings.	**Adopted**	**Paragraph 21**
II.1.10. If the Chairman of the Board of Directors has executive duties, this body should appoint from among its members, an independent director to ensure the coordination of the works of other non-executive members and the conditions so that these may make decisions in an independent and informed manner or find an equivalent mechanism to ensure such coordination.	**Partially Adopted** The Board of Directors appointed his member, Mr. José Gatta, although not considered independent, to ensure the coordination of the work of other non-executive and executive directors.	**Paragraph 21**
II.2. SUPERVISION		
II. 2.1. Depending on the applicable model, the Chairman of the Supervisory Board, the Audit Committee or the Commission for Financial Affairs should be independent in accordance with the applicable legal criterion and be adequately capable to exercise the respective duties.	**Not Adopted** Dr. Rui António Gomes do Nascimento Barreira is not considered independent since he has been re-elected for more than two mandates, under the terms of Article 414/5 of the Portuguese Companies Code.	**Paragraph 32**
II. 2.2. The supervisory body should be the main partner of the external auditor and the first recipient of his reports, and be responsible namely to propose the respective remuneration and to ensure that within the company, the appropriate conditions for provision of services are provided.	**Adopted**	**Paragraphs 32 and 33**
II.2.3. The supervisory board shall assess the external auditor annually and propose to the competent body his dismissal or termination of the provision of services contract whenever there is just cause for this purpose.	**Adopted**	**Paragraph 45**

II.2.4. The supervisory body must assess the operation of internal control and risk management systems and propose any adjustments that may be required.	**Adopted**	**Paragraph 21**
II.2.5. The Audit Committee, the General and Supervisory Board, and the Supervisory Board must rule on the work plans and the resources for internal audit services and the services that ensure compliance with the rules applicable to the company (compliance services) and should receive the reports conducted by these services at least when matters at issue are related to accountability or resolution of conflicts of interest and to the detection of potential wrongdoings.	**Adopted**	**Paragraph 51**
II.3. REMUNERATIONS SETTING		
II.3.1. All members of the Remuneration Committee or equivalent should be independent of the executive members of the board of directors and include at least one member with knowledge and experience in matters of remuneration policy.	**Adopted**	**Paragraphs 67 and 68**
II. 3.2. Any natural or legal person who provides or has provided in the past three years, services to any entity within the facilities of the board of directors, the actual company's management or who has a current relationship with the company or consultants for the company should not be hired to assist the Remuneration Committee in performing its functions. This recommendation also applies to any natural or legal person who is in a relationship by virtue of an employment contract or provision of services.	**Adopted**	**Paragraph 67**

II.3.3. The declaration on the board and supervisory bodies members remunerations policy referred by article 2 of Law 28/2009, June 19, should contain, additionally: a) Identification and explanation of the criteria for determining the remuneration to be paid to members of the corporate bodies; b) Information on the potential maximum amount in individual terms and the potential maximum amount in aggregate terms, to be paid to members of corporate bodies and identification of the circumstances under which these maximum amounts may be due; d) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of directors.	**Partially Adopted** The statement on the remuneration policy for the management and supervision bodies of Reditus submitted to the last Annual General Meeting of Reditus does not specifically contain an indication of the potential amounts required by subparagraph b) of this Recommendation.	**Paragraph 69**
II. 3.4. The proposal concerning approval of plans for the allocation of shares and/or purchase of stock options or based on variations in the share prices to members of corporate bodies must be submitted to the General Meeting. The proposal should contain all the necessary elements for a correct assessment of the plan.	**Not applicable**	**Paragraph 85**
II. 3.5. The proposal concerning approval of any system of retirement benefits established for members of the corporate bodies must be submitted to the General Meeting. The proposal should contain all the elements necessary for a proper assessment of the system.	**Not applicable**	**Paragraph 76**
III. REMUNERATIONS		
III.1. The remuneration of executive members of the board of directors must be based on actual performance and discourage excessive risk-taking.	**Adopted**	**Paragraphs 69 and 70**
III.3. The variable component of remuneration should be reasonable in relation to the fixed component of remuneration and ceilings should be set for all components.	**Not Adopted** The company has not determined maximum ceilings for all remuneration components	**Paragraph 69**

III.2. The remuneration of non-executive members of the board of directors and the remuneration of the members of the supervisory board shall not include any component whose amount depends on the performance of the company or of its value.	**Adopted**	**Paragraphs 69 and 70**
III.4. A significant portion of the variable remuneration should be deferred for a period of no less than three years, and the right to receive it should depend on the continued positive performance of the company during that period.	**Not applicable** To date, there isn't any payment deferral of said variable remuneration. However, for the past 5 years, Reditus has implemented the necessary procedures for the adoption of a payment deferral policy of the remuneration variable component, with no practical effect since, in these fiscal years the conditions on which payment was dependent were not fulfilled.	**Paragraph 72**
III.5. The members of the Board of Directors should not enter into any contracts with the company or third parties, which have the effect of mitigating the risk inherent in the fluctuation of their remuneration set by the Company	**Adopted**	**Paragraph 73**
III.6. Until the end of their mandate, executive directors must hold the company's shares that they have obtained by virtue of variable remuneration schemes, up to twice the amount of the total annual remuneration, except those that must be sold in order to pay for capital-gain taxes of said shares.	**Not applicable** The Company does not have any allocation of shares plans.	**Paragraph 73**
III.7. Whenthe variable remuneration includes stock options; the start of the exercise period must be deferred for a period of no less than three years.	**Not applicable**	**Paragraph 74**
III.8. When the dismissal of a board member is not due to serious breach of his duties nor to unfitness for the normal exercise of his duties, but still attributable to poor performance, the company should be endowed with adequate and necessary legal instruments so that any damages or compensation, beyond the legally due, cannot be demanded.	**Not Adopted** There aren't any contractual limitations for compensation to be paid upon dismissal without just cause of a director, thus the laws on the matter are applicable.	**Paragraph 83**

IV. AUDITING		
IV.1. The external auditor must, within the scope of his duties, verify the implementation of remuneration policies and systems of the corporate bodies, the efficiency and operation of the internal control mechanisms and report any shortcomings to the company's supervisory board.	**Adopted**	**Paragraphs 38 and 50**
IV.2. The company or any entities maintaining a controlling relationship with it should not hire the external auditor, or any entities, which are in the same group or are part of the same network, for services other than audit services. If there are reasons for hiring such services - which must be approved by the supervisory board and explained in its Annual Report on Corporate Governance - they should not amount to more than 30% of the total value of services rendered to the company.	**Adopted**	**Paragraphs 46 and 47**
IV.3. The companies should promote the rotation of auditors after two or three terms depending on if these are of four or three years respectively. Its continuance beyond this period must be based on a specific opinion by the supervisory board, which specifically considers the conditions of auditor independence and the benefits and costs of replacement.	**Adopted**	**Paragraph 44**

V. CONFLICT OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES		
V.1. Transactions between the company and qualified shareholders or entities that are in a relationship with them, pursuant to Article 20 of the Portuguese Securities Code shall be carried out under normal market conditions.	**Adopted**	**Paragraph 92**
V.2. The supervisory or monitoring body must establish procedures and criteria required to define the relevant importance level of transactions with qualified shareholders – or with entities in any of the relationships provided for in paragraph 1 of Article 20 of the Portuguese Securities Code – the transactions of significant importance being dependent on prior approval of said body.	**Adopted**	**Paragraph 89**

VI. INFORMATION		
VI.1. Companies should provide through its web sites in Portuguese and English, access to information about its evolution and its current reality in economic, financial and governance terms.	**Adopted**	**Paragraphs 59 to 65**
VI.2. Companies should ensure the existence of an investor support office and permanent contact with the market, responding to requests from investors in a timely manner and a registry of requests submitted and the handling that was given should be maintained.	**Adopted**	**Paragraphs 56 to 58**

3. Other information

The company should provide any additional elements or information that, if not found expressed in the preceding paragraphs, are relevant to understanding the model and governance practices adopted.

Reditus does not have any elements or additional information relevant to understanding the model and governance practices adopted.

PART IV – AUDIT REPORTS

Legal Certification and Audit Report of Consolidated Accounts

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STATUTORY AUDITORS' CERTIFICATION AND AUDIT REPORT
(free translation of the original issued in Portuguese)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Reditus, Sociedade Gestora de Participações Sociais, SA (the Group), which comprise the consolidated statement of financial position as at December 31, 2016 (which presents a total of 172 702 738 euro and total equity of 32 379 967 euro, including a net loss for the Group of 2 900 747 euro), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, along with the corresponding notes which include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the standards and technical and ethical guidelines issued by Chamber of Statutory Auditors (*Ordem dos Revisores Oficiais de Contas*). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group under the law and we fulfil the ethical requirements under the code of ethics of the Order of Statutory Auditors.

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

Emphasis of matter

The financial information for 2015 was restated following the restructuring of the Group, which led to the sale of ROFF Group in 2016, as disclosed in note 6 of the Notes to the Consolidated Financial Statements. For this reason the comparative figures for 2015 included in the Financial Statements of 2016 are not the same as those published in the 2015 Annual Report and Accounts. Our opinion is not modified in respect of this matter.

BDO & Associados, SROC, Lda., Sociedade por quotas, Sede Av. da República, 50 - 10º, 1069-211 Lisboa, Registada na Conservatória do Registo Comercial de Lisboa, NIPC 501 340 467, Capital 100 000 euros. Sociedade de Revisores Oficiais de Contas inscrita na OROC sob o número 29 e na CMVM sob o número 20161384.
A BDO & Associados, SROC, Lda., sociedade por quotas registada em Portugal, é membro da BDO International Limited, sociedade inglesa limitada por garantia, e faz parte da rede internacional BDO de firmas independentes.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered in the audit the following key audit matters:

Key audit matters	Synthesis of audit response
1. Revenue recognition	
The revenue recognition policy regarding multiannual projects includes analyzes and estimates of the management regarding the phase of completion of the projects in progress at the date of the financial information, as referred in note 4 of the Notes to the Consolidated Financial Statements. Since these types of contracts represent a significant part of the Group's business, its analysis and validation constitutes a key audit matter.	In order to address this risk, we performed the following work: (i) analysis of the control procedures implemented related to the revenue recognition, (ii) critical analysis of estimates and assumptions made by management in relation to billing and expenses to be incurred in connection with the contracts, and their agreement with the supporting documentation for the clearance of accounting records; (iii) verification of the external evidence available to prove the maintenance of the main contracts entered into, and (iv) evaluation of the reasonableness of the disclosures made in the consolidated financial statements.
2. Goodwill impairment	
Goodwill corresponds to approximately 24% of the Group's assets, being its valuation subject to annual impairment tests, as referred to in note 2.7 of the Notes to the Consolidated Financial Statements. According to Note 4, Goodwill impairment tests, supported by external expert evaluations, involve the use of estimates and assumptions, which are subject to judgment, with high subjectivity. Thus, the verification of the calculations and assumptions underlying Goodwill impairment assessments is a key audit matter.	We have conducted a number of substantive audit procedures related to Goodwill impairment tests, including: (i) detailed verification of the evaluation reports (including areas, assumptions, calculations and evaluation method) prepared by the external experts; (ii) we involved specialists in the validation of the calculations and critical analysis of the assumptions used, namely in the verification of the average cost of capital ratio; (iii) comparison of the amounts foreseen in the impairment test with the effective financial performance of the activities of the respective segments and obtaining justification for the significant differences; and (iv) the verification and reasonableness of the disclosures made in the consolidated financial statements.

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Key audit matters	Synthesis of audit response
3. International exposure	
The Group operates in several geographies, corresponding the international revenues to about 39% of the total consolidated revenue. As mentioned in note 3 of the Notes to the Consolidated Financial Statements, this international exposure creates risks for the Group. Since the receivables from Angolan public entities, where the market context implies difficulties in the repatriation of capital, amount to approximately 50 774 000 euros (29% of Consolidated Assets), we consider that this area is a key audit matter.	The auditing procedures developed included the following, among others: (i) evaluation of the level of exposure to geographies of high liquidity risk in relation to the total activity and the business plans for the next years, (ii) a critical analysis of the management's judgment related to the impairment of receivables, (iii) analysis of the documentation and of the elements exchanged between the entities involved in order to evaluate the good continuation of the projects in progress, (iv) analysis of the treasury plan for 2017, and (v) evaluation of the reasonableness of the disclosures made in the consolidated financial statements.
4. Group Audit - components audited by other auditors	
The consolidation perimeter of Reditus SGPS accounts includes a broad set of companies (components), as referred to in note 5 of the Notes to the Consolidated Financial Statements, being the statutory audit of the accounts of these companies carried out by another company of statutory auditors, reason why we believe that this is a key audit matter.	In accordance with ISA 600 "Group Audits", in order to obtain sufficient and appropriate audit evidence about the Group's financial statements, we performed several auditing procedures, among which we highlight: (i) the issuance of an Audit Plan of the Group, including working instructions for the development of the Group audit; (ii) meetings with the statutory auditors of the components at the beginning and after the communication of the relevant matters, having obtained clarifications and consulted their work papers for the significant matters; and (iii) obtaining the legal certifications of the accounts issued by the statutory auditors.

Responsibilities of management and of the supervisory board for the consolidated financial statements

Management is responsible for:

(i) the preparation of consolidated financial statements that present fairly the Group's financial position, consolidated financial performance and consolidated cash flows in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
(ii) preparation of the management report, including the corporate governance report, under the legal and regulatory applicable terms;
(iii) setting-up and maintenance of an appropriate internal control system to allow the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

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(iv) the adoption of accounting policies and criteria that are adequate under the circumstances; and

(v) assessing the Group's ability to continue as a going concern, disclosing, as applicable, related matters that might give rise to significant doubts on the going concern basis.

The supervisory board is responsible for the oversight of the Group's financial information preparation and disclosure process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(v) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

(vii) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

(viii) from the matters communicated with those charged with governance, including the supervisory board, determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;

(ix) declare to the supervisory board that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the consolidated information contained in the management report is consistent with the consolidated financial statements, and the requirements contained in numbers 4 and 5 of article 451.º of Commercial Companies Code (*Código das Sociedades Comerciais*).

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

Complying with article 451.º, n.º 3, al. e) of Commercial Companies Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, the information in the management report is consistent with the audited consolidated financial statements and, considering our understanding and appraisement about the Group, we did not identified material misstatements.

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About the corporate governance report

Complying with article 451.°, n.° 4, of the Commercial Companies Code, it is our opinion that the corporate governance report includes the elements required from the Entity under the terms of article 245.°-A of the Securities Code (*Código dos Valores Mobiliários*), and we did not identified any material misstatements in the information disclosed therein, complying with items c), d), f), h), i) and m) of the referred article.

About the additional elements foreseen in article 10.° of Regulation (EU) n.° 537/2014

In compliance with article 10.° of Regulation (EU) n.° 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the key audit matters above presented, we report the following:

- We have been auditors of the Group since 2002, completing this year the fifth term for the period between 2014 and 2016, for which we were appointed at the shareholders' meeting held on June 19, 2014;
- The management has confirmed us that it has no knowledge of the occurrence of any fraud or suspected fraud with material effect on the financial statements. During the planning and execution of our audit in accordance with ISAs we kept professional scepticism and design audit procedures responsive to the possibility of a material misstatement in the consolidated financial statements due to fraud. As a result of our work we did not identified any material misstatement in the consolidated financial statements due to fraud;
- We confirm that the audit opinion issued is consistent with the additional report prepared and delivered to the Group's supervisory board in April 28, 2017;
- We declare that we did not provide any prohibited services under article 77.°, number 8, of the Chamber of Statutory Auditors Bill and that we have maintained our independence from the Group during the audit; and
- We inform that we did not provide to the Group any services other than audit.

Lisbon, April 28, 2017

José Martinho Soares Barroso, as representative of
BDO & Associados - SROC
(Registered in the CMVM Register of Auditors under the nº 20161384)

Audit Committee Report and Opinion

Introduction

In compliance with legal and statutory provisions, the Audit Committee of Reditus SGPS, S.A. hereby submits the report of its activities in the FY 2016 and the opinion about the Management Report and other consolidated accounting documents of Reditus SGPS, S.A. submitted by the Board of Directors.

Supervision of the Company

The Audit Committee, during the fiscal year under review, in compliance with their supervisory duties, monitored the company's management and development of their transactions.

The Audit Committee, as part of its activity, in strict compliance with its legal obligations, assessed the accounting policies and valuation criteria used in preparation of financial information, which it deemed appropriate and also monitored the risk management system and effectiveness of the internal control system, not having had constraints whatsoever in conducting their activity. The Audit Committee has always received from the Board of Directors the collaboration requested, as well as from those employees in charge of accounting, treasury and legal services.

The Audit Committee also monitored the activity of the Statutory Auditor, supervising the work carried out and its findings, in order to safeguard his independence and to assess his performance.

The Audit Committee examined the Consolidated Management Report and the Consolidated Financial Statements for the year ended December 31st, 2016, which include the consolidated statements of financial position, consolidated profit and loss statement, consolidated statements of comprehensive income, cash flows and changes in equity and corresponding notes, the fiscal year ended on that date, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

The Audit Committee also reviewed the Report on Corporate Governance for the FY 2016, prepared by the Board of Directors, which is annexed to the Management Report, verifying that it was prepared in compliance with Regulation 4 /2013 (Governance of Listed Companies) as issued by the CMVM (Portuguese Securities Market Commission) and that it includes, among others, the elements listed in Article 245-A of the Portuguese Securities Code.

Lastly, it analyzed and agreed with the Legal Certification of Accounts and Audit Reports on these consolidated financial statements, prepared by the Statutory Auditor.

Declaration of compliance

Under Article 245, paragraph 1, subheading c) of the Portuguese Securities Code, the members of the Audit Committee declare that, to the best of their knowledge, the information contained in the Management Report and other documents of accountability was prepared in accordance with applicable accounting standards, providing a true and fair view of the assets and liabilities, financial position and profits and cash flows of the Company and the companies included in the consolidation scope. Also it is their understanding that the Management Report accurately reflects the development of transactions, performance and position of the Company and the companies included in the consolidation scope and contains a description of the main risks and uncertainties they face.

Opinion

In view of the foregoing, the Supervisory Board is of the opinion that the conditions are met for the General Assembly of Reditus, SGPS, S.A., to approve the Management Report and the Consolidated Accounts for 2016 Fiscal Year.

Alfragide, April 28th, 2017

The Audit Committee,

Dr. Rui António Gomes do Nascimento Barreira – President

Dr. José Maria Franco O'Neill – Member

Eng. Carlos Manuel Águas Garcia – Member

Client Statements

"Reditus has been a supplier of the Cahora Bassa Hydroelectric Plant (HCB) since 2013. We have found at Reditus the necessary skills to support HCB in the deployment of projects related to management consulting and information technology, in the following areas: i) Deployment and maintenance of SAP ERP, Ii) Definition of the IT services management model (ITIL) and deployment of the Service Desk system, iii) Processes optimization of the fleet management function, iv) Deployment of the vehicle monitoring system and respective control room. HCB recognizes Reditus as a partner of excellence since in all the projects developed it has evidenced a high technical knowledge and experience, as well as organizational management and transformation skills. "
Manuel Gameiro, Director
Hidroeléctrica de Cahora Bassa

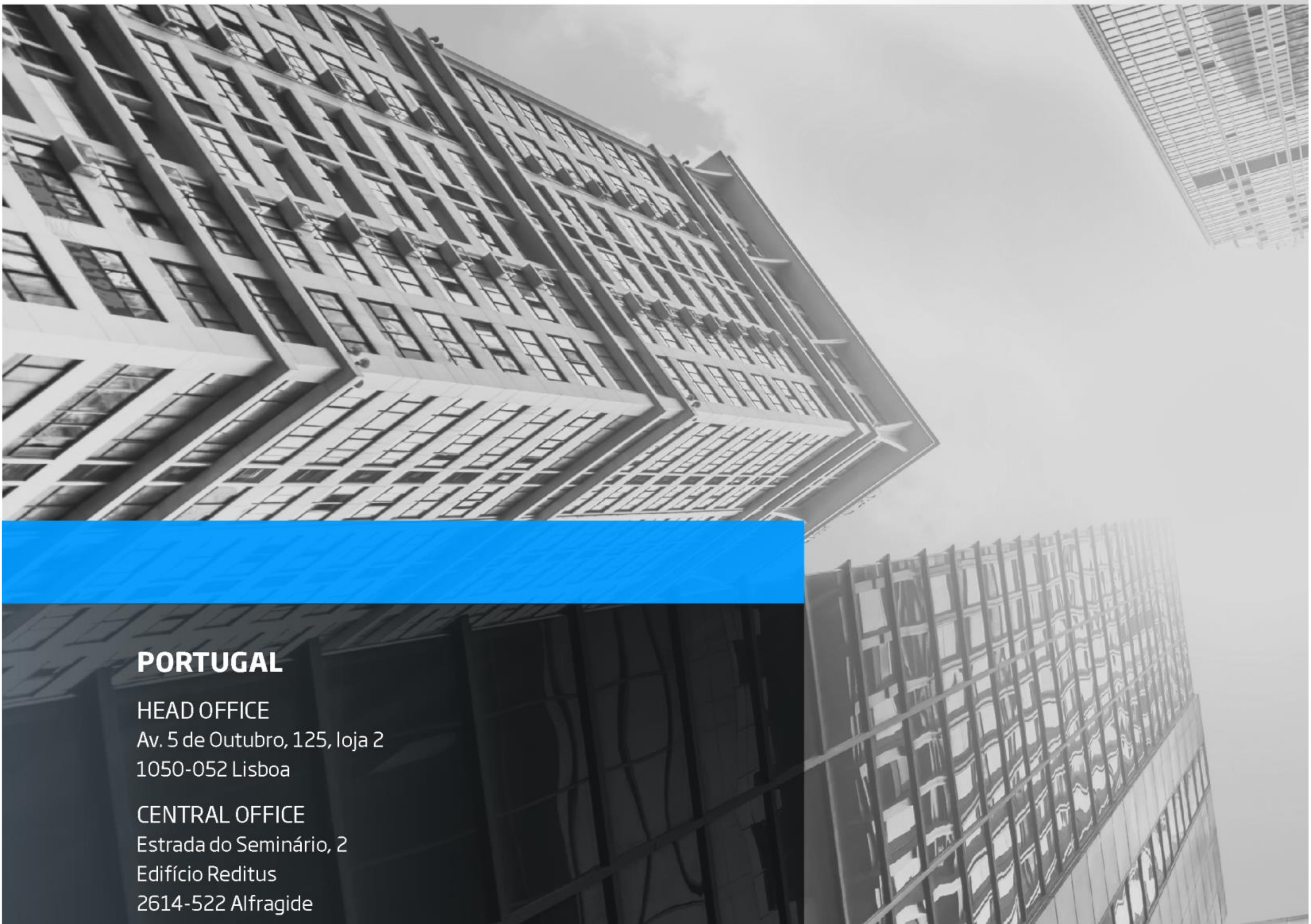
"We have found in Ogimatech a partner with several competencies that can support us in the implementation of several strategic initiatives in the fields of Organization, Processes and Information Technologies. We have projects underway in the area of IT Service Management (ITIL). We acknowledge Ogimatech as a Company with a high level of skills and experience with a very pragmatic and focused approach to achieving results. I stress out the ability to transmit knowledge to our team. We decided to start this collaboration and so far it has gone beyond expectations."
Edgar Mawete, Management Advisor
Banco SOL

"The relationship between BOM and Reditus is based on the real essence of the outsourcing concept, the control of the activity is efficiently guaranteed by a joint management team that guarantees, the planning and control of the assets management, on the Brisa side, and the management of resources, on the Reditus side. "
Luís Baptista
Head of Operations @ Brisa Operação e Manutenção

"We have teamed up with Reditus from the very first day of Banco CTT. My assessment of this partnership has so far been very positive. Reditus has always demonstrated great professionalism, competence and flexibility and, above all, a great focus on the end Customer. The partnership with Reditus has allowed Banco CTT to reach, with its support Hotline, one of the highest levels of customer satisfaction in the financial sector."
João Manaças
Head of Digital Channels, CRM & Contact Center @ Banco CTT

"Associação DNS.PT is the entity responsible for name registration and operation under the .PT's Top Level Domain (TLD) allocated to Portugal, and assumes itself as a crucial service which guides its performance according to the highest technical, security and quality standards, while focusing on the requirements and the expectations of over 900,000 customers and partners.
Under this framework and while promoting innovative management practices that enhance the continuous creation of value for .PT, we have selected Reditus as the strategic partner to manage the interface with our clients.
With its highly committed and qualified team of professionals, Reditus is a partner who takes on the mission and vision of .PT as its own, constantly challenging us to do more and better.
Ana Cunha
Customer Management at DNS.PT

ANNUAL REPORT



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