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SONAECOM GROUP

1.1. Group at a glance

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1.1. Group at a glance

Sonaecom is a sub-holding of the Sonae Group for the Technology, Media and Telecommunications areas, created in 1994 and first quoted on Euronext Lisbon in 2000.

Its business portfolio includes the Software and Technology area, with Sonae Investment Management, the Online & Media area where there are businesses such as the "Público" daily, generalist newspaper which has been in print for over 28 years in Portugal and the Telecommunications area, which owns an important stake in the NOS group, which is the main asset in its portfolio.

Sonaecom holds a participation of 50% in ZOPT, SGPS, S.A., which in turn holds 52.15% of the share capital of NOS, SGPS, S.A. (NOS).

1.1.1. About Sonaecom

Our mission

Sonaecom is an entrepreneurial growth company that chooses exceptional people to work and unlock their full potential.
Sonaecom relentlessly pursues the creation of innovative products, services and solutions that fulfil the needs of its markets and generate superior economic value.

1.1.2. Our values

Ethics and trust

Our fundamental commitment is to create economic value founded on the principles of ethical business practice and sustainable development. We take a long-term strategic view based on stakeholder relationships built around confidence and trust.

People at the centre of our success

We develop the competencies and capabilities of every Sonaecom employee through fresh challenges, an appetite for change and teamwork. Supported by an internal culture that promotes meritocracy, we believe these factors are crucial to attracting, retaining and developing people with outstanding talent and potential.

Ambition

As our guiding force, the strength of our ambition is reflected in the way we continuously challenge ourselves to remain resilient and determined in our efforts to improve our capabilities and add value to our clients.

Innovation

Innovation is the lifeblood of our business. By continuously challenging conventions, we consistently surprise the market. We believe that failure can also be a source of learning. At the same time, we are aware that it is important to balance mistakes within acceptable risk limits.

Social responsibility

We have an active sense of social responsibility. With a strong concern for the environment and the development of human knowledge, fulfilling this responsibility involves helping to improve the lives of the communities around us.

Frugality and efficiency

We value efficiency and healthy competition, and continuously strive to optimise the use of our resources while maximising their returns.

Co-operation and independence

We take a position of independence and autonomy in relation to central and local government. That said, we are always ready to co-operate with the authorities to improve the regulatory, legislative and social environment.

1.2. Corporate developments in 2018

Shareholders' Annual General Meeting

On 3 May 2018, Sonaecom's shareholders decided, at the company's Annual General Meeting, to approve all the proposals of the agenda, namely:

1. Discuss and approve the Company's Annual Report, and the Individual and Consolidated Accounts for 2017;
2. Decide on the proposed appropriation of the Net Results for year ended 31 December 2017;
3. Assess the management and audit of the Company;
4. Discuss and approve the document setting out the proposed remuneration policy to be applied to the Company's management and auditing bodies and to persons discharging managerial responsibilities, as well as on the plan to grant shares and its respective regulation to be applied by the Shareholders' Remuneration Committee;
5. Authorise the purchase and sale of own shares up to the limit of 10%, as permitted by Portuguese Company Law;
6. Authorise both purchasing or holding of shares of the Company by affiliated companies, under the terms of Article 325-B of Portuguese Company Law.

Acquisition of several minority stakes:

- **Jscrambler**

In February, Sonae IM invested in Jscrambler, a Portuguese startup that develops a security solution to protect Web and Mobile Applications (Javascript code). The company raised a 2.3 million dollars in a series A financing round that was led by Sonae IM with the co-investment of Portugal Ventures.

- **Nextail**

In May, Sonae IM invested in Nextail, a Spanish company that has developed a cloud-based platform that combines artificial intelligence and prescriptive analytics to upgrade retailers' inventory management processes and store operations. The company raised a $10.0 million Series A round led by London and Amsterdam based venture capital firm KEEN Venture Partners LLP ("KEEN"), together with Sonae IM and existing investor Nauta Capital. The new financing is being used to accelerate product development and double the size of the team, as it grows internationally.

- **Case on IT/ Medux**

IT is a Spanish company that has developed Medux, a machine learning solution for the measurement, prediction and analysis of landline, mobile and television services quality. Medux measures the customer experience in markets that collectively serve over 600 million users worldwide. In June 2018, the company raised a Series B round of international fund with Sonae IM.

- **Reblaze**

In July, Sonae IM invested in Reblaze, an Israeli company that provides proprietary security technologies in an unified platform, shielding assets from threats found on the Internet. The company raised a Series A round in which Sonae IM participated, along with JAL Ventures and Data Point Capital.

- **CiValue**

CiValue is an Israeli company with offices in New York, Paris, and Tel Aviv, is a disruptive provider of cloud-based Precision Marketing and Supplier Advertising Platforms for Retailers. In August, Sonae IM, coupled with Nielsen, led a $6M Series A investment.

- **Visenze**

In December, Sonae IM invested in Visenze, a Singapure-based company that relies on artificial intelligence to boost image-based trading. The company was founded in 2012 and has offices in Singapore, China, UK, USA, South Korea and Japan, "as well as global customers including leading retailers such as Rakuten, ASOS, Zalora, among others".

- **Investments through Vector I Fund**

During the year 2018, Sonae IM, through its fund, together with IFD (Instituição Financeira de Desenvolvimento, SA), and in which it holds a 50.13% stake, invested in several assets in the early stage stages: Sensei, Advert.io, Binary Answer (Placeme), Reckon.ai and Whitefantasy (Habit).

- Investments through Bright

During 2018, Bright invested in Beamy, a French company that owns a platform that aggregates and manages various technologies for retailers, and has launched a new MVP (minimum valuable product) based on blockchain, the Taikai.

Reinforcement of several minority stakes:

The year 2018 was also marked by the reinforcement of investment in some of Sonae IM's minority interests, such as in Stylesage, Ometria, Arctic Wolf and Secucloud.

Changes in participations in Armilar Venture Partners Funds

As a participant in the FCR - Armilar Venture Partners II Fund and as a result of Outsystems' latest funding round, the Technology area received a capital allocation of € 57.8 million.
In addition, during 2018, Sonae IM reinforced its stake in Venture Partners III Venture Capital Fund.

Majority acquisitions

In June, **Nextel** acquisition was announced as well as the plan to merge these two landmark companies in the cybersecurity sector in Spain, S21sec and Nextel. The resulting company is the most important "pure player" (company specializing exclusively in the cybersecurity sector) in Spain and Portugal in terms of turnover and number of cybersecurity experts.

At the end of December, was announced the acquisition of a controlling stake in **Excellium**, a Luxembourg leader in the cybersecurity market. In a still fragmented market, this consolidation process positions the group as "one of the most relevant European players" in cybersecurity, with more than 500 employees and a direct presence in six countries. The company has "the most prestigious financial institutions, government entities and other economic groups active in the Benelux" in its customer base.

1.3. Disclosure of Non-Financial Information

The non-financial information and the information about diversity at Sonaecom, as required by Decree Law n.89/2017, from July, 28th, which transposes the Directive n. 2014/95/UE from the European Parliament and of the Council, will be disclosed in the Sonae Group Sustainability Report, accordingly with the mentioned law and in the terms of article 508º-G n. 7 from the Portuguese Commercial Companies Code, introduced by that law.

MANAGEMENT REPORT

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SONAECOM BUSINESS

2.1. Business overview in 2018

2.2. Telecommunications Results in 2018

2.3. Technology Results in 2018

2.4. Media Results in 2018

2.5. Risk Management

2.1. Business Overview in 2018

2.1.1. Sonaecom Consolidated Results

Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method – which owns 52.15% stake in NOS, continued to present strong results, reinforcing competitive position, through RGU growth and solid revenues trends above the market, although reflective of mature service penetration. The cost discipline and operational efficiencies are the base of increased operating profitability. Investing to secure long-term competitiveness in a continuously evolving and technologically sophisticated sector gives the confidence in future performance supportive of progressive and sustainable shareholder remuneration.

Technology area, continued to pursue its active portfolio strategy, with fourteen new investments closed throughout the year and reinforcement in some portfolio companies while commanding a strong pipeline with multiple active processes, across all investment stages. As Limited Partner of the "Fundo FCR – Armilar Venture Partners II" and as a result of the last Outsystems financing round, the Technology area received a capital distribution of 57.8 million euros in June.

Consolidated turnover in 2018 reached 169.1 million euros, increasing 21.2%, when compared to 2017. Excluding the contribution of Nextel, the cybersecurity company acquired at the end of 2Q18, the turnover increased by 14.6%.
This positive evolution was driven by both Media and Technology area, the latter presenting a growth of 22.7% y.o.y, or 15.5%, on a comparable basis.

Operating costs amounted to 169.4 million euros, 19.4% above 2017. Personnel costs grew 9.4% reflecting the increase in the average number of employees, also driven by the consolidation of Nextel. Commercial costs increased 35.4% to 66.1 million euros, mainly driven by the higher cost of goods sold, aligned with the higher level of sales. Other operating costs increased 13.5%, mainly explained by a new accounting procedure regarding distribution costs at Media and increase in Outsourcing costs.

Total EBITDA stood at 35.5 million euros, essentially on the back of equity results that are mostly driven by ZOPT contribution which, in turn, depends on NOS net income evolution. Underlying EBITDA reached 2.4 million euros, significantly above the 0.3 million euros presented in 2017, mainly driven by Technology area but also with positive contribution from Media.

Sonaecom's EBIT increased to 24.4 million euros, from 17.8 million in 2017, mainly explained by the higher level of EBITDA.
Net financial results reached a value close to zero in 2018 that compares with negative 1.0 million in the previous year.

Sonaecom's earnings before tax (EBT) increased from 16.8 million to 24.4 million euros, driven by the higher EBIT and financial results.

Indirect results reached 42.7 million euros, that compare with 6.8 million euros in 2017, impacted by Armilar Venture Funds' portfolio fair value adjustments and capital gain generated by the AVP II Fund capital distribution.

Net results group share stood at 70.0 million euros, significantly above the 22.8 million euros presented in 2017.

Sonaecom's operating CAPEX decreased to 7.7 million euros, reaching 4.6% of turnover, 1.6 p.p. below 2017.

The cash position stood at 219.6 million euros, increasing 21.6 million euros since December 2017, driven namely by the 19.8 million euros of dividends from ZOPT, the €55.2 million received from AVP II Fund (net of taxes) and the positive operating cash flow of 2.0 million euros, despite the 31.1 million of investment cash out and the 11.3 million euros of dividends distribution.

2.1.2. Sonaecom Consolidated Income Statement

Million euros	Non-audited							
CONSOLIDATED INCOME STATEMENT	4Q17	4Q18	Δ 18/17	3Q18	q.o.q.	2017	2018	Δ 18/17
Turnover	**34.5**	**46.4**	**34.7%**	**40.0**	**16.1%**	**139.6**	**169.1**	**21.2%**
Service Revenues	23.4	26.7	14.0%	24.8	7.5%	87.5	96.5	10.3%
Sales	11.1	19.8	78.4%	15.2	30.1%	52.0	72.6	39.4%
Other Revenues	0.9	1.1	33.8%	0.7	74.0%	2.7	2.7	1.4%
Operating Costs	**35.2**	**46.7**	**32.6%**	**40.4**	**15.6%**	**141.9**	**169.4**	**19.4%**
Personnel Costs	14.8	16.8	14.0%	16.7	0.9%	57.3	62.7	9.4%
Commercial Costs[1]	10.3	17.8	74.0%	13.3	34.3%	48.8	66.1	35.4%
Other Operating Costs[2]	10.2	12.0	17.7%	10.4	15.2%	35.8	40.6	13.5%
EBITDA	**3.4**	**5.3**	**56.6%**	**10.3**	**-48.8%**	**27.3**	**35.5**	**29.9%**
Underlying EBITDA[3]	0.1	0.9	-	0.3	-	0.3	2.4	-
Equity method[4]	3.3	4.4	34.1%	10.1	-56.2%	27.0	33.1	22.6%
Underlying EBITDA Margin (%)	0.3%	1.9%	1.6pp	0.6%	1.3pp	0.2%	1.4%	1.2pp
Depreciation & Amortization	2.1	3.8	78.4%	2.9	32.6%	9.4	11.1	17.9%
EBIT	**1.2**	**1.5**	**24.6%**	**7.5**	**-79.9%**	**17.8**	**24.4**	**36.6%**
Net Financial Results	**-0.6**	**-0.3**	**45.8%**	**0.2**	**-**	**-1.0**	**0.0**	**-**
Financial Income	1.8	1.2	**-32.6%**	0.8	45.3%	4.6	4.4	-5.4%
Financial Expenses	2.3	1.5	-35.7%	0.6	134.6%	5.7	4.4	-23.0%
EBT	**0.6**	**1.2**	**84.7%**	**7.7**	**-84.3%**	**16.8**	**24.4**	**45.2%**
Tax results	-2.7	3.3	-	0.0	-	-0.8	2.9	-
Direct Results	**-2.1**	**4.5**	**-**	**7.7**	**-42.1%**	**16.0**	**27.2**	**69.8%**
Indirect Results[5]	**0.0**	**-5.1**	**-**	**-0.1**	**-**	**6.8**	**42.7**	**-**
Net Income	**-2.1**	**-0.7**	**-**	**7.6**	**-**	**22.9**	**69.9**	**-**
Group Share	-2.1	-0.6	70.7%	7.7	-	22.8	70.0	-
Attributable to Non-Controlling Interests	0.1	-0.1	-	-0.1	41.6%	0.1	0.0	-

(1) Commercial Costs = COGS + Mktg & Sales Costs; (2) Other Operating Costs = Outsourcing Services + G&A + Provisions + others;
(3) Includes the businesses fully consolidated by Sonaecom;
(4) Includes the 50% holding in Unipress, the 50% holding in SIRS, the 50% holding in Big Data, the 50% holding in ZOPT, the 27.45% holding in Secucloud and the 22.88% holding in Probe.ly
(5) Includes equity method adjustments related with AVP funds and related taxes.

2.1.3. Sonaecom Consolidated Balance Sheet

Million euros	Non-audited							
CONSOLIDATED BALANCE SHEET	4Q17	4Q18	Δ 18/17	3Q18	q.o.q.	2017	2018	Δ 18/17
Total Net Assets	**1,105.6**	**1,203.1**	**8.8%**	**1,165.4**	**3.2%**	**1,105.6**	**1,203.1**	**8.8%**
Non Current Assets	839.9	895.4	6.6%	854.2	4.8%	839.9	895.4	6.6%
Tangible and Intangible Assets	28.2	29.6	5.0%	26.5	11.8%	28.2	29.6	5.0%
Goodwill	23.4	37.3	59.8%	25.6	45.8%	23.4	37.3	59.8%
Investments	777.2	815.1	4.9%	788.6	3.4%	777.2	815.1	4.9%
Deferred Tax Assets	7.3	10.3	40.3%	10.8	-4.8%	7.3	10.3	40.3%
Others	3.8	3.0	-21.1%	2.7	12.5%	3.8	3.0	-21.1%
Current Assets	265.7	307.7	15.8%	311.2	-1.1%	265.7	307.7	15.8%
Trade Debtors	47.2	50.9	8.0%	33.7	51.3%	47.2	50.9	8.0%
Liquidity	202.0	229.0	13.4%	245.2	-6.6%	202.0	229.0	13.4%
Others	16.5	27.7	68.3%	32.3	-14.2%	16.5	27.7	68.3%
Shareholders' Funds	**1,031.9**	**1,075.3**	**4.2%**	**1,075.9**	**-0.1%**	**1,031.9**	**1,075.3**	**4.2%**
Group Share	1,030.3	1,076.1	4.4%	1,077.2	-0.1%	1,030.3	1,076.1	4.4%
Non-Controlling Interests	1.6	-0.7	-	-1.4	46.6%	1.6	-0.7	-
Total Liabilities	**73.7**	**127.8**	**73.3%**	**89.5**	**42.7%**	**73.7**	**127.8**	**73.3%**
Non Current Liabilities	18.5	48.2	160.7%	23.1	109.1%	18.5	48.2	160.7%
Bank Loans	2.4	3.7	53.9%	3.7	-1.5%	2.4	3.7	53.9%
Provisions for Other Liabilities and Charges	3.6	23.6	-	3.3	-	3.6	23.6	-
Others	12.5	21.0	67.5%	16.1	30.5%	12.5	21.0	67.5%
Current Liabilities	55.2	79.5	44.0%	66.5	19.7%	55.2	79.5	44.0%
Loans	1.2	5.2	-	3.9	32.7%	1.2	5.2	-
Trade Creditors	16.0	18.9	18.2%	13.5	40.3%	16.0	18.9	18.2%
Others	38.0	55.4	45.7%	49.0	12.9%	38.0	55.4	45.7%
Operating CAPEX[1]	2.0	2.4	18.0%	1.4	68.0%	8.6	7.7	-9.8%
Operating CAPEX as % of Turnover	5.8%	5.1%	-0.7pp	3.5%	1.6pp	6.1%	4.6%	-1.6pp
Total CAPEX	11.0	25.1	127.6%	6.6	-	20.6	45.4	120.0%
Underlying EBITDA - Operating CAPEX	-1.9	-1.5	22.5%	-1.1	-28.6%	-8.2	-5.3	35.2%
Gross Debt	4.1	9.5	130.6%	7.9	19.6%	4.1	9.5	130.6%
Net Debt	-197.9	-219.6	-10.9%	-237.3	7.5%	-197.9	-219.6	-10.9%

(1) Operating CAPEX excludes Financial Investments.

2.1.4. Sonaecom Consolidated Free Cash Flow (FCF)

Million euros	Non-audited							
LEVERED FREE CASH FLOW	4Q17	4Q18	Δ 18/17	3Q18	q.o.q.	2017	2018	Δ 18/17
Underlying EBITDA-Operating CAPEX	**-1.9**	**-1.5**	**22.5%**	**-1.1**	**-28.6%**	**-8.2**	**-5.3**	**35.2%**
Change in WC	23.6	5.5	-76.7%	9.0	-38.7%	22.6	9.1	-59.6%
Non Cash Items & Other	1.2	-5.9	-	-0.2	-	1.8	-1.8	-
Operating Cash Flow	**22.9**	**-1.9**	**-**	**7.7**	**-**	**16.2**	**2.0**	**-87.9%**
Investments	-8.7	-16.3	-87.4%	-5.1	-	-12.1	24.0	-
Dividends	0.0	0.0	-	2.5	-100.0%	16.5	19.8	19.6%
Financial results	-1.2	0.0	-	0.4	-97.6%	-4.0	1.1	-
Income taxes	-1.5	2.1	-	-11.1	-	-0.5	-8.9	-
FCF[1]	**11.5**	**-16.1**	**-**	**-5.6**	**-185.6%**	**16.1**	**38.0**	**135.5%**

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

2.2. Telecommunications Results in 2018

NOS operating revenues were 1, 576.2million euros in 2018, growing 1.1% y.o.y..
EBITDA reached 591.8 million euros, increasing 2.8% when compared to 2017 and representing a 37.5% EBITDA margin.
CAPEX amounted to 375.7 million euros in 2018, a decrease of 0.4% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX increased 9.0%.

At the end of 2018, net financial debt totalled 1,068.1 million euros, equal to 1.8X EBITDA, and with an average maturity of 2.9 years.

NOS published its 2018 results on 7th March 2019, which are available at www.nos.pt.

During 2018, NOS share price decreased 3.4% from €5.481 to €5.295, whilst PSI20 decreased by 12.2%.

Operational Indicators

Million euros	Non-audited							
Operational Indicators ('000)	4Q17	4Q18	Δ 18/17	3Q18	q.o.q.	2017	2018	Δ 18/17
Total RGUs	9,411.7	9,605.0	2.1%	9,569.9	0.4%	9,411.7	9,605.0	2.1%
Convergent RGUs	3,650.6	3,902.2	6.9%	3,871.3	0.8%	3,650.6	3,902.2	6.9%

Financial indicators

Million euros	Non-audited							
NOS HIGHLIGHTS	4Q17	4Q18	Δ 18/17	3Q18	q.o.q.	2017	2018	Δ 18/17
Operating Revenues	398.9	408.9	2.5%	395.0	3.5%	1,558.6	1576.2	1.1%
EBITDA	126.6	130.0	2.7%	156.2	-16.8%	575.4	591.8	2.8%
EBITDA margin (%)	31.7%	31.8%	0.1pp	39.5%	-7.7pp	36.9%	37.5%	0.6pp
Net Income	17.0	18.4	8.6%	44.1	-58.3%	122.1	141.4	15.8%
CAPEX	114.0	95.3	-16.4%	101.0	-5.6%	377.2	375.7	-0.4%
EBITDA-CAPEX	12.5	34.7	176.7%	55.2	-37.1%	198.2	216.0	9.0%

2.3. Technology Results in 2018

The Technology area aims to build and manage a portfolio of technology businesses around retail and telecommunications, as well as cybersecurity, with an international scale. This area currently comprises, alongside with minority stakes, Bright Pixel and Vector I fund, six controlled companies – WeDo Technologies, S21Sec, Saphety, Bizdirect, Inovretail and Excellium- that generated circa 49.2% of its revenues outside the Portuguese market with 43.9% out of the total 1,218 employees based abroad (Excellium figures to be included only after January 1st, 2019).

Controlled Companies

WeDo Technologies is a worldwide leader in Revenue Assurance and Fraud Management that works with more than 180 telecommunications operators in over 100 countries. The international markets represented 79.5% of its turnover.
WeDo Technologies' market leadership was recognized by Stratecast (Frost & Sullivan's Global Stratecast Communication Services Providers Financial Assurance Market Leadership) and, during 2018, WeDo was named Vendor to Watch in Gartner Report.
During 2018, the commercial activity performed positively resulting in twelve new telecom customers based in South Korea, Indonesia, USA, Brazil, Nigeria, Kazakhstan, Saudi Arabia, Servia, Mexico, and Australia. This year was marked by a positive evolution on revenues and profitability.

S21Sec is a reference multinational pure cybersecurity player, focused on the delivery of cyber security services and development of proprietary supporting technologies, with a global customer base, leveraging its teams in Spain, Portugal and Mexico.
In June, Nextel acquisition was announced as well as the plan to merge these two landmark companies in the cybersecurity sector in Spain, S21sec and Nextel. The resulting company is the most important "pure player" (company specializing exclusively in the cybersecurity sector) in Spain and Portugal in terms of turnover and number of cybersecurity experts.
The combined company is focused on positioning as a MSSP (Managed Security Services Provider) in the market.

Excellium is a market-leading managed security services provider from Luxembourg, with presence in Belgium and more than 100 experts. Sonae IM acquired this controlling stake at the end of 2018 with no impact on 2018 results.
This majority stake acquisition, together with the stake on S21sec, turns Sonae IM's cybersecurity group as one of the most relevant cybersecurity services pure players in Europe, counting with more than 500 professionals and direct presence in 13 cities across 6 countries.
The significant European scale and cross-country presence of this group of cybersecurity companies will be key to address the increasingly challenging needs of all organizations and specially the requirements of those large and multi-national companies operating in the European space, while ensuring agile and fast response from specialized teams close to the customer.

Saphety is a leading company in solutions for electronic documents exchange, electronic invoicing and data synchronization amongst companies. Currently, its client portfolio has over 3800 companies and over 140 thousand users throughout 37 countries. International market already represents more than 30.4% of its revenues.
2018 was marked by a positive evolution in Colombia and in its new electronic bill presentment offer for invoice issuers.

Bizdirect is a technology company specialized in IT solutions commercialization, consulting and management of corporate software licensing contracts and Microsoft solutions integration.
During 2018, the cloud business unit improved its presence on helping customers in digital transformation and the solutions business unit achieved important new customer references. Bizdirect Competence Center, in Viseu, contributed to the international revenues that already represent 8.5% of total revenues.

InovRetail is a retail innovation company that provide data science solutions and digital tools that deliver quantifiable insights and actionable recommendations with direct and sustainable impact on retailer's key metrics. The company's main product is the Staff Empowerment Solution, a SaaS based solution that help retailers in three key areas like Sales Performance Enhancement; Customer Experience Optimisation and Advanced Planning & Scheduling. During 2018, the company started to penetrate new markets as Spain and UK, invested in building up the sales team and won its first international customers.

Bright Pixel is a company builder studio whose goal is to transform the creation of new ventures and the way companies address innovation. Bright Pixel is managing a venture lifecycle going from experimentation and lab phases that have the objective to identify ideas and projects that should be brewed in its incubation program. Bright Pixel invests and supports the development of internally brewed projects as well as assisting their first batch of invited startups in their product development roadmap and market rollout.
Bright Pixel is also investing in events, like Pixels Camp, to link its activity to the tech community as well as promoting a close relationship with its partners, by developing quick proof of concepts aimed at resolving technology and business needs in themes such as retail, media, cyber-security and telecommunications.

Minority Stakes (non-exhaustive)
Probe.ly, having started as an internal project of Bright Pixel, won the Caixa Capital Empreender Award 2017, has stepped from MVP (minimum valuable product) to an independent Web Application Security startup.

Armilar Venture Funds are the 3 Venture Capital funds in which Sonae IM owns participation units acquired to Novo Banco. With this transaction, concluded in December 2016, Sonae IM reinforced its portfolio with sizeable stakes in leading edge companies such as Outsystems and Feedzai, both consistently presenting meaningful and sustainable levels of growth. During 2018, Sonae IM recorded a significant capital gain with the AVP II Fund capital distribution subsequent to the partial sale of Outsystems.

Stylesage is a strategic analytics SaaS platform that helps fashion, home and beauty retailers and brands with critical pre, in and post season decisions globally. Every day, StyleSage pulls product data from competitors' ecommerce websites from around the world. Then, with groundbreaking technology in machine learning and visual recognition, StyleSage cleans, organizes, and analyzes the massive amounts of collected data into a cloud-based dashboard that empowers brands and retailers to make informed, data-driven decisions in areas such line planning, markdown optimization, and global expansion.

Ometria is a London based AI powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers. This investment was done by Sonae IM in the Series A round, alongside several

strategic investors (including Summit Action, the US VC fund of the Summit Series) and was recently reinforced during an internal round.

Secucloud is a Germany based company that provides a cloud security platform for protecting all devices (subscriber endpoints) and operating systems with no installation required, offered to Telcos & ISPs as a white label solution. Sonae IM totally subscribed the multi million Series B financing round.

ArcticWolf, a US based campany, is a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response (MDR), which provides a unique combination of technology and services for clients to quickly detect and contain threats. US technology investors Lightspeed Venture Partners and Redpoint were joined by Sonae IM and Knollwood Investment Advisory in the series B round. During 2018, the Company closed a $45M Series C round at a significant higher valuation, in which Sonae IM participated reinforcing its stake.

Continuum Security is a Spanish based company with an application security platform to address vulnerabilities early in the development process. In order to realise their international growth plans, the company has raised an investment round of €1.5million euros, which was led by Swaanlaab Venture Factory and joined by JME Venture Capital and Sonae IM.

Jscrambler is a Portuguese startup that develops a security solution to protect Web and Mobile Applications (Javascript code). The company raised a 2.3 million dollars in a series A financing round that was led by Sonae IM with the co-investment of Portugal Ventures.

Nextail is a Spanish company that has developed a cloud-based platform that combines artificial intelligence and prescriptive analytics to upgrade retailers' inventory management processes and store operations. The company raised a $10.0 million Series A round led by London and Amsterdam based venture capital firm KEEN Venture Partners LLP ("KEEN"), together with Sonae IM and existing investor Nauta Capital. The new financing is being used to accelerate product development and double the size of the team, as it grows internationally.

Case on IT is a Spanish company that has developed Medux, a machine learning solution for the measurement, prediction and analysis of landline, mobile and television services quality. Medux measures the customer experience in markets that collectively serve over 600 million users worldwide. The company raised a Series B round of international fund with Sonae IM.

Reblaze is an Israeli company that provides proprietary security technologies in a unified platform, shielding assets from threats found on the Internet. The company raised a Series A round in which Sonae IM led jointly with JAL Ventures and Data Point Capital.

CiValue is an Israeli company with offices in New York, Paris, and Tel Aviv, is a disruptive provider of cloud-based Precision Marketing and Supplier Advertising Platforms for Retailers. Sonae IM, coupled with Nielsen, led a $6M Series A investment.

Visenze is a Singapore-based company that delivers intelligent image recognition solutions that shorten the path to action as consumers search and discover on the visual web. Retailers use ViSenze to convert images into immediate product search opportunities, improving conversion rates. Media companies use ViSenze to turn any image or video into an engagement opportunity, driving incremental revenue. Sonae IM co-led, with Gobi Partners, a $20M Series C round that will enable the artificial intelligence company to further invest in its penetration among smartphone manufacturers, as well as with consumer and social communication applications.

2.3.1. Financial data

Million euros	Non-audited							
TECHNOLOGY AREA	4Q17	4Q18	Δ 18/17	3Q18	q.o.q.	2017	2018	Δ 18/17
Turnover	**31.2**	**42.7**	**36.8%**	**36.4**	**17.3%**	**125.9**	**154.6**	**22.7%**
Service Revenues	21.9	25.2	14.7%	23.7	6.1%	81.9	91.0	11.1%
Sales	9.3	17.6	89.1%	12.7	38.0%	44.0	63.6	44.5%
Other Revenues	0.7	0.9	33.8%	0.5	80.8%	1.8	1.9	5.1%
Operating Costs	**29.7**	**41.4**	**39.3%**	**35.6**	**16.5%**	**123.1**	**149.9**	**21.8%**
Personnel Costs	12.1	14.2	17.4%	14.1	0.9%	47.4	52.7	11.3%
Commercial Costs[1]	9.3	17.0	82.3%	12.3	37.5%	44.5	62.5	40.4%
Other Operating Costs[2]	8.3	10.3	23.1%	9.2	12.3%	31.2	34.7	11.0%
EBITDA	**1.8**	**1.9**	**3.6%**	**1.1**	**76.6%**	**4.3**	**5.5**	**27.7%**
Underlying EBITDA[3]	2.1	2.2	1.4%	1.3	61.2%	4.7	6.6	41.9%
Equity method[4]	-0.3	-0.3	10.7%	-0.3	-3.2%	-0.3	-1.1	-
Underlying EBITDA Margin (%)	6.8%	5.1%	-1.8pp	3.7%	1.4pp	3.7%	4.3%	0.6pp
Operating CAPEX[5]	1.6	2.1	25.6%	1.3	55.9%	7.3	7.0	-4.4%
Operating CAPEX as % of Turnover	5.3%	4.8%	-0.4pp	3.6%	1.2pp	5.8%	4.5%	-1.3pp
Underlying EBITDA - Operating CAPEX	0.5	0.1	-80.3%	0.0	-	-2.6	-0.4	86.2%
Total CAPEX	**10.7**	**24.9**	**132.5%**	**6.5**	**-**	**19.4**	**44.7**	**130.3%**

(1) Commercial Costs = COGS + Mktg & Sales; (2) Other Operating Costs = Outsourcing Services + G&A + Provisions + others; (3) Includes the businesses fully consolidated at Technology area; (4) Includes the 50% holding in Big Data, the 27.45% holding in Secucloud and the 22.88% holding in Probe.ly; 5) Operating CAPEX excludes Financial Investments;

Turnover increased 22.7% y.o.y., or 15.5% on a comparable basis (excluding the contribution of Nextel).
This performance was supported on a strong performance of the commercial activity across all companies.

Operating costs increased 21.8% to 149.9 million euros. Staff costs increased 11.3% driven by the growth in the number of employees, mainly driven by Nextel consolidation. Commercial costs increased 40.4% mainly driven by cost of goods sold, aligned with the higher level of sales. Other operating costs increased 11.0%, mainly explained by the higher level of Outsourcing Costs.

EBITDA reached 5.5 million euros, 27.7% above 2017. Underlying EBITDA reached 6.6 million euros increasing 41.9%, when compared to 2017, and reaching a margin of 4.3%.

Underlying EBITDA-operating CAPEX stood at negative 0.4 million euros, but significantly higher than 2017, explained by the lower level of Operating CAPEX but mainly driven by the higher EBITDA.

2.4. Media Results in 2018

During 2018, Público continued to pursue its digital strategy reinforcing digital competencies and presence in online platforms. Moreover, the company continued to be recognized, among others, by SND (Society for News Design), that already attributed 3 Award of Excellence to 3 Ípslon Front Pages, an Award of National Daily Newspaper of the year and a Golden award of Best Front Page, Observatório de Ciberjornalismo also recognized Público attributing an Excellence Award to its website.

The company continued to implement important initiatives aimed at strengthening Público as the reference Portuguese speaking news organisation: opinion panel renovation, offline distribution improvement and digital skills reinforcement, while developing two digital media projects funded by Google DNI (Digital News Initiatives) Innovation Funds.

The positive performance of online subscriptions and contents coupled with the impact of a new accounting procedure regarding distribution costs, translated into an overall 4.0% revenue growth, when compared to 2017.

2.5. Risk Management

Risk Management is one of the components of Sonaecom's culture and a pillar of Corporate Governance. Sonaecom's activity is exposed to a variety of risks, namely:

Economic Risks

Sonaecom is exposed to the economic environment in Portugal, although, due to the increasing pace of the internationalization of the Software and Technology area, this exposure is more and more mitigated.

In the scope of economic risks, we can highlight the need for constant technological innovation, the risk of competition and the risk of specialization in the scope of Portfolio Management.

A more detailed description of these risks and the instruments used for their coverage is included in the Corporate Governance Report.

Financial Risks

The Company's activity is exposed to a variety of financial risks such as market risk, interest rate risk, currency risk, liquidity risk and credit risk, arising from the characteristic uncertainty of the financial markets, which is reflected in the ability to forecast cash flows and profitability.

The financial risk management policy of the Company, underlying a perspective of continuity of long term operations seeks to minimize potential adverse effects arising from that uncertainty, using, whenever possible and advisable, derivative hedging instruments. A more detailed description of the risks and the instruments used for their coverage is included in the notes to the accounts.

MANAGEMENT REPORT

3 CAPITAL MARKETS

3.1. Equity Capital Markets in 2018

3.2. Share price evolution during 2018

3.3. Shareholding structure and own shares

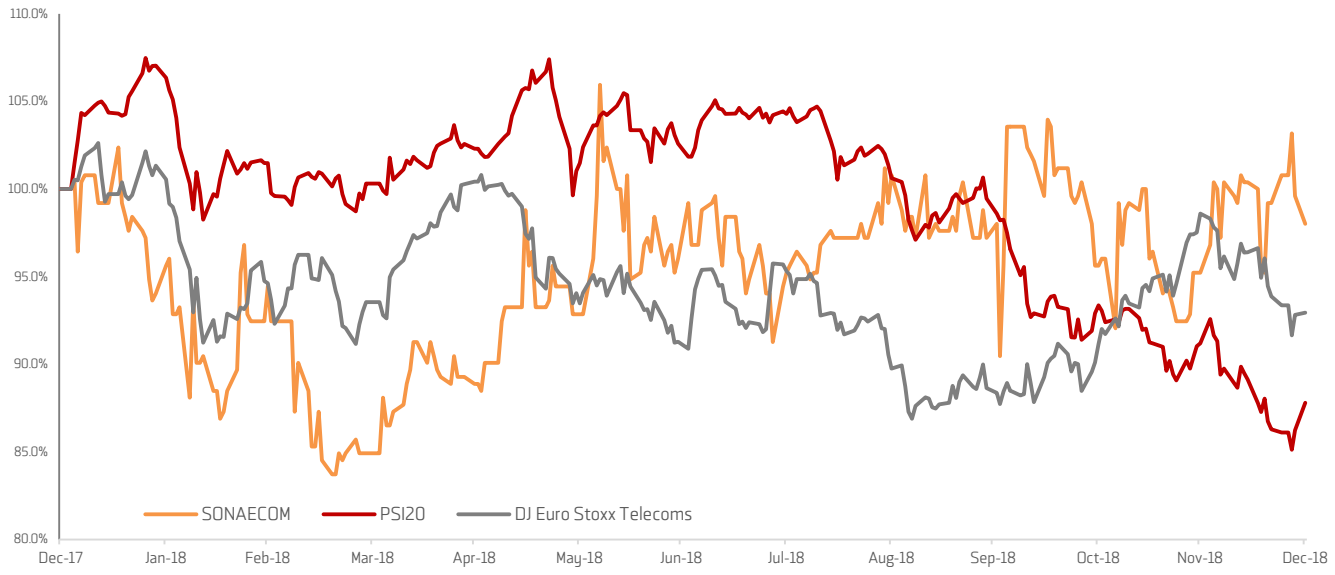
3.1. Equity Capital Markets in 2018

Sonaecom shares have been listed on the Portuguese Stock Exchange – Euronext Lisbon – since June 2000, with the symbol SNC. The table below lists the main statistics relating to Sonaecom's 2018 stock performance.

Sonaecom shares on the stock market during 2018

Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNC0AM0006
Bloomberg code	SNC PL Equity
Reuters code	SNC.LS
Number of shares outstanding	311,340,037
Share capital	230,391,627
Stock price as of last day December (euros)	2.470
Stock price – High (euros)	2.670
Stock price – Low (euros)	2.110
Average daily volume – 2018 (# shares)	23,231
Average daily volume – 2017 (# shares)	26,307
Market capitalisation as of last day December (euros)	769,009,891

Market performance



Graph 1 – Sonaecom's performance vs PSI 20 and DJ Euro Stoxx Telecoms in 2018

At the end of 2018, Sonaecom's shares reached a market price of 2.470 euros per share, 2.0% below the closing price of 2.520 euros per share at 31 December 2017. The share price reached a maximum of 2.670 euros per share on 6 June 2018 and a minimum of 2.110 euros on 19 and 20 Mach 2018.

As far as the Portuguese market is concerned, PSI-20, the principal local stock index, ended 2018 at 4,731.47 points, a decrease of 12.2% versus year-end 2017. DJ Euro Stoxx Telecoms, the European Stock Telecommunications index, ended 2018 with an annual decrease of 7.0%.

Sonaecom's market capitalisation stood at approximately 769 million euros at the end of 2018. The average daily trading volume reached approximately 23,000 shares, a 11.7% decrease compared to 2017 (less 3,000 shares).

3.2. Share price evolution during 2018

Sonaecom's share performance

In 2018, Sonaecom's market share price decreased 2.0% compared to 2017.

Sonaecom shares would have been influenced by various milestones during the year, as follows:

- 12 March 2018: Sonaecom full-year 2017 consolidated results released;
- 3 May 2018: Shareholders' Annual General Meeting held with release of information on approved decisions;
- 16 May 2018: Information about the payment of the dividends for 2017;
- 16 May 2018: Sonaecom first quarter 2018 consolidated results released;
- 13 June 2018: Information about notification of FCR Armilar Venture Partners II Fund;
- 27 July 2018: Sonaecom first-half 2018 consolidated results released;
- 12 November 2018: Sonaecom first nine months 2018 consolidated results released;
- 28 December 2018: Information about administrator resignation.

3.3. Shareholding structure and own shares

In accordance with the Portuguese Securities Code, shareholdings amounting to or exceeding the thresholds of 2%, 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.67% and 90% of the total share capital must be reported to the Portuguese Securities Market Commission and disclosed to the capital market. Reporting is also required if the shareholdings fall below the same percentages.

Simplified Sonaecom shareholding structure

Shareholder	Number of shares held	% Shareholding as at 31 Dec. 2018
Sonae - SGPS, S.A.	275,086,083	88.36%
Own shares	5,571,014	1.79%
Free Float	30,682,940	9.86%

Sonae – SGPS, S.A. (Sonae) is Sonaecom's largest shareholder, owning an 88.36% stake in Sonaecom, equivalent to 89.97% of the voting rights. Sonae is a Portuguese multinational retail company, market leader in Portugal in food and specialised retail formats, with two core partnerships: shopping centres and telecoms. At 31 December 2018, the free float stood at approximately 9.86%. The free float is the percentage of shares not held or controlled by shareholders with qualified holdings and excluding own shares.

Sonaecom didn't acquire or sell treasury shares in 2018.

4 SONAECOM INDIVIDUAL RESULTS

4.1. Operational data

4.2. Financial data

4. Sonaecom Individual Results in 2018

4.1. Operational data

Sonaecom SGPS's individual results for the years ended 31 December 2018 and 2017 are summarised as follows:

Million euros	2017	2018	Difference	%
Service Revenues	0.5	0.5	(0.0)	-3%
Operating Costs (1)	1.9	1.8	(0.1)	-5%
EBITDA	(1.3)	(1.3)	0.0	1%
EBIT	(1.3)	(1.3)	0.0	2%
Dividend Received	16.5	19.8	3.2	20%
Net Financial Activity	1.6	1.0	(0.6)	-39%
Other Financial Results	(0.9)	(3.0)	(2.1)	-223%
EBT	15.8	16.4	0.6	4%
Net Income	15.8	16.9	1.1	7%

(1) Excluding depreciation, amortisation and provisions.

On 31 December 2018, Sonaecom SGPS's Board of Directors was composed of three directors (the same of last year), and six employees.

Service revenues

This line totalled 0.5 million euros and it essentially comprises management services provided to its subsidiaries.

Total operational costs

Total operating costs exclude depreciation, amortisation charges and provisions. This line amounted to 1.8 million euros, which compares with 1.9 million euros in 2017.

EBITDA

EBITDA was negative by 1.3 million euros, almost in line with the previous year. The slight improvement versus last year was mainly driven by the reduction in operating costs.

Dividends received

In 2018, Sonaecom received dividends from ZOPT, amounting to 19.8 million euros (16.5 million euros in 2017).

Net financial activity

The net financial activity (interest income less interest expenses) was positive by 1.0 million euros, which compares with 1.6 million euros in 2017.

Other financial results related with investments

Other financial results related with investments were negative by 3.0 million euros due to an impairment recorded in the financial investments in the amount of 3.3 million euros. In 2017, were negative by 0.9 million euros due to an impairment recorded in the financial investments in the amount of 0.8 million euros.

Net income

Net results for the year were positive by 16.9 million euros, mainly driven by dividends.

The amount of 30,803.98 euros is already reflected in the net income and is planned for a part of the short term variable bonus of executive directors, as a distribution of profit, pursuant to art. 33 n.2 of the Articles of Association as proposed by the Remunerations Committee, which is responsible for the implementation of the remuneration policy approved at the General Meeting held on May 3rd, 2018. Additionally, an amount of 76,438.98 euros to be distributed to the employees as a distribution of profit, is also reflected in the net income.

4.2. Financial data

The following table summarises the major cash movements during the year ended at 31 December 2018:

Changes in Sonaecom SGPS Liquidity	Million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2017	**190.9**
Cash and Bank	120.9
Treasury Applications	70.0
Bank	70.0
Subsidiaries	0.0
Changes in Nominal Gross Debt	**-**
External Debt	-
Treasury applications from subsidiaries	-
Shareholder Loans and Supplementary capital granted	**25.7**
Dividend paid	**(11.3)**
Free Cash Flow	**7.5**
Interest paid	(0.1)
Interest received	1.0
Dividend received	19.8
Operational Free Cash Flow and others	(13.2)
Sonaecom SGPS stand-alone liquidity as at 31 December 2018	**212.7**
Cash and Bank	210.8
Treasury Applications	1.9
Bank	0.0
Subsidiaries	1.9

During the year 2018, Sonaecom's stand-alone liquidity increased 21.8 million euros to 212.7 million euros due to the following movements:

(i) Supplementary capital placed in subsidiaries decreased by 19.5 million euros;
(ii) Loans granted to subsidiaries decreased 6.2 million euros;
(iii) FCF was positive by 7.5 million euros (including dividends of 19.8 million from ZOPT);

and despite,

(iv) Payment of dividends amounted to 11.3 million euros.

MANAGEMENT REPORT

5

SUBSEQUENT EVENTS

5. Subsequent events

On March 1st, Sonae IM, along with AITEC and BPI, and according with its active portfolio management strategy, has came to an agreement to sell 100% of Saphety's shares to the members of its management team, backed by Oxy Capital. The closing is still subject to some events but is expected to the end of March.

MANAGEMENT REPORT

6

PROPOSAL FOR THE APPLICATION OF RESULTS

6. Proposal for the application of results

The Board of Directors proposes that the net profit in the Individual accounts, in the amount of 16,866,108.06 euros be transferred as follows:

i) 843,305.40 euros to legal reserves;
ii) 16,022,802.66 euros is distributed to shareholders;

The Board of Directors also proposes that the total amount of €16,847,281.48 from Other Reserves be equally distributed to shareholders.

Since it is not possible to determine precisely the number of treasury shares that will be held by the company on the date of the above mentioned payments without limiting the company's capacity for intervention, we highlight the following:

i) Each share issued will be paid a gross dividend of 0.112 euros;
ii) The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.112 euros per issued share) will not be paid to shareholders, but will instead be maintained in Other Reserves.

MANAGEMENT REPORT

APPENDIX

Glossary

Statement of the Board of Directors

Article 447 and Qualified Shareholdings

GLOSSARY

Commercial Costs	COGS+ Marketing & Sales (Advertising plus Commissions)
Other Operating Costs	External Supplies and Services except those referred above as Marketing & Sales + Provisions + Others
EBITDA	Underlying EBITDA + Equity method results (namely ZOPT net income) + non recurrent items (when applicable)
Underlying EBITDA	Operating Results excluding Amortizations and Depreciations
EBIT	Direct EBT deducted from financial result or EBITDA deducted from Depreciations and Amortizations
EBT	Direct Result before minority results and taxes
Indirect Results	Negative Goodwill related to AVP funds, net of correspondent deferred tax liabilities
CAPEX	Gross Investments in tangible and intangible assets and investments in acquisitions
Operating CAPEX	CAPEX excluding Financial Investments
Free Cash Flow (FCF)	EBITDA – CAPEX – change in working capital – financial results – taxes
Gross Debt	Bonds + bank loans + other loans + shareholder loans + financial leases
Net Debt	Bonds + bank loans + other loans + shareholder loans + financial leases – cash, bank deposits, current investments and other long term financial applications

Statement of the Board of Directors

Statement under the terms of Article 245 Paragraph 1, c) of the Portuguese Securities Code

The signatories individually declare that, to their knowledge, the Management Report, the Consolidated and Individual Financial Statements and other accounting documents required by law or regulation were prepared meeting the standards of the applicable International Financial Reporting Standards, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, financial position and the consolidated and individual results of the issuer and that the Management Report faithfully describes the business evolution and position of the issuer and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face.

The Board of Directors

Ângelo Gabriel Ribeirinho Paupério

Maria Cláudia Teixeira de Azevedo

João Pedro Magalhães da Silva Torres Dolores

Article 447 and Qualified Shareholdings

- Article 447

Board of Directors

		Additions		Reductions		Position at 31.12.2018	Balance at 31 December 2018
	Date	Quantity	Market price €	Quantity	Market Price €		Quantity
Ângelo Gabriel Ribeirinho dos Santos Paupério							
Sonae- SGPS, S.A.[6]							-
Sale	24.05.2018			212 987	1.152		
Enxomil - Consultoria e Gestão, S.A. [10] (a)						Dominant	
Enxomil - Sociedade Imobiliária, SA [11] (a)						Dominant	
Maria Cláudia Teixeira de Azevedo							
Efanor Investimentos, SGPS, S.A.[1]						Minoritary	
Linhacom, SGPS, S.A.[4]						Dominant	
Sonae- SGPS, S.A.[6]							377 318
António Bernardo Aranha da Gama Lobo Xavier							
Sonae- SGPS, S.A.[6]							-

a) Includes shares held indirectly.

Management

		Additions		Reductions		Balance at 31 December 2018
	Date	Quantity	Market price €	Quantity	Market price €	Quantity
David Graham Shenton Bain						
Sonae- SGPS, S.A.[6]						20 000
Rui José Gonçalves Paiva						
Sonae- SGPS, S.A.[6]						306 768
Shares attributed under the Medium Term Incentive Plan	11.04.2018	68 310	0.1110			
Carlos Alberto Rodrigues Silva						
Sonae- SGPS, S.A.[6]						146 646
Shares attributed under the Medium Term Incentive Plan	11.04.2018	28 019	0.1110			
Fernando José Lobo Pimentel Macareno Videira						
Sonae- SGPS, S.A.[6]						161 639
Shares attributed under the Medium Term Incentive Plan	11.04.2018	32 463	0.1110			
Ana Cristina Dinis da Silva Fanha Vicente Soares						
Sonae- SGPS, S.A.[6]						41 697

		Additions		Reductions		Position at 31.12.2018	Balance at 31 December 2018
	Date	Quantity	Market price	Quantity	Market price		Quantity
(1) Efanor Investimentos, SGPS, S.A.							
Sonae - SGPS, S.A.[6]							200 100 000
Pareuro, BV[2]						Dominant	
(2) Pareuro, BV							
Sonae - SGPS, S.A.[6]							849 533 095
(3) Migracom, SGPS, S.A.							
Imparfin - Investimentos e Participações Financeiras,S.A.[5]						Minority	
Sonae - SGPS, S.A.[6]							2 874 339
(4) Linhacom,SGPS, S.A.							
Imparfin - Investimentos e Participações Financeiras,S.A.[5]						Minority	
Sonae - SGPS, S.A.[6]							189 314
(5) Imparfin- Investimentos e Participações Financeiras, S.A.							
Sonae - SGPS, S.A.[6]							4 105 280
(6) Sonae - SGPS, S.A.							
Sonaecom, SGPS, S.A.[9]						Dominant	
Sonae Investments BV[7]						Dominant	
Sontel BV[8]						Dominant	
(7) Sonae Investments BV							
Sontel BV[8]						Dominant	
(8) Sontel BV							
Sonaecom, SGPS, S.A.[9]						Dominant	
(9) Sonaecom, SGPS, S.A.							5 571 014
(10) Enxomil - Consultoria e Gestão, S.A.							
Sonae - SGPS, S.A.[6]							2 021 855
(11) Enxomil - Sociedade Imobiliária, SA							
Sonae - SGPS, S.A.[6]	24.05.2018	212 987	1152				662 987

- Qualified Shareholdings

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

(1) Sonaecom SPGS, S.A is indirectly controlled company by Efanos Investimentos SGPS, S.A. ("Efanor"), as of this company indirectly controls Sonae SGPS, S.A. and Sontel BV. Efanor Investimentos SGPS, S.A., with effect from 29 November 2017, has no longer a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code

* Voting rights calculated based on the Company's share capital with voting rights, as per subparagraph b) of paragraph 3 of article 16 of the Portuguese Securities Code

**Voting rights calculated based on the Company's share capital with voting rights that are not subject to suspension of exercise

ANNUAL REPORT 2018

II

CORPORATE GOVERNANCE

Part I Shareholding Structure, Organisation and Corporate Governance

Part II Statement of Compliance

Appendices I and II

PART I - SHAREHOLDING STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. Shareholding Structure

I - Share capital structure

1. Capital structure

The company's share capital is 230,391,627.38 euros, fully subscribed and paid up and is divided into 311,340,037 registered ordinary shares with a nominal value of 0.74 Euro each.

All shares representing the share capital of Sonaecom are traded in the Euronext Lisbon regulated market.

2. Restrictions on share transferability and ownership

There are no restrictions on the transferability or ownership of Sonaecom shares.

3. Treasury shares

At 31 December 2018, Sonaecom held 5,571,014 treasury shares, representing 1.789% of its share capital.

4. Impact of the change in Sonaecom shareholder control on significant agreements

There are no agreements signed by Sonaecom that include clauses intended to constitute defensive measures against change in its shareholding control or which would cease in case of change in control of the company after a takeover bid.

The majority of Sonaecom's share capital is owned by one single shareholder.

5. System to which the renewal or removal of defensive measures are subject, in particular those which establish the limitation of the number of votes that can be cast or exercised by a single shareholder individually or in agreement with other shareholders

No shareholders' agreements regarding Sonaecom are known.

6. Shareholders' agreements

No shareholders' agreements regarding Sonaecom are known.

II - Shareholdings and holdings of bonds

7. Qualified shareholdings

In compliance with the Article 8, paragraph 1, subparagraph (b) of the Securities and Exchange Commission Regulation 05/2008, the qualified shareholdings representing at least 2% of the share capital of Sonaecom, SGPS, S.A., indicating the number of shares held and the percentage of voting rights, calculated in accordance with article 20 of the Portuguese Securities Code, at 31 December 2018, are described as follows:

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

(1) Sonaecom SPGS, S.A is indirectly controlled company by Efanos Investimentos SGPS, S.A. ("Efanor"), as of this company indirectly controls Sonae SGPS, S.A. and Sontel BV. Efanor Investimentos SGPS, S.A., with effect from 29 November 2017, has no longer a controlling shareholder under the terms and for the purposes of articles 20 and 21 of the Portuguese Securities Code

* Voting rights calculated based on the Company's share capital with voting rights, as per subparagraph b) of paragraph 3 of article 16 of the Portuguese Securities Code

**Voting rights calculated based on the Company's share capital with voting rights that are not subject to suspension of exercise

8. Number of shares and bonds held by the members of the management and supervisory bodies, submitted pursuant to art. 447 paragraph 5 of the Portuguese Companies Code

The information can be found in Appendix of the Management Report.

9. Powers of the Board of Directors on share capital increases

This is a competence that corresponds exclusively to the General Shareholders' Meeting.

10. Business relationships between the owners of qualified shareholdings and the company

Business and transactions with holders of qualified shareholdings are part of the usual and regular activity of the subsidiaries that comprise the portfolio of Sonaecom and are carried out under normal market practices and conditions. In addition, when related parties are involved, these transactions are scrutinised and, if significant, approved in advance by the Statutory Audit Board.

No significant business or commercial transactions were carried out in 2018 between the Company and owners of qualified shareholdings in the company.

B. Statutory Governing Bodies and Committees

I - Shareholders' General Meeting

a) Composition of the Board of the Shareholders' General Meeting

11. Identification and roles of the members of the General Shareholders' Meeting Board and respective mandate

The Shareholders' General Meetings are directed by a Board elected by the shareholders for a four-year mandate, which begins and ends within the same calendar mandate as that of the other statutory governing bodies.

The members of the Board of the Shareholders' General Meeting throughout the reference year were:

Manuel Eugénio Pimentel Cavaleiro Brandão	- Chairman	Mandate 2016-2019
Maria da Conceição Henriques Fernandes Cabaços	- Secretary	Mandate 2016-2019

All the resources necessary are provided to the General Meeting for the performance of its functions, namely through the Secretary of the Company.

b) Exercise of the Voting Rights

12. Possible restrictions on voting rights

The company's Articles of Association do not envisage any restriction in terms of voting rights. The company's share capital is integrally represented by a single kind of shares that correspond to one vote per share.

Pursuant to the law and the company's articles of association, shareholders with voting rights have the right to participate, discuss and vote at the General Shareholders' Meeting if, on the registration day (which is considered to be at 0:00 GMT of the fifth trading day before the meeting), they own shares which grant them at least one vote. Shareholders shall also comply with the legal formalities as described in the corresponding notice of the meeting.

The right to vote by proxy and how such right may be exercised is also given on the notice for each General Meeting, pursuant to the law and Articles of Association.

Notwithstanding the need to prove they are shareholders, shareholders can vote by post regarding all matters under appreciation at the General Meeting. The General Meeting notice shall contain adequate information about postal voting.

The Company also has an electronic voting system that allows shareholder unlimited access to exercise voting rights. Shareholders are advised how to vote electronically in the General Meeting notice.

13. Maximum percentage of voting rights that may be exercised by a single shareholder or by a group of shareholders that are related to the latter as set forth in paragraph 1 of article 20

There is no statutory limitation on exercising voting rights.

14. Shareholder decisions which, due to the Articles of Association, may only be taken with a qualified majority

As established in the Company's Articles of Association, any decisions made by the General Shareholders' Meeting shall be by simple majority, unless otherwise required by law.

II – Management and Supervision

a) Composition

15. Identification of the adopted governance model

This company has adopted the monist governance model, in terms of articles 278, paragraph 1 - a) and 413 paragraph 1 - b), both of the Companies Code. The management structure is centralised in the Board of Directors complemented by a delegation of powers in the Executive Committee. The Board of Directors is the body in charge of managing the company's business, performing all the administration functions pertaining to the corporate purpose, monitoring risks, and executing the organisation's objectives and strategy. The Executive Committee exercises the powers delegated to it by the Board of Directors concerning current matters of the company and which excludes the matters listed in paragraph 27 of this Report.

The supervisory structure includes a Statutory Audit Board and a Statutory External Auditor.

16. Statutory regulations on procedural and material requirements applicable to the appointment and replacement of the members of the Board of Directors

The members of the Board of Directors are elected in accordance with the provisions established by the law and the Articles of Association, in the terms specified in the proposal approved in the General Shareholders' Meeting.

The Articles of Association establish that, should shareholders representing at least 10% of the share capital vote against the winning proposal for the election of the directors, a director will be elected by the shareholders in said minority, in the same meeting, and the director elected shall automatically replace the person with the lowest number of votes in the winning list, or, in case of an equal number of votes, the person in the last position in the list. One shareholder may not nominate more than one candidate.

Should candidates be nominated by more than one group of shareholders, the vote shall concern those candidacies as a whole. These regulations shall not apply to the election of a substitute director.

It is also statutorily established that in case of death, resignation, or any temporary or definitive incapacity of any director (other than a director elected under the minority rule), the Board of Directors shall replace that director through co-option. This appointment shall be subject to ratification by the shareholders in the following General Meeting.

However, the definitive absence, for any reason, of a director appointed under the aforementioned special rules shall lead to a new election by the General Meeting.

The Board of Directors shall appoint its Chairman.

Recognizing the benefits of diversity within its board of directors and audit board as pillar of good governance, the company adopted a Diversity Policy for the management and supervisory bodies.

With such policy, the company seeks a significant and differentiated representation of gender, origins, qualifications and professional experience, as a way to ensure its alignment with the stakeholders' interests and to achieve an enhanced balance in its composition. Such policy, takes into account not only the nature and complexity of the activities carried out by the company, but also the context in which it operates.

In this sense, the Company undertakes to develop all efforts to ensure that, in the selection of the members of these corporate bodies, there are imperative criteria to ensure that they meet a greater breadth and diversity of knowledge, skills, experience and values.

These criteria focus mainly on: (i) gender diversity; ii) the professional qualification along with the necessary renewal of the composition of the governing bodies, in order to ensure a compatibility between seniority and the diversification of career paths, avoiding group thinking; iii) the plurality of knowledge and iv) not considering the age as an obstacle and without a restrictive view on the limits of such age, in particular regarding the following:

Gender: gender diversity aims to promote the existence of different perspectives and styles, bringing innovation and creativity to the respective body;

Professional experience: the coexistence of professional and diversified backgrounds provides appropriate know-how to the Company's activities and to the defined strategy, namely in the following areas: financial, accounting, legal, corporate governance, securities / derivatives market, retail, industry, investor relations, banking, corporate social responsibility, risk management, auditing, procurement and asset management, marketing, environment and sustainability;

Qualifications: a balanced diversity of professional qualifications enables the company to have the skills necessary to carry out its activities and the defined strategy, taking into account their complexity. The inclusion of different areas such as engineering, economics, management, law and other areas, promotes the diversity of technical knowledge, which will allow a better understanding of the issues, risks and opportunities inherent to the activity of the company; and
Age: the society does not have a restrictive view of the age limits for the exercise of managing or supervisory functions. The company trusts that age diversity will allow to combine the experience of older members with the perspective of the younger ones, which may result in a more innovative, agile and thoughtful decision-making process.

The company undertakes to implement and monitor the alignment of this policy with the most advanced corporate governance standards and to review it with adequate frequency (always in reasonable time before each elective general meeting), taking into account also the rules and principles of non-discrimination, including on the basis of ethnic origin, race, disability or sexual orientation.

In what regards the compliance with the described policy, reference is made to Appendix I, where the curricula of the members of the Board of Directors and the Statutory Audit Board of the company are available, showing the diversity of the same, in what referrers to gender, age, academic qualifications and professional experience.

It should also be noted in such respect that, as of 31 December 2018, the company fully complied with the balanced representation of men and women in management and supervisory bodies in listed companies, imposed by law since 1 August 2017.

17. Composition of the Board of Directors

Composition

Pursuant to the Sonaecom's Articles of Association, the Board of Directors may be constituted by an odd or even number of members, between a minimum of three and a maximum of twelve, elected by the shareholders in the General Shareholders' Meeting. The Board of Directors' term of office is four years and its members may be re-elected.

In 2018, the composition of the Board of Directors was as follows:

Members	Date of 1st Appointment	End of term of office
Ângelo Gabriel Ribeirinho dos Santos Paupério	24/04/2007	31/12/2019
António Bernardo Aranha da Gama Lobo Xavier*	23/04/2010	31/12/2019
Maria Cláudia Teixeira de Azevedo	05/04/2006	31/12/2019

* The Director António Bernardo Aranha da Gama Lobo Xavier resigned on 28 December 2018, with effect on 31 January 2019. Following this resignation, and by resolution of the Board of Directors taken on 12 March 2019, João Pedro Magalhães da Silva Torres Dolores was co-opted to exercise the position of Non-Executive Director, integrating the current mandate.

18. Description of the members of the Board of Directors

Members

Ângelo Gabriel Ribeirinho dos Santos Paupério	Chairman of the Board of Directors and CEO
António Bernardo Aranha da Gama Lobo Xavier*	Non Executive Director
Maria Cláudia Teixeira de Azevedo	Executive Director

*The Director António Bernardo Aranha da Gama Lobo Xavier resigned on 28 December 2018, with effect on 31 January 2019. Following this resignation, and by resolution of the Board of Directors taken on 12 March 2019, João Pedro Magalhães da Silva Torres Dolores was co-opted to exercise the position of Non-Executive Director, integrating the current mandate.

19. Professional qualifications of the members of the Board of Directors

The academic qualifications, experience, and duties of the directors are given in Appendix I of this report.

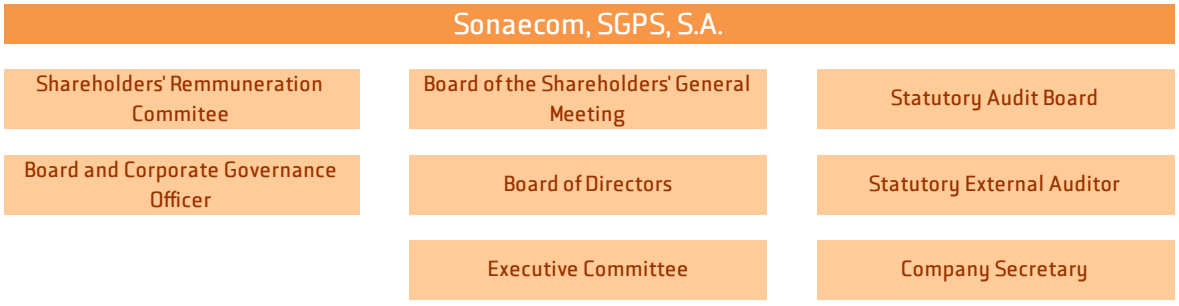
20. Significant family, professional, and commercial relationships of the members of the Board of Directors with shareholders with qualified shareholdings

Maria Cláudia Teixeira de Azevedo, executive member of the Board of Directors, is daughter of Maria Margarida Carvalhais Teixeira de Azevedo and sister of Nuno Miguel Teixeira de Azevedo and Duarte Paulo Teixeira de Azevedo, all shareholders and members of the Board of Directors of Efanor Investimentos, SGPS, S.A. ("Efanor"), a company that (indirectly) holds the control of Sonaecom's share capital. Duarte Paulo Teixeira de Azevedo (brother of the referred director) is also CEO of Sonae – SGPS, S.A. – a company that holds, as of 31 December 2018, 88.36% of the share capital of Sonaecom, corresponding to 89.97% of the voting rights.
The Chairman of the Board of Directors of Sonaecom, Ângelo Gabriel Ribeirinho dos Santos Paupério, is Co-CEO of Sonae – SGPS, S.A., shareholder of Sonaecom in the terms described above.

21. Distribution of competences among the various corporate bodies, committees, and/or company departments, including information about delegation of competence, in particular regarding delegation of the company's daily management

i) Distribution of competences among the various corporate bodies and respective committees:

Sonaecom's corporate structure clearly describes the functions, responsibilities and duties of its bodies.



Board of Directors

The Board of Directors is responsible for managing the company's business, monitoring risks, handling conflicts of interest, and executing the organisation's objectives and strategy.

Sonaecom's Articles of Association allow the Board of Directors to delegate powers in an Executive Committee when it comes to everyday business, duties and management responsibilities. The delegation made by the Board of Directors excludes the following matters, which remain the exclusive competence of the Board of Directors:

a) Appointment of the Chairman of the Board of Directors;
b) Co-optation of Directors;
c) Request to convene General Meetings;
d) Approval of the Annual Report and Accounts;
e) Provision of collateral and personal or real guarantees by the Company;
f) Decision to change the registered office or increase the share capital;
g) Decision on mergers, spin-offs or transformation of the Company;
h) Approval of the strategic management of the annual business portfolio;
i) Approval of the Company's annual budget and the group's annual business plan and any changes on the same.

The Articles of Association do not allow the Board of Directors to approve capital increases, which has to be decided in the Shareholders' General Meeting.

The Internal Regulation of the Board of Directors, approved at the Board Meeting held on 3 May 2012 and amended by the resolutions taken on 2 November 2015 and 13 March 2017, is available for consultation on the company's website (www.sonae.com) at http://other.static.sonae.com/2017/05/30/Scom___Regulamento_BoD___2017_03_13_ENG/Scom___Regulamento_BoD___2017_03_13_ENG.pdf

The corporate structure is assisted by the following functional structures:

Administrative and Financial Department

Main duties:

- To ensure the control of internal processes and transactions and the reliability and timely reporting of financial, fiscal, and management information;
- Accounting records of transactions and preparation of individual and consolidated financial reports for the companies;
- Efficient management of the Sonaecom Group's cash;
- Negotiation and contracting of the most suitable banking products and services for the Group's business needs;
- Efficient and effective management of all the administrative processes for the Sonaecom Group's business;
- Management of financial risk and support in execution of monetary market, interest rate, or exchange transactions;
- Management of the administrative processes for Accounts Payable, Receivables, Cash and Banks, Stocks, and Tangible and Intangible Assets;
- Ensuring the rigour and reliability of the financial information, with the support of the most efficient information system;
- Optimisation of the Sonaecom's Group tax efficiency, ensuring the monitoring of tax procedures in all Sonaecom businesses, as well as compliance with tax obligations;
- Management of the Sonaecom transfer pricing dossier;
- Support for decision-making and process implementation in the various areas in the Sonaecom Group;
- Collaboration in the definition of the strategy and tax objectives, in particular providing support to business internationalisation;

- Monitoring of all the litigation processes with the tax authorities;
- Participation in special projects in the Sonaecom Group, such as mergers and acquisitions and corporate restructuring.

Planning and Management Control Department

Main duties:

- Supporting the development of the corporate and/or business strategy;
- Promoting, leading, and implementing the annual strategic planning;
- Leading and monitoring the annual Sonaecom budgeting process, as well as preparing the report on budget implementation;
- Challenging the corporate business and areas as regards the goals set so as to constantly improve and optimise the efficiency of Sonaecom's business, performance, and results;
- Preparing and analysing business management information, as well as consolidated data, on a monthly, quarterly, and annual basis, analysing deviations from the budget and proposing corrective actions;
- Supporting decisions for the allocation of capital to ongoing businesses and new business opportunities; analysing the invested capital and the return on the invested capital;
- Creating business plans together with the business management teams;
- Performing technical and benchmark studies for the business in order to evaluate its performance in comparison with competitors and other players in the market.

Risk Management Department

The Risk Management is ensured at the level of company business. Thus, each business unit is involved in the functional processes, with the responsibility of implementing internal controls and managing specific risks. In general, the main responsibilities of each one of the businesses involves:

- Promoting a culture of risk awareness, as well as mediating and managing the business risks that interfere with the achievement of objectives and the creation of value in the organisation;
- Promoting and monitoring the implementation of programmes and actions aimed at bringing risk levels close to the acceptable levels established by the management.

Internal Audit Department

Main duties:

- Assessing risk exposure and checking the effectiveness of risk management and internal controls through the execution of audits of business processes and information systems;
- Proposing measures to improve controls and monitor the evolution of risk exposure associated with the main audit findings.

Legal Department

Main duties:

- Relations with Euronext Lisbon, with the Portuguese Securities Market Commissions and with shareholders regarding legal issues;
- Legal management of company governance and monitoring of compliance with best practices in this area;

- Monitoring, controlling and ensuring compliance of business activities in Software, and Technologies and Online & Media areas;
- Drafting and/or analysing contracts to maximise security and reduce legal risks and potential costs;
- Management of all aspects pertaining to the intellectual and industrial property of the various businesses, such as brands, trademarks, names, patents, logos domain names and copyright;
- Execution of all public deeds, registrations and notarial procedures required for business, whether they are commercial, property, or corporate;
- Management of all dispute processes;
- Support to obtain the various licences required for business;
- Monitoring the development of the legislation relevant to the Group's business;
- Legal support in national and international operations of the company's business, as well as analysis of new national and international operations, in particular, in the latter, regarding the legal environment in the countries under analysis;
- Mergers/demergers, acquisitions, winding up, liquidations and similar corporate restructuring.

Human Resources Department

Main duties:

- Support to senior management on the implementation and development of human resources policies;
- Defining and implementing the human resources strategy, planning and talent management on various levels;
- Ensuring the presence and development of the technical and management competences of Sonaecom executives, either through the implementation of adequate recruitment and selection practices, or through the design and implementation of transversal training and/or individualised training and development plans;
- Developing human resources management models and processes in areas such as remuneration and benefit policy; career management; social climate monitoring and development; administrative management and salary processing; staff budgeting and reporting on human resources issues; occupational health, hygiene and safety management;
- Monitoring legal occupational issues;
- Representing the company in official bodies and associations linked to this area.

Investor Relations Department

Main duties:

- Manage the relationship between Sonaecom and the financial community, through the continuous preparation and disclosure of relevant and up to date information about the company;
- Support to the Board of Directors, providing relevant information about the capital markets;
- Support in the definition of the corporate message to be disseminated to the capital market.

b) Functioning

22. Location of the Regulation of the Board of Directors

The Internal Regulation of the Board of Directors is available on the company's website (**www.sonae.com**) at http://other.static.sonae.com/2017/05/30/Scom___Regulamento_BoD___2017_03_13_ENG/Scom___Regulamento_BoD___2017_03_13_ENG.pdf

23. Number of meetings held and attendance record of each member of the Board of Directors

The Sonaecom Board of Directors meets at least four times every year, as specified by the Company's Articles of Association, and whenever the Chairman or two members of the Board of Directors call a meeting. Five meetings of the Board were held in 2018 with a 100% attendance rate, in person, of the directors Maria Cláudia Teixeira de Azevedo and Ângelo Gabriel Ribeirinho dos Santos Paupério, while the director António Bernardos Aranha da Gama Lobo Xavier was represented in three of those meetings. The following table displays detailed information about the attendance at meetings:

Meeting date	Participants
12 March 2018	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
14 May 2018	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier
27 July 2018	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier (represented by the Chairman)
12 November 2018	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier (represented by the Chairman)
14 December 2018	Ângelo Paupério Cláudia de Azevedo António Lobo Xavier (represented by the Chairman)

24. Competent governing bodies of the Company to assess the performance of the Executive Directors

To establish the variable component of remuneration, an individual evaluation of the Executive Directors' performance is carried out by the Remuneration Committee, which represents the company's shareholders, accordingly with the remuneration policy approved at the Shareholders' General Meeting. This assessment takes place once the company's performance is disclosed.

Without prejudice to the performance assessment of the Executive Directors, which is carried out by the Remuneration Committee, the Board of Directors shall annually carry out the evaluation of its performance, having as reference the fulfilment of Company's strategic plan and budget, its risk management, internal functioning and its relations with other Sonaecom's bodies.

In addition, and in accordance with article 376 of the Companies Code, the Shareholders' General Meeting annually reviews the management of the Company through a confidence or no confidence vote.

25. Pre-determined criteria for assessing the performance of the Executive Directors

The performance assessment of executive directors is based on pre-determined criteria, consisting of objective performance indicators set for each period and in line with the overall strategy of growth and positive business performance. These indicators consist of the business, economic and financial Key Performance Indicators (KPIs), subdivided into collective, departmental and personal KPIs.

The collective business KPIs consist of economic and financial indicators that are defined based on the budget and on the performance of each business unit.

Departmental business KPIs, in turn, are similar in nature to the previous ones, and they measure the specific contribution of the director to the performance of the business.

Personal KPIs include objective and subjective indicators and are intended to measure compliance with duties and commitments individually taken on by the executive director.

Additional information can be found in sections 71 to 75 below.

26. Availability of each member of the Board of Directors, indicating the positions held simultaneously in other companies, inside and outside the Group, and other relevant activities carried out by the members of those bodies during the financial year.

The information regarding the positions held by the company directors simultaneously in other companies, inside and outside the group, is disclosed in Appendix I of this Report.

Each of the members of the Board of Directors has consistently demonstrated their availability to perform their duties, having regularly attended the meetings of the body and participated in its work.

c) Board of Directors' committees and managing directors

27. Identification of the committees created within the Board of Directors and where to find their operating regulations

On 13 March 2017, the Board of Directors decided to establish an Executive Committee, which has all the powers of day-to-day management of the company under the terms of the delegation made by the Board of Directors.

The delegation resolution taken by the Board of Directors excludes the following matters, which remain within the sole competence of the Board of Directors:

a) Appointment of the Chairman of the Board of Directors;
b) Co-optation of Directors;
c) Request to convene General Meetings;
d) Approval of the Annual Report and Accounts;
e) Provision of collateral and personal or real guarantees by the Company;
f) Decision to change the registered office or increase the share capital;
g) Decision on mergers, spin-offs or transformation of the Company;
h) Approval of the strategic management of the annual business portfolio;
i) Approval of the Company's annual budget and the group's annual business plan and any changes on the same.

The Regulation of the Executive Committee (included in the Board of Directors' Internal Regulation) is available on the company's website, at:
http://other.static.sonae.com/2017/05/30/Scom___Regulamento_BoD___2017_03_13_ENG/Scom___Regulamento_BoD___2017_03_13_ENG.pdf

The Board of Directors believes that in view of the current size of the Company and the composition of the Board itself, the maintenance or creation of any other specialised committees is not justified.

The company keeps a Corporate Governance Officer, who reports to the Board of Directors, through the Chairman, or when there is one, through the Senior Independent Non-Executive Director.

The main duties of the Corporate Governance Officer are:

(i) Ensuring the smooth running of the activities of the Board and, when applicable, Board Committees;
(ii) Participating in Board Meetings and, if applicable, relevant Board Committee Meetings and, when appointed, serving as a member;
(iii) Facilitating the acquisition of information by all Board members;
(iv)Supporting the Board in defining its role, objectives and operating procedures; taking a leading role in organising Board evaluations and assessments;
(v) Keeping all Legislative, Regulatory and Corporate Governance issues under close review; supporting and challenging the Board to achieve the highest standards in Corporate Governance;
(vi) Ensuring that the Board is conscious of the concept of stakeholders and the need to protect minority interests, when important business decisions are being taken by the Board of Directors;
(vii) Helping to ensure that the procedure to nominate and appoint Directors is properly carried out and assist in the induction of new directors;
(viii) Acting as a primary point of contact and source of advice and guidance for Non-Executive Directors in particular as regards the company and its activities; facilitating and supporting the Independent Non-Executive Directors in the assertion of their 'independence';
(ix) Helping to ensure compliance with the continuing obligations of the Portuguese Securities Market Commission;
(x) Participating in making arrangements for and managing the process of Shareholders' General Meetings;
(xi) Participating in the arrangement of insurance cover for Directors and Officers;
(xii) Participating, on behalf of the company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

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

The Executive Committee is composed as follows:
Ângelo Gabriel Ribeirinho dos Santos Paupério - Chairman
Maria Cláudia Teixeira de Azevedo – Board Member

29. Indication of the powers of each of the committees created and a summary of the activities carried out in the exercise of those powers

The Board of Directors believes that in view of the adopted governance model, which takes into account (and it is considered appropriate to) the current shareholding structure and size of the Company, as well as the composition of the Board itself, it is not justified to maintain any specialized committee within the Board of Directors (besides the Executive Committee, whose powers are already described in paragraph 27 above).

The company has a Corporate Governance Officer, with the functions and responsibilities disclosed in section 27 of this Report.

The company has also a Company's Secretary, who is responsible for:

(i) Ensuring the minutes and attendance lists of the Shareholders' General Meeting;
(ii) Sending notices and other legal documents necessary to hold the General Meeting;
(iii) Supervising the preparation of supporting documentation for the General Meetings and Board of Directors' meetings and drawing up the corresponding minutes;
(iv) Responding to requests for information by the shareholders within the legal framework;
(v) Proceeding with the legal registration of any act or decision of the Company's governing bodies.

III – Audit

a) Composition

30. Identification of the supervisory bodies

The Statutory Audit Board and the Statutory External Auditor are, under the governance model currently adopted, the supervisory bodies of the Company.

31. Composition

In accordance with the Company's Articles of Association, the Statutory Audit Board may be composed of an even or odd number of members, with a minimum of three and a maximum of five members, elected for four-year terms. The Statutory Audit Board also includes one or two substitute members, depending on whether the number of members is three or more.

In 2018, the members of Statutory Audit Board, elected for the mandates referred below, were:

João Manuel Gonçalves Bastos	Chairman	2016/2019
Maria José Martins Lourenço Fonseca	Member	2016/2019
Óscar José Alçada da Quinta	Member	2016/2019
António Augusto Almeida Trabulo	(Substitute Member)	2016/2019

The Statutory External Auditor is identified in Chapter IV of this Report.

32. Level of independence of the members of the Statutory Audit Board

All members of the Statutory Audit Board are independent under the terms of article 414, paragraph 5, and they are not covered by any incompatibility under the terms of article 414-A, paragraph 1, both from the Portuguese Companies Code. The members of the Statutory Audit Board are required to immediately inform the Company of any occurrence during their term of office that may cause incompatibilities or the loss of independence, as required by law.

33. Professional qualifications

Professional qualifications and other relevant curricular elements are disclosed in Appendix I of this Report.

b) Functioning

34. Regulation and annual activity report

The operating regulation of the Statutory Audit Board can be consulted in the Sonaecom website (www.sonae.com), at http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf

The annual report and statements of the Statutory Audit Board are published in each financial year, together with the annual accounts documents prepared by the Board of Directors, available at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (regarding 2018 documents, in the tab R&A 2018/Chapter IV).

35. Meetings of the Statutory Audit Board

The resolutions of the Statutory Audit Board are taken by a majority of the votes and are always recorded in the minute's book, with dissenting members being required to give their reasons for dissent in said minutes.

The Statutory Audit Board meets at least once a quarter. In 2018, the Statutory Audit Board held six meetings with a 100% attendance rate.

36. Availability of each of the members, indicating the positions held in other companies, inside and outside the Group, and other relevant activities carried out by members of the Statutory Audit Board

Each of the members of the Statutory Audit Board has consistently demonstrated their availability to perform their duties, having regularly attended the meetings of the body and participated in its work.

The information on other positions held by members of the Statutory Audit Board, their qualifications and professional experience is included in Appendix I of this Report.

c) Powers and duties

37. Description of the procedures and criteria applicable to the intervention of the Supervisory Body for the purpose of contracting additional services from the External Auditor

It is the responsibility of the Statutory Audit Board to approve the provision of additional audit services to be provided by the External Auditor.

To that end, at the first meeting held in each financial year, the Statutory Audit Board schedules a work plan that includes supervision the External Auditor's activity in matters concerning: *(i)* the External Auditor's annual activity plan; *(ii)* monitoring the audit work, reviewing the financial statements and discussing the respective conclusions; *(iii)* supervising the External Auditor's independence; *(iv)* providing services other than audit services, in compliance with Recommendation VII.2.1 of the Corporate Governance Code (from IPCG) and *(v)* assessing annual activity.

In assessing the criteria that backed the contracting of additional services from the External Auditor, the Statutory Audit Board verifies the presence of the following safeguards:
- contracting additional services should not affect the independence of the External Auditor;
- additional services should not represent, in all services rendered, more than 30%;
- additional services not prohibited (according to the legislation currently in force) shall be provided with high levels of quality, autonomy and independence in relation to the services carried out as part of the audit process;
- guarantee of independence and impartiality in the provision of services.

38. Other functions of the Statutory Audit Board

38.1 Statutory Audit Board

The Statutory Audit Board, while performing its statutory and legally assigned functions, including the ones set out in article 420 of the Portuguese Companies Code, has the following main duties, among others:
a) To supervise the company's management;
b) To ensure compliance with the Law, the company's Articles of Association and the internal policies adopted;
c) To verify that the books of account, accounting records and supporting documentation are correctly maintained and kept up to date;
d) To verify the accuracy of the information used in the accounting documents;
e) To verify that the accounting policies and valuation criteria adopted by the company lead to a correct valuation of assets and results;
f) To prepare an annual report on the supervisory work performed and issue an opinion on the management report, accounts and other proposals submitted by the Board of Directors, in which it should express its agreement or not, with the annual management report and the annual accounts;
g) To check if the disclosed corporate governance report includes the information listed in article 245-A of the Portuguese Securities Code;
h) To convene the Shareholders' General Meeting, should the Chairman of the General Meeting fail to do this in circumstances when it is necessary;

i) To assess the functioning conditions of the risk management system, internal control system and internal audit system and to monitor the effectiveness of them, and receive the respective reports;
j) To supervise the independence of the internal auditor, particularly with regard to restrictions to its organisational independence and any lack of resources for internal audit activity;
k) To receive communications of alleged irregularities occurring in the company and presented by the company's shareholders, employees or others;
l) To appoint and hire services from experts to help one or more members in the exercise of their duties. The hiring and fees of these experts should take into consideration the complexity of the matters involved and the financial position of the company;
m) To supervise the process of preparation and disclosure of financial information;
n) To propose the appointment of the Statutory External Auditor to the Shareholders' General Meeting and corresponding remuneration;
o) To supervise the company's financial statements, and to assess the External Auditor on an annual basis and recommend his removal to the Shareholders' General Meeting, if there is due case to do so;
p) To assure that the company provides the Statutory External Auditor with the necessary conditions for carrying out its duties, to intermediate between him and the company, as well as to receive his reports;
q) To issue a prior opinion on relevant business activities (higher than 10 million euros) with qualified shareholders, or entities with whom they are in any relationship, in accordance to article 20 of the Portuguese Securities Code;
r) To comply with any other duties foreseen by the Law of by the Articles of Association.

The Statutory Audit Board obtains from the Board of Directors all information necessary for the performance of its duties, namely regarding the company's operational and financial evolution, changes in the business portfolio, terms of all transactions that occurred and details of the decisions taken. In addition, in support of the activity of the Statutory Audit Board, the Company provides the human and technical resources necessary for the organisation of meetings, preparation of agendas, minutes and supporting documentation and their timely distribution. These meetings are attended by the internal liaisons considered relevant to the issues under discussion, for presentation and explanation of the issues raised by the Statutory Audit Board.

The Statutory Audit Board is the overall supervision body of the company for matters of internal control and risk management, acts in an independent manner and has primacy over other bodies regarding the supervision of those matters.

The Supervisory Board represents the Company before the Auditor and proposes to the Shareholders' General Meeting its appointment, as well as its dismissal, also evaluating the activity performed by the Auditor, ensuring that the appropriate conditions exist within the company for the performance of its services. The Statutory Audit Board is the company's liaison and first recipient of the respective reports.

The Statutory Audit Board annually prepares a report on its supervisory action in the financial year, including an annual assessment of the Statutory External Auditor, and it issues an opinion on the management report, the consolidated and individual financial statements and the Corporate Governance report presented by the Board of Directors, in order to comply with the legal deadlines for disclosure at the date established for the Annual General Meeting. The annual report on its audit activity is included in the reports and accounts made available on the company's website.

The Regulation of the Statutory Audit Board is available on the company's website (www.sonae.com), at http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf

38.2 Statutory External Auditor

The Statutory External Auditor is the supervisory body responsible for the legal certification of the Company's financial information. Its main duties are:

a) Check the consistency of all the books, accounting records and supporting documents;

b) Whenever it deems convenient and through such means as it deems appropriate, verify the accuracy of cash and amounts of assets or securities of any type belonging to the Company or received by the Company by way of guarantee, deposit or for any other purpose;

c) Check the accuracy of the financial statements and express its opinion on them in the Legal Certification of Accounts and in the Audit Report;

d) Verify that the accounting policies and valuation criteria adopted by the Company result in the correct valuation of the assets and results;

e) Perform any necessary examinations and tests for the audit and legal certification of accounts and perform all procedures stipulated by law;

f) Verify the enforcement of remuneration policies and systems and the effectiveness and functioning of the internal control mechanisms, reporting any deficiencies to the Statutory Audit Board, under the terms of and within the scope and limits of its legal and procedural powers;

g) Cooperate with the supervisory body, providing immediate information on any irregularities relevant to the performance of the functions of the supervisory body it may have detected, as well as any difficulties encountered in the exercise of its duties;

h) Verify whether the Corporate Governance Report includes the elements referred to in article 245-A of the Securities Code.

IV – Statutory External Auditor

39. Identification of the Statutory Audit Firm and of the statutory auditor that represents it

The Statutory External Auditor of Sonaecom is PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia integrating the mandate of 2016/2019.

The substitute Statutory External Auditor is Joaquim Miguel de Azevedo Barroso (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036).

40. Number of consecutive years in which the Statutory External Auditor has performed duties for the company and/or for the group

In 2016, a new mandate corresponding to the 2016/2019 four-year period began and PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. was elected to the position of Statutory External Auditor, through a proposal submitted by the Statutory Audit Board to the Shareholders' Annual General Meeting held on 29 April 2016.

41. Description of other services rendered to the company by the Statutory External Auditor

PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. performs the duties of External Auditor and provided reliability assurance services, under the supervision of the Statutory Audit Board.

V –External Auditor

42. Identification of External Auditor designated for the purposes of article 8 and of the Statutory Auditor partner who represents it in the performance of those duties, as well as the respective registry number at the Portuguese Securities Market Commission

The Sonaecom External Auditor, designated for the purposes of Article 8 of the Portuguese Securities Code, is PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia.

The substitute Statutory External Auditor is Joaquim Miguel de Azevedo Barroso (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036).

43. Number of consecutive years in which the External Auditor and the respective Statutory Auditor partner who represents it have performed duties for the company and/or for the group

PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. was first elected on 29 April 2016, to integrate the mandate 2016/2019.

44. Policy and frequency of rotation of the External Auditor and the respective Statutory Auditor partner representing it

The Statutory Audit Board has adopted the recommended principle of not replacing the External Auditor after the end of two four-year mandates if, after a careful assessment, it concludes that the supervision of its activity does not interfere with the independence of the External Auditor, and the advantages and costs of renewing the mandate outweigh its replacement. Such principle shall also meet the conditions set forth in article 54, paragraphs 4 and 5 of Law no. 140/2015 of 7 September.

45. Body in charge of assessing the External Auditor and frequency of assessment

In accordance with the Company's governance model, the election or dismissal of the Statutory External Auditor/External Auditor is decided by the Shareholders' General Meeting, upon proposal of the Statutory Audit Board.

The Statutory Audit Board supervises the performance of the External Auditor and the work throughout each financial year, considers and approves additional work to be provided and annually conducts an overall assessment of the External Auditor, which includes an assessment of its independence.

46 and 47. Work other than auditing performed by the External Auditor for the company and/or for companies with which it is in a control relationship, as well as reporting on the internal procedures for purposes of approval of the contracting of such services and the reasons for such hiring and the annual remuneration paid by the company and/or by legal entities in a control or group relationship to the Auditor and to other individuals or legal entities belonging to the same network, and break out of the percentages for each service

The remuneration paid to the Statutory External Auditor and to the External Auditor, PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. in 2018 and 2017, under proposal of the Statutory Audit Board, and to other individuals and entities of the same company network, supported by the Company and/or by corporate entities in a control relation with the latter, are as follows, analysed by type of service:

	2018		2017	
	Values in €	%	Values in €	%
For the company *				
Statutory audit review	30,036	14%	18,926	11%
Other services	-	-	-	-
By entities inclued in the group				
Statutory audit review	186,622	86%	143,031	86%
Other services	1,000	0%	3,572	2%
Total				
Audit services	216,658	100%	161,957	98%
Other services	1,000	0%	3,572	2%
Total	217,658	100%	165,529	100%

*Includes individual and consolidated accounts

The additional services to the auditing services were contracted from the External Auditor upon authorisation from the Statutory Audit Board, which recognised that the contracting of the additional services did not affect the External Auditor's independence, and corresponded to the satisfaction of the company interests, given the provider's expertise, the history of providing services in those areas and the knowledge of the Company and its Group.

As an additional safeguard, on a quarterly basis, the Statutory Audit Board receives and analyses the information about the fees and services provided by the Statutory Auditor and, concerning the approval of the of the services to be requested to the External Auditor, it was ensured that:

a) no prohibited services are provided according to Law 140/2015, which came into force upon 1 January 2016;

b) additional services should not represent, in all services rendered, more than 30%;

c) tax consulting services and the other services, when existing, are provided by experts other than those who were involved in the audit process;

d) the fees paid by Sonaecom group to the PWC group represented less than 1% of PWC's total annual billing in Portugal;

e) the auditors' internal control system, according to the provided information, monitors the potential loss of independence risks, or of any conflicts of interest with Sonaecom and ensures the quality and the rules of ethics and independence.

Every year a "Statement of Independence" is prepared by th External Auditor, in which they guarantee the respective independence and compliance with international guidelines regarding auditor independence (IFAC – International Federation of Accountants).

C. INTERNAL ORGANISATION

I – Articles of Association

48. Rules applicable in the case of amendments to the company's Articles of Association

Amendments to the Company's Articles of Association follow the terms set out in the Portuguese Companies Code, requiring a majority of two thirds of the votes cast for approval. For a Shareholders' General Meeting to be held, in the first occasion it is convened, the Company's Articles of Association require that a minimum of 50% of the issued share capital should be present or represented at the meeting.

II - Reporting Irregularities

49. Means of and policy for reporting irregularities occurring in the company

Sonaecom's values and principles, widespread and deeply rooted in the culture of its people, are based on absolute respect and the adoption of rules of good conduct in the management of conflicts of interests and duties of care and confidentiality, having adopted a Code of Ethics which sets out the principles and standards of conduct that reflect the culture of the company.

This Code of Conduct, which should guide the actions of its employees when exercising their functions, is available at http://www.sonae.com/investidores/governo-das-sociedades/codigo-de-etica-e-conduta/?l=en
Regarding the mechanisms for detecting and preventing irregularities, these are described in the Regulation of the Company's Statutory Audit Board.

Any individual who seeks to report an irregularity that they think has been or know to have been committed by any manager, employee or partner of Sonaecom shall do so through a letter sent to the Statutory Audit Board, with a brief description of the facts. The identity of the discloser will be kept anonymous if this is expressly requested. The complaint will be analysed and, if there are grounds for reporting an irregularity, the appropriate steps will be taken.

Within this procedure, the Statutory Audit Board has the responsibility to receive reports of alleged irregularities, submitted by company shareholders, employees or by other parties. After the receipt, the Statutory Audit Board must record all alleged irregularities reported, undertake an investigation with due diligence by the Board of Directors and/or through internal and/or external auditing, and to report its/their conclusions.

Furthermore, the Whistleblowing Policy adopted by the company, is included in the Code of Conduct and is available on the Company's website - http://www.sonae.com/investidores/governo-das-sociedades/codigo-de-etica-e-conduta/?l=en - covering the entire perimeter of the Sonaecom Group.

III - Internal control and risk management

50. Individuals, bodies, or committees in charge of internal auditing and/or implementing internal control systems

Risk Management is one of the components of Sonaecom's culture and a pillar of the Corporate Governance, which is why each business unit in Sonaecom has, as part of its competencies in the functional processes, the responsibility of implementing internal controls and management of specific risks.

At the same time, the Internal Audit Department evaluates the exposure to risk and verifies the effectiveness of risk management in the internal controls of business processes and information systems. Additionally, it proposes measures to improve controls and monitor the evolution of risk exposure associated with the main audit findings and conclusions.

51. Explanation (if necessary by including an organisation chart) of the hierarchical and/or functional dependency relationships with other bodies or committees of the company

The Board of Directors monitors the activities of the Internal Audit Department, which reports functionally to the Statutory Audit Board, as a supervisory body and independent entity of the Board of Directors. Internal Audit can meet with the Statutory Audit Board, without the presence of any member of the Board of Directors.

As regards matters of internal control and risk management, the Statutory Audit Board is the supervisory statutory body, acting independently and with the responsibility of overseeing the Internal Audit plan of activities, gathering regular information on their work, evaluating findings and issuing the guidelines it deems necessary.

The External Auditor, within the scope of the annual audit process, analyses the functioning of internal control mechanisms and reports identified shortcomings.

Responsibilities for the creation, operation and periodic evaluation of the internal control and risk management systems are published under the Regulations of the Board of Directors and the Statutory Audit Board, all of which are available at the company's website.

52. Existence of other functional areas with risk control competences

Besides the areas mentioned above, Sonaecom has other functional areas and business processes with competency in controlling and monitoring risks, in particular the following:

- The area of Planning and Control, along with the respective pivots in the business areas, is responsible for preparing and monitoring the execution of annual plans of action and resources, as well as budgets and forecasts in the finance and operating areas;
- The various business areas have processes and indicators to monitor operations and KPIs;
- Technical areas have indicators and alerts for interruption of service and safety incidents at the operating level.

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

Risks are presented and ranked, in the present section, based on the ranking and structure of Sonaecom's *Business Risk Management (BRM)*. BRM is a systematic way of identifying risks that affect the organisation (everyday language) and makes it possible to define and group risks along with their main causes (dictionary of risks).

Economic risks

According to Sonaecom's BRM, economic risks are associated with the following risk categories: business environment, strategy, operations, information processing and technology, empowerment and integrity.

Economic influences

Sonaecom is exposed to the current adverse economic environment in Portugal, although, due to the increasing pace of internationalisation of the companies in the Technology area, this exposure is more and more mitigated.

Regarding WeDo Technologies, the impact of the adverse economic environment in the business is diluted due to regional expansion, to the expansion of the respective product portfolio and to the expansion to other business sectors.

S21Sec and Excellium mitigate that risk by operating in a segment of high growth and criticality in organizations.

In the case of Bizdirect, although it is still highly dependent on the national market for IT equipment, the company has continued to diversify its risk with the provision of software licensing corporate agreements' management services and with the expansion of the Microsoft solutions integration activity.

Saphety has a constant position in the domestic market as a leader in process simplification and automation solutions and has been investing in the expansion of this activity into the international market.

In the case of Público, the exposure to a segment that is going through a period of financial crisis and changing of reading trends has forced the definition of a restructuring project. With the need to ensure sustainability without compromising its role as an independent information source in Portugal, Público has continued to conduct this project, which involves a greater focus on meeting growing demands in the digital world and a sizeable reduction in its operating costs structure.

Bright Pixel, despite acting in very early stages of business and in venture capital areas, is able to mitigate its risk by working in technological market with high potential for growth and international expansion. As for Inovretail, the technological argument is also applicable.

With respect to Armilars' venture capital funds, the economic risk is mitigated by asset portfolio diversification, which operates in different segments and different geographic markets.

Technological innovation

For Sonaecom, having an optimised technology infrastructure is a critical success factor that helps to reduce potential failures in leveraging technological developments. Accordingly, its various businesses continue to take actions to optimize the technological structure and boost innovation.

WeDo Technologies is certified in Research, Development and Innovation Management (NP 4457:2007). This certification, along with its existing quality certification (ISO 9001:2008), helps the company to continue innovating sustainably and helps to mitigate potential risk factors, ensuring that the offer is continuously adapted to technological trends. In 2015, WeDo Technologies also managed to be awarded ISO/IEC 27001: 2013 certification, for the Managed Services area.

S21Sec operates in a sector that demands constant innovation and a clear domain of all technological trends and it continuously invests in research and innovation. It is also certified by UNE-EN ISO 9001:2008 quality management and by UNE-ISO/ IEC 27001:2007, Information Security management International reference standard.

Although Bizdirect assumes cloud computing as a risk factor for their activity, since it can cannibalise the market for the sale of infrastructure and reduce procurement of systems by clients, it also assumes it as a chance to extend its offer. Strategic relationships with partners allow them to offer a full portfolio of products, including cloud solutions. We emphasise, for example, the partnership that allows Bizdirect to offer integration of Microsoft solutions, such as Dynamics CRM, SharePoint, BizTalk, and Office 365.

Inovretail is certified in Research, Development and Innovation Management (NP 4457:2007) and in Quality by ISO 9001:2008.

Público has continued with restructuring of its layout and content and in adopting technological innovations in its online edition. These innovations are designed to ensure a greater alignment with the new reading habits of the Portuguese, offering new access channels to information using smartphones and tablets, as well as sustaining Público's position as the leading non-specialist online newspaper.

Competition

Sonaecom's various companies are exposed to risks of competition from other operators in the domestic and international markets in its respective businesses sectors.

Although WeDo Technologies is one of the most exposed companies to international competition, it is, nevertheless, recognized as the world leader in financial assurance software.

Business portfolio

The risk of specialization and consequent limitation of activity due to portfolio has been mitigated in all Sonaecom's businesses, through the expansion of the product line or business segments.

WeDo Technologies continues to consolidate its global presence outside Portugal and has identified new target business sectors since 2009, in order to reduce exposure to centralization in a single market and in a single line of products. Therefore, to offset the concentration of clients in the telecommunications sector, it expanded the scope of its activity into new sectors, like retail, energy, and financial sectors. It also enlarged its product portfolio, expanding from revenue assurance and fraud management to business assurance. Also, since 2012, following the acquisition of Connectiv Solutions in the USA, WeDo Technologies has included Managed Services and SaaS in its offering.

In the case of S21Sec, one of the strategic priorities is to strengthen its position in the telecommunications sector, while still maintaining its focus in the financial segment. In addition, its product portfolio is to be extended in order to evolve in the e-crime market and incorporate analytic technologies, thus allowing the expansion of its operating area.
Excellium, despite its current focus on the financial segment of Luxembourg, expects to expand to other segments, in addition to the geographical expansion in Belgium.

Bizdirect has recently expanded its portfolio to the integration of solutions focused on Microsoft technologies.

Saphety, apart from being divided into three types of solutions that can operate in integrated fashion SaaS: SaphetyGov, SaphetyBuy and SaphetyDoc, has widened its portfolio to two new solutions: SaphetySync and Electronic Bill Presentment for Telecom companies. The first is a global standard solution, based on GS1 standard, which allows for the continuous and safe data synchronization, thus representing a differentiating key-factor for the internationalization of its portfolio. The second is a solution that enables data analysis and billing process adaptation as needed, improving the flow of information between the telecommunications operator and its B2B clients.

Bright Pixel explores different types of activity being the only link to technological component.

Inovretail, despite its focus on retail segment and product sales, also includes a significant component of professional services in its portfolio.

Business interruption and catastrophic losses (Business Continuity Management)

Since Sonaecom businesses are particularly focused on the use of technology, potential faults with technical/operational resources (information system applications, servers etc.) can present a significant risk of business interruption if they are not well managed. This, in turn, can pose other risks to the company, such as adverse impacts on reputation and the brand, on the integrity of revenues and client satisfaction, and on quality of service. These can lead to loss of clients.

In the IT sector, business clients typically have a lower tolerance for interruptions. In this context, technology companies face risks associated with the availability of software platforms that support the companies' processes as well as the corresponding clients.
To identify this specific set of risks and to implement actions for prevention and mitigation that guarantee continuity of critical services and operations, Sonaecom has adopted a Business Continuity Management (BCM) programme over several years.

Confidentiality, integrity and availability (Information Security Management)

Since Sonaecom is primarily a technology, media and telecommunications group, all its subsidiary companies extensively use technology and information that are typically subject to availability, integrity, confidentiality and privacy risks.

In addition to being a technological issue, security should also be considered as a cultural and behavioural issue. In this sense, awareness is a key success factor when it comes to promoting a strong culture of information security among employees, partners and key stakeholders. Sonaecom has developed several initiatives to raise awareness and accountability over the past few years, of which the following stand out:

- A security communication plan based on campaigns to raise awareness of the issues considered most relevant in each year;
- Publication of the Information Security policy on the company's intranet, accessible to all employees from the homepage;
- Clauses on personal data protection and confidentiality in contracts with employees and business partners. All employees are bound to obligations of confidentiality, secrecy and protection of personal data. As such, they are forbidden from disclosing to third parties information to which they have access as a result of their roles in the company. These obligations and these duties shall remain in force even after the end of the employment relationship between the company and the employee. Our business partners have, generally, the same confidentiality obligations.

For specific issues related to the confidentiality and privacy of personal data, a few Sonaecom companies have appointed a Chief of Personal Data Protection Officer (CPDPO), who:

- Has responsibility for implementing and complying with the laws and regulations applicable to data processing.
- Acts on behalf of the company during interactions with the national regulatory authority for data protection (CNPD – National Data Protection Commission).
- Promotes the adoption of data protection principles that are consistent with international standards and best practices.

Product-Service failure (Professional Liability)

As Sonaecom companies are customer-oriented, we give special attention to the impact that the potential failure of our products or services may have on our customers, which, although intrinsic to their respective businesses, can generate professional civil liability. Risk events can be physical (for example: damage to equipment or facilities) or non-physical (for example: error in a software installation) and, usually, they are related to accidents, unintentional acts, errors or omissions by employees or subcontractors.

The risk management strategy selected by Sonaecom for this type of risk, involves the transfer of risk through insurers in addition to the implementation of internal controls. In this context, Sonaecom continues to carry out the actions designed and implemented in previous years relating to professional liability insurance, and which consist of:

- Implementation of improvements in certain internal controls to further reduce the causes of risk;
- Renewal of existing professional liability insurance that incorporates an extended scope of coverage and is adapted to the business realities of Technology companies and Media;
- Additional subscriptions of professional liability insurance for foreign companies, improving coverage in certain international locations where our general insurance policy is not applicable due to legal restrictions.

Financial risks

Sonaecom's businesses are exposed to a variety of financial risks associated with its operations, namely interest rate risk, foreign exchange risk, liquidity risk, and credit risks (described and analysed in detail in the Appendix to the Annual Consolidated Financial Statements).

The financial risks management policy is determined by the Board of Directors, and the risks are identified and monitored by the Finance Department and Treasury.

In addition to a management policy for each of the identified risks and the implementation of control mechanisms to identify and determine them, Sonaecom uses, among others, natural hedges, credit insurances and, occasionally, derivative financial hedging instruments. The Group's attitude in relation to financial risk management is conservative and prudent, refusing speculative purposes and resorting only to high credit quality financial institutions.

Legal, statutory and regulatory risks

Sonaecom and its businesses have the support of legal and tax departments permanently dedicated to the specifications of the corresponding activity, under management's supervision, and exercising their competencies in interaction with other functions and departments, in order to pre-emptively ensure the protection of the company's interests and businesses, in compliance with their legal obligations, as well as by applying good practices. The teams in these departments have specialized training and participate in in-house and external training courses to update their knowledge.

Legal and tax advice is also provided, nationally and internationally, by outsourced resources selected from firms with established reputations and which always have the highest standards of competence, ethics and experience.

The companies in the Technology area face an additional risk relating to the globalisation process, arising because these companies have a presence in several countries, which involves specific risks relating to very different legal frameworks in each country. Furthermore, they are exposed to specific national, local and sectorial laws and regulations of each market in which they operate and are naturally exposed to the risk arising from any regulatory or legislative changes that may condition business and, consequently, prejudice or hinder the achievement of the strategic goals.

Sonaecom collaborates with the authorities with the aim of defining an optimal legal and regulatory framework that, in our opinion, promotes the development of the information technology sector in Portugal. Such collaboration may involve sending comments in response to public consultations issued by national and international entities.

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

The risk management process is supported by a consistent and systematic methodology, based on the international standard Enterprise Risk Management – Integrated Framework issued by COSO (Committee of Sponsoring Organisations of the Treadway Commission). This methodology aims to identify business risks, assess their causes, measure triggers, manage the identified risks and, finally, monitor them.

Derived from this general framework, the management and control of the main risks facing Sonaecom, are achieved through the following key approaches and methods:

Concerning the Corporate Risk Management, this approach allows Sonaecom's businesses to prioritise and identify critical risks that might compromise their performance and goals and to take actions to manage those risks, within the predefined levels of acceptance. This is achieved through constant monitoring of risks and the implementation of certain corrective measures.

Regarding Information Safety Management, the implementation of Information Security Management processes is intended to manage the risks associated with the availability, integrity, confidentiality, and privacy of information. The scope of this process also includes the development and maintenance of the Information Security Policy, verification of compliance with policy procedures, development of training programmes and awareness, setting and supervision of KPIs for Information Security.

Finally, regarding the Specific Risk Management Cycles or Processes, the development of specific risk management cycles/processes enables the mitigation of critical risks that can impact certain processes, areas or entities, positioning these risks within the levels defined by the management team. In addition, it identifies and monitors other operational risks that management considers relevant.

55. Key elements of the internal control and risk management systems implemented in the company with regard to the financial disclosure process

Sonaecom acknowledges that, as with other listed companies with similar activities, it is potentially exposed to risks related to the financial and accounting reporting processes, in addition to other financial risks, as detailed above. Sonaecom's attitude concerning financial risk management is conservative and prudent, and these principles have been maintained during 2018.

Therefore, Sonaecom is committed to ensuring an effective internal control environment, regarding the financial reporting process, seeking, systematically, to identify and improve the most relevant processes in terms of the preparation and disclosure of financial information, with the objectives of transparency, consistency, simplicity and materiality. The internal control system aims to obtain reasonable assurance regarding the preparation of financial statements, in accordance with accounting principles and adopted policies, and warranting the quality of financial reporting.

The internal control system for the accounting and the preparation of financial statements includes the following key controls:

I. The process of disclosing financial information is documented, the risks and key controls are identified, the criteria for its preparation and disclosure are duly established and approved, and they are periodically reviewed;
II. There are three main types of controls: high-level controls (entity level controls), information systems' controls (IT level controls) and process controls (process level controls). Those include a set of procedures related to the execution, supervision, monitoring and process improvement, with the main purpose of preparing the company's financial reporting;
III. The accounting principles used, which are disclosed throughout the notes to the financial statements (see chapter III, section 1.2, note 1 in the Report and Accounts), constitute one of the fundamental pillars of the control system;
IV. The plans, procedures and records of the Group, provide a reasonable assurance that transactions are executed solely with the general or specific authorisation of management and that those transactions are recorded to ensure that financial statements comply with the generally accepted accounting principles. This also ensures that the company

keeps updated records regarding assets, that the access to said assets rely on management authorisation and that whenever differences occur checking against existing assets, appropriate measures are taken;

V. During the process of preparing and reviewing financial information, a schedule is first established and shared with the different areas involved, and all documents are reviewed in detail. This includes a review of the principles followed, verifying the accuracy of the provided information, and the consistency with the principles and policies defined and followed in previous periods;

VI. The Group's financial statements are prepared and reviewed by the Finance and Accounting Department, under the supervision of the Group's Board of Directors. The Management Report and the Corporate Governance Report are both prepared by the Investor Relations Department, with the input and further review by several business and support areas and with the support and the supervision of the Director of Corporate Governance and the Legal Department. The set of documents that constitute the annual report are sent for review and approval by the Sonaecom Statutory Audit Board and the Board of Directors. After approval, the documents are sent to the Statutory External Auditor, which issues its Legal Certification of Accounts and the Audit Report.

The most significant accounting estimates are disclosed in the notes to the financial statements. These estimates were based on the best information available during the preparation of the financial statements, and in the best knowledge and experience of past and/or present events. The most significant balances and transactions with related parties are disclosed in the notes to the financial statements. These are mainly associated with the operational activities of the Group, as well as the granting and obtaining of loans under arm's length conditions.

More specific information regarding how these and other risks were mitigated, is disclosed in the notes to the financial statements.

IV - Investor Support

56. Service responsible for investor support, composition, duties, information made available by this service and contact information

The Investor Relations Department is responsible for managing Sonaecom's relationship with the financial community - current and potential investors, analysts and market regulatory authorities - with the goal of enhancing their knowledge and understanding of the Sonaecom group by providing relevant, updated and reliable information.

The department regularly prepares presentations and communications covering quarterly, half-year and annual results. It is also its responsibility to make any announcements to the market, whenever necessary, and disclose or clarify any relevant event that could influence Sonaecom's share price.

Any interested party may contact the Investor Relations Department using the following contact details:

Tel: (+351) 22 013 2349
Fax: (+351) 22 011 8561
Email: investor.relations@sonae.com
Address: Edifício 1.A Lugar do Espido – Via Norte – 4471-909 Maia
Website: www.sonae.com

57. Representative for capital market relations

On 31 December 2018, the representative for the relations with the capital market and Euronext was António Bernardo Aranha da Gama Loba Xavier, who resigned as director and representative for capital market relations on 28-12-2018. Following this resignation, and by resolution of the Board of Directors taken on 12 March 2019, the director João Pedro Magalhães da Silva Torres Dolores was appointed as representative for the relations with the capital market and the Portuguese Securities Commission.

Contacts:

Tel: (+351) 22 013 2349

Fax: (+351) 22 011 8561

Email: market.relations@sonae.com

Address: Edifício 1.A Lugar do Espido – Via Norte – 4471-909 Maia

58. Details regarding information requests received during the target year or pending from previous years, amount and average response time

During 2018, the Investor Relations Department received a normal number of information requests, considering the size of the company in the capital markets. These information requests were submitted either by e-mail or post, or by phone. The average response time, without prejudice to the complexity of the matter, did not exceed 2 working days.

V - Website

59. Address

Company's website: www.sonae.com

60. Location of the information mentioned in Article 171 of the Portuguese Companies Code

Website: http://www.sonae.com/investidores/governo-das-sociedades/identificacao-da-sociedade/?l=en

61. Location for the provision the Articles of Association and the regulations of the corporate bodies and/or committees

Website:

http://other.static.sonae.com/2015/05/19/Articles_of_Association_of_Sonaecom_SGPS_SA/Articles_of_Association_of_Sonaecom_SGPS_SA.pdf?download=1

http://www.sonae.com/investidores/governo-das-sociedades/orgaos-de-governacao/?l=en in the documents called "Internal Regulation of the Board of Directors" and "Regulation of the Statutory Audit Board"

62. Location where is provided information concerning the identity of the statutory governing bodies, the representative for market relations, the Investor Relations Department, functions and contact details

Websites: http://www.sonae.com/investidores/governo-das-sociedades/orgaos-de-governacao/?l=en

http://www.sonae.com/investidores/governo-das-sociedades/orgaos-de-governacao/?l=en

http://www.sonae.com/investidores/contactos/?l=en

63. Location for the provision of accounting documents and calendar of corporate events

Accounting documents: http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en
Calendar of corporate events: http://www.sonae.com/investidores/calendario-do-investidor/?l=en

64. Location for the provision of the notices for shareholders' general meetings and all related preparatory and subsequent information

Website: http://www.sonae.com/investidores/assembleia-geral/?l=en in the document identified as "Notice of meeting" included in each of the annual folders.

65. Location where the historical records are available with resolutions adopted at the shareholders' general meeting, the represented share capital and the voting results, with reference to the previous 3 years

Website: http://www.sonae.com/investidores/assembleia-geral/?l=en

D. Remuneration

I - Power to establish

66. Competence for determining the remuneration of the governing bodies, members of the executive committee or managing director of the company

The Remuneration Committee is responsible for approving the remuneration of the members of the Board of Directors and other Statutory Governing Bodies, on behalf of the shareholders and in accordance with the remuneration policy approved at the Shareholders' General Meeting.

II - Remuneration committee

67. Composition of the remuneration committee, including identification of individuals or companies hired to provide support and a statement on the independence of each member and advisor

The Remuneration Committee consists of two members: Duarte Paulo Teixeira de Azevedo, on behalf of Sonae SGPS, S.A. and Francisco de la Fuente Sánchez, on behalf of Sontel BV.

The company has not hired any entities to provide regular support to the Remuneration Committee.

When establishing the remuneration policy, the Remuneration Committee resorts to benchmark studies on remuneration practices annually disclosed by the internationally renowned consultants *Hay Group* and *Mercer*, and also by companies included in the main Portuguese Stock Market Index (PSI 20), in order to ensure that the statutory governing bodies' remuneration policy to be submitted to the approval of the Shareholders' Annual General Meeting fulfils comparable market standards.

The members of the Remuneration Committee are independent in relation to the Board of Directors.

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

The experience and professional qualifications of the members of Sonaecom's Remuneration Committee are disclosed in their *curricula vitae* and available for consultation in Appendix II of this report. These qualifications allow them to exercise their responsibilities competently and accurately, each having the appropriate skills to perform their duties.

During 2018, the Remuneration Committee held one meeting with a 100% attendance rate.

III – Remuneration Structure

69. Description of the remuneration policy of the management and supervisory bodies

Sonaecom's remuneration policy is structured in order to find a balance between the performance of Executive Directors in relation to goals established for them, and the Company's positioning in the market and comparable situations. Proposals regarding the remuneration of members of the Statutory Governing Bodies are elaborated taking into account *(i)* overall market comparisons, *(ii)* practises of similar companies, including other segments of the Group with comparable situations and *(iii)* individual responsibility and performance assessment.

Remuneration policy constitutes therefore a formal means of aligning the interests of the Company's management with those of shareholders, such that, among the various component parts of the remuneration package, the variable component, the value of which depends on the individual's and the Company's performance, is given high importance. A management approach focusing on the long term interests of the Company in which business risks are carefully considered, is thus encouraged.

The remuneration policy includes control mechanisms, which consider the link between individual and group performance, in such a manner as to avoid behaviour which is likely to involve excessive risk. This goal is also achieved by limiting the maximum value of each KPI.

The body responsible for approval of the remuneration, of both executive and non-executive members of the Board of Directors and the other statutory governing bodies, is the Remuneration Committee, whose members are elected and remuneration decided upon at the Shareholders' General Meeting.

As part of the Company's principles of corporate governance, guidelines regarding remuneration policy have been established and reflected in the Remuneration and Compensation Policy, currently in operation and available for consultation at the website http://other.static.sonae.com/2018/05/04/ResolutionsAGM_Sonaecom_03.05.2018_ENG/ResolutionsAGM_Sonaecom_03.05.2018_ENG.PDF?download=1 , as approved at the Shareholders' General Meeting held on 3 May 2018. The Remuneration and Compensation Policy is based on the principles referred below.

Remuneration policy features:

Competitiveness:

At Sonaecom, the remuneration policy is determined by comparison with the overall market and the practices of comparable companies. This information is obtained from the main remuneration surveys carried out for Portugal and the main European markets. Currently, the market surveys conducted by Mercer and the Hay Group are used as references.

The average value for top managers in Europe is used to determine the figures for the overall market. The companies that make up the pool of comparable companies, are those included in the Portuguese stock market index, the PSI-20.

The remuneration paid to Executive Directors is based on comparisons with the market, using market studies on top managers' remuneration packages in Portugal and across Europe, seeking to ensure that fixed remuneration is equal to the median market value and the total remuneration is close to the market third quartile.

Guidance to performance:
A significant part of the remuneration of Sonaecom's executive directors is determined by the success of the Company. The variable component of remuneration is structured in such a way as to establish a link between the sums awarded and the level of performance, both at individual and group level. If predefined objectives are not achieved, measured through KPIs applicable to the business and to the individual performance, the value of short and medium term incentives will be partially or totally reduced.

Alignment with the interests of shareholders:
Part of the variable remuneration of Executive Directors is paid in the form of shares and deferred for a period of 3 years.
Given that there is a link between the Company's share prices and its performance, the remuneration paid will be impacted by the manner in which the Executive Director has contributed towards this result. Hence, the interests of directors are aligned with those of shareholders and with medium term performance.

Transparency:
All aspects of the remuneration structure are clear and openly disclosed internally and externally through documentation published on the Company's website. This communication process contributes towards promoting equal treatment and independence.

Reasonability:
Executive Directors' remuneration aims to be reasonable, ensuring the balance between the Company's interests and market positioning, the expectations and motivations of our employees and the need to retain talent.

The Shareholders' General Meeting, held on 3 May 2018, continuing the policy until then pursued consistently, by approving the Remuneration and Compensation Policy in force, has maintained the following principles:

· no compensation payments to Board Directors or members of Statutory Governing Bodies related to the cessation of their duties, whether their resignation occurs according to their original mandate or whether it is anticipated for whatever reason, without prejudice to the obligation of the Company to comply with any relevant legislation in force in this area;

· non-existence of any specific system of benefits, in particular relating to retirement, in favour of members of the management and supervisory bodies.

Sonaecom reviews its remuneration policy annually as part of its risk management process, in order to ensure that it is entirely consistent with its desired risk profile. During 2018, no problems relating to payment practice were found that posed significant risks to the Company.

In designing remuneration policy, care has been taken not to encourage excessive risk-taking behaviour, attributing significant importance, but at the same time a balanced approach, to the variable component, thus closely linking individual remuneration to group performance.

Sonaecom has in place internal control procedures concerning remuneration policy, which target the identification of potential risks. Firstly, the variable remuneration structure is designed in such a way as to discourage excessive risk-taking behaviour to the extent that remuneration is linked to the evaluation of performance. The existence of KPI goals constitutes an efficient control mechanism. Secondly, the adopted policy does not allow contracts to be signed that would minimise the importance of the Medium Term Incentive Plan (MTIP). This policy includes forbidding any transaction that might eliminate or mitigate the risk of share price variations.

The remuneration of the members of the Statutory Audit Board is, exclusively, made up of fixed annual fees, based on comparable market practices, and does not include any variable remuneration.
The company's Statutory External Auditor is paid accordingly with the standard fees table for similar services, at market rates and under a proposal from the Statutory Audit Board.

70, 71, 72 and 73. Information regarding how remuneration is structured to align the interests of management body members with the company's long-term interests, as well as how it is based on performance evaluation and lack of incentives to take on excessive risk. Reference, if applicable, to the variable remuneration policy and how performance evaluation can potentially affect this component. Deferred payment of the variable remuneration component, specifying the deferral period. Criteria underpinning the attribution of variable remuneration in shares, as well as the Executive Directors' retention of these shares in the event of any contracts related to them, specifically hedging or risk transfer contracts, the respective limit, and their relationship with the total annual remuneration.
The Remuneration and Compensation Policy applicable to statutory governing bodies complies with community guidelines, national legislation and the recommendations of the Securities Market Commission. It is based on the presumption that initiative, competence and commitment are the essential foundations for good performance and must be aligned with the company's medium and long-term interests, with the aim of sustainability.
The content of the performance indicators, on which the variable remuneration component depends, and its specific role in determining actual remuneration, ensures that the Executive Directors are aligned with the defined strategic objectives and the compliance with the legal standards that govern the company's activities.
Therefore, for each financial year, individual performances and contributions to collective success are assessed and the results will necessarily influence allocation of the fixed and variable component of each member's remuneration plan.

The remuneration of Executive Directors is determined according to the level of responsibility of the director involved. The salary is paid in 14 monthly amounts and is subjected to annual review.

Above and beyond the fixed remuneration, Executive Directors are also entitled to a variable remuneration, in accordance with the

company's Remuneration Policy. The variable remuneration is divided into two equal parts:

(i) Short Term Variable Bonus (STVB): awarded in the first half following the year to which it relates (after gauging the profits for the period) and linked to the performance in the prior year. It aims to guide and compensate the Executive Directors for achieving predefined objectives.

(ii) Medium Term Variable Bonus (MTVB) or (MTIP) is deferred for 3 years depending on the amount awarded and market share price, so as to link remuneration to long-term performance and provide alignment with the interests of shareholders (in accordance with the Share Award Plan, described in greater detail in chapter IV of this Report).

The Executive Directors' variable remuneration is of a discretionary nature and, in view of the fact that it is dependent on the achievement of objectives, its payment is not guaranteed. Variable remuneration is determined annually with the value based on a predefined goal of between 30% and 60% of total annual remuneration (fixed remuneration, plus variable remuneration target values).

The variable part of the remuneration is checked by assessing the performance of a series of performance indicators from the various businesses that are mainly economic and financial – *Key performance Indicators of Business Activity (Business KPIs)*. The content of the performance indicators and their specific weighting in determining the effective remuneration ensure the executive directors are aligned with the defined strategic objectives and compliance with legal standards that cover the company's activity.

The amount of each bonus is between 0% and 160% of the previously defined bonus objective. The variable remuneration is paid in cash, but the Remunerations Committee may decide it should be paid, within the same period, in shares.

The payment of the variable bonus can be made by any of the means of extinguishing the obligation foreseen in the Law and the Articles of Association.

The payment of at least 50% (fifty percent) of the variable component of the remuneration is deferred for 3 (three) years, under the terms described below.

The Medium Term Variable Bonus aims to compensate the Executive Directors' loyalty to the Company, aligning their interests with those of the shareholders and increasing the awareness of their importance on the overall success of the organisation.

Variable remuneration is awarded annually, according to the results of the previous year, and is then integrated into the MTVB plan. Payment of this component of variable remuneration is dependent on the director continuing to work with the Company for a period of three years after its award, as well as the overall continuing success of the company during this period, measured in accordance with the objectives set by the Remuneration Committee every three years.
If, subsequently to being awarded the right to this kind of remuneration and before exercising this rights, dividends are distributed, changes are made in the nominal value of shares or the company's share capital is changed, the number of shares on the plan will be adjusted to the number of shares that, considering the above modifications, are equivalent to the number of initial shares. This maintains an alignment with the total shareholder return. At the vesting date, shares are only delivered if the criterion for

continuing positive performance of the company, mentioned above, is met. Payment is made by delivering shares at a discount that can vary between 90% and 100%, although Sonaecom retains an option to pay an equivalent value in cash.

The remuneration of Non-Executive Directors, when applicable, will be established upon market values and according to the following principles: (i) payment of fixed remuneration is dependent on the attendance rate of the meetings of the Board of Directors; and (ii) attribution of an annual responsibility allowance. There will be no variable remuneration.

74. Criteria underpinning the assignment of variable remuneration in options, indication of the deferral period and the exercise price

The Company did not establish any variable remuneration in options.

75. Main parameters and reasoning concerning annual bonuses and any other non-cash benefits

The main parameters and reasoning concerning the variable remuneration system are disclosed in the remuneration policy approved in the Shareholders General Meeting, held on 3 May 2018, which is available for consultation at the Company's website www.sonae.com, at:
http://other.static.sonae.com/2018/05/04/ResolutionsAGM_Sonaecom_03.05.2018_ENG/ResolutionsAGM_Sonaecom_03.05.2018_ENG.PDF?download=1

76. Main features of the Directors' complementary pensions or early retirement schemes and date of approval by the General Shareholders' Meeting

The Company does not have any complementary pension or early retirement schemes for Directors, and there are no other significant benefits in kind.

IV - Disclosure of remuneration

77, 78 and 79. Indication of the annual remuneration earned, in aggregate and individual amount, by the Company's members of the Board of Directors, including fixed and variable remuneration. Related to this, reference to the different components that led to them, amounts of any kind paid by other controlled or group companies, or those under shared control, and remuneration paid as profit sharing and/or bonus payments and the reasons why such bonuses and/or profit sharing payments were made

The remuneration for each Sonaecom director, awarded by the Company, subsidiaries and group companies during the year 2018 and 2017, is summarized in the charts below.

Remuneration of each Director of Sonaecom awarded by the Company in 2018 and 2017

Amounts in euros	2018 Fixed Remuneration	2018 Short Term Variable Bonus *	2018 Medium Term Variable Bonus/MTIP	2018 Total	2017 Fixed Remuneration	2017 Short Term Variable Bonus *	2017 Medium Term Variable Bonus/MTIP	2017 Total
Individual breakdown								
Executive Directors								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	183 900	145 600	145 600	475 100	183 900	142 100	142 100	468 100
Maria Cláudia Teixeira de Azevedo	146 100	99 100	99 100	344 300	146 100	79 400	79 400	304 900
António Bernardo Aranha Gama Lobo Xavier (Note 1)	-	-	-	-	28 011	-	-	28 011
	330 000	244 700	244 700	819 400	358 011	221 500	221 500	801 011
Non-Executive Directors								
António Bernardo Aranha Gama Lobo Xavier (Note 1)	60 000	-	-	60 000	115 990	-	-	115 990
Total	**390 000**	**244 700**	**244 700**	**879 400**	**474 002**	**221 500**	**221 500**	**917 002**

* Amount earned through the company and its subsidiaries

Note 1: António Bernardo Aranha Gama Lobo Xavier left his Executive Director role on 13 March 2017 and remained on the Board as a Non-Executive Director. His remuneration for 2017 has been split of a time proportional basis in the table above.

The short-term variable bonus of Executive Directors includes a participation in the profits of the Company.

Directors' participation in MTIP

Executive Directors	Plan (Performance Year)	Award Date	Vesting Date	Value Vested and Paid in 2018*	Open Plans Value at Awared Date*	Open Plans Value at 31 December 2018 * **
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	2014	abr/15	abr/18	120748		
	2015	mar/16	mar/19		142,600	128,960
	2016	mar/17	mar/20		136200	131,874
	2017	mar/18	mar/21		142100	106,487
Total				**120,748**	**420,900**	**367,322**
Maria Claúdia Teixeira de Azevedo	2014	abr/15	abr/18	72,777		
	2015	mar/16	mar/19		78,100	70,630
	2016	mar/17	mar/20		69,200	67,002
	2017	mar/18	mar/21		79,400	59,502
Total				**72,777**	**226,700**	**197,134**
Total				193,525***	647,600	564,455

* Values in Euros

** Calculated using the closing price of last trading day in 2018 (31-Dec-18).

*** The total value of plans that vested during 2018 was Euros 193,525

Remuneration earned by Directors in other controlled or group companies

Amounts in euros	2018 Fixed Remuneration	2018 Annual Performance Bonus	2018 Medium Term Incentive Plan	2018 Total remuneration	2017 Fixed Remuneration	2017 Annual Performance Bonus	2017 Medium Term Incentive Plan	2017 Total remuneration
Name								
Ângelo Gabriel Ribeirinho dos Santos Paupério	275,300	224,600	224,600	724,500	276,800	219,800	219,800	716,400

80. Compensation paid or owed to former Executive Directors following loss of office

No compensation was paid or is currently owed to former Executive Directors in relation to loss of office during 2018.

The Remuneration and Compensation Policy of the Company maintains the principle of not attributing compensation to Directors or members of other statutory governing bodies associated with the loss of office, whether this termination occurs according to their original mandate or whether it is anticipated for whatever reason, without prejudice to the obligation of the Company to comply with any applicable legislation in force.

81. Indication of the annual remuneration earned, in aggregate and individual amount, by the members of the Company's Statutory Audit Board

The remuneration of the members of the Statutory Audit Board is made up of fixed annual fees, based on the Company's financial situation and market practice, and does not include any variable remuneration. Thus, the Chairman of the Statutory Audit Board

earned 9,900 euros in 2018 and 2017 and the other members earned, in the same period, 7,900 euros. The substitute members of the Statutory Audit Board did not receive any remuneration.

82. Remuneration in the reference year for the Chairman of the Board of the Shareholders' General Meeting

The Chairman of the Board of the Shareholders' General Meeting earns a fixed annual remuneration of 5,000 euros and the Secretary earns a fixed annual remuneration of 2,500 euros.

V - Agreements with remuneration implications

83. Contractual limitations on compensations to be paid upon to Directors' dismissal without due cause and its relation with the variable component of the remuneration

There are no agreements in place with members of the Board of Directors that establish amounts to be paid in case of dismissal without due cause, without prejudice to the applicable legal provisions.

84. Reference to the existence and description, stating the sums involved, of the agreements between the Company and members of the Board of Directors, providing for compensation in case of dismissal without due cause or termination of the employment relationship, following a change of control of the Company

There are no agreements made between the Company and members of the Board of Directors, that provide for compensation in cases of dismissal, unfair dismissal or termination of employment following a change of control of the Company.

VI - Share attribution plans or stock options

85 and 86. Identification of the plan and respective recipients. Plan features (assignment conditions, share transfer clauses, share price and option exercise price criteria, period during which options can be exercised, features of the shares or options to be assigned, incentives to acquire shares and/or exercise options).

Medium Term Variable Bonus – MTVB

Framework

The MTVB is designed to align the interests of the Executive Directors with the Company, reinforcing their engagement and the perception of the impact of their performance on the success of Sonaecom.

General features of the Medium Term Incentive Plan

The MTVB is subjected to the Medium Term Incentive Plan eligibility rules described in this Report.

The general terms of the MTIP and any significant amendments thereto are reviewed by the Remuneration Committee and then approved at the Shareholders' General Meeting. The participation of Executive Directors is approved by the Remuneration Committee, which is also approved at the Shareholders' General Meeting.

Eligibility

All Executive Directors of Sonaecom are eligible to be awarded an MTVB.

Definition of the MTVB reference value

The MTVB is valued at the award date, based on the listed share prices in Portugal of the shares that make up the respective share package. The most favourable of the following prices is used: the closing price on the first working day after the company's Shareholders' Annual General Meeting; or the average of the closing prices of the last 30 trading sessions, before the Annual General Meeting.

Those entitled to the MTVB shall have the right to acquire a number of shares calculated by the quotient between the value of the awarded medium-term variable bonus and the quotation value at the attribution date, determined in accordance with the previous paragraph, which may be exercised after three years after the award. Payment of this component of variable remuneration is dependent on the Director continuing to work with the Company for a period of three years after its award, as well as the overall continuing success of the Company during this period, measured in accordance with the objectives set by the Remuneration Committee every three years.

In line with the policy for enhancing the alignment of Executive Directors with the Company's long term interests, the Remuneration Committee may, in its sole discretion, graduate the discount percentage to be granted to the Executive Directors for the acquisition of Company's shares, by determining that the Executive Directors contribute to the acquisition in an amount corresponding, at the maximum, to 5% of the share market price at the transfer date.

If, after awarding the MTVB, the Company distributes dividends, the Company's share capital is changed or any other change is made to the Company's capital structure, then the number of shares, which the director has been awarded, will be adjusted to an equivalent number, taking into account the impact of these changes.

Duration of the plan

The MTVB plan is established annually, based on the variable remuneration awarded, and each plan has a three year term. As from the award date of the third consecutive plan, three tri-annual plans will be open.

Vesting of the MTVB

On the vesting date of MTVB plans – three years after being awarded -, compensation can be paid in the form of shares or as a discount when purchasing shares. The company awarding the MTVB retains the right to pay the cash equivalent to the shares' value, rather than delivering actual shares.

Share Retention Policy

The following Shareholding and Retention Policy ("SH&R Policy") is applicable to Executive Directors (Management Levels: GF1 and GF2):

Each Executive Director is required to retain 50% of the shares delivered on the vesting of each Plan until they hold, on an accumulated basis, a total number of shares that is equivalent to the value of two annual fixed salaries. The requirement to retain shares ends as soon as the respective director holds, on an accumulated basis, a total number of shares that meets the agreed shareholding requirement, either by retaining MTPB shares awarded or by acquiring shares in their individual name. The inclusion of the latter shares is optional and is of the exclusive decision of each director, who, in this case, should inform Sonaecom. For this purpose, the annual fixed salary is the monthly base remuneration paid 14 times a year.

The Executive Directors shall not sign contracts with the Company or with any third parties that would have the effect of mitigating the risk inherent in the variability of the remuneration established by the Company.

Conditions of exercising the right

The right to acquire shares attributed under the MTPB plan expires when the beneficiary no longer works with the Company before expiration of the period of three years after its award. The right to receive payment may however remain in case of permanent disability or decease, with the due amount being paid to the member of the Board of Directors or to his/her heirs at the normal time for payment at the vesting period. If the beneficiary retires, any right to awards can be exercised on the due date of payment.

87. Option rights granted to acquire shares ("stock options") where the beneficiaries are the company's employees

There are no stock options attributed to acquire shares.

88. Planned control mechanisms for any employee share capital participation scheme, to the extent voting rights are not directly exercised by them

There are no control mechanisms established to control employee participation in the Company's capital.

E. Transactions with related parties

I - Mechanisms and control procedures

89. Mechanisms implemented by the Company to monitor transactions with related parties (for the purposes of the concept of IAS 24)

Sonaecom endeavours to carry out transactions with related parties based on principles of rigour and transparency, and in strict observance of the rules of market competition. Such transactions are subject to specific internal procedures based on mandatory standards, in particular transfer pricing rules, or on voluntarily adopted internal systems of checks and balances – for example, formal validation or reporting processes, depending on the value of the transaction in question.

In this regard, Sonaecom has adopted specific procedures in order to prevent conflicts of interest, such as promoting communication between the Board of Directors and the Statutory Audit Board, which provides the necessary clarifications to assure that transactions are concluded under normal market conditions.

90. Indication of transactions subjected to control in the reference year

As stated in section 10 above, there were not, during 2018, any significant relations, of a commercial nature or otherwise, between qualified shareholders and the Company. The executed transactions, without any significant relevance, fall within the Company's scope of activity, were executed on arm's length conditions and side-by-side with other equivalent transactions executed with national and international parties, in terms that conform to the preceding framework of Sonaecom's practice and under the supervision of the Statutory Audit Board, as described in section 92 below. The Company did not execute any transaction with any member of the management or supervisory bodies during 2018.

91. Description of the procedures and criteria for intervention of the Statutory Audit Board for the purpose of preliminary assessment of the business carried out between the Company and holders of qualified shareholdings or entities that are in a relation with them, under the terms of article 20 of the Portuguese Securities Code

Transactions with owners of qualified shares or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, are subject to a formal prior opinion by the Statutory Audit Board, if their value exceeds 10 million euros. In addition, all transactions with related parties in excess of 1 million euro are also submitted to quarterly reports to the Statutory Audit Board.

II - Business related elements

92. Location where the information on transactions with related parties is available on the accounting documents, according to IAS 24 or, alternatively, reproduction of said information

Information on transactions with related parties, in accordance with IAS 24, can be found in note 37 of the 2018 Consolidated Financial Statements' Appendix.

PART II – ASSESSMENT OF CORPORATE GOVERNANCE

1. Identification of the adopted Corporate Governance Code

The Corporate Governance Report provides a description of the Corporate Governance structure, policies and practices followed by the Company and complies with the standards of the article 245-A of the Portuguese Securities Code and information duties required by the Portuguese Securities Market Commission (CMVM) Regulation no. 4/2013, of 1 August. This Report additionally discloses, in light of the principle *comply or explain*, the terms of compliance by the Company with the Portuguese Institute of Corporate Governance (IPCG) Recommendations contained in the IPCG Corporate Governance Code, published in 2018, available in the website of this entity at https://www.cgov.pt., and to which the Company voluntarily submits itself.
Regarding the structure, this Corporate Governance Report follows the model foreseen in Appendix I to CMVM Regulation no. 4/2013, of 1 August, in accordance with CMVM Circular of 11 January 2019.

The corporate governance practices adopted by Sonaecom aim at promoting and developing the Company's performance, as well as the capital market and strengthening the confidence of investors, employees and the general public in the quality and transparency of management and supervision and in the Company's sustainable development.

This Report should be read as an integral part of the Annual Management Report and the Individual and Consolidated Financial Statements for the year 2018.

The requirements for the provision of information as per article 3 of Law no. 28/2009, of 19 June, article 447 of the Portuguese Companies Code, article 245-A of the Portuguese Securities Code and of CMVM Regulation no. 5/2008, have also been fulfilled.

All of the rules and regulations mentioned in the Report are publicly available at www.cmvm.pt, www.cgov.pt and www.cam.cgov.pt.

Unless otherwise expressly stated, all remissions to be read as being made to the Report itself.

2. Analysis of compliance with the adopted Corporate Governance Code

The governance model adopted by Sonaecom enabled the Board of Directors to operate normally, and none of the other statutory governing bodies have reported any constraints to their normal functioning.
The Statutory Audit Board exercised its supervisory function, having received appropriate support from the Board of Directors to this end, via regular provision of information.
The Statutory External Auditor monitored the company's activities and conducted the examinations and verifications deemed necessary to review and legally certify the accounts, interacting with the Statutory Audit Board, within the framework of their competences and responsibilities and with full cooperation from the Board of Directors.
The Board of Directors has been carrying out its duties and cooperating with the Statutory Audit Board and the Statutory External Auditor, when so requested, in a transparent and rigorous manner and in compliance with its Regulation and best corporate governance practices.

The full text containing the corporate governance guidelines currently adopted by Sonaecom - whether published by specific regulation, recommendation or voluntarily, including the Code of Conduct, are made publicly available on our website www.sonae.com and also at the CMVM website: www.cmvm.pt.

Below is a list of the recommendations included in the Corporate Governance Code approved and adopted in 2018 by the Portuguese Institute of Corporate Governance and the analysis of the compliance with the aforementioned recommendations by Sonaecom at 31 December 2018.

CHAPTER I — GENERAL PROVISIONS

I.1. Company's relationship with investors and disclosure

I.1.1. The company should establish mechanisms to ensure, in a suitable and rigorous form, the production, management and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, financial analysts, and to the markets in general.

RECOMMENDATION ADOPTED – Sections 56 to 58, Part I.

The Company, through its website - www.sonaecom.com – provides access to relevant and updated economic, financial and governance information to all stakeholders, in Portuguese and English, which enables them to increase knowledge and understanding of the Company, its strategy, its current positioning, and its evolution.

In addition, the Company has an investor support office with permanent contact with the market, which responds to investors' requests in a timely manner, keeping a record of these requests and of the treatment they have been given.

The Board of Directors ensures, in a timely and adequate manner, the flow of information necessary for the exercise of legal and statutory powers to each of the other bodies, speeding up, in particular, the necessary resources for the issuance of notices, minutes and supporting documentation to the decisions taken.

The notices and minutes of the meetings of the Board of Directors are made available to the Chairman of the Statutory Audit Board, who obtains from the Board of Directors and / or the Executive Committee - in an expeditious, clear and complete manner - all information necessary for the performance of their duties, namely the operational and financial evolution of the company, changes in the business portfolio, terms of all transactions that occurred and details of the decisions taken, reviewing at each meeting the minutes of the Board of Directors and, when applicable, of the Executive Committee.

The Statutory Audit Board may request the persons responsible for the various Departments of the companies of Sonaecom group to provide the required information for the performance of its duties and, if necessary, request the Board of Directors the collaboration of one or more members with experience in the areas of their competence, to provide information and carry out work, in order to substantiate its analysis and conclusions.

I.2. Diversity in the composition and functioning of the company's governing bodies

I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.

RECOMMENDATION ADOPTED – Sections 16, 19, 26, 33 and 36, Part I.

The Company, in compliance with the provisions of paragraphs 1 - r) and 2 of article 245-A of the Securities Code, adopted a Diversity Policy for the Management and Supervisory Bodies, the description of which is included in Section 16 of Part I of this Report. This policy seeks, on the one hand, to ensure a significant and differentiated representation of gender, origins, qualifications and professional experience, as a way of ensuring an adequate composition of the interests of all its stakeholders and, on the other hand, allowing an enhanced balance in its composition, taking into account, not only the nature and complexity of the activities carried out by the Company, but also the context in which it operates.
In this sense, the Company undertakes to develop all efforts to ensure that, in the selection of the members of these corporate bodies, there are imperative criteria to ensure that they meet a greater breadth and diversity of knowledge, skills, experience and values. These criteria focus mainly on: (i) gender diversity; ii) the professional qualification along with the necessary renewal of the composition of the governing bodies, in order to ensure a compatibility between seniority and the diversification of career paths, avoiding group thinking; iii) the plurality of knowledge and iv) not considering the age as an obstacle and without a restrictive view on the limits of such age, for exercising corporate functions.

This policy should be taken into account when electing the statutory governing bodies.

I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations - namely regulating the performance of their duties, their chairmanship, periodicity of meetings, their functioning and the duties of their members -, and detailed minutes of the meetings of each of these bodies should be carried out.
RECOMMENDATION ADOPTED – Sections 22, 27, 29 and 34, Part I.
Both the Board of Directors and the Statutory Audit Board of the Company have adopted the respective Internal Regulations, establishing their powers, chairmanship, periodicity of meetings, functioning and framework of duties of its members. Regarding the Company's Executive Committee this matter is included in the Internal Regulation of the Board of Directors.

I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees — should be disclosed, in full, on the company's website.
RECOMMENDATION ADOPTED – Sections 22, 27, 34 and 61, Part I.
The Board of Directors has adopted the Regulation which is available on the Company's website (in Portuguese and English version) and which includes the regulation regarding the functioning of the Executive Committee. This Regulation can be found in:
http://other.static.sonae.com/2017/05/30/Scom___Regulamento_BoD___2017_03_13_ENG/Scom___Regulamento_BoD___2017_03_13_ENG.pdf

The Company's Statutory Audit Board has adopted the Regulation that is available on the Company's website (in Portuguese and English version) and can be consulted at:
http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf

I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.
RECOMMENDATION ADOPTED – Sections 23, 35 and 67, Part I.
The composition of the management and supervisory bodies and of their internal committees, where applicable, as well as the number of their annual meetings, is available in Portuguese and English versions on the Company's website.

I.2.5. The company's internal regulations should provide for the existence and ensure the functioning of mechanisms to detect and prevent irregularities, as well as the adoption of a policy for the communication of irregularities (*whistleblowing*) that guarantees the suitable means of communication and treatment of those irregularities, but safeguarding the confidentiality of the information transmitted and the identity of its provider, whenever such confidentiality requested.

RECOMMENDATION ADOPTED – Sections 38 and 49, Part I.

The Regulation of the Statutory Audit Board determines its competences regarding the mechanisms of detection and prevention of irregularities, and the Company has also implemented an Irregularities Communication Policy, which is included in the Code of Conduct and that is available on the Company's website -http://www.sonae.com/investidores/governo-das-sociedades/codigo-de-etica-e-conduta/?l=en. Such policy applies to all companies of Sonaecom Group.

I.3. Relationships between the company bodies

I.3.1. The bylaws, or other equivalent means adopted by the company, should establish mechanisms that, within the limits of applicable laws, permanently ensure the members of the managing and supervisory boards are provided with access to all the information and company's collaborators, in order to appraise the performance, current situation and perspectives for further developments of the company, namely including minutes, documents supporting decisions that have been taken, calls for meetings, and the archive of the meetings of the managing board, without impairing the access to any other documents or people that may be requested for information.

RECOMMENDATION ADOPTED – Sections 22, 34 and 61, Part I.

Vide Section I.1.1.

I.3.2. Each of the company's boards and committees should ensure the timely and suitable flow of information, especially regarding the respective calls for meetings and minutes, necessary for the exercise of the competences, determined by law and the bylaws, of each of the remaining boards and committees.

RECOMMENDATION ADOPTED – Sections 22, 34 and 61, Part I.

Vide Section I.1.1.

I.4. Conflicts of interest

I.4.1. The duty should be imposed, to the members of the company's boards and committees, of promptly informing the respective board or committee of facts that could constitute or give rise to a conflict between their interests and the company's interest.

RECOMMENDATION ADOPTED – Section 49, Part I.

The Company has adopted a policy to regulate possible conflicts of interest, in which the members of the Board of Directors or of its Committees, if applicable, shall promptly inform the respective governing body or committee about facts that may constitute or cause a conflict between their own interests and the interests of the Company.

Pursuant to the respective Regulation, members of the Statutory Audit Board must inform the Company with reasonable anticipation, if possible, or immediately, if unforeseeable, of any circumstance affecting their independence and exemption or that establishes a legal incompatibility for the exercise of the position.

I.4.2. Procedures should be adopted to guarantee that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and other clarifications that the board, the committee or their respective members may request.

RECOMMENDATION ADOPTED – Section 49, Part I.

The Company has adopted a policy to regulate possible conflicts of interest, in which the members of the Board of Directors or of its Committees, if applicable, shall promptly inform the respective governing body or committee about facts that may constitute or cause a conflict between their own interests and the interests of the Company.

The member who, in accordance with the preceding paragraph, declares to be in conflict of interest, shall not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications that the governing body, the committee or its members request.

I.5. Related party transactions

I.5.1. The managing body should define, in accordance with a previous favourable and binding opinion of the supervisory body, the type, the scope and the minimum individual or aggregate value of related party transactions that: (i) require the previous authorization of the managing board, and (ii) due to their increased value require an additional favourable report of the supervisory body.

RECOMMENDATION ADOPTED – Sections 38, 89 to 91, Part I.

The Company has approved and maintains an internal procedure in order to obtain a formal opinion from the Statutory Audit Board, prior to carrying out transactions with owners of qualified shareholdings or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, if their value exceeds 10 million euros. In addition, all transactions with related parties in excess of 1 million euro are also submitted to quarterly reports to the Statutory Audit Board.

I.5.2. The managing body should report all the transactions contained in Recommendation I.5.1. to the supervisory body, at least every six months.

RECOMMENDATION ADOPTED – Sections 89 to 91, Part I.

The businesses covered by Recommendation I.5.1. are reported quarterly to the Statutory Audit Board in the respective meetings.

CHAPTER II — SHAREHOLDERS AND GENERAL MEETINGS

II.1. The company should not set an excessively high number of shares to confer voting rights, and it should make its choice clear in the corporate governance report every time its choice entails a diversion from the general rule: that each share has a corresponding vote.

RECOMMENDATION ADOPTED – Section 12, Part I.

The Articles of Association of the Company do not provide for any restriction on the right to vote. The Company's share capital is fully represented by a single category of shares, each share corresponding to one vote, in order to encourage its shareholders to participate in the Shareholders' General Meetings.

II.2. The company should not adopt mechanisms that make decision making by its shareholders (resolutions) more difficult, specifically, by setting a quorum higher than that established by law.

RECOMMENDATION ADOPTED – Section 14, Part I.

In accordance with the provisions of the Company's Articles of Association, the resolutions of the Shareholders' General Meeting shall be taken by a simple majority, unless otherwise required by law.

II.3. The company should implement adequate means for the exercise of voting rights through postal votes, including by electronic means.

RECOMMENDATION ADOPTED – Section 12, Part I.

Without prejudice to the mandatory proof of shareholder status, shareholders may vote by correspondence in all matters subject to the General Meeting.

The Company has also an electronic voting system, which allows its shareholders to exercise the right to vote, without any restriction. In the notice of the General Meeting, the Company provides adequate information on how to exercise postal voting and voting by electronic means.

In addition, the Company makes available on its website, from the publication of the notice of each General Meeting, document models intended to facilitate access to information necessary for shareholders to issue the communications required to ensure their presence in the Meeting. The Company also provides an e-mail address for the clarification of any doubts and to receive all communications regarding the participation in the General Meeting.

II.4. The company should implement adequate means in order for its shareholders to be able to digitally participate in general meetings.

RECOMMENDATION PARTIALLY ADOPTED – Section 12, Part I.

Although the Company's Articles of Association foresee the possibility of holding the General Meeting by telematic means - provided that the respective means, the authenticity of the declarations and the security of the communications are assured -, the Company has not implemented the necessary means for the shareholders' participation in the General Meeting by this way. This is due, on the one hand, to the current size of the Company and the limited dispersion of its share capital and, on the other hand, to the disproportionality of the costs of implementing the telematic means, taking into account the current full compliance with the Recommendation II.3. *supra* - provision to shareholders of alternative means of participating in the General Meeting through the exercise of voting by correspondence or by electronic means.

Therefore, the Company believes that all necessary and adequate means for participation in the General Meeting are already ensured.

II.5. The bylaws, which specify the limitation of the number of votes that can be held or exercised by a sole shareholder, individually or in coordination with other shareholders, should equally provide that, at least every 5 years, the amendment or maintenance of this rule will be subject to a shareholder resolution - without increased quorum in comparison to the legally established - and in that resolution, all votes cast will be counted without observation of the imposed limits.

RECOMMENDATION NOT APPLICABLE – Sections 5 and 13, Part I.

The Articles of Association do not establish any limitation to the number of votes that may be held or exercised by a sole shareholder, individually or together with other shareholders.

II.6. The company should not adopt mechanisms that imply payments or assumption of fees in the case of the transfer of control or the change in the composition of the managing body, and which are likely to harm the free transferability of shares and a shareholder assessment of the performance of the members of the managing body.

RECOMMENDATION ADOPTED – Sections 4 and 84, Part I.

The Company has not adopted any measures to this effect.

CHAPTER III — NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION

III.1. Without prejudice to question the legal powers of the chair of the managing body, if he or she is not independent, the independent directors should appoint a coordinator (*lead independent director*), from amongst them, namely, to: (i) act, when necessary, as an interlocutor near the chair of the board of directors and other directors, (ii) make sure there are the necessary conditions and means to carry out their functions; and (iii) coordinate the independent directors in the assessment of the performance of the managing body, as established in recommendation V.1.1.

RECOMMENDATION NOT APPLICABLE.

The Board of Directors of the Company does not have any independent director, as the Company believes that, given its current size, its shareholder structure and the low dispersion of the share capital, such is not justified.

III.2. The number of non-executive members in the managing body, as well as the number of members of the supervisory body and the number of the members of the committee for financial matters should be suitable for the size of the company and the complexity of the risks intrinsic to its activity, but sufficient to ensure, with efficiency, the duties which they have been attributed.

RECOMMENDATION ADOPTED – Section 18, Part I.

The Board of Directors is composed by a total number of three members, one of whom is a non-executive, which is considered appropriate to the current size of the company, its shareholder structure and the reduced dispersion of its share capital.

The Statutory Audit Board is composed of three members, one being the Chairman.

The Board of Directors believes that, given the current size of the Company, there is no justification for the existence of any specific committee for financial matters.

III.3. In any case, the number of non-executive directors should be higher than the number of executive directors.

RECOMMENDATION NOT ADOPTED.

In view of its current size, its shareholder structure and the reduced dispersion of the share capital, the Company considers that there is no justification for the existence of a board of directors with a large number of members. Currently, the Board of Directors is composed by a total number of three members, two of which are executive.

III.4. Each company should include a number of non-executive directors that corresponds to no less than one third, but always plural, who satisfy the legal requirements of independence. For the purposes of this recommendation, an independent person is one who is not associated with any specific group of interest of the company, nor under any circumstance likely to affect his/her impartiality of analysis or decision, namely due to:

(i) having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;

(ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;

(iii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;

(iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;

(v) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or

(vi) having been a qualified holder or representative of a shareholder of qualifying holding.

RECOMMENDATION NOT ADOPTED.

In view of its current size, its shareholder structure and the reduced dispersion of the share capital, the Company considers that there is no justification for the existence of a board of directors with a large number of members. Currently, the Board of Directors is composed by a total number of three members, two of which are executive.

III.5. The provisions of (i) of recommendation III.4 does not inhibit the qualification of a new director as independent if, between the termination of his/her functions in any of the company's bodies and the new appointment, a period of 3 years has elapsed (*cooling-off period*).

RECOMMENDATION NOT APPLICABLE.

The Company does not have any Director in such situation.

III.6. Non-executive directors should participate in the definition, by the managing body, of the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.

RECOMMENDATION ADOPTED – Sections 21 and 27, Part I.

The definition of the Company's strategy, its main policies, the corporate structure and the decisions considered strategic by virtue of their amount or risk, as well as the evaluation of their compliance, is reserved to the Board of Directors as a collegiate body.

The non-delegated powers of the Board of Directors are described in this Report and follow the rules of this recommendation.

III.7. The supervisory body should, within its legal and statutory competences, collaborate with the managing body in defining the strategy, main policies, business structure and decisions that should be deemed strategic for the company due to their amount or risk, as well as in the assessment of the accomplishment of these actions.

RECOMMENDATION NOT APPLICABLE.

The adopted governance model, in accordance with article 278, paragraph 1 of the Portuguese Companies Code, does not include a General and Supervisory Board.

III.8. The supervisory body, in observance of the powers conferred to it by law, should, in particular, monitor, evaluate, and pronounce itself on the strategic lines and the risk policy defined by the managing body.

RECOMMENDATION ADOPTED – Section 38, Part I.

The Regulation of the Statutory Audit Board, from which the respective competences arise - beyond those assigned by law – is available on the Company's website (www.sonae.com), at http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf .

The Statutory Audit Board monitors and evaluates the internal control and risk management system defined by the management, reporting on such system in its statements and annual report.

III.9. Companies should create specialised internal committees that are adequate to their dimension and complexity, separately or cumulatively covering matters of corporate governance, remuneration, performance assessment, and appointments.

RECOMMENDATION ADOPTED – Sections 27 and 29, Part I.

Given the current size of the Company and the limited complexity of its structure and activity, the Board of Directors believes that there is no justification for the existence of any specific Commission to ensure an assessment of the performance of Executive Directors, which is a responsibility of the Shareholders Remuneration Committee. Likewise, the maintenance or creation of any other specialised committees is not justified.

The Company maintains a Governance Manager who reports hierarchically to the Board of Directors and whose main responsibilities are to evaluate the structure and practices of governance adopted, verify its effectiveness and propose to the competent bodies the measures to be implemented in order to achieve its enhancement.

III.10. Risk management systems, internal control and internal audit systems should be structured in terms adequate to the dimension of the company and the complexity of the inherent risks of the company's activity.

RECOMMENDATION ADOPTED – Sections 50 to 55, Part I.

These systems are implemented by the Board of Directors and are monitored by the Statutory Audit Board.

III.11. The supervisory body and the committee for financial affairs should supervise the effectiveness of the systems of risk management, internal control and internal audit, and propose adjustments where they are deemed to be necessary.

RECOMMENDATION ADOPTED – Sections 27, 29, 38 and 50, Part I of this Report and chapter V of the Regulation of the Statutory Audit Board.

The Company believes that, given its current size, the structure of the management body and the low dispersion of its share capital, there is no justification for the existence of specialised Committees within the Board of Directors, which proactively ensures the risk management and internal control system.

One of the powers attributed to the Audit Board is to assess the operating conditions of the risk management system, the internal control system and the internal audit system, and to monitor their effectiveness. The Statutory Audit Board has full autonomy to propose any adjustments deemed necessary and gives opinion on such systems in its annual report and opinion, made available along with the financial statements and other accounting documents at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (R&A 2018 tab/Chapter V).

III.12. The supervisory body should provide its view on the work plans and resources of the internal auditing service, including the control of compliance with the rules applied to the company (compliance services) and of internal audit, and should be the recipient of the reports prepared by these services, at least regarding matters related with approval of accounts, the identification and resolution of conflicts of interest, and the detection of potential irregularities.

RECOMMENDATION ADOPTED – Sections 37, 38 and 50, Part I.

The Statutory Audit Board is the Company's overall supervising body for internal control and risk management matters, acting independently and taking precedence over other bodies in overseeing such matters.

The Statutory Audit Board establishes with the Internal Audit the plan of actions to be developed, supervises its activity, receiving periodic reporting of the activity developed and, after evaluating the results and conclusions achieved, assesses the existence of irregularities and issues the guidelines it may deem convenient.

The Regulation of the Statutory Audit Board is available on the Company's website (www.sonae.com), at http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf .

CHAPTER IV — EXECUTIVE MANAGEMENT

IV.1. The managing body should approve, by internal regulation or equivalent, the rules regarding the action of the executive directors and how these are to carry out their executive functions in entities outside of the group.

RECOMMENDATION NOT APPLICABLE.

No authorization is granted to executive directors for the exercise of executive functions in other entities outside the Group. It is further stated that the executive directors are only allowed to perform these functions within the Group, following their appointment by the shareholders at the General Meeting.

IV.2. The managing body should ensure that the company acts consistently with its objects and does not delegate powers, namely, in what regards: i. the definition of the strategy and main policies of the company; ii. the organisation and coordination of the business structure; iii. matters that should be considered strategic in virtue of the amounts involved, the risk, or special characteristics.

RECOMMENDATION ADOPTED – Sections 21, 27 and 28, Part I.

The powers of the Board of Directors that cannot be delegated are listed in this Report and fully comply with the rules foreseen in this recommendation.

IV.3. In matters of risk assumption, the managing body should set objectives and look after their accomplishment.

RECOMMENDATION ADOPTED.

The Board of Directors approves the main policies of the Company, including the risk policy.

IV.4. The supervisory board should be internally organised, implementing mechanisms and procedures of periodic control that seek to guarantee that risks which are effectively incurred by the company are consistent with the company's objectives, as set by the managing body.

RECOMMENDATION ADOPTED.

The Board of Directors proactively ensures the risk management and internal control system.

The Statutory Audit Board assesses the effectiveness of those systems by proposing the optimization measures it deems necessary and gives opinion on them in its annual report and statements, made available together with the other accounting documents at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en /(R&A 2018 tab/Chapter V).

Furthermore, the Statutory Audit Board supervises the activity of the Internal Audit, receives periodic reports on the activity developed, evaluates the results and conclusions achieved, assesses the existence of irregularities and issues the guidelines it may deem convenient.

CHAPTER V — EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENTS

V.1 Annual evaluation of performance

V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk

management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.

RECOMMENDATION ADOPTED.

The Board of Directors annually evaluates its performance, which is subsequently submitted to the Shareholders' General Meeting for consideration under the terms of the law, taking into account the accomplishment of the Company's strategic plan and budget, its risk management, internal functioning and its relations with other Sonaecom bodies. At its meeting of 18 March 2019, the Board of Directors conducted this self-assessment.

In addition, and in accordance with article 376 of the Companies Code, the Shareholders' General Meeting annually reviews the management of the Company through a confidence or no confidence vote.

V.1.2. The supervisory body should supervise the company's management, especially, by annually assessing the accomplishment of the company's strategic plans and of the budget, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.

RECOMMENDATION ADOPTED – Sections 24, 25 and 38, Part I.

The Statutory Audit Board exercised the competences described in section 38 of this Corporate Governance Report, monitoring the management, the risk management and performing other responsibilities assigned to this statutory body, including those arising from the principles of interaction between the supervisory and management bodies, aiming to avoid conflict of interest situations.

The Statutory Audit Board did not issue any opinion or warning regarding the accomplishment of the strategic plan and the budget, having acted in accordance with the legal rules which determine its competences, capacity and duty to intervene.

V.2 Remuneration

V.2.1. The remuneration should be set by a committee, the composition of which should ensure its independence from management.

RECOMMENDATION ADOPTED – Sections 66 to 68, Part I.

The remuneration of the members of the Company's management and supervisory bodies is set by the Shareholders' Remuneration Committee.

The members of the Remuneration Committee, Duarte Paulo Teixeira de Azevedo and Francisco de la Fuente Sánchez are independent of the members of the Board of Directors, acting in this capacity and with relevant knowledge and experience concerning remuneration policy. The *curricula vitae* of the members of the Remuneration Committee are available in the Appendix II of this Report.

V.2.2. The remuneration committee should approve, at the start of each term of office, execute, and annually confirm the company's remuneration policy for the members of its boards and committees, including the respective fixed components. As to executive directors or directors periodically invested with executive duties, in the case of the existence of a variable component of remuneration, the committee should also approve, execute, and conform the respective criteria of attribution and measurement, the limitation mechanisms, the mechanisms for deferral of payment, and the remuneration mechanisms based on the allocation of options and shares of the company.

RECOMMENDATION ADOPTED – Sections 69 to 75, Part I.

The Company's remuneration policy has the features foreseen in Sections 69 to 75 of Part I of this Report and which are in line with this recommendation.
The Remuneration Committee, appointed in the General Meeting and representing the shareholders, is the responsible corporate body for evaluating the performance and approval of the remunerations of the members of the Board of Directors and other corporate bodies, according with the Remuneration Policy approved by the shareholders at the General Meeting.

V.2.3. The statement on the remuneration policy of the managing and supervisory bodies, pursuant to article 2 of Law no. 28/2009, 19th June, should additionally contain the following:

(i) **the total remuneration amount itemised by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied;**
(ii) **remunerations from companies that belong to the same group as the company;**
(iii) **the number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date;**
(iv) **information on the possibility to request the reimbursement of variable remuneration;**
(v) **information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specifc elements subject to derogation;**
(vi) **information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors.**

RECOMMENDATION ADOPTED.
The remuneration policy proposed to the Shareholders in the Annual General Meeting of 3 May 2018 – available at http://other.static.sonae.com/2018/04/06/4._SCOM_Proposal4ENG/4._SCOM_Proposal4ENG.pdf?download=1 - complies with all the requirements of the applicable law, as well as with paragraph vi) of this recommendation.
The remaining information required by paragraphs (i) to (v) of this recommendation is included in the Corporate Governance Report and Management Report regarding the 2018 financial year, which are also presented for the approval of the Company's shareholders.

V.2.4. For each term of office, the remuneration committee should also approve the directors' pension benefit policies, when provided for in the bylaws, and the maximum amount of all compensations payable to any member of a board or committee of the company due to the respective termination of office.

RECOMMENDATION NOT APPLICABLE.
The Company's Articles of Association do not establish the payment of pensions. The remuneration policy adopted does not establish any scheme of pension benefits or compensation payment.

V.2.5. In order to provide information or clarifications to shareholders, the chair or, in case of his/her impediment, another member of the remuneration committee should be present at the annual general meeting, as well as at any other, whenever the respective agenda includes a matter linked with the remuneration of the members of the company's boards and committees or, if such presence has been requested by the shareholders.

RECOMMENDATION NOT APPLICABLE.

The Company considers that, in view of the protection of the interests of shareholders and investors, the other existing mechanisms are equivalent to the foreseen in this recommendation.

V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee.

RECOMMENDATION ADOPTED – Section 67, Part I.

The Remuneration Committee of the Company may freely hire the necessary or convenient consultancy services for the exercise of its functions.

The Remuneration Committee, when hiring consultants to support the performance of its duties, always focuses on choosing consultants of recognized competence and international presence. The independence of these consultants is ensured either by the autonomy before the Board of Directors, the Company and the Group, either because they have no connection with the Board of Directors, or because of their wide experience and recognition in the market.

V.3 Directors' Remuneration

V.3.1. Taking into account the alignment of interests between the company and the executive directors, a part of their remuneration should be of a variable nature, reflecting the sustained performance of the company, and not stimulating the assumption of excessive risks.

RECOMMENDATION ADOPTED – Sections 69 to 76 of Part I and remuneration policy approved by the Shareholders' General Meeting.

A significant part of the remuneration of Sonaecom's executive directors is determined by the success of the Company. The variable component of remuneration is structured in such a way as to establish a link between the sums awarded and the level of performance, both at individual and group level. If predefined objectives are not achieved, measured through KPIs applicable to the business and to the individual performance, the value of short and medium term incentives will be partially or totally reduced.

Sonaecom reviews its remuneration policy annually as part of its risk management process, in order to ensure that it is entirely consistent with its desired risk profile. During 2018, no problems relating to payment practice were found that posed significant risks to the Company.

In designing remuneration policy, care has been taken not to encourage excessive risk-taking behaviour, attributing significant importance, but at the same time a balanced approach, to the variable component, thus closely linking individual remuneration to group performance.

Sonaecom has in place internal control procedures concerning remuneration policy, which target the identification of potential risks. Firstly, the variable remuneration structure is designed in such a way as to discourage excessive risk-taking behaviour to the extent that remuneration is linked to the evaluation of performance. The existence of KPI goals constitutes an efficient control mechanism. Secondly, the adopted policy does not allow contracts to be signed that would minimise the importance of the Medium Term Incentive Plan (MTIP). This policy includes forbidding any transaction that might eliminate or mitigate the risk of share price variations.

The remuneration of the members of the Statutory Audit Board is, exclusively, made up of fixed annual fees, based on comparable market practices, and does not include any variable remuneration.

The Company's Statutory External Auditor is paid accordingly with the standard fees table for similar services, at market rates and under a proposal from the Statutory Audit Board.

V.3.2. A significant part of the variable component should be partially deferred in time, for a period of no less than three years, thereby connecting it to the confirmation of the sustainability of the performance, in the terms defined by a company's internal regulation.

RECOMMENDATION ADOPTED – Sections 71 to 73 and 86, Part I.

Part of the variable remuneration of Executive Directors is paid in shares and deferred for a period of three years.

Considering that the value of the shares is linked to the performance of the Company, the remuneration paid will be affected by the way the Executive Director contributes to such performance. Consequently, an alignment of the Director with the interests of the shareholders and with the medium-term performance is ensured.

V.3.4. When variable remuneration includes the allocation of options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred in time for a period of no less than three years.

RECOMMENDATION NOT APPLICABLE.

The variable component of the remuneration of the Company does not contemplate the allocation of options or other instruments, directly or indirectly dependent on the value of the shares.

V.3.5. The remuneration of non-executive directors should not include components dependent on the performance of the company or on its value.

RECOMMENDATION ADOPTED.

The remuneration policy approved by the Shareholders' General Meeting, upon proposal from the Remuneration Committee, establishes that the remuneration of the non-executive members of the management body, when they exist, is exclusively composed of a fixed amount.

V.3.6. The company should be provided with suitable legal instruments so that the termination of a director's time in office before its term does not result, directly or indirectly, in the payment to such director of any amounts beyond those foreseen by law, and the company should explain the legal mechanisms adopted for such purpose in its governance report.

RECOMMENDATION ADOPTED.

The Shareholders' General Meeting, held on 3 May 2018, continuing the policy until then pursued consistently, by approving the Remuneration and Compensation Policy in force, has maintained the principle of not attributing compensation to Directors or members of other statutory governing bodies associated with the loss of office, whether this termination occurs according to their original mandate or whether it is anticipated for whatever reason, without prejudice to the obligation of the Company to comply with any applicable legislation in force.

V.4. Appointments

V.4.1. The company should, in terms that it considers suitable, but in a demonstrable form, promote that proposals for the appointment of the members of the company's governing bodies are accompanied by a justification in regard to the suitability of the profile, the skills and the *curriculum vitae* to the duties to be carried out.

RECOMMENDATION ADOPTED – Sections 16, 22, 29 and 31, Part I.

The Company has a long-term controlling shareholder who has consistently presented the proposals for the appointment of members to the governing bodies, which have been approved by the respective General Meetings.

These proposals are accompanied by the *curricula vitae* of the proposed members, considering the shareholders - both the ones indicating the candidates and those who vote the proposal - and also the Company, that it becomes clear from the *curriculum vitae* the adequacy of the profile, skills, *curriculum* and experience to the role to be performed by such candidates.
In addition, the presentation of the proposals accompanied by the respective *curricula vitae* enables any shareholder to assess their suitability to comply with the requirements defined in the Diversity Policy approved by the Company.
Therefore, the Company considers that the appointment of members to the governing bodies for the current mandate was in compliance with the principles of these instruments.

V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.
RECOMMENDATION NOT APPLICABLE – Sections 27, 29 and 67, Part I.
The Company does not have a nomination committee for the reasons listed in sections 27, 29 and 67 of Part I of this Report.

V.4.3. This nomination committee includes a majority of non-executive, independent members.
RECOMMENDATION NOT APPLICABLE – Sections 27, 29 and 67, Part I.
The Company does not have a nomination committee for the reasons listed in sections 27, 29 and 67 of Part I of this Report.

V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.
RECOMMENDATION NOT APPLICABLE.
The Company does not have a nomination committee for the reasons listed in sections 27, 29 and 67 of Part I of this Report.
The identification of potential candidates with a profile for the performance of management functions (in particular when the Board of Directors decides to co-opt a Board member) is carried out by the Remuneration Committee. To this end, the Remuneration Committee may freely hire the necessary or convenient consultancy services for the exercise of its functions, as well as for providing oversight of succession planning, contingency planning and talent management in general for Board members and other persons discharging managerial responsibilities, through transparent selection processes, including effective mechanisms for identifying potential candidates having regard to the requirements of the function, merit and appropriate diversity to Company, in particular considering gender.

CHAPTER VI — RISK MANAGEMENT

VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.
RECOMMENDATION ADOPTED – Sections 51 to 54, Part I.
The competences of the management body are in compliance with the rules set out in this recommendation.

VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices

and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.

RECOMMENDATION ADOPTED – Sections 50 to 55, Part I.

The Company complies with the rules foreseen in this recommendation.

VI.3. The company should annually evaluate the level of internal compliance and the performance of the risk management system, as well as future perspectives for amendments of the structures of risk previously defined.

RECOMMENDATION ADOPTED – Sections 29 and 38, Part I.

After following the procedures described in Recommendation III.11, the Statutory Audit Board has not proposed any change to the risk framework.

CHAPTER VII — FINANCIAL STATEMENTS AND ACCOUNTING

VII.1 Financial information

VII.1.1. The supervisory body's internal regulation should impose the obligation to supervise the suitability of the preparation process and the disclosure of financial information by the managing body, including suitable accounting policies, estimates, judgments, relevant disclosure and its consistent application between financial years, in a duly documented and communicated form.

RECOMMENDATION ADOPTED – Section 38, Part I.

The Regulation of the Statutory Audit Board complies with the rules set out in this recommendation.

VII.2 Statutory Audit of Accounts and Supervision

VII.2.1. Through the use of internal regulations, the supervisory body should define:

(i) the criteria and the process of selection of the statutory auditor;

(ii) the methodology of communication between the company and the statutory auditor;

(iii) the monitoring procedures destined to ensure the independence of the statutory auditor;

(iv) the services, besides those of accounting, which may not be provided by the statutory auditor.

RECOMMENDATION ADOPTED – Sections 38, 42 to 47, Part I.

The Regulation of the Statutory Audit Board complies with the rules set out in this recommendation.

VII.2.2. The supervisory body should be the main interlocutor of the statutory auditor in the company and the first recipient of the respective reports, having the powers, namely, to propose the respective remuneration and to ensure that adequate conditions for the provision of services are ensured within the company.

RECOMMENDATION ADOPTED – Section 38, Part I.

It is responsibility of the Statutory Audit Board to supervise the activity and independence of the Statutory External Auditor, to receive its reports and ensuring direct interaction with it, in the terms of its competences and functioning rules set out in the Regulation of the Statutory Audit Board available in the Company's website at

http://other.static.sonae.com/2016/03/22/Statutory_Audit_Board_ToR_Nov2015/Statutory_Audit_Board_ToR_Nov2015.pdf

VII.2.3. The supervisory body should annually assess the services provided by the statutory auditor, their independence and their suitability in carrying out their functions, and propose their dismissal or the termination of their service contract by the competent body when this is justified for due cause.

RECOMMENDATION ADOPTED – Section 38, Part I.

The Statutory Audit Board annually assesses the Statutory External Auditor. Such assessment is included in its annual report and opinion, and is made available together with all other accounting documents at http://www.sonae.com/investidores/informacao-financeira/relatorios?l=en .

VII.2.4. The statutory auditor should, within their powers, verify the application of policies and systems of remuneration of governing bodies, the effectiveness and the functioning of the mechanisms of internal control, and report any irregularities to the supervisory body.

RECOMMENDATION ADOPTED – Section 38.2, Part I.

The Statutory External Auditor verifies the effectiveness and functioning of the internal control mechanisms and reports any deficiencies to the supervisory body. Concerning the 2018 financial year, the Statutory External Auditor of the Company has reported on its activity in its annual audit report, available on the Company's website at http://www.sonae.com/investidores/informacao-financeira/relatorios?l=en.

VII.2.5. The statutory auditor should collaborate with the supervisory body, immediately providing information on the detection of any relevant irregularities as to the accomplishment of the duties of the supervisory body, as well as any difficulties encountered whilst carrying out their duties.

RECOMMENDATION ADOPTED – Section 38, Part I.

The competences of the Statutory External Auditor are set out in section 38 of this Report, as well as its activity of risk control and the exercise of its role before other governing bodies and committees of the Company. Said competences are in full compliance with the legal provisions applicable to this body activity, and no other duties were awarded besides those listed therein. (Nota 23)

APPENDIX I

Curricula Vitae and positions held by members of management and supervisory bodies.

- Board of Directors:

Ângelo Gabriel Ribeirinho dos Santos Paupério
CEO of Sonaecom, SGPS, S.A.
Birth date
14 September 1959
Educational qualifications
Degree in Civil Engineering - University of Porto
MBA by Porto Business School
Professional experience
Co-CEO of Sonae - SGPS, S.A.
Member of the Board of Directors of Sonae Investimentos, SGPS, S.A.
Chairman of the Board of Directors MDS, SGPS, S.A.
Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
Vice President of Sonae MC - Modelo Continente, SGPS, S.A.
Member of the Board of Directors of ZOPT, SGPS, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.
Guest professor of Porto Business School
Member of High Council of Universidade Católica Portuguesa
Member of High Council of Porto Business School
Chairman of the Board of Directors of APGEI - Associação Portuguesa de Gestão e Engenharia Industrial
Offices held in companies in which Sonaecom is a shareholder
Chairman of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Member of the Board of Directors of ZOPT, SGPS, S.A.
Chairman of the Board of Directors of Público - Comunicação Social, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.
Chairman of the Remuneration Committee of NOS, SGPS, S.A.

Offices held in other entities
Co-CEO of Sonae, SGPS, S.A.
Chairman of the Board of Directors of Sonae Center Serviços II, S.A. (actual Sonae MC - Serviços Partilhados, S.A.)
Member of the Board of Directors of Sonae Investimentos, SGPS, S.A.
Vice President of the Board of Directors of MODELO CONTINENTE, SGPS, S.A (previously Sonae MC – Modelo Continente, SGPS, S.A.) (since January 2019 - Chairman of Board of Directors)
Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
Chairman of the Board of Directors of Sonae Financial Services, S.A. (non-executive)
Chairman of the Board of Directors of SFS - Gestão e Consultoria, S.A. (previously SFS - Serviços de Gestão e Marketing, S.A.)
Vice President of the Board of Directors of Iberian Sports Retail Group, S.L.
Chairman of the Board of Directors of Sonaecenter, Serviços, S.A.
Chairman of the Board of Directors of Sonae Corporate, S.A. (previously Zyevolution - Investigação e Desenvolvimento, S.A.)
Member of the Board of Directors of Love Letters – Galeria de Arte, S.A.
Chairman of the Board of Directors of Enxomil - Consultoria e Gestão, S.A.
Chairman of the Board of Directors of Enxomil - Sociedade Imobiliária, S.A.

Maria Cláudia Teixeira de Azevedo
Executive Member of the Board of Directors of Sonaecom, SGPS, S.A.
Birth date
13 January 1970
Educational qualifications
Degree in Management - Catholic University of Porto
MBA by INSEAD
Professional experience
Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Executive Director of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Chairman of the Executive Board of Sonae Capital, SGPS, S.A.
Member of the Board of Directors of ZOPT, SGPS, S.A.
Offices held in companies in which Sonaecom is a shareholder
Member of the Board of Directors of ZOPT, SGPS, S.A.
Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Member of the Board of Directors of Público - Comunicação Social, S.A.
Chairman of the Board of Directors of PCJ – Público, Comunicação, e Jornalismo, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.
Offices held in other entities
Member of Board of Directors of Sonae Capital, SGPS, S.A.
Member of Board of Directors of Sonae MC - SGPS, SA
Member of Board of Directors of Sonaecenter, Serviços, S.A.
Member of Board of Directors of Sonae Corporate, S.A.
Member of Board of Directors of Sonae Sierra, SGPS, S.A.
Chairman of the Board of Directors of Efanor - Serviços de Apoio à Gestão, S.A.
Member of the Board of Directors of Efanor - Investimentos, SGPS, S.A.
Chairman of the Board of Directors of IMPARFIN - Investimentos e Participações Finaceiras, S.A.
Chairman of the Board of Directors of Linhacom, SGPS, S.A.
Member of the Board of Directors of SEKIWI, SGPS, S.A.
Chairman of the Board of Praça Foz - Sociedade Imobiliária, S.A.
Member of the Board of VISTAS DA FOZ - SOCIEDADE IMOBILIÁRIA S.A.
Member of the Board of SETIMANALE - SGPS S.A.
Member of the Board of BA - BUSINESS ANGELS, SGPS S.A.
Member of the Board of BA - CAPITAL, SGPS S.A.

António Bernardo Aranha da Gama Lobo Xavier
Non-Executive Member of the Board of Directors of Sonaecom, SGPS, S.A.
Birth date
16 October 1959
Educational qualifications
Degree in Law - University of Coimbra
Master in Economics Law - University of Coimbra
Professional experience
Partner and Member of the Board of Directors of MLGTS
Non-executive Director of the Board of Directors of BPI, SGPS
Non-executive Director of the Board of Directors of Riopele, S.A.
Non-executive Director of Board of Directors of Mota-Engil, SGPS, S.A.
Member of the Board of Directors of Público - Comunicação Social, S.A.
Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.
Member of Council of State (since 07.04.2016)
Offices held in companies in which Sonaecom is a shareholder
Member of the Board of Directors of NOS - SGPS, S.A.
Offices held in other entities
Partner and Member of the Board of Directors of MLGTS & Associados, Sociedade de Advogados
Member of the Board of Directors of BPI, SGPS, S.A.
Member of the Board of Directors of Mota-Engil, SGPS, S.A.
Member of the Board of Directors of Riopele, S.A.
Member of the Board of Directors of Fundação Casa da Música
Director of Fundação Francisco Manuel dos Santos
Member of the Curators Council of Fundação Belmiro de Azevedo
Chairman of the General Meeting of Ascendum, SA
Chairman of the General Meeting of Textil Manuel Goncalves, S.A.
Chairman of the General Meeting of AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado
Chairman of the General Meeting of Berd Bridge Engineering Research & Design
Chairman of the General Meeting of GMG – Grupo Manuel Gonçalves, SGPS, S.A.
Chairman of the General Meeting of TMG Capital, SGPS, SA
Member of Council of State

- Statutory Audit Board

João Manuel Gonçalves Bastos	
Birth date	
23 April 1958	
Educational qualifications	
1981	Degree in Economics at Faculdade de Economia da Universidade do Porto
Professional experience	
1981-1984	Teacher of Macroeconomics at Faculdade de Economia da Universidade do Porto
1982-1984	Commercial department in Crédit Lyonnais
1984-1986	Development and Planning department in Sonae Group
1986-1987	Assistant of the Board in Focor Group
1987 – 1998	CFO and member of the Board of several participated companies in Figest Group
1998 – 2007	Senior Manager and member of the Board of several participated companies in Sonae Group
Offices held in other entities	
Shareholder and President of the Board of Arcádia Group	
President of the Statutory Audit Committee of Irmãos Vila Nova, SP	
President of the Statutory Audit Committee of Modelo – Distribuição de Materiais de Construção S.A,	

Maria José Martins Lourenço da Fonseca	
Birth date	
4 September 1957	
Educational qualifications	
1984	Degree in Economics at Faculdade de Economia da Universidade do Porto - Doutor António José Sarmento Prize
1987	Post graduate Program in European Studies at the European Studies Center, Universidade Católica Portuguesa
1992	Participation in the Young Managers Programme at European Institute of Business Administration, Fontainebleau.
2002	Master in Business and Administration at Faculdade de Economia da Universidade do Porto
2015	PhD in Business and Administration at Faculdade de Economia da Universidade do Porto
Professional experience	
1984-1985	Invited Assistant at Faculdade de Economia da Universidade do Porto - Microeconomics
1985-1990	Technician in the Department of Economic Studies and Planning at BPI - Banco Português de Investimento, S.A.
1990-1992	Senior Analyst at the Corporate Banking Department at BPI - Banco Português de Investimento, S.A.
1991-1999	Invited Assistant at Faculdade de Economia da Universidade do Porto - Accounting area
1992-1996	Vice-manager at the Corporate Banking Department at BPI - Banco Português de Investimento, S.A.
1996-2006	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) as trainer for the External Auditor Preparatory Course
Since 1996	Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)- Accounting area. Director of the Master's Degree in Auditing and Taxation, since 2017
2002-2008	Cooperation with the Certified Public Accountant Association (OTOC) in the field of professional formation
2008-2009	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) in the field of professional formation
Since 2008	Consulting activity through the Centro de Estudos de Gestão e Economia Aplicada (CEGEA) of Católica Porto Business School (Universidade Católica Portuguesa)
2015	Member of the Selection Board for the Oral Test for External Auditor (ROC)
2015-2018	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) as trainer for the External Auditor Preparatory Course
Offices held in other entities	
Member of the Statutory Audit Committee of Sonae SGPS, S.A.	
Member of the Statutory Audit Committee of Sonae MC SGPS, S.A.	
Member of the Statutory Audit Committee of Ibersol SGPS, S.A.	
President of the Statutory Audit Committee of SDSR - Sports Division SR, S.A.	
President of the Statutory Audit Committee of AEGE - Associação para a Escola de Gestão Empresarial	
Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)	

Óscar José Alçada da Quinta	
Birth date	
1 December 1957	
Educational qualifications	
1982	Degree in Economics at Faculdade de Economia da Universidade do Porto
1990	Statutory auditor
Professional experience	
1982-1986	Administrative and financial responsibilities in the area of textile companies, construction and office equipment
Since 1986	Provision of services related to external audit for Statutory Auditors and for companies in the previous activities
1990-1992	Independent Statutory Auditor
Since 1992	Statutory Auditor and Partner of Óscar Quinta, Canedo da Mota &Pires Fernandes, SROC
Offices held in other entities	
Member of the Board of Directors of Óscar Quinta, Canedo da Mota &Pires Fernandes, SROC	
Member of the Fiscal Council of Caetano-Baviera - Comércio de Automóveis, S.A.	
Member of the Fiscal Council of BA GLASS I - Serviços de Gestão e Investimentos, SA	
Member of the Fiscal Council of Sonaecom - SGPS, S.A.	
Member of the Fiscal Council of Sonae Arauco Portugal S.A.	

APPENDIX II

Curricula Vitae of the members of the Remuneration Committee

Duarte Paulo Teixeira de Azevedo	
Member of Remuneration Committee of Sonaecom, SGPS, S.A.	
Date of Birth	
31 December 1965	
Academic Curriculum	
	Marven College, UK - Secondary education
1986	Degree in Chemical Engineering - École Polytechnique Féderále de Lausanne
1989	MBA - Porto Business School
Executive Education	
1994	Executive Retailing Program - Babson College
1996	Strategic Uses of Information Technology Program - Stanford Business School
2002	Breakthrough Program for Senior Executives - IMD
2008	Proteus Programme - London Business School
2012	Corporate Level Strategy - Harvard Business School
Professional Experience	
1988-1990	Manager and Analyst of Projeto Novos Investimentos in Sonae Tecnologias de Informação
1990-1993	Manager of Projeto de Desenvolvimento Organizativo and Comercial Director in Portugal in New Business in Sonae Indústria
1993-1996	Director of Planning and Strategic Control and Organizational Development in Sonae Investimentos - SGPS, S.A. (currently Sonae - SGPS, S.A.)
1996-1998	Executive Director of Modelo Continente Hipermercados, SA (Merchandising, IT e Marketing)
1998-2000	Chairman of the Executive Committee of Optimus - Telecomunicações, S.A. (Operador Móvel)
1998-2007	Executive Director of Sonae - SGPS, S.A.
2002-2007	Chairman of the Executive Committee of Sonaecom, SGPS, S.A.
2002-2007	Chairman of the General Board of Público - Comunicação Social, S.A.
2003-2007	Chairman of the General Board of Glunz, AG
2004-2007	Chairman of the Board of Directors of Tableros de Fibras, S.A. (Tafisa)
2007-2014	Chairman of the Board of Directors of Sonaecom, SGPS, S.A.
2007-2015	Chairman of the Executive Committee of Sonae - SGPS, S.A.
2007-2015	Vice President of the Board of Directors of Sonae Indústria, SGPS, S.A.
2013-2018	Chairman of the Board of Directors of Sonae MC, SGPS, S.A.
2008-2014	Chairman of the Board of Directors of MDS, SGPS, S.A.
2009-2013	Chairman of the Board of Directors of Sonaegest, Sociedade Gestora de Fundos e Investimentos
2010-2013	Chairman of the Board of Directors of Sonae RP - Retail Properties
2010-2016	Chairman of the Board of Directors of Sonae - Sprecialized Retail , SGPS, S.A.

Offices held in other entities	
Since April 2015 Chairman of the Board of Directors and Co-CEO of Sonae - SGPS, S.A.	
Since March 2015 Chairman of the Board of Directors of Sonae Indústria, SGPS, S.A.	
Since March 2015 Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.	
Since April 2010 Chairman of the Board of Directors of Sonae MC - Modelo Continente , SGPS, S.A.	
Since May 2013 Chairman of the Board of Directors of Sonae MC, Serviços Partilhados, S.A. (previously Sonae Center Serviços II, SGPS, S.A.)	
Since May 2007 Chairman of the Board of Directors of Sonae Sierra, SGPS, S.A.	
Since May 2016 Chairman of the Board of Directors of Sonae Arauco, S.A.	
Since July 1990 Member of the Board of Directors of Imparfin, SGPS, S.A.	
Since December 2010 Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.	
Since December 2010 Chairman of the Board of Directors of Migracom, SGPS, S.A.	
Since 2018 Member of the Board of EFANOR - Serviços de Apoio à Gestão, S.A.	
Since 2018 Chairman of Sonae Corporate, S.A.	
Since 2018	Managing partner of Okuk, Lda
Since 2018	Member of the Board of Directors of BA Glass
Other Activities	
2001-2002	Chairman of Apritel - Associação dos Operadores de Telecomunicações
2001-2008	Member of the General Council of Porto Business School
2004-2011	Member of the General Council of IPCG – Instituto Português de Corporate Governance
2006-2013	Member of the Board of Founders of Fundação Casa da Música
2008-2009	Member of the General Council of AEP - Associação Empresarial de Portugal
2009-2014	Member of the Board of Trustees of AEP - Associação Empresarial de Portugal
2009-2015	Chairman of the Board of Trustees of Universidade do Porto
2012-2015	Member of the Board of COTEC
2012-2017 Member of the Board of Trustees of Fundação Belmiro de Azevedo	
Since 2008 Member of ERT - European Round Table of Industrialists	
Since 2013 Membrer of International Advisory Board of Allianz SE	
Since 2015 Member of Consejo Iberoamericano para La Productividad y la Competitividad	

Francisco de La Fuente Sánchez	
Member of Remuneration Committee of Sonaecom, SGPS, S.A.	
Birth date	
2 January 1942	
Educational qualifications	
1965	Degree in Electrical Engineering - Technical University
Professional Experience	
2005-2012	Member of Advisory Council of Fórum para a Competitividade
2007-2012	Guest vowel of Conselho Nacional da Água
2007-2012	Vice-president and Non-Executive Chairman of Directors of EFACEC Capital
2007-2013	Chairman of the General Board of PROFORUM
2007-2013	Chairman of Conselho Nacional do Colégio de Engenharia Eletrotécnica da Ordem dos Engenheiros
2010-2015	Chairman of the General Meeting of Iberwind - Desenvolvimento e Projetos. S.A.
2009-2016	Member co-opted of the Conselho de Escola do Instituto Superior Técnico
2012-2016	Chairman of Direction of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico
Since 2002	Member of the Board of Trustees of Fundação Luso-Espanhola
Since 2004	Member of the Board of Trustees of Fundação Luso-Brasileira
Since 2005	Member of Employers of Fundação Hidroelétrica del Cantábrico
2005-2009 Chairman of Fundação EDP	
2003-2006 Chairman of Board of Directors of EDP - Energias de Portugal	
Since 2017 Coopted member of General Counsel of Universidade de Lisboa	
Offices held in other entities	
Non-Executive Director of Sonae Capital S.G.P.S., S.A.	
Member of Remuneration Committee of Sonae, SGPS, S.A.	
Coopted member of General Counsil of Universidade de Lisboa	
Chairman of the General Meeting of APEDS - Associação Portuguesa de Engenheiros para o Desenvolvimento Social	
Chairman of the General Meeting of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico	
President of honor of Hidroelétrica del Cantábrico, S.A.	
Member of Employers of Fundação Hidroelétrica del Cantábrico	
Member of the Board of Trustees of Fundação Luso-Brasileira	
Member of the Board of Trustees of Fundação Luso-Espanhola	

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III

FINANCIAL STATEMENTS

1. Financial Information

1.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	December 2018	December 2017
Assets			
Non-current assets			
Tangible assets	1.c, 1.h and 5	**4,041,331**	3,211,795
Intangible assets	1.d, 1.e, 1.x and 6	**25,607,506**	25,019,894
Goodwill	1.f, 1.x and 7	**37,312,620**	23,351,829
Investments in associated companies and companies jointly controlled	1.b and 8	**787,033,203**	771,735,367
Financial investments at fair value through profit or loss	1.g and 4	**88,591**	-
Investments at fair value through other comprehensive income	1.g, 4 and 9	**28,101,682**	5,480,963
Other non-current assets	1.g, 1.r, 1.y, 4, 11 and 36	**2,920,652**	3,812,536
Deferred tax assets	1.p and 10	**10,275,910**	7,324,057
Total non-current assets		**895,381,495**	839,936,441
Current assets			
Inventories	1.i, 12	**369,870**	232,706
Trade debtors	1.g, 1.j, 4, 13 22 and 36	**50,945,298**	47,170,847
Other current debtors	1.g, 1.j, 4, 14, 22 and 36	**8,506,707**	2,942,113
Income tax receivable	1.p, 4 and 27	**3,043,207**	3,315,918
Other current assets	1.g, 1.r, 1.x, 4, 15 and 36	**15,809,849**	9,985,136
Cash and cash equivalents	1.g, 1.k, 4 ,16 and 36	**229,038,912**	202,025,688
Total current assets		**307,713,843**	265,672,408
Total assets		**1,203,095,338**	1,105,608,849
Shareholders' funds and liabilities			
Shareholders' funds			
Share capital	17	**230,391,627**	230,391,627
Own shares	1.v and 18	**(7,686,952)**	(7,686,952)
Reserves	1.u	**783,365,333**	784,781,832
Consolidated net income/(loss) for the year		**69,986,049**	22,765,966
		1,076,056,057	1,030,252,473
Non-controlling interests	19	**(730,688)**	1,625,044
Total Shareholders' funds		**1,075,325,369**	1,031,877,517
Liabilities			
Non-current liabilities			
Non-current loans net of short term position	1 g, 1.l, 1.m, 1q, 4 and 20.a)	**3,677,091**	2,389,738
Other non-current financial liabilities	1.h, 4 and 21	**158,447**	173,478
Provisions for other liabilities and charges	1.o, 1.t and 22	**23,615,649**	3,603,145
Deferred tax liabilities	1.p and 10	**13,930,732**	10,243,448
Other non-current liabilities	1g, 1.r, 1y, 4, 23, 36 and 40	**6,863,944**	2,093,069
Total non-current liabilities		**48,245,863**	18,502,878
Current liabilities			
Current loans and other loans	1 g, 1.l, 1.m, 1q 4 and 20.b)	**5,209,946**	1,203,639
Trade creditors	1g, 4, 24 and 36	**18,931,330**	16,019,197
Other current financial liabilities	1g, 1.h, 4 and 25	**427,046**	341,479
Other creditors	1g, 4, 26 and 36	**14,383,863**	5,293,896
Income tax payable	1.p, 4 and 27	**310,220**	112,690
Other current liabilities	1g, 1q, 1.r, 1y, 4, 28, 36, 38 and 40	**40,261,701**	32,257,553
Total current liabilities		**79,524,106**	55,228,454
Total Liabilities		**127,769,969**	73,731,332
Total Shareholders' funds and liabilities		**1,203,095,338**	1,105,608,849

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Directors

Consolidated income statement by nature

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	December 2018	September to December 2018 (not audited)	December 2017	September to December 2017 (not audited)
Sales	1.s, 29 and 36	**72,552,521**	19,766,858	52,044,191	11,077,882
Services rendered	1.s, 29 and 36	**96,535,858**	26,655,473	87,515,371	23,378,683
Other operating revenues	1.q,22, 30 and 36	**2,699,881**	1,139,201	2,661,389	851,538
		171,788,260	47,561,532	142,220,951	35,308,103
Cost of sales	1.i, 12	**(62,264,367)**	(16,987,589)	(44,493,096)	(9,186,503)
External supplies and services	1.h, 31 and 36	**(42,779,676)**	(11,887,252)	(37,524,704)	(9,575,537)
Staff expenses	1.q, 1.y, 40, 41 and 43	**(62,668,738)**	(16,820,884)	(57,279,014)	(14,757,509)
Depreciation and amortisation	1.c, 1.d, 1.f, 5 and 6	**(11,088,290)**	(3,794,393)	(9,407,071)	(2,127,140)
Provisions and impairment losses	1.j, 1.o, 1.x and 22	**(1,256,955)**	(796,958)	(1,977,534)	(1,483,959)
Other operating costs	32	**(437,572)**	(192,586)	(630,639)	(216,794)
		(180,495,598)	(50,479,662)	(151,312,058)	(37,347,442)
Gains and losses in associated companies and companies jointly controlled	1.b, 8 and 34	**90,808,907**	(2,214,720)	35,779,065	3,242,570
Gains and losses on financial investments at fair value through profit or loss	1.g and 34	**722**	722	-	-
Other financial expenses	1.h, 1.m, 1.w, 1.x, 20, 33 and 36	**(4,362,799)**	(1,510,875)	(5,665,134)	(2,349,175)
Other financial income	1.w, 20, 33 and 36	**4,373,104**	1,209,984	4,624,204	1,795,362
Current income / (loss)		**82,112,596**	(5,433,019)	25,647,028	649,418
Income taxation	1.p, 10, and 35	**(12,167,568)**	4,749,494	(2,742,817)	(2,704,228)
Consolidated net income/(loss) for the year	38	**69,945,027**	(683,525)	22,904,211	(2,054,810)
Attributed to:					
Shareholders of parent company	38 and 39	**69,986,049**	(620,381)	22,765,966	(2,118,778)
Non-controlling interests	19 and 38	**(41,022)**	(63,145)	138,245	63,968
Earnings per share					
Basic	39	**0.23**	0.15	0.07	(0.01)
Diluted	39	**0.23**	0.15	0.07	(0.01)

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Directors

Consolidated statements of comprehensive income

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	December 2018	September to December 2018 (not audited)	December 2017	September to December 2017 (not audited)
Consolidated net income / (loss) for the period		**69,945,027**	(683,526)	22,904,211	(2,054,810)
Components of other consolidated comprehensive income, net of tax, that will be reclassified subsequently to profit or loss:					
Changes in reserves resulting from the application of equity method	8	**(17,918,000)**	(2,626,644)	653,663	481,203
Changes in currency translation reserve and other	1.w	**(136,830)**	334,770	(2,420,494)	(247,204)
Fair value of investments	9	**2,385,907**	2,385,907	-	-
Components of other consolidated comprehensive income, net of tax, that will not be reclassified subsequently to profit or loss:					
Changes in reserves resulting from the application of the equity method	8	**(785,643)**	(3)	19,899	(165,494)
Consolidated comprehensive income for the period		**53,490,461**	(2,975,403)	21,157,279	(1,986,305)
Attributed to:					
Shareholders of parent company		**53,531,483**	(526,350)	21,019,034	(2,050,273)
Non-controlling interests		**(41,022)**	(63,145)	138,245	63,968

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

Consolidated statement of changes in equity

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	Share capital (note 17)	Own shares (note 18)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non-controlling interests (note 20)	Net income / (loss)	Total
2018											
Balance at 31 December 2017		230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	(15,108,859)	784,781,832	1,625,044	22,765,966	1,031,877,517
Appropriation of the consolidated net result of 2017											
Transfers to other reserves		-	-	-	788,525	-	21,977,441	22,765,966	-	(22,765,966)	-
Dividend Distribution	36	-	-	-	-	-	(11,313,454)	(11,313,454)	(585,000)	-	(11,898,454)
Percentage change in subsidiaries		-	-	-	-	-	3,902,725	3,902,725	(3,902,725)	-	-
Increase in share capital in subsidiaries		-	-	-	-	-	-	-	2,053,149	-	2,053,149
Consolidated comprehensive income for the year ended at 31 December 2018		-	-	-	-	-	(16,454,566)	(16,454,566)	(41,022)	69,986,049	53,490,461
Impact of the application of IFRS 15		-	-	-	-	-	(317,169)	(317,169)	(42,109)	-	(359,278)
Other changes		-	-	-	-	-	-	-	161,974	-	161,974
Balance at 31 December 2018		230,391,627	(7,686,952)	775,290,377	17,701,887	7,686,952	(17,313,883)	783,365,333	(730,688)	69,986,049	1,075,325,369

(Amounts expressed in Euro)	Notes	Share capital (note 17)	Own shares (note 18)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non-controlling interests (note 20)	Net income / (loss)	Total
2017											
Balance at 31 December 2016		230,391,627	(7,686,952)	775,290,377	15,163,177	7,686,952	(35,691,494)	762,449,012	(155,054)	48,131,541	1,033,130,174
Appropriation of the consolidated net result of 2016											
Transfers to other reserves		-	-	-	1,750,185	-	46,381,356	48,131,541	-	(48,131,541)	-
Dividend Distribution	36	-	-	-	-	-	(23,544,214)	(23,544,214)	(79,680)	-	(23,623,894)
Percentage change in subsidiaries		-	-	-	-	-	(507,575)	(507,575)	507,575	-	-
Increase in share capital in subsidiaries		-	-	-	-	-	-	-	1,207,700	-	1,207,700
Consolidated comprehensive income for the year ended at 31 December 2017		-	-	-	-	-	(1,746,932)	(1,746,932)	138,245	22,765,966	21,157,279
Other changes		-	-	-	-	-	-	-	6,258	-	6,258
Balance at 31 December 2017		230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	(15,108,859)	784,781,832	1,625,044	22,765,966	1,031,877,517

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Directos

Consolidated cash flow statements

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	December 2018		December 2017	
Operating activities					
Receipts from trade debtors		169,469,125		136,904,072	
Payments to trade creditors		(106,671,513)		(80,293,772)	
Payments to employees		(67,751,097)		(61,061,614)	
Cash flows generated by operations		(4,953,485)		(4,451,314)	
Payments / receipts relating to income taxes		(4,601,912)		17,542,785	
Other receipts / payments relating to operating activities		2,055,048		(457,281)	
Cash flows from operating activities (1)			(7,500,349)		12,634,190
Investment activities					
Receipts from:					
Financial investmens		16,480,788		-	
Tangible assets		6,217		22,765	
Intangible assets		24,376		351,263	
Dividends	36	19,756,226		16,512,303	
Interest and similar income		191,682		830,602	
Others	8	41,343,720		-	
Payments of:					
Financial investmens		(29,455,979)		(11,440,620)	
Tangible assets		(647,627)		(917,373)	
Intangible assets		(1,551,890)		(1,043,639)	
Cash flows from investment activities (2)			46,147,513		4,315,301
Financing activities					
Receipts from:					
Capital increases, supplementary capital and share premium		2,053,149		947,500	
Others		1,503,670		-	
Payments of:					
Leasing	16	(406,772)		(514,353)	
Bank commissions, interest and similar expenses		(375,457)		(563,904)	
Dividends	36	(11,898,454)		(23,623,894)	
Loans obtained	16	(2,967,378)		(1,276,636)	
Cash flows from financing activities (3)			(12,091,242)		(25,031,287)
Net cash flows (4)=(1)+(2)+(3)			26,555,922		(8,081,796)
Effect of the foreign exchanges			(30,980)		(148,510)
Cash and cash equivalents at the beginning of the year	16		202,025,379		210,255,685
Cash and cash equivalents at the end of the year	16		228,550,321		202,025,379

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Directors

Notes to the consolidated cash flow statements

For the years ended at 31 December 2018 and 2017

1. Description of non-monetary financing activities

	Notes	December 2018	December 2017
a) Bank credit obtained and not used	20	**1,057,109**	1,000,000
b) Purchase of company through the issue of shares		**Not applicable**	Not applicable
c) Conversion of companies loans into shares		**Not applicable**	Not applicable

2. Acquisition or sale of subsidiaries or other businesses

	Notes	December 2018	December 2017
a) Amounts received of acquisitions			
Sold of 0,10% of participation on Digitmarket	3.b	**3,422**	-
Return of capital invested on Fundo Armilar II	8	**16,477,366**	-
		16,480,788	-
b) Amounts paid of acquisitions			
Excellium	3.a	**5,374,398**	-
Visenze	3.a	**4,384,811**	-
Reblaze	3.a	**2,352,437**	-
Nextel	3.a	**2,940,588**	-
Artic Wolf	3.a and 10	**2,302,130**	3,830,113
Nextail	3.a	**2,300,000**	-
Case on IT	3.a	**2,280,000**	-
ciValue	3.a	**1,970,097**	-
Jscrambler	3.a	**1,250,000**	-
Style Sage	3.a and 10	**812,414**	416,910
Ometria	3.a and 10	**800,882**	854,165
Armilar; Armilar II; Armilar III and ESVIINT	3.a and 10	**652,756**	1,409,697
WhiteFantasy	3.a	**640,804**	-
Convertible Loan Secucloud		**551,475**	-
Probe.ly	3.a and 8	**25,000**	515,000
Secucloud	3.a and 8	**-**	4,000,000
Others		**818,187**	414,735
		29,455,979	11,440,620
c) Amounts received of dividends			
ZOPT	8 and 36	**19,755,883**	16,512,005
CAIXA BANK		**343**	298
		19,756,226	16,512,303

3. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Net cash flows
2018				
Media	(3,382,545)	(377,076)	(5,583)	(3,765,204)
Information Systems	(254,305)	26,901,440	(547,315)	26,099,820
Holding	(3,863,499)	19,623,149	(11,538,344)	4,221,306
	(7,500,349)	46,147,513	(12,091,242)	26,555,922

Activity	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Net cash flows
2017				
Media	282,432	(273,999)	(14,962)	(6,529)
Information Systems	(255,020)	(12,550,939)	(1,214,802)	(14,020,761)
Holding	12,606,778	17,140,239	(23,801,523)	5,945,494
	12,634,190	4,315,301	(25,031,287)	(8,081,796)

The notes are an integral part of the consolidated financial statements.

The Chief Accountant

The Board of Director

1.2. Notes to the consolidated financial statements of Sonaecom

SONAECOM, SGPS, S.A. (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. It is the parent company of the Group of companies listed in note 2 ('the Group').

Sonaecom SGPS, S.A. is owned directly by Sontel BV and Sonae SGPS, SA and Efanor Investimentos SGPS, S.A. is the ultimate controlling company.

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

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

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

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

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

In addition, in this year, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae Group managers and to the former owners of the companies acquired by Sonaecom.

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

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

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

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, from Euro 296,526,868 to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. ('EDP') and Parpública – Participações Públicas, SGPS, S.A. ('Parpública'). The corresponding public deed was executed on 18 October 2006.

By decision of the Shareholders General Meeting held on 16 April 2008, bearer shares were converted into registered shares.

During the year ended on 31 December 2013, the merger between Zon Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ('Zon') and Optimus SGPS, SA (note 8) was closed. Accordingly, the telecommunications segment was classified, for presentation purposes, as a discontinued operation and the Group's business became of, rather than the holding activity:

- Media;
- Information systems consultancy.

Consequently, since the merger mentioned above, the telecommunications segment became jointly controlled (note 8).

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital of Sonaecom.

The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective period, subject to valid acceptance by the recipients.

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

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

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

The Group operates in Portugal and has subsidiaries (from the information systems consultancy segment) operating in about 14 countries.

The consolidated financial statements are also presented in euro, rounded to the unit, and the transactions in foreign currencies are included in accordance with the accounting policies detailed below.

1. Basis of presentation

The accompanying financial statements relate to the consolidated financial statements of the Sonaecom Group and have been prepared with an on a going concern basis, based on the accounting records of the companies included in the consolidation through full consolidation method (note 2) in accordance with the International Financial Reporting Standards (IFRS) as adopted and effective in the European Union on 1 January 2018. These financial statements were prepared based on the historical cost, except for the revaluation of some financial instruments.

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

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union, and have mandatory application to the financial years beginning on or after 1 January 2018 and were first adopted in the year ended at 31 December 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 15 - Revenue from contracts with Customers IFRS 15 specifies how and when an IFRS reporter shall recognise revenue and requires that such entities provide users of financial statements with more informative, relevant disclosures. The standard provides a simple, principles based five-step model to be applied to all contracts with customers.	**1-Jan-2018**
Amendments to IFRS 15 - Revenue from contracts with customers Review of accounting standard for license revenue, definition of agency and transitory regime.	**1-Jan-18**
IFRS 9 - Financial instruments and subsequent changes This standard introduces new requirements for classifying and measuring financial assets (recognition of impairment in accounts receivable - expected credit loss model) and a new general hedge accounting model.	**1-Jan-18**
Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts This amendment gives insurers the option to recognize the volatility that may result from the application of IFRS 9 before the new insurance contract standard is published in 'Other comprehensive income', instead of recognizing in the Profit and Loss Account. Moreover, a temporary exemption is granted for the application of IFRS 9 to 2021 to entities whose predominant activity is that of insurance company. This exemption is optional and applies to consolidated financial statements that include an insurance entity.	**1-Jan-18**
Amendments to IFRS 2 - Share-based payment The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	**1-Jan-18**
Annual Improvements to IFRS Standards 2014-2016 Cycle Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs. This cycle afects the following standards: IFRS 1, IFRS 2 and IAS 28.	**1-Jan-17 / 1-Jan-18**
IFRIC 22 - Foreign currency transactions and advance consideration IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	**1-Jan-18**
Amendments to IAS 40 - Transfers of investments property Amendments to IAS 40 clarifies the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.	**1-Jan-18**

Impacts of the IFRS 15 and IFRS 9 adoption

At 31 December 2018 the changes resulting from the application of IFRS 15 and IFRS 9 were introduced in the financial statements.

I – IFRS 15 – Revenue from contracts with customers

IFRS 15 is based on the principle that revenue is recognised on the date of transfer of control to the customer, with the transaction value being allocated to the different performance obligations assumed to the client and subject to adjustment in the measurement whenever the consideration is variable or subject to a significant financial effect.

The following policies result from the new standard:

1. Recognition of Software as a Service (SaaS) contracts - IFRS 15 requires that if a service is not distinct, the entity shall combine such service with other services until it identifies a distinct service package. This will result in the record of all services in a contract as a unique performance obligation. In some SaaS agreements, software implementation services do not constitute a distinct performance obligation, but a performance obligation combined with the SaaS service. In those cases, implementation and initial configuration activities mainly consist on administrative tasks required to perform the primary SaaS service, but do not provide an incremental benefit to the customer alone. Thus, in these contracts, the group shall identify only one performance obligation (implementation and SaaS) and recognise the revenue from this performance obligation on a monthly basis over-the-time, over the contract period.

2. Recognition of certain costs incurred in the fulfillment of a contract (fulfillment costs) - The costs related to the implementation phase are considered fulfillment costs. Costs associated with performance of a contract must be capitalised in accordance with IFRS 15 if (i) it is related to an existing contract or a specific future contract; ii) if they create the resources that will be used to satisfy a performance obligation in the future; (iii) whether costs are expected to be recovered; (iv) are not already covered by another accounting standard. These costs will be capitalised and recognised in the profit and losses statement according to the estimated period of abidance of client or over the contract period.

3. Recognition for IT Audit contracts - In accordance with IFRS 15, recognition of audit revenue must be "over-the-time" at the time that the benefits of the performance obligations are transferred to the customer, that is, in accordance with the milestones reports delivery to the client.

4. Recognition of the sale of newspapers and associated products through the distributor- In accordance with the definitions of IFRS 15, the revenue from these contracts must be recognised at the total amount. The conditions foreseen in IFRS 15 are met in order for the Group to perform the role of Principal in these contracts. As such, revenue must be recognised by the total value of sales of newspapers and associated products (cover value) and the discount attributed to the distributor should be recognised as cost of distribution.

In adopting IFRS 15, the Group decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings at 1 January 2018, with the adoption of the following practical records:

a) Application only for contracts not completed on 01/01/2018;
b) Non-restatement of modified contracts before 01/01/2017.

The impacts of the reclassifications and adjustments referred to in the statement of financial position at the date of initial application (1 January 2018) of IFRS 15 are summarized as follows:

	31 December 2017	Remeasurement	31 December 2018
Non-current assets			
Tangible assets	25,019,894	43,321	25,063,215
Deferred tax assets	7,324,057	104,307	7,428,364
Current liabilities			
Other current liabilities	32,257,553	506,906	32,764,459

The total impact on the retained earnings of the Group caused by the adoption of IFRS 15 on 1 January 2018 is as follows:

Retained earnings	31 December 2018
IAS 39 Amounts	
Tangible assets	25,019,894
Deferred tax assets	7,324,057
Other current liabilities	(32,257,553)
Adjustment for the adoption of IFRS 15	(359,278)
IFRS 15 Amounts	(272,880)

II – IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introducing changes in: i) the classification of financial assets; ii) calculation of the impairment of financial assets; and iii) the designation of hedging instruments.

With the adoption of IFRS 9, Sonaecom assessed the business models that applied to its financial assets and the characteristics of contractual cash flows at the date of initial application of IFRS 9 (1 January 2018). The Group classified

the financial instruments in the categories provided by IFRS 9, which resulted in the following reclassifications:

Financial assets	Notes	Loans and receivables	Available-for-sale investments	Financial assets at fair value through other comprehensive income	Amortised cost	Total
IAS 39 Amounts		302,128,929	28,101,682	-	-	330,230,611
Reclassification of 'Loans and receivables' to 'Financial assets measured at amortized cost'	4	(302,128,929)	-	-	302,128,929	-
Reclassification of equity instruments of 'Avaliable-fo-sale investments' to 'Financial assetes at fair value through other comprehensive income'	9	-	(28,101,682)	28,101,682	-	-
IFRS 9 Amounts		-	-	28,101,682	302,128,929	330,230,611

At the date of initial application of IFRS 9, the Group assessed the existing business models for its financial assets and did not identify significant changes in the measurement associated with the classification of its financial instruments into the new categories of IFRS 9. The applicable business model to all financial assets held by the Group consists of holding them exclusively for the receipt of cash flows from contractual cash and the cash flows received consist only of capital and interest.

The financial assets included in the captions, that were classified in the category of "Loans and receivables" of IAS 39 in 2017, were classified as financial assets measured at amortised cost. The reclassification of these assets had no impact on equity at 1 January 2018, since the application of the new classification criteria of IFRS 9 did not change the asset measurement model before impairment losses, continuing to be applied the amortised cost

In the year ended at 31 December 2018, the Group has investments in non-quoted companies that were classified as available for sale. In accordance with IFRS 9, the Group irrevocably designated these investments to fair value through equity and classified them as "Investments at fair value through other comprehensive income". Consequently, fair value gains and losses are recorded under "Other comprehensive income".

The reclassification of these assets had no impact on equity at 1 January 2018, since the application of the new classification criteria of IFRS 9 does not measure the assets before impairment losses.

The application of IFRS 9 requires the recognition of impairment losses based on an expected credit losses model rather than credit losses incurred in the year as was the case in IAS 39.

The Group has three types of financial assets subject to the new expected credit loss model of IFRS 9:

- Accounts receivable for services rendered ("Trade debtors") and other debtors;
- Client contract assets;
- Loans granted to related entities.

The Group has revised its methodology for the calculation and recognition of impairment losses so that it is consistent with the principles of IFRS 9 for its financial assets.

a) Clients and Other Debtors
Regarding the balances of "Trade debtors", "Other debtors" and "Client contract assets", the Group applies the simplified approach of IFRS 9, according to which estimated impairment losses are recognised from initial recognition of the balances and their maturity, considering a matrix of historical default rates for the maturity of the balances, adjusted by prospective estimates.

b) Loans to related parties
Loans to related parties were considered as having low risk, and so impairment losses were determined by evaluating estimated losses over the next 12 months, according to the general model of estimated impairment losses.

In adopting IFRS 9, the Group adopted the transitional retrospective application regime with the initial cumulative effect recognised in retained earnings at 1 January 2018. The Group had no material impacts resulting from the application of IFRS 9, so no effect on equity was recorded.

The other standards did not impact the financial statements for the year.

The following standards, interpretations, amendments and revisions, whose application is mandatory in future financial years, were, until 31 December 2018, approved (endorsed) by the European Union:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 16 - Leases	**1-Jan-19**
This new standard replaces IAS 17 with a significant impact on accounting by lessees who are now required to recognize a lease liability reflecting future lease payments and a "right of use" asset for all leases, except for certain short-term leases and for low value assets. The definition of a lease has also been modified, based on the "right to control the use of an identified asset." With regards to the transition regime, the new standard may be applied retrospectively or a modified retrospective approach can be followed.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
Amendments to IFRS 9 - Prepayment features with negative compensation The objective of the amendments to IFRS 9 is examine whether amortized cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.	1-Jan-19
IFRIC 23 - Uncertainty over income tax treatments This is an interpretation of IAS 12 - 'Income tax', referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of a certain tax treatment by the tax authorities in respect of income tax . In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, rather than IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. The application of IFRIC 23 may be retrospectively or retrospectively modified.	1-Jan-19

With respect to the new standards that became effective in the year beginning on 1 January 2019, the Group performed an analysis of the changes introduced and the potential impact on the financial statements and concluded that the application of these standards, except for IFRS 16, will not produce effects on the financial statements.

Disclosure of IFRS 16 impacts

IFRS 16 is now defined as the new accounting record of leases, both from the lessor's point of view and from the lessee's perspective, by introducing a new accounting regime for the lessee, which determines the registration of a right of use over leased assets and a lease liability relating to rental payable for all lease contracts.

The Group analysed all the contracts that contain the use of assets in order to identify the underlying conditions, the contract period, the nature of the rent payable and the implicit interest rates in the contracts.

On the date of transition to IFRS 16, the Group applied the standard retrospectively to the beginning of each of the analised lease contracts, with application on 1 January 2018 and restatement of the comparative amounts of the financial statements. From the analysis of the contracts and based on a first estimate of the potential impacts of adopting IFRS 16, the Group concluded that the impact of adopting IFRS, it's financial statements at 1 January 2019 will correspond to the registration of assets for rights of use in the amount of approximately Euro 7,100,000 and leasehold liabilities of approximately Euros 7,300,000, in consideration of retained earnings of approximately Euros 200,000.

There ano no expected impacts due to the adoption of the remaining financial standards.

The Group did not apply any of these standards in the financial statements for the year ended at 31 December 2018.

The following standards, interpretations, amendments and revisions have not yet been approved (endorsed) by the European Union at 31 December 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
Amendments to IAS 28 - Long-term interests in associates and joint ventures This amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investment in associates and joint ventures), which are not being measured using the equity method, are accounted for under IFRS 9. Long-term investments in associates and joint ventures are subject to the estimated impairment loss model, before being added to the impairment test for global investment in an associate or joint ventures, when there are impairment	1-Jan-19
IFRS 17 - Insurance contracts This new standard replaces IFRS 4 and applies to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is retrospective application.	1-Jan-21
Amendments to IAS 19 - Plan amendment, curtailment or settlement This amendment to IAS 19 requires an entity: (i) to use updated assumptions to determine the current service cost and net interest for the remaining period after the change, reduction or settlement of the plan; and (ii) recognises in profit or loss as part of the past service cost, or as gain or loss in settlement any reduction in excess hedge, even if the hedge surplus has not previously been recognized due to the impact of the asset ceiling. The impact on the asset ceiling is always recorded in 'Other Comprehensive Income', and can not be recognised as a result of the year.	1-Jan-19
Amendments to references to the conceptual framework in IFRS standards Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. in order to clarify the application of the new definitions of asset / liability and expenditure / income, in addition to some of the characteristics of the financial information. These changes are retrospective, except if impractical.	1-Jan-20
Amendments to IAS 1 and IAS 8: Definition of Material This amendment introduces a modification to the concept of material. It includes clarifications regarding the reference to unclear information, corresponding to situations in which its effect is similar to omitting or distorting such information, within the overall context of the financial statements; as well as clarifications as to the term 'principal users of financial statements', which are defined as 'current and future investors, lenders and creditors' who rely on the financial statements to obtain a significant portion of the information they require.	1-Jan-20

Standard / Interpretation	Effective date (annual periods beginning on or after)
Amendments to IFRS 3: Business Combinations	**1-jan-20**
This amendment constitutes a review of business combinations for the purpose of accounting for business activities. The new definition requires that an acquisition include an input and a substantial process that together generate output. Output is defined as goods and services that are delivered to customers, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits to shareholders. Concentration tests are allowed to determine whether a transaction refers to the acquisition of an asset or a business.	
Annual Improvements to IFRS Standards 2015-2017 Cycle	**1-Jan-19**
Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2017 cycle for annual improvements to IFRSs. This cycle afects the following standards: IAS 23, IAS 12,	

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the year ended at 31 December 2018. Their application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group at 31 December 2018 are comparable with those used in the preparation of 31 December 2017 financial statements, except for those resulting from the adoption of IFRS 9 and IFRS 15.

Main accounting policies

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

a) Investments in Group companies

Sonaecom has control of the subsidiary when the company cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights over, variable results from its involvement with the subsidiary; and iii) has the ability to use its power to affect its returns. These Investments were fully consolidated in the accompanying consolidated financial statements. Third party participations in the Shareholders' equity and net results of those companies are recorded separately in the consolidated statement of financial position and in the consolidated profit and loss statement, respectively, under the caption 'Non-controlling interests'.

The total comprehensive income is attributed to both the Shareholders of parent company and the non-controlling interests even if this results in a deficit balance of non-controlling interests.

To acquire subsidiaries, the purchase method is applied. The results of subsidiaries bought or sold during the year are included in the profit and loss statement as from the date of acquisition (or of control acquisition) or up to the date of sale (or of control cession). Intra-Group transactions, balances and dividends are eliminated.
The fully consolidated companies are listed in note 2.

The acquisition cost is the amount of cash or cash equivalents paid or the fair value of other consideration transferred to acquire an asset at the time of its acquisition or constitution or, where applicable, the amount attributed to that asset upon initial recognition in accordance with the specific requirements of IFRS 3.

The transferred consideration may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair value at the acquisition date (for example, non-cash assets or a business of the acquirer). If so, the acquirer shall re-measure the assets or liabilities transferred at their fair value at the acquisition date and recognise any gains or losses arising, if any, on the statement of income. However, sometimes the transferred assets or liabilities remain in the entity acquired after the business is carried out, and therefore, the acquirer retains control over them. In such situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognise any gain or loss in the statement of profit and loss on assets or liabilities that it controls both before and after the business.

The expenses incurred with the acquisition of investments in Group companies are recorded as cost at the time they are incurred.

b) Investments in associated companies and companies jointly controlled

Investments in associated companies correspond to investments in which the Group has significant influence (generally investments representing between 20% and 50% of a company's share capital) and are recorded using the equity method.

The investments in companies jointly controlled are also recorded using the equity method. The classification of these investments is determinate based on Shareholders Agreements, which regulate the shared control.

In accordance with the equity method, investments are adjusted annually by the amount corresponding to the Group's share of the net results of associated companies, against a corresponding entry to gain or loss for the year, and by the amount of dividends received, as well as by other changes in the equity of the associated companies, which are recorded by a corresponding entry under the caption 'Other reserves'. These equity variations, excluding the cost related to NOS's

own share plans, are recorded under the caption 'Other Comprehensive Income'. An assessment of the investments in associated companies and companies jointly controlled is performed annually, with the aim of detecting possible impairment situations.

When the Group's share of accumulated losses of an associated company or a company jointly controlled exceeds the book value of the investment, the investment is recorded at nil value, except when the Group has assumed commitments to the associated company or a company jointly controlled. If that is the case, when a provision shall be recorded a situation when a provision is recorded under the caption 'Provisions for other liabilities and charges'.

The difference between the acquisition price of the investments in associated companies and companies jointly controlled and the fair value of identifiable assets and liabilities at the time of their acquisition, when positive, is recorded as Goodwill, included in the investment value and, when negative, after a reassessment, is recorded, directly, in the profit and loss statement under the caption 'Gains and losses in companies in associated companies and companies jointly controlled'.

The description of the associated companies and companies jointly controlled is disclosed in note 8.

c) Tangible assets

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

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

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

	Years of useful life
Buildings and other constructions	5-20
Plant and machinery	3-16
Vehicles	4
Fixtures and fittings	1 - 10
Tools and utensils	4-5

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

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

The estimated costs related with the mandatory dismantling and removal of tangible assets, incurred by the Group, are capitalised and depreciated in accordance with the estimated useful life of the corresponding assets.

Work in progress corresponds to tangible assets still in the construction/development stage which are recorded at their acquisition cost. These assets are depreciated as from the moment they are available to be used and when they are ready to start operating as intended by the management.

d) Intangible assets

Intangible assets are recorded at their acquisition cost minus their accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised if they were identifiable and if it is likely that they will bring future economic benefits to the Group, if the Group controls them and if their cost can be reasonably measured.

Intangible assets comprise, essentially, software, industrial property, costs incurred with the acquisition of clients portfolios (value attributed under the purchase price allocation in business combinations).

Amortisations of intangible assets are calculated on a straight-line monthly basis, over the estimated useful life of the assets, as from the month in which the corresponding expenses are incurred. The amortisation of the customer's portfolios is provided on a straight-line basis over the estimated average retention period of the customers.

Expenditures with internally-generated intangible assets, namely research and development expenditures, are recognised in the profit and loss statement when incurred. Development expenditures can only be recognised as an intangible asset if the Group demonstrates the ability to complete the project and is able use it or sell it.

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

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

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

	Years of useful life
Brands and patents	1 - 15
Clients portfolios	3-6
Contratuals rights	6
Software	1 - 15

e) Brands and patents

Brands and patents are recorded at their acquisition cost and are amortised on a straight-line basis over their respective estimated useful life. When the estimated useful life is undetermined, they are not depreciated but are subject to annual impairment tests.

Sonaecom Group does not hold any brands or patents with undetermined useful life, therefore the second half of the above referred paragraph is not applicable.

f) Goodwill

The differences between the acquisition price of investments in Group companies, companies jointly controlled and associated companies added the value of non-controlling interests (in the case of subsidiaries), the fair value of any interests previously held at the date and the fair value of the identifiable assets, liabilities and contingent liabilities of these companies at the date of business combination, when positive, are considered 'Goodwill'. If related to subsidiaries are recorded under the caption "Goodwill" (note 7), if related to jointly controlled and associated companies are included in the value of the investment in the caption "Investments in associated companies and companies jointly controlled" (note 8). The differences between the price of investments in foreign subsidiaries whose functional currency is not the Euro, the value of non-controlling interests (in case of subsidiaries) and the fair value of the identifiable assets and liabilities of these companies at the acquisition date are recorded in the functional currency of those subsidiaries and are they converted into reporting currency of Sonaecom (Euro), at the exchange rate on the date of the statement of financial position. The exchange rates differences that arise upon conversion are recorded in the caption "Reserves".

Contingent consideration is recognised as a liability, at the acquisition-date, according to its fair value, and any changes to its value are recorded as a change in the 'Goodwill', but only as long as they occur during the 'measurement period' (until 12 months after the acquisition-date) and as long as they relate to facts and circumstances that existed at the acquisition date, otherwise these changes must be recognised in profit or loss.

Transactions regarding the acquisition of additional interests in a subsidiary after control is obtained, or the partial disposal of an investment in a subsidiary while control is retained, are accounted for as equity transactions impacting the shareholders' funds captions, and without giving rise to any additional 'Goodwill' and without any gain or loss recognised.

When that a sales transaction generate a loss of control, should be derecognised assets and liabilities of the entity and any interest retained in the entity sold should be remeasured at fair value and any gain or loss calculated on the sale is recorded in profit and loss.

The Goodwill amount is not amortised, being tested annually or whenever there are impairment indices, to verify if there are any impairment losses to be recognised. The recoverable amount is determined based on the business plans used by Sonaecom's management. Goodwill impairment losses of the year are recorded in the profit and loss statement of the year under the caption 'Depreciation and amortisation'.

Goodwill impairment losses can not be reversed.

Goodwill, if negative, is recognised as income on the acquisition date after reconfirmation of the fair value of identifiable assets, liabilities and contingent liabilities.

g) Financial instruments

Policy at 31 December 2018

Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortised cost, financial assets at fair value through other comprehensive income. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

Changes to the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, as equity instruments, which can never be reclassified to another category.

(i) Financial assets measured at amortised cost

Financial assets measured at amortised cost are those that are part of a business model with the purpose to hold financial assets in order to receive contractual cashflows, although these contractual cash flows can only be capital repayments and interest payments of capital in debt.

(ii) Financial assets at fair value through other comprehensive income
this category may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity);

a. Regarding of debt instruments, this category includes financial assets that correspond only to the payment of nominal value and interest, for which the business model followed by the management is the receipt of contractual cash flows or on time sale;
b. Regarding of equity instruments, this category includes the percentage of interest held in entities over which the Group does not exercise control, joint control or significant influence, and which the Group irrevocably chose on the date of initial recognition to designate at fair value through other comprehensive income.

(iii) Financial assets at fair value through profit or loss
This category includes debt instruments and equity instruments that do not meet the criteria for qualification as financial assets at amortised cost and which the Group has not classified as financial assets through other comprehensive income at the time of initial recognition. This category also includes all financial instruments whose contractual cash flows are not exclusively capital and interest.

Gains and losses resulting from the change in the fair value of assets measured at fair value through profit or loss are recognised as income for the year in which they occur in the respective caption "Losses / (gains) on financial assets", which include income amounts interest and dividends.

Financial assets are recognised in the Group's statement of financial position on the trade or date of contract, which is the date on which the Company undertakes to acquire or dispose of the asset. At the initial moment, except for trade accounts receivable, financial assets are recognised at fair value plus directly attributable transaction costs, except for assets at fair value through profit or loss in which transaction costs are immediately recognised in the income statement. Trade accounts receivable, at the initial time, are recognised at their transaction price, as defined in IFRS 15.

Financial assets are derecognised when: (i) the contractual rights of the Group expire upon receipt of their cash flows; (ii) the Group has transferred substantially all the risks and benefits associated with its detention; or (iii) notwithstanding that it retains a portion, but not substantially all the risks and rewards associated with its detention, the Group has transferred control over the assets.

Financial assets at amortised cost are subsequently measured in accordance with the effective interest rate method and deducted from impairment losses. Interest income on these financial assets is included in "Interest earned on assets at amortised cost" in financial income.

Financial assets at fair value through other comprehensive income, which are debt instruments, are subsequently measured at fair value through fair value changes recognised in other comprehensive income, except for variations related to the recognition of impairment, interest income and gains/(losses) due to foreign exchange differences, which are recognised in income for the year. Financial assets at fair value through other comprehensive income are subject to impairment.

Financial assets at fair value through other comprehensive income that are equity instruments are measured at fair value on the date of initial registration and subsequently, the fair value changes are recorded directly in 'Other comprehensive income', in the equity. Future reclassification is not possible, even after derecognition of the investment. Dividends obtained from these investments are recognised as gains, in results for the year, on the date they are attributed.

Financial assets and liabilities are offset and presented at net value, when and only when the Group has the right to offset the amounts recognised and intends to settle at the net value.

The Group derecognises financial assets when and only when contractual rights to cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership of the asset.

Financial liabilities

Financial liabilities are classified according to the contractual substance regardless of their legal form. Equity instruments are contracts that show a residual interest in the Group's assets after deducting liabilities. The equity instruments issued by the company are recorded at the amount received, net of the costs incurred with their issuance. Financial liabilities are derecognised only when they are extinguished, that is, when the obligation is settled, cancelled or expired.

Financial liabilities are classified into two categories:
(i) Financial liabilities at amortised cost
(ii) Financial liabilities at fair value through profit or loss

In accordance with IFRS 9, financial liabilities are classified as subsequently measured at amortised cost, except for:

a) Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
b) Financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when the continued involvement approach is applied;
c) Financial guarantee contracts;
d) Commitments to grant a loan at a lower interest rate than the market;
e) The contingent consideration recognised by a purchaser in a business combination to which IFRS 3 applies. This contingent consideration should be subsequently measured at fair value, with changes recognised in profit or loss.

The category "Financial liabilities at amortised cost" includes the liabilities presented in the captions loans obtained (note i), suppliers and other creditors.These liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost at the effective interest rate.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are canceled or expire.

At 31 December 2018, the Group only recognises liabilities classified as "Financial liabilities at amortised cost".

Policy at 31 December 2017

The Group classifies its financial instruments in the following categories: 'Financial assets at fair value through profit or loss', 'Held-to-maturity investments', 'Available-for-sale financial assets', 'Loans and receivables', 'Cash and cash equivalents' (note 1.k)), and 'Derivates' (note 1.n)).

Investments

(i) 'Financial assets at fair value through profit or loss'
Financial assets at fair value through profit or loss include financial assets held for trading that the Group acquires with the purpose of trading in the short term. This category also includes derivatives that do not qualify for hedging purposes.

Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the date of the statement of financial position.

Gains or losses, realised or not, arising from a change in fair value of 'Financial assets at fair value through profit or loss' are recorded under the caption 'Gains and losses on financial assets at fair value through profit and loss'.

Aat 31 December 2017, the Group did not hold any investments recorded at fair value through profit or loss.

(ii) 'Held-to-maturity investments'
Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the statement of financial position date, being recorded under this caption investments with defined maturity and for which it is the intention of the Board of Directors to hold them until the maturity date.

At 31 December 2017 the Group did not hold any 'Held-to-maturity investment'.

(iii) 'Available-for-sale financial assets'
Financial assets available for sale are non-derivative financial assets which:
(i) are designated as available for sale at the time of their initial recognition; or
(ii) do not fit into the other categories of financial assets above.

They are recognised as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position.
Equity holdings other than participations in Group companies, jointly controlled companies or associated companies are classified as financial investments available for sale and are recorded in the statement of financial position as non-current assets.

Investments are initially recorded at their acquisition cost. After initial recognition, the investments available for sale are revalued at their fair value by reference to their market value at the date of the statement of financial position, without any deduction regarding transaction costs that may occur until their sale. The available-for-sale financial assets not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

Gains or losses arising from a change in the fair value of available-for-sale investments are recorded in equity until the investment is sold , received or otherwise disposed of, or until it is determined to be impaired, at which time the accumulated gain or loss is recorded in the profit and loss statement. These impairment losses are not reversible in subsequent periods.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.
In the case of equity investments classified as available for sale, an investment is considered to be impaired when there is

a significant or prolonged decline in its fair value below its cost acquisition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or variable refunds that are not quoted in an active market and they are carried at amortised cost using the effective interest method, deducted from any impairment losses.
These financial investments arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

'Loans and receivables' are recorded as current assets, except when their maturity is greater than 12 months from the balance sheet date, a situation in which they are classified as non-current assets. Loans and receivables are included in the captions 'Trade debtors', 'Other current debtors', 'Other non-current assets' and 'Cash and cash equivalents' in financial position.

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

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, being the only exception the financial assets at fair value through profit or loss. In this case, the investments are initially recognised at fair value and the transaction costs are recorded in the profit and loss statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of their ownership have been transferred.

Financial liabilities

Financial liabilities are classified into two categories:
(i) Financial liabilities at fair value through profit or loss
(ii) Other financial liabilities

The category "Other financial liabilities" includes the liabilities presented in the captions loans obtained (note i), suppliers and other creditors.These liabilities are initially recognised at fair value and are subsequently measured at amortised cost at the effective interest rate.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are canceled or expire.

At 31 December 2017, the Group only recognises liabilities classified as "Other financial liabilities".

h) Financial and operational leases
Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets.

The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.
Tangible assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interests included in lease payments and the depreciation of the tangible assets are recognised as expenses in the profit and loss statement.

Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period.

i) Inventories
Inventories are stated at their acquisition cost, net of any impairment losses, which reflects their estimated net realisable value.

Accumulated inventory impairment losses reflect the difference between the acquisition cost and the realisable amount of inventories, as well as the estimated impairment losses due to low turnover, obsolescence and deterioration, and are registered in the profit and loss statement, in 'Cost of sales'.

j) Trade and other current debtors

These captions mainly include the amounts of trade debtors resulting from services rendered within the scope of the Group's activity and other amounts related to operating activities. The amounts are defined as current assets when the collection is estimated within a 12-month period. The amounts are defined as non-current if the estimated collection occurs more than 12 months after the relate date.

Policy at 31 December 2018

'Trade debtors' and 'Other debtors' are initially recognised at fair value and are subsequently measured at amortised cost, net of impairment adjustments. Impairment losses of 'Trade debtors' and 'Other debtors' are recorded in accordance with the principles described in the policy in Note 3.x. The identified impairment losses are recorded in the income statement and other comprehensive income in 'Provisions and impairment losses', and are subsequently reversed by profit or loss.

Policy at 31 December 2017

'Trade debtors' and 'Other current debtors' are financial assets recorded at amortised cost and do not include interests, since the discount effect is not significant.

These financial instruments arise when the Group provides money, supplies goods or provides services directly to a debtor with no intention of trading the receivable.

The amounts of these captions are presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption 'Other operating revenues'.

k) Cash and cash equivalents

Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications, with less than three months' maturity, where the risk of change in value is insignificant.

The consolidated cash flow statement has been prepared in accordance with IAS 7, using the direct method. The Group classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the balance sheet caption 'Current loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities. Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets. Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions, as shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

l) Loans

Loans are recorded as liabilities by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the loan, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment.

m) Financial expenses relating to loans obtained

Financial expenses relating to loans obtained are generally recognised as expenses at the time they are incurred. Financial expenses related to loans obtained for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

n) Derivatives

The Group only uses derivatives in the management of its financial risks to hedge against such risks. The Group does not use derivatives for trading purposes.

The cash flow hedges used by the Group are related to:

(i) Interest rate swaps to hedge the interest rate risk on loans obtained. The amount of the loans, interest maturities and repayment plans for the loans underlying the interest rate swaps are in all respects identical to the conditions laid down for the contracted loans.

(ii) Forward's exchange rate for hedging foreign exchange risk, particularly from receipts from customers of subsidiary We Do Consulting. The values and time periods involved are identical to the amounts invoiced and their maturities.

Transactions that qualify as hedging instruments in relation to cash flow hedges are recorded in the statement of financial position at fair value and, to the extent that they are considered effective hedges, changes in the fair value of the instruments are initially recorded as equity and subsequently reclassified to the financial costs caption.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

At 31 December 2018, the Group had foreign exchange forwards in the amount to USD 700,000 (USD 930,000 at 31 December 2017), fixing the exchange rate for EUR , which have an average maturity of 2 months (2.5 months at 31 December 2017).

o) Provisions and contingencies

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

Provisions for restructurings are only registered if the Group has a detailed plan and if that plan has already been communicated to the parties involved.
Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, if the possibility of a cash outflow affecting future economic benefits is remote.

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

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

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

Therefore, since 1 January 2015, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company. The tax losses generated by the companies controlled in the tax group (RETGS) used to allocate their tax losses to the group, so that, since 2017, only the parent company has recognised the amounts of such tax losses, without giving rise to any financial flow.
Until fiscal year 2018 these tax losses generated by the companies controlled within the Group were offset by the Group's dominant entity.

With respect to the tax losses generated by the unsettled companies in the year, they will be offset as the Group recovers, taking into account its future taxable income, and the amount to be offset is recorded in non-current assets in an account receivable from the Group. Each company records the income tax on its individual accounts, and the tax recorded is recorded against the Group companies account. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements. The subsidiary Digitmarket is not part of the special tax regime for groups of companies, as Sonae SGPS's indirect stake in Digitmarket is less than 75%. The subsidiary Inovretail became part of the special tax regime for groups of companies on 1 January 2018. The subsidiary S21sec Portugal left the special tax regime for groups due the integration of the company Nexthold, S.L. (Note 2).

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

'Deferred tax assets' are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each year the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are likely, enabling the recovery of such assets (note 10).

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

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

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

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

For businesses in the digital security area, non-repayable subsidies are recognised in the balance sheet as deferred income and are recognised in the profit and loss statement in 'Other operating income'. The incentive is recognised during the project development period.

The reimbursable subsidies are recognised in the balance sheet as liabilities in 'Medium and long-term loans – net of short-term portion ' and 'Short-term loans and other loans' and are depreciated in accordance with the established payment plans. These subsidies are recorded at amortised cost in accordance with the method of effective interest rate.

r) Accrual basis

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

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

The costs attributable to the current year and whose expenses will only occur in future years are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to reliably estimate the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.o).

s) Revenue

Revenue includes the fair value of the consideration received or receivable from the sale or services rendered arising from the normal business activity of the Company. The revenue is recognised net of taxes, any commercial and quantity discounts granted by the company.

Policy at 31 December 2018

The recognition of the Group's revenue is based on the five-step model established by IFRS 15:

(i) Identification of the contract with the trade debtor;
(ii) Identification of performance obligations;
(iii) Determination of the price of the transaction;
(iv) Allocation of transaction price to performance obligations; and
(v) Recognition of revenue.

Thus, at the beginning of each contract, the Group evaluates the promised goods or services and identifies, as a performance obligation, every promise to transfer to the customer any distinct good or service (alone or together). These promises in client agreements may be express or implied, provided such promises create a valid expectation in the client that the entity will transfer a good or service to the customer, based on the entity's published policies, specific statements or business practices.

To determine the amount of revenue, the Group evaluates for each transaction its performance obligations to its customers, the price of the transaction to be affected by each performance obligation identified in the transaction, and the existence of variable price conditions that may lead to future success to the value of the recorded revenue, and for which the Group makes its best estimate. To determine and allocate the transaction price to each performance obligation, the Group uses the stand-alone prices of the products and services promised at the date of conclusion of the contract with the customer.

Revenue is recorded in the income statement when the control over the product or service is transferred to the customer, that is, at the moment when the customer becomes able to manage the use of the product or service and obtain all the benefits economic conditions associated with it.

The specialisation of revenue is presented as "Assets of customer contracts - Billing due to customers" or "Customer contract liabilities - Prepaid billing to customers", under Other current assets and Other current liabilities in the Statement of Financial Position.

Sale of goods

Revenue from the sale of assets is recognised in the income statement when the following conditions are met:

(i) the risks and significant advantages of ownership of the asset have been transferred by the enterprise to the buyer;

(ii) effective control of the assets sold becomes the buyer and the company ceases to have continuous management involvement to a degree generally associated with ownership;
(iii) the amount of income can be reasonably quantified;
(iv) the economic benefits associated with the transaction are likely to flow to the enterprise; and
(v) the costs incurred with the transaction, or to be incurred, can reasonably be measured.

Services rendered
The income from the services rendered in the consulting projects is recognised, every year, accordingly to the performance obligation to which they comply and accordingly to the percentage of completion of the projects. That is, for each performance obligation, the group recognises revenue over time by measuring progress towards full compliance with that performance obligation.

The revenue from the implementation of Software as a Service (SaaS) contracts in some cases must be recognised together with the service as a single performance obligation on a monthly basis over the contract period.
Revenue from consulting services contracts must be recognised at the time the benefits of the performance obligation are transferred to the customer.

Revenue from the provision of services is recognised in the income statement when the following conditions are met:
(i) the amount of income can be reasonably quantified;
(ii) it is probable that the company will obtain future economic benefits;
(iii) the performance of the performance obligation at the balance sheet date is reliably measured; and
(iv) the costs incurred with the transaction and the costs to complete the transaction can be reliably measured.

The Group's sales and service contracts do not contain a significant financing component and in the case of variable remuneration, the estimated variable remuneration is restricted to an amount corresponding to what is highly probable that it will not be subject to significant reversals .

Policy at 31 December 2017

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

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

Services rendered
The revenues and costs of the consultancy projects are recognised in each year, according to the percentage of completion method, which is obtained by the percebtage of costs incurred over the total estimated costs of the transaction.

Revenue from rendering of services should be recognised in the profit and loss statement when all the following conditions have been satisfied:
(i) the amount of revenue can be measured reliably;
(ii) it is probable that the economic benefits associated with the transaction will flow to the entity;
(iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
(iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Dividends
Dividends are only recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

t) Fair value
The measurement of fair value presumes that an asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liabilitie at the measurement date, under current market conditions. The measurement of fair value is based on the assumption that the transaction to sell the asset or transfer the liability may occur:

(i) In the main asset and liability market, or
(ii) If the main asset and liability does not exist, in the market in which an orderly transaction would take place for the asset or liability

The Group uses valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value

hierarchy, which alocates the data to be used in the fair value measurement, into three levels detailed below:

Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;

Level 2 - Valuation techniques that use inputs that although are not quoted are directly or indirectly observable;

Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data.

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

u) Reserves

Legal reserve

The portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a 'Legal reserve', until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Group, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Share premiums

The share premiums relate to premiums generated in the issuing of capital or in capital increases. According to Portuguese Commercial law, share premiums follow the same requirements of 'Legal reserves', i.e., they are not distributable, except in case of liquidation, but they can be used to absorb losses, after all the other reserves are exhausted or to increase share capital.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and deducted in equity, being unavailable for distribution, while own shares are held.

Other reserves

This caption includes retained earnings from previous years, foreign exchange reserves of companies by the consolidated comprehensive income method in the amount of Euro 300 thousand, exchange reserves and other accumulated reserves and results of ZOPT in the amount of Euro 25 million (including the amount of approximately Euro 21 million from the foreign exchange reserve of hyperinflation of 2018) and also the restatement reserves of ZOPT accounts due to of the adoption of IFRS 9 and 15 in the amount of 6.5 million euros.

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial statements of the Group, presented in accordance with the IFRS standards. Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, at 31 December 2018, Sonaecom have free reserves distributable amounting approximately Euro 63 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the year ended 31 December 2018.

v) Own shares

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

w) Balances and transactions in foreign currency

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

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

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

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

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

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

	2018		2017	
	31 December	Average	31 December	Average
American Dollar	0.8734	0.8475	0.8338	0.8872
Australian Dollar	0.6165	0.6330	0.6516	0.6799
Canadian Dollar	0.6408	0.6538	0.6649	0.6835
Singapore dollar	0.6414	0.6280	0.6241	0.6422
Swiss Franc	0.8874	0.8661	0.8546	0.9006
Egyptian Pound	0.0487	0.0477	0.0469	0.0498
Pounds Sterling	1.1179	1.1304	1.1271	1.1414
Mozambique Metical	0.0142	0.0141	0.0141	0.1399
Nigerian Naira	0.0024	0.0024	-	-
Colombian Peso	0.0003	0.0003	0.0003	0.0003
Mexican Peso	0.0445	0.0441	0.0423	0.0470
South African Rand	0.0608	0.0642	0.0675	0.0667
Brazilian Real	0.2250	0.2329	0.2517	0.2783
Malaysian Ringgit	0.2113	0.2100	0.2060	0.2062

x) Assets impairment

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and Goodwill and for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment

Impairment tests are performed for assets with undefined useful life and Goodwill at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

Impairment tests are performed for assets with defined useful lives and investments in associated whenever there is evidence that their book value is higher than the recoverable value.

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount obtainable upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value in use is the present value of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For the value of Goodwill, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Group's Board of Directors. For Goodwill of Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Group's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, except Goodwill, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Policy at 31 December 2018

Financial assets impairment

The Group assesses at each reporting date the existence of impairment in financial assets at amortised cost. The expected loss results from the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The objective of this impairment policy is to recognize expected credit losses over the duration of financial instruments that have undergone significant credit risk increases since initial recognition, assessed on an individual or collective basis, taking into account all reasonable and sustainable information, including prospects. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the provision for losses related to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months .

With regard to the amounts under 'Trade debtors', 'Other debtors' and 'Customer contract assets', impairment losses is calculated based on the expected credit loss, the calculation are of which results from the application of expected loss rates based on payments received in the context of sales and services rendered, over a period of 36 months before 31 December 2018, and historical credit losses.

At 31 December 2018, the following expected credit loss rates were considered by business segment:

	Tecnologies	Media
Not due	0%-1,99%	0% -1,64%
1 to 60 days	0%-2,39%	0% -2,31%
60 to 90 days	0%-10,28%	0% -10,28%
90 to 180 days	0%-15,37%	0% -15,37%
180 to 360 days	0%-48,56%	0% -19,22%
Mais to 360 days	0-100%	0% -100%

Regarding accounts receivable from related entities, which are not considered as part of the financial investment in these entities, credit impairment is assessed according to the following criteria: i) if the balance receivable is immediately due, ii) if the balance has a low risk, or (iii) if it has a maturity of less than 12 months. In cases where the amount receivable is immediately payable and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered equal to zero. In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Group only assesses the probability of a default occurring for the cash flows that mature in the next 12 months.

For all other situations and nature of receivables, the Group applies the general approach of the impairment model, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the initial recognition of the asset. If there is no increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to expected losses within a period of 12 months. If there has been an increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

The Group prospectively estimates the estimated credit losses associated with assets at amortised cost. The methodology of impairment applied depends on whether or not there has been a significant increase in credit risk.

Policy at 31 December 2017

Financial assets impairment

At 31 December 2017, in accordance with IAS 39, the Group assesses at each reporting date the existence of impairment in financial assets at amortised cost.
The group evaluate at each reporting date the existence of impairment in financial assets at amortised cost.

A financial asset is impaired if events occurring after initial recognition have an impact on estimated cash flows of the asset that can be reasonably estimated.
Evidence of the existence of impairment in accounts receivables appears when:

(i) The counterparty presents significant financial difficulties;
(ii) There are significant delays in interest payments and in other leading payments from the counterparty;
(iii) It is probable that the debtor goes into liquidation or into a financial restructuring.

For certain categories of financial assets for which it is not possible to determine the impairment for each asset individually, the analysis is made for a group of assets. Evidence of an impairment loss in a portfolio of accounts receivable may include past experience in terms of collections, increasing number of delays in collections, as well as changes in national or local economic conditions that are related with the collections capacity

For Accounts receivables, the Group uses historical and statistical information to estimate the amounts in impairment. For inventories, impairments are calculated on the basis of market values and various stock rotation indicators.

y) Medium Term Incentive Plans

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Medium Term Incentive Plans Reserve', within the heading 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on fair value and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point of time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plann, the above accounting treatment is subject to the following changes:

(i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';
(ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the balance sheet as either 'Other non-current assets' or 'Other current assets';
(iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';
(iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

At 31 December 2018 there are no outstanding hedge agreements.

For plans settled in cash, the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date. When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae are recorded as if they were settled in cash, which means that the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

At 31 December 2018, the plans atributed during the years 2016, 2017 and 2018 are not covered, by the contract and so a liability at fair value was recorded. The responsibility of all plans is recorded in the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognised on the income statement under the caption 'Staff expenses'.

z) Subsequent events
Events occurring after the date of the balance sheet which provide additional information about conditions prevailing at the time of the balance sheet (adjusting events) are reflected in the consolidated financial statements. Events occurring after the balance sheet date that provide information on post-balance sheet conditions (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements.

aa) Judgements and estimates
The most significant accounting estimates reflected in the consolidated financial statements of the years ended at 31 December 2018 and 2017 are as follows:

(i) Useful lives of tangible and intangible assets (note 1c) and 1d));
(ii) Impairment analysis of goodwill, investments in associated companies and companies jointly controlled and of other tangible and intangible assets (note 7);
(iii) Financial assets impairment;
(iv) Recognition provisions and analysis of contingent liabilities;
(v) Recoverability of deferred tax assets (note 10);
(vi) Recognition of contract revenue;
(vii) Investments at fair value of other comprehensive income (note 9).

Estimates used are based on the best information available during the preparation of the consolidated financial statements and are based on the best knowledge of past and present events. Although future events are neither foreseeable nor controlled by the Group, some could occur and have impact on such estimates. Changes to the estimates used by the management that occur after the approval date of these consolidated financial statements, will be recognised in net income, in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', using a prospective methodology.

In relation to the accounting policies that have changed on 1 January 2018, the main estimates and assumptions regarding future events included in the preparation of the consolidated financial statements are described below:

Impairment of financial assets

Policy at 31 December 2018

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, management assesses, among other factors, the duration and extent of the circumstances under which the recoverable amount of these assets may be lower than their book value. The balances of "Trade debtors", "Other current debtors" and "Other Current Assets" are valued for factors such as default history, current market conditions, and estimated prospective information by reference to the end of each reporting period, the most critical evaluation elements for the purpose of analysing estimated credit losses.

Policy at 31 December 2017

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, management assesses, among other factors, the duration and extent of the circumstances under which the recoverable amount of these assets may be lower than their cost. The balances of "Trade debtors", "Other current debtors" and "Other Current Assets" are valued for factors such as the frequency of default, the recovery of previously recognised impairments, and the financial situation of the debtor, as the most critical evaluation elements for impairment analysis purposes.

Recognition of contract revenue

In the recognition of revenue on the basis of the percentage of completion, the management reviews, at each reporting date, the total estimated costs, which correspond to the best estimate of the costs associated with the provision of the construction service and / or until its completion. Where there are significant deviations in the performance of the contract that are not associated with changes that result in the right to additional revenue as agreed with the customer, the management reviews the percentage of completion and the margin associated with the contract, according to its best estimate, and may result in the recording of a provision (onerous contract) (note 1.s).

Disclosures for over time revenue recognised:
a) recognize revenue method (description of output or input methods and how they are applied),
b) justification of why the method provides a reliable representation of the transfer of goods or services

For the remaining judgments and estimates are described in attached notes, where applicable.

Entities included in the consolidation perimeter
To determine the entities to be included in the consolidation perimeter, the Group assesses the extent to which it is exposed, or has rights, to variability in returns from its involvement with that entity and can take possession of them through the power it holds over this entity.

The decision that an entity must be consolidated by the Group requires the use of judgment, estimates and assumptions to determine the extent to which the Group is exposed to return variability and the ability to take possession of them through its power.

Other assumptions and estimates could lead to the Group's consolidation perimeter being different, with direct impact on the consolidated financial statements.

ab) Financial risk management
Due to its activities, the Group is exposed to a variety of financial risks such as market risk, liquidity risk and credit risk.

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

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

Market risk

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

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

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

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

The amount of assets and liabilities (in Euro) belonging to the Group and recorded in a different currency is as follows:

	Assets		Liabilities	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Australian Dollar	(1,751)	26,966	5,086	922,656
Brazilian Real	9,402,301	7,639,799	6,720,234	5,028,524
Canadian Dollar	168,440	20,594	-	-
Swiss Franc	31,171	10,655	788	-
Colombian Peso	1,864,294	1,812,274	834,746	866,413
Egyptian Pound	226,847	201,038	3,128	2,930
Pounds Sterling	1,190,826	4,107,398	1,898,992	4,149,614
Mexican Peso	2,706,226	3,729,306	9,677,407	6,879,735
Malaysian Ringgit	500,595	334,981	1,323,432	978,647
Mozambique Metical	7,908	7,886	-	-
Nigerian Naira	134,583	-	-	-
Singapore dollar	-	-	(528)	(514)
American Dollar	32,731,332	37,582,423	27,213,867	22,885,337
South African Rand	-	-	6,536	-

The Group's sensitivity to the variations of the exchange rate is as follows (increases/(decreases)):

		2018		2017	
	Change in exchange rates	Income	Shareholders' funds	Income	Shareholders' funds
Australian Dollar	5%	(342)	-	-	(44,785)
Brazilian Real	5%	(93,357)	227,460	(15,182)	145,745
Canadian Dollar	5%	8,422	-	1,030	-
Swiss Franc	5%	1,519	-	533	-
Colombian Peso	5%	37,504	13,974	38,193	9,100
Egyptian Pound	5%	11,186	-	9,905	-
Pounds Sterling	5%	59,729	(95,137)	63,249	(65,360)
Kuwaiti Dinar	5%	(1,667)	-	(119)	-
Mexican Peso	5%	24,352	(372,911)	34,889	(192,410)
Malaysian Ringgit	5%	(3,579)	(37,563)	2,181	(34,364)
Mozambique Metical	5%	395	-	394	-
Nigerian Naira	5%	6,729	-	-	-
American Dollar	5%	1,332,149	(1,056,275)	1,125,777	(390,923)
South African Rand	5%	(327)	-	-	-
		1,382,733	(1,320,452)	1,260,885	(572,996)

b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Group results or on its Shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility to use derivative financial instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth having the latter a positive effect in other lines of the Group's consolidated results (particularly operational), and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.

The Group only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility/transaction which is being hedged;
- As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Group's business plan.

As all Sonaecom's borrowings (note 20) are at variable rates, interest rate are used swaps and other derivatives, when it is deemed necessary, to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Group's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

In determining the fair value of hedging operations, the Group uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the balance sheet date.
Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Group, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the

decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

At 31 December 2018, there are not any contracted derivatives of interest rate hedging.

The analysis of sensitivity to interest rate risk is presented in note 20.

Liquidity risk

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

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

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

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

(i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;
(ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and
(iii) Applications in the market.

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

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

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

The maturity analysis for the loans obtained is presented in note 20, the maturity of 'Trade creditors' and 'Other creditors' is present in note 24 and 26, and the maturity of Other financial liabilities is presented in note 21.

Taking into account the low value of the liabilities and the high value of the cash and cash equivalents of the Group is understood that the liquidity risk is very low.

Credit risk

The Group's exposure to credit risk is mainly associated to the accounts receivable arising from its operating activities, treasury applications and supplies to other non-current assets.

(i) Cash and cash equivalents

Sonaecom Group holds financial assets arising from its relationship with financial institutions. There is a credit risk associated with the potential pecuniary default of the Financial Institutions that are counterparts in these relationships, however, in general, the exposure related to this type of financial assets is widely diversified and of limited duration in time.

Credit risk associated with relationships with financial institutions is limited by the management of risk concentration and a rigorous selection of counterparties with a high prestige and national and international recognition and based on their respective ratings, taking into account the nature, maturity and size of operations.

The Group uses credit assessment agencies and has specific departments for credit control, collection and litigations' management, as well as credit insurance, which help to mitigate such risk. The management of this risk is aimed at ensuring the effective collection of its credits within the established deadlines without affecting the financial balance of the Group.

(ii) Loans granted to related parties

There are no impairment losses for Loans granted to related parties.

Loans granted to related parties are considered to have low credit risk and, therefore, impairment losses recognised during the year are limited to estimated credit losses at 12 months. These financial assets are considered to have "low credit risk" when they have a low impairment risk and the borrower has a high capacity to meet its contractual cash flow liabilities in the short term.

(iii) *Trade debtors and Other current debtors*

To measure the expected credit losses, the unpaid amounts and contractual assets were grouped based on the common credit risk characteristics and the days of late payment. Contract assets refer to unbilled work in progress and have substantially the same risk characteristics as accounts receivable for the same types of contracts. The company therefore concluded that the expected loss rates for trade accounts receivable are a reasonable approximation of the loss rates on the contractual assets. The expected loss rates are based on the sales payment profiles over a period of 36 months (3 years) before 31 December 2018, and the corresponding historical credit losses verified during this period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle outstanding amounts.

As such, the impairment losses at 31 December, 2018 was determined taking into account these assumptions of IFRS 9, as detailed in note 13.

Considering the aforementioned policies, the Board of Directors does not foresee the possibility of any occurrence of any material breach of contractual obligations.

The amounts related to cash and cash equivalents, other non current assets (supplies) and other third party debts presented in the financial statements, which are net of impairment, represent the maximum exposure of the Group to credit risk.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximises shareholder's returns and optimises the cost of financing.

Risks, opportunities and necessary adjustment measures in order to achieve the referred objectives are periodically monotirised by Sonaecom.

In 2018, Sonaecom reported an average negative gearing (accounting) of 20,6%. The average gearing at market values of 2018 was negative in 29,2%.

2. Companies included in the consolidation

Group companies included in the consolidation through full consolidation method, their head offices, main activities, shareholders and percentage of share capital held at 31 December 2018 and 2017, are as follows:

Percentage of share capital held

				2018		2017	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective*
Parent company							
SONAECOM, S.G.P.S., S.A. ('Sonaecom')	Maia	Management of shareholdings.	-	-	-	-	-
Subsidiaries							
Bright Developement Studio, S.A. ('Bright')	Lisbon	Research, development and commercialization of projects and service solutions in the area of information technology, communications and retail, and consulting activities for business and management.	Sonae IM	100%	100%	100%	100%
Bright Ventures Capital, SCR, S.A.	Lisbon	Realization of investment in venture capital, management of venture capital funds and investment in venture capital fund units.	Bright	100%	100%	100%	100%
Cape Technologies Limited ('Cape Technologies')	Dublin	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
Digitmarket – Sistemas de Informação, S.A. ('Digitmarket' – using the brand 'Bizdirect') (a)	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae IM	75%	75%	75.10%	75.10%
Excellium Group, S.A. ('Excellium') (b)	Contern	Excellium assist enterprises to perform business and risk assessments, define security policies and procedures, respond to security incidents and deliver computer forensics services.	Sonae IM	59.20%	59.20%	-	-
Excellium Services, S.A. ('Excellium Services') (b)	Contern	Provide services within the IT and cibersecurity domain mainly to Luxembourgish institutions, banks and insurance companies.	Sonae IM	59.20%	59.20%	-	-
Excellium Services Belgium, S.A. ('Excellium Services Belgium') (b)	Wavre	Provide services within the IT and cibersecurity domain mainly to Belgium institutions, banks and insurance companies.	Sonae IM	59.20%	59.20%	-	-
Excellium Factory SARL ('Excellium Factory') (b)	Raouad-Ariana	Vehicle for the Excellium product development.	Sonae IM	80.00%	47.36%	-	-
Inovretail, S.A.	OPorto	Industry and comércio of electronic equipment and software; development, installation, implementation, training and maintenance of systems and software products; rental equipment, sale of software use license; consulting business, advisory in retail segments, industry and services.	Sonae IM	100%	100%	100%	100%
Inovretail España, SL ('Inovretail Espanha') (c)	Madrid	Industry and comércio of electronic equipment and software; development, installation, implementation, training and maintenance of systems and software products; rental equipment, sale of software use license; consulting business, advisory in retail segments, industry and services.	Inovretail	100%	100%	-	-
Fundo Bright Vector I ('Bright Vector I') (d)	Lisbon	Venture Capital Fund	Sonae IM	50.13%	50.13%	50.13%	50.13%
Nextel, S.A. (Nextel) (e)	Bilbao	Rendering of engineering and IT consulting services specializing in information security and management of telecommunications services.	S21 Sec Gestion	100%	80.90%	-	-
Mxtel, S.A. de CV (Mxtel) (e)	Mexico City	Rendering of engineering and IT consulting services specializing in information security and management of telecommunications services.	Nextel	99.93%	80.90%	-	-
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	Maia	Editing, composition and publication of periodical and non-periodical material and the exploration of radio and TV stations and studios.	Sonaecom	100%	100%	100%	100%
Praesidium Services Limited ('Praesidium Services') (f)	Berkshire	Rendering of consultancy services in the area of information systems.	Sonae IM	100%	100%	100%	100%
Público – Comunicação Social, S.A. ('Público')	Oporto	Editing, composition and publication of periodical and non-periodical material.	Sonaecom	100%	100%	100%	100%
S21Sec Portugal Cybersecurity Services, S.A.('S21 Sec Portugal') (g)	Maia	Commercialization of products and management services, implementation and consulting in information systems and technologies areas.	S21 Sec Gestion	100%	80.90%	100%	100%
S21 Sec Brasil, Ltda ('S21 Sec Brasil') (g)	São Paulo	Consulting in information technology. Development and licensing of customizable computer programs. Development of custom computer programs. Technical support, maintenance and other services in information technology.	S21 Sec Gestion S21 Sec Labs	99,99% 0,01%	80.90%	99,99% 0,01%	100%
S21 Sec Information Security Labs, S.L. ('S21 Sec Labs') (g)	Navarra	Research, development and innovation, as well as consulting, maintenance and audit for products, systems, facilities and communication and security services.	S21 Sec Gestion	100%	80.90%	100%	100%
S21 Sec, S.A. de CV ('S21 Sec, S.A. de CV') (g)	Mexico City	Computer consulting services	S21 Sec Gestion S21 Sec Labs	99,9996% 0,0004%	80.90%	99,9996% 0,0004%	100%

* Sonaecom effective participation

Percentage of share capital held

Company (Commercial brand)	Head office	Main activity	Shareholder	2018 Direct	2018 Effective*	2017 Direct	2017 Effective*
S21Sec Gestion, S.A. ('S21Sec Gestion') (g)	Guipuzcoa	Consulting, advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	Sonaecom CSI	**80.90%**	**80.90%**	100%	100%
Saphety Level – Trusted Services, S.A. ('Saphety')	Maia	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; trade, development and representation of software.	Sonae IM	**86.995%**	**86.995%**	86.995%	86.995%
Saphety Brasil Transações Eletrônicas Ltda. ('Saphety Brasil')	São Paulo	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	**99.99%**	**86.986%**	99.99%	86.986%
Saphety – Transacciones Electronicas SAS ('Saphety Colômbia')	Bogotá	Rendering services, training, consultancy services in the area of communication, process and electronic certification of data; electronic identification, storage and availability of databases and electronic payments; trade, development and representation of software related with these services.	Saphety	**100%**	**86.995%**	100%	86.995%
Taikai, LTDA ('Taikai') (h)	Oporto	Research, design and development of products and services in the field of information technologies, as well as investment and training related to the development of new business information systems.	Bright	**99.01%**	**99.01%**	-	-
Tecnológica Telecomunicações, LTDA. ('Tecnológica')	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications.	We Do Brasil	**99.99%**	**99.90%**	99.99%	99.90%
Sonaecom – Cyber Security and Intelligence, SGPS, S.A. ('Sonaecom CSI')	Maia	Management of shareholdings.	Sonae IM	**100%**	**100%**	100%	100%
Sonaecom - Serviços Partilhados, S.A. ('Sonaecom SP')	Maia	Support, management consulting and administration, particularly in the areas of accounting, taxation, administrative procedures, logistics, human resources and training.	Sonaecom	**100%**	**100%**	100%	100%
Sonae Investment Management – Software and Technology, SGPS, S.A. ('SonaeIM')	Maia	Management of shareholdings in the area of corporate ventures and joint ventures.	Sonaecom	**100%**	**100%**	100%	100%
We Do Consulting – Sistemas de Informação, S.A. ('We Do')	Maia	Rendering of consultancy services in the area of information systems.	Sonae IM	**100%**	**100%**	100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. ('We Do Brasil')	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	**99.91%**	**99.91%**	99.91%	99.91%
We Do Technologies Americas, Inc ('We Do USA') (i)	Delaware	Rendering of consultancy services in the area of information systems.	Cape Technologies We Do	- **100%**	- **100%**	100% -	100% -
We Do Technologies Australia PTY Limited ('We Do Austrália')	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	**100%**	**100%**	100%	100%
We Do Technologies BV ('We Do BV')	Amsterdam	Management of shareholdings.	We Do	**100%**	**100%**	100%	100%
We Do Technologies BV – Malaysian Branch ('We Do Malásia')	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	**100%**	**100%**	100%	100%
We Do Technologies Egypt LLC ('We Do Egypt')	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV We Do	**90%** **10%**	**100%**	90% 10%	100%
We Do Technologies España - Sistemas de Informação, S.L. ('WeDo Espanã') (j)	Madrid	Rendering of consultancy services in the area of information systems.	We Do	100%	100%	100%	100%
We Do Technologies (UK) Limited ('We Do UK') (f)	Berkshire	Rendering of consultancy services in the area of information systems.	We Do	**100%**	**100%**	100%	100%
We Do Technologies Mexico, S de R.L. ('We Do Mexico')	Mexico City	Rendering of consultancy services in the area of information systems.	We Do We Do BV	**0.001%** **99.999%**	**100%**	0.001% 99.999%	100%

* Sonaecom effective participation
(a) In May 2018, Sonae IM sold 0.10% participation in Digitmarket to Banco BPI, S.A.
(b)Company acquired in December 2018
(c) Company constituted at 25 October 2018.
(d) Fund constituted in September 2017. As Sonae IM holds control over the Fund, the participation was included in the consolidated by the full consolidation method as established by IFRS 10.
(e) Company acquired in June 2018.
(f) Companies exempt from audit of financial accounts for the year ended at 31 December 2018 under local law (479 A of companies ACT 2006 relating to subsidiary companies).
(g) On 30 June 2018, Nexthold, S.L. acquired 19.10% of the capital S21sec Gestion S.A. Group. With this transaction, Sonaecom Cyber Security and Intelligence now holds 80,90% of the capital of S21 Sec Gestion.
(h) Company constituted in September 2018.
(i) In October 2018 the participation of 100% held by Cape Technologies Limited was sold to We Do Consulting - Sistemas de Informação, S.A.
(j) In April 2018, Sonaecom - Sistemas de Informação Espana, S.L. changed its corporate name to We Do Technologies España - Sistemas de Informação, S.L.

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

3. Changes in the Group

During the years ended at 31 December 2018 and 2017, the following changes occurred in the composition of the Group:

a) Acquisitions

Shareholder	Subsidiary	Date
2018		
Bright	Food Orchestrator, Lda ('Food Orchestrator') (note 9)	Jan-18
Bright	EGI Factory, S.L ('EGI Factory') (note 9)	Jun-18
Bright	Beamy, S.A.S. ('Beamy') ((note 9)	Aug-18
Fundo Bright Vector I	Advert.io, Lda ('Advert.io') (note 9)	Mar-18
Fundo Bright Vector I	Binary Answer, Lda ('Binary Answer') (note 9)	Mar-18
Fundo Bright Vector I	RK.AI - Serviços de processamento de imagens e análise de dados, Lda ('RK.AI') (note 9)	Jul-18
Fundo Bright Vector I	Whitefantasy, Lda ('Whitefantasy') (note 9)	Dec-18
S21 Sec Gestión	Nextel, S.A. ('Nextel')	Jun-18
S21 Sec Gestión	Mxtel, S.A. de CV ('Mxtel')	Jun-18
Sonae IM	Jscrambler, S.A. ('Jscrambler') (note 9)	Feb-18
Sonae IM	Style Sage, Inc. ('Style Sage') (note 9)	Apr-18
Sonae IM	Nextail Labs, Inc ('Nextail') (note 9)	May-18
Sonae IM	Case on IT, S.L. ('Case on IT') (note 9)	Jun-18
Sonae IM	Reblaze Technologies, Ltd. ('Reblaze') (note 9)	Jul-18
Sonae IM	ciValue Systems, Ltd. ('ciValue') (note 9)	Aug-18
Sonae IM	ArcticWolf Networks, Inc ('ArcticWolf') (note 9)	Oct-18
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III') (note 8)	Nov-18 Dec-18
Sonae IM	Ometria, Ltd. ('Ometria') (note 9)	Nov-18
Sonae IM	ViSenze Pte, Ltd ('ViSenze') (note 9)	Nov-18
Sonaecom CSI	Excellium Group, S.A. ('Excellium')	Dec-18
Sonaecom CSI	Excellium Services, S.A. ('Excellium Services')	Dec-18
Sonaecom CSI	Excellium Services Belgium, S.A. ('Excellium Services Belgium')	Dec-18
Sonaecom CSI	Excellium Factory SARL ('Excellium Factory')	Dec-18
Sonaecom CSI	Suricate Solutions, S.A. ('Suricate Solutions') (note 8)	Dec-18
Sonaecom CSI	Alfaros SARL ('Alfaros') (note 8)	Dec-18
Sonaecom CSI	Suricate Solutions CI SARL (Suricate Solutions CI') (note 8)	Dec-18
Sonaecom CSI	Suricate Solutions SN SARL ('Suricate Solutions SN') (note 8)	Dec-18

Shareholder	Subsidiary	Date
2017		
Bright	Food Orchestrator, Lda ('Food Orchestrator' - using the brand 'Eat Tasty') (note 9)	Mar-17
Publico	Sirs, Soc. Independente de Rádiodifusão Sonora, S.A (Rádio Nova) (note 8)	Jun-17
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III') (note 8)	Mar-17 Jul-17 Nov-17
Sonae IM	Ometria, Ltd. (note 9)	Jun-17
Sonae IM	Secucloud Network GmbH ('Secucloud') (note 8)	Oct-17
Sonae IM	Continuum Security SL ('Continuum') (note 9)	Nov-17
Sonae IM	ArcticWolf Networks, Inc ('ArcticWolf') (note 9)	Nov-17

Effects of the acquisition of subsidiaries in the consolidated financial statements

Nextel and Mxtel

The companies that constitute the Nextel Group were acquired by the Sonaecom Group in June 2018 and have as main activity rendering of engineering and information systems consulting services, specialised in information security and management of telecommunications services.

Following these acquisitions, the group initially recognised a Goodwill amount of 1,641,824 euros (note 7), which can be detailed as follows:

		Nextel and Mxtel		
(Amounts expressed in Euro)	Notes	Balance value before acquisition	Adjustments to fair value	Fair value 'Preliminar and pro-form'
Acquired assets				
Tangible assets	5	130,152	(2,191)	127,961
Intangible assets	6	57,459	2,548,182	2,605,641
Deferred tax assets	10	3,930,008	(1,684,536)	2,245,472
Other non-current assets		133,726	-	133,726
Trade debtors		2,383,770	(67,564)	2,316,206
Other current debtors		1,268,783	(239,019)	1,029,764
Other current assets		1,819,397	26,872	1,846,269
Cash and cash equivalents		1,186,530	(73,807)	1,112,723
		10,909,825	**507,937**	**11,417,762**
Acquired liabilities				
Loans obtained		4,676,304	(98,164)	4,578,140
Trade creditors		1,455,111	(26,798)	1,428,313
Other current creditors		522,300	(103,066)	419,234
Other current liabilities		1,899,286	681,464	2,580,750
		8,553,001	**453,436**	**9,006,437**
Total net assets acquired		**2,356,824**	**54,501**	**2,411,325**
Acquisition price		**4,053,149**		**4,053,149**
Goodwill	7	**1,696,325**		**1,641,824**

Following the acquisition of this Group, an assessment was made of the fair value of assets acquired and liabilities assumed, resulting in a decrease in the amount of total assets and an increase in the total amounting liabilities of Euro 507,937 and 453,436 euros, respectively, which includes the recognition of the customer portfolio in the amount of Euro 2,548,521.

The purchase price allocation is still subject to change until the end of the period of 12 months from the date of acquisition, as permitted by IFRS 3 Business Concentrations.

As is usual in business combinations, also in the case of the acquisition of these two subsidiaries, it was not yet possible to allocate, in accounting terms, the fair value of identified assets and liabilities assumed, being a part of the acquisition cost recognised as Goodwill. Goodwill will be related to elements that can not be reliably isolated and quantified and include synergies, skilled workforce, technological capabilities and market reputation.

In the period ended at 31 December 2018, the contribution of the companies Nextel and Mxtel to the net profit attributable to shareholders of Sonaecom was negative on Euro 214,274. The respective contributions are as follows:

(Amounts expressed in Euro)	Nextel and Mxtel Contribution at 31 December 2018
Total Revenues	9,211,758
Costs and losses	
Cost of sales	(5,440,160)
External supplies and services	(662,348)
Staff expenses	(2,750,197)
Depreciations and amortisations	(454,780)
Other operating costs	(4,911)
	(100,638)
Financial results	(81,623)
Income tax	-
Net income for the year before non-controlling interests	(182,261)
Net income attributed to non-controlling interests	(32,013)
Net income attributed to shareholders of parent company	(214,274)

The contributions to Sonaecom's consolidated financial position at 31 December 2018, excluding the goodwill generated as a result of the acquisition of investments in these companies, are as follows:

(Amounts expressed in Euro)	Nextel and Mxtel Contribution at 31 December 2018
Assets	
Tangible assets	172,922
Intangible assets	2,173,850
Deferred tax assets	2,245,472
Trade debtors	4,940,194
Other current debtors	1,104,663
Cash and cash equivalents	481,705
Other assets	2,469,200
Total assets	13,588,006
Liabilities	
Non-current liabilities	1,205,323
Current liabilities	9,865,676
Total liabilities	11,070,999
Net assets	2,517,007

Excellium Group

The companies that are part of the Excellium Group were acquired by the Sonaecom Group in December 2018 and have as their main activity rendering of services within the field of IT and cybersecurity mainly for financial institutions.

The Excellium Group is constituted for the following entities: Excellium Group, S.A, Excellium S.A., Excellium Services Belgium, S.A., Excellium Factory SARL, Suricate Solutions, S.A., Alfaros SARL, Suricate Solutions CI SARL, Suricate Solutions SN SARL.

As described in note 2, Sonaecom shares of the Excellium Group amount 59.20%, and the book value of the non-controlling interests is presented in note 19.

Following these acquisitions, the Group initially recognised a provisory Goodwill amount of Euro 12,074,316 (Note 7), which can be detailed as follows:

		Excellium Group	
(Amounts expressed in Euro)	Notes	Balance value before acquisition	Fair value 'Preliminar and pro-form'
Acquired assets			
Tangible assets	5	951,534	951,534
Intangible assets	6	1,080,653	1,080,653
Goodwill	7	150,000	150,000
Other non-current assets		41,800	41,800
Trade debtors		2,754,330	2,754,330
Other current debtors		90,115	90,115
Other current assets		1,724,085	1,724,085
Cash and cash equivalents		2,125,602	2,125,602
		8,918,119	**8,918,119**
Acquired liabilities			
Loans obtained		3,089,140	3,089,140
Trade creditors		2,069,025	2,069,025
Other current creditors		603,212	603,212
Other current liabilities		1,486,352	1,486,352
		7,247,729	**7,247,729**
Total net assets acquired		**1,670,390**	**1,670,390**
Acquisition price			**13,973,716**
Financial update			**(229,010)**
Goodwill	**7**		**12,074,316**

The purchase price allocation is still subject to change until the end of the period of one year starting from the date of acquisition, as permitted by IFRS 3 Business Concentrations. As is usual in business combinations, also in the case of the acquisition of these eight subsidiaries, it was not yet possible to allocate, in accounting terms, the fair value of identified assets and liabilities assumed, being a part of the acquisition cost recognised as Goodwill. Goodwill will be related to elements that can not be reliably isolated and quantified and include synergies, skilled workforce, technological capabilities and market reputation.

Excellium's acquisition price includes a contingent amount (Euro 6,473,716) payable over 2 years, depending on the company's performance.

In the period ended at 31 December 2018, the subsidiaries of the Excellium's Group had no contribution to the net profit attributable to shareholders of Sonaecom. The respective contributions in Sonaecom's consolidated financial position at 31 December 2018, excluding the goodwill generated as a result of the acquisition of investments in these companies, is as follows:

	Excellium Group
(Amounts expressed in Euro)	Contribution on 31 December 2018
Assets	
Tangible assets	951,534
Intangible assets	1,080,653
Goodwill	150,000
Trade debtors	2,754,330
Other current debtors	90,115
Cash and cash equivalents	2,125,602
Other assets	1,765,885
Total assets	8,918,119
Liabilities	
Non-current liabilities	983,610
Current liabilities	6,264,119
Total liabilities	7,247,729
Net assets	1,670,390

b) Disposals

Shareholder	Subsidiary	Date
2018		
Sonae IM	Digitmarket	May-18
Sonae IM	Armilar Venture Partners - Sociedade de Capital de Risco, SA ('Armilar') (note 8)	Jun-18

In May 2018, Sonae IM sold a 0.10% stake in Digitmarket to Banco BPI, S.A.

c) Constitutions

Buyer	Subsidiary	Date
2018		
Bright	Taikai	Aug-18
Inovretail	Inovretail Espanha	Oct-18

Buyer	Subsidiary	Date
2017		
Bright	Probe.ly	May-17
Sonae IM	Bright Vector I	Sep-17

4. Breakdown of financial instruments

At 31 December 2018 and 2017, the breakdown of financial instruments is as follows:

						2018
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets						
Financial assets at fair value through profit or loss	-	-	88,591	88,591	-	88,591
Financial assets at fair value through other comprehensive income(note 9)	-	28,101,682	-	28,101,682	-	28,101,682
Other non-current assets (note 11)	2,920,652	-	-	2,920,652	-	2,920,652
	2,920,652	28,101,682	88,591	31,110,925	-	31,022,334
Current assets						
Trade debtors (note 13)	50,945,298	-	-	50,945,298	-	50,945,298
Other current debtors (note 14)	7,593,979	-	-	7,593,979	912,728	8,506,707
Income taxa receivable (note 27)	-	-	-	-	3,043,207	3,043,207
Other current assets (note 15)	11,630,088	-	-	11,630,088	4,179,761	15,809,849
Cash and cash equivalents (note 16)	229,038,912	-	-	229,038,912	-	229,038,912
	299,208,277	-	-	299,208,277	8,135,696	307,343,973

						2017
	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets						
Financial assets at fair value through other comprehensive income(note 9)	-	5,480,963	-	5,480,963	-	5,480,963
Other non-current assets (note 11)	3,812,536	-	-	3,812,536	-	3,812,536
	3,812,536	5,480,963	-	9,293,499	-	9,293,499
Current assets						
Trade debtors (note 13)	47,170,847	-	-	47,170,847	-	47,170,847
Other current debtors (note 14)	1,726,510	-	-	1,726,510	1,215,603	2,942,113
Income taxa receivable (note 27)	-	-	-	-	3,315,918	3,315,918
Other current assets (note 15)	7,946,826	-	-	7,946,826	2,038,310	9,985,136
Cash and cash equivalents (note 16)	202,025,688	-	-	202,025,688	-	202,025,688
	258,869,871	-	-	258,869,871	6,569,831	265,439,702

				2018
	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
Non-current liabilities				
Non-current loans net of short term position (note 20)	3,677,091	3,677,091	-	3,677,091
Other non-current financial liabilities (note 21)	158,447	158,447	-	158,447
Other non-current liabilities (note 23)	6,643,258	6,643,258	220,686	6,863,944
	10,478,796	10,478,796	220,686	10,699,482
Current liabilities				
Current loans and other loans (note 20)	5,209,946	5,209,946	-	5,209,946
Trade creditors (note 24)	18,931,330	18,931,330	-	18,931,330
Other current financial liabilities (note 25)	427,046	427,046	-	427,046
Other creditors (note 26)	9,280,072	9,280,072	5,103,791	14,383,863
Income tax payable (note 27)	-	-	310,220	310,220
Other current liabilities (note 28)	21,509,059	21,509,059	18,752,642	40,261,701
	55,357,453	55,357,453	24,166,653	79,524,106

				2017
	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
Non-current liabilities				
Non-current loans net of short term position (note 20)	2,389,738	2,389,738	-	2,389,738
Other non-current financial liabilities (note 21)	173,478	173,478	-	173,478
Other non-current liabilities (note 23)	875,582	875,582	1,217,487	2,093,069
	3,438,798	3,438,798	1,217,487	4,656,285
Current liabilities				
Current loans and other loans (note 20)	1,203,639	1,203,639	-	1,203,639
Trade creditors (note 24)	16,019,197	16,019,197	-	16,019,197
Other current financial liabilities (note 25)	341,479	341,479	-	341,479
Other creditors (note 26)	1,057,086	1,057,086	4,236,810	5,293,896
Income tax payable (note 27)	-	-	112,690	112,690
Other current liabilities (note 28)	19,836,818	19,836,818	12,420,735	32,257,553
	38,458,219	38,458,219	16,770,235	55,228,454

Considering the nature of the balances, the amounts to be paid and received to/from 'State and other public entities' as well as specialized costs related to the share based plans were considered outside the scope of IFRS 9. On the other hand, the deferred costs/profits recorded in the captions other current and non-current assets/liabilitie were considered non-financial instruments.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument. In addition, other financial assets and other current financial liabilities correspond to assets and liabilities measured at amortised cost that will be satisfied in the short term. Additionally, investments held for sale correspond mostly to transactions of the year.

5. Tangible assets

The changes in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2018 and 2017 was as follows:

							2018
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2017	4,261,366	10,136,678	27,398	9,763,442	453,821	227,465	24,870,170
Changes in consolidation perimeter (3.a)	11,537	2,026,350	379,224	379,284	24,272	176,115	2,996,782
Additions	22,803	88,894	-	170,455	5,811	360,249	648,212
Disposals	-	(442)	-	(136,609)	-	-	(137,051)
Effect of currency translation	(32,239)	7,127	907	20,459	(58)	10	(3,794)
Transfers and write-offs	4,083	76,381	(21,960)	336,322	1,986	(421,128)	(24,316)
Balance at 31 December 2018	4,267,550	12,334,987	385,569	10,533,354	485,832	342,710	28,350,003
Accumulated depreciation and impairment losses							
Balance at 31 December 2017	2,606,886	9,888,578	27,398	8,762,642	372,871	-	21,658,375
Changes in consolidation perimeter (3.a)	907	1,270,332	340,123	294,477	11,448	-	1,917,287
Depreciation for the year	286,867	111,115	5,814	495,623	6,363	-	905,782
Disposals	-	(442)	-	(136,064)	-	-	(136,506)
Effect of currency translation	(29,215)	5,776	907	25,818	(61)	-	3,225
Transfers and write-offs	(28)	13	(19,304)	(20,171)	-	-	(39,490)
Balance at 31 December 2018	2,865,417	11,275,372	354,938	9,422,325	390,621	-	24,308,673
Net value	1,402,133	1,059,615	30,631	1,111,029	95,211	342,710	4,041,331

							2017
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2016	4,059,411	10,054,035	72,116	9,705,401	447,759	68,388	24,407,110
Additions	176,252	64,026	-	257,027	5,469	459,107	961,881
Disposals	-	-	(44,718)	(33,751)	-	-	(78,469)
Effect of currency translation	(64,309)	(34,682)	-	(291,455)	(98)	-	(390,544)
Transfers and write-offs	90,012	53,299	-	126,220	691	(300,030)	(29,808)
Balance at 31 December 2017	4,261,366	10,136,678	27,398	9,763,442	453,821	227,465	24,870,170
Accumulated depreciation and impairment losses							
Balance at 31 December 2016	2,438,690	9,777,774	57,453	8,476,182	367,253	-	21,117,352
Depreciation for the year	219,616	132,450	5,761	567,214	5,704	-	930,745
Disposals	-	-	(35,816)	(25,968)	-	-	(61,784)
Effect of currency translation	(48,249)	(21,934)	-	(256,805)	(86)	-	(327,074)
Transfers and write-offs	(3,171)	288	-	2,019	-	-	(864)
Balance at 31 December 2017	2,606,886	9,888,578	27,398	8,762,642	372,871	-	21,658,375
Net value	1,654,480	248,100	-	1,000,800	80,950	227,465	3,211,795

Depreciation, amortisation and impairment losses for the year ended at 31 December 2018 and 2017 can be detailed as follows:

	2018	2017
	Total	Total
Tangible assets	905,782	930,745
Intangible assets (note 6)	10,182,508	8,476,326
	11,088,290	9,407,071

The acquisition cost of 'Tangible assets' and 'Intangible assets' held by the Group under finance lease contracts, amounted to Euro 2,240,523 and Euro 2,422,072 as of 31 December 2018 and 2017, and their net book value as of those dates amounted to Euro 242,681 and Euro 583,630 respectively.

At 31 December 2018 and 2017, the caption 'Tangible assets' does not include any asset pledged or given as a guarantee for loans obtained.

The caption'Tangible assets in progress' at 31 Decemeber 2018 and 2017 can be decomposed as follows:

	2018	2017
Information systems / IT equipment	274,959	21,727
Other projects in progress	67,751	205,738
	342,710	227,465

During the year ended at 31 December 2018 and 2017, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

In the years ended at 31 December 2018 and 2017, the changes occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, were as follows:

							2018
	Brands and patents and other rights	Software	Other intangible assets	Intangible assets in progress	Internally generated assets - Software	Internally generated assets - Intangible assets in progress	Total
Gross assets							
Balance at 31 December 2017	11,433,736	17,460,813	-	140,852	70,061,829	5,314,343	104,411,573
Changes in consolidation perimeter (3.a)	2,548,521	2,996,078	-	52,348	-	-	5,596,947
Additions	18,012	220,069	121,575	1,104,140	36,567	5,568,117	7,068,480
Disposals	-	(30,696)	-	-	-	-	(30,696)
Effect of currency translation	286,294	(131,205)	-	(8,671)	307,959	13,273	467,650
Transfers and write-offs	(34,969)	741,779	-	(786,198)	6,010,413	(6,010,413)	(79,388)
Balance at 31 December 2018	14,251,594	21,256,838	121,575	502,471	76,416,768	4,885,320	117,434,566
Accumulated amortisation and impairment losses							
Balance at 31 December 2017	11,130,078	16,424,645	-	-	51,836,956	-	79,391,679
Changes in consolidation perimeter (3.a)	-	1,910,653	-	-	-	-	1,910,653
Amortisation and impairment for the year (note 5)	645,330	689,297	52,066	-	8,795,815	-	10,182,508
Effect of currency translation	297,478	(116,252)	-	-	183,222	-	364,448
Disposals	-	(7,650)	-	-	-	-	(7,650)
Transfers and write-offs	(27,799)	(24,281)	37,502	-	-	-	(14,578)
Balance at 31 December 2018	12,045,087	18,876,412	89,568	-	60,815,993	-	91,827,060
Net value	2,206,507	2,380,426	32,007	502,471	15,600,775	4,885,320	25,607,506

							2017
	Brands and patents and other rights	Software	Other intangible assets	Intangible assets in progress	Internally generated assets - Sofware	Internally generated assets - Intangible assets in progress	Total
Gross assets							
Balance at 31 December 2016	12172469	16,958,830	-	66,762	65,826,658	4,157,878	99,182,597
Additions	19210	600,937	-	325,373	173,957	6,469,964	7,589,441
Disposals	0	(9,443)	-	-	-	(341,821)	(351,264)
Effect of currency translation	-860472	(385,169)	-	5,285	(863,028)	(47,435)	(2,150,819)
Transfers and write-offs	102529	295,657	-	(256,568)	4,924,243	(4,924,243)	141,618
Balance at 31 December 2017	11433736	17,460,813	-	140,852	70,061,829	5,314,343	104,411,573
Accumulated amortisation and impairment losses							
Balance at 31 December 2016	11413562	15,416,801	-	-	45,558,777	-	72,389,140
Amortisation and impairment for the year (note 5)	426909	1,382,868	-	-	6,666,549	-	8,476,326
Effect of currency translation	-807022	(398,260)	-	-	(388,371)	-	(1,593,653)
Disposals	0	-	-	-	-	-	-
Transfers and write-offs	96629	23,237	-	-	-	-	119,866
Balance at 31 December 2017	11130078	16,424,645	-	-	51,836,956	-	79,391,679
Net value	303658	1,036,168	-	140,852	18,224,873	5,314,343	25,019,894

At 31 December 2018, the additions related with intangible assets in progress include about Euro 4,7 million of capitalizations of personnel costs related to own work (note 41), mainly related to IT software development and to the RAID, RAID.Cloud and LDM products.

The assessment of impairment for the main tangible and intangible assets, in the various segments, is carried out as described in note 7 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analysed separately.

The sensitivity analysis made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the amounts to be recovered, so not material additional impairments were recorded.

7. Goodwill

For the years ended at 31 December 2018 and 2017, the movements occurred in 'Goodwil'l were as follows:

	2018	2017
Opening balance	**23,351,829**	23,683,622
Acquisition of Nextel (note 3.a)	**1,641,824**	-
Acquisition of Excellium (note 3.a)	**12,074,316**	-
Other movements of the year	**244,651**	(331,793)
Closing balance	**37,312,620**	23,351,829

For the years ended at 31 December 2018 and 2017, the caption 'Other movements of the year' includes the effect of the exchange rate update of the Goodwill. During the year 2018 no goodwill impairments were recognised or reverted.

At 31 December 2018 and 2017, the caption had the following composition by business area were the companies are included:

2018	Technologies		
	Telecomunications	Retail	Cybersecurity
Goodwill	21,538,666	1,165,721	14,608,233

2017	Technologies		
	Telecomunications	Retail	Cybersecurity
Goodwill	21,444,015	1,165,721	742,093

Goodwill impairment is tested annually. Impairment tests were performed on intangible assets, including Goodwill, which were to determine the recoverable amount using the discounted cash flow method. The measurement of the existence or not of impairment of the main amounts of interests in group companies recorded in the accompanying financial statements is made taking into account the cash generating units, based on the last business plans approved by the Group's Board of Directors made on an annual basis unless there are indications of impairment, which are prepared using cash flows projected for periods of 5 years.

At 31 December 2018 and 2017, the assumptions used are based on the group's various businesses and the growth in the various geographic areas where the group operates:

2018	Technologies				Media
Assumptions	Telecomunications	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Discount rate	6.25%-17%	10.5%	6.75%- 11.25%	7%-13.75%	7%
Growth rate in perpetuity	2.0%	3.0%	3.0%	1%-2%	0.00%

2017	Technologies				Media
Assumptions	Telecomunications	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Discount rate	6.75%-16.75%	10.5%	7.5%- 10.75%	9%-13.5%	8.5%
Growth rate in perpetuity	1.0%	3.0%	3.0%	1%-2%	0.01%

The average growth rate considered for the 5-year turnover was 7.47% for the Technology sector. For the Media sector, the average growth rate of turnover considered was around 2.58%.

The discount rates used are based on the weighted average capital costs estimated based on the segments and geographies where the companies are located. In Europe, the discount rates used are between 6.25% and 10.5%, in Asia 10.25% in Latin America rates are used between 11.25% and 13.75% and in Africa 17%.

The analysis of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended at 31 December 2018. For the sensitivity analysis made, required in the IAS 36 - Impairment of Assets, varying the discount rate by 0.5 pp in the media sector and in the technology sector by varying the discount rate by 0.5 pp and 0, 5 pp in the perpetuity growth rate, would not lead to material changes in the recovery amounts, and therefore there would not be any additional material impairment.

8. Investments in associated companies and companies jointly controlled

The associated companies and the companies jointly controlled, their head offices, percentage of ownership and value in profit and loss statement at 31 December 2018 and 2017, are as follows:

		Percentage of ownership				Value in profit and loss statement	
		31 December 2018		31 December 2017		31 December 2018	31 December 2017
	Head Office	Direct	Total	Direct	Total		
ZOPT, SGPS, S.A. ('ZOPT') (a)	Oporto	**50.00%**	**50.00%**	50.00%	50.00%	**34,074,000**	27,234,000
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	**50.00%**	**50.00%**	50.00%	50.00%	**53,169**	45,449
SIRS - Sociedade Independente de Radiodifusão Sonora, S.A. ('Rádio Nova')	Oporto	**50.00%**	**50.00%**	50.00%	50.00%	**31,039**	25,923
Intelligent Big Data, S.L. ('Big Data') (b)	Gipuzcoa	**50.00%**	**50.00%**	50.00%	50.00%	**(448)**	(372)
Armilar Venture Partners - Sociedade de Capital de Risco, S.A. (Armilar) (d)	Lisboa	-	-	35.00%	35.00%	-	-
Fundo de Capital de Risco Armilar Venture Partners II (Armilar II)	Lisboa	**50.74%**	**50.74%**	50.74%	50.74%	**55,152,602**	8,917,715
Fundo de Capital de Risco Armilar Venture Partners III (Armilar III) (c)	Lisboa	**42.70%**	**42.70%**	42.64%	42.64%	**(1,566,263)**	(2,663,005)
Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização (Armilar I+I)	Lisboa	**37.54%**	**37.54%**	37.54%	37.54%	**4,145,310**	2,545,424
Secucloud Network GmbH ('Secucloud')	Hamburg	**27.45%**	**27.45%**	27.45%	27.45%	**(985,336)**	(282,834)
Probe.ly (e)	Lisbon	**21.21%**	**21.21%**	22.88%	22.88%	**(95,166)**	(43,235)
Suricate Solutions (f)	Luxembourg	**20.00%**	**11.84%**	-	-	-	-
Alfaros SARL (f)	Tunisia	**40.00%**	**23.68%**	-	-	-	-
Total (note 34)						**90,808,907**	35,779,065

(a) Includes the incorporation of the results of the subsidiaries in proportion to the capital held.
(b) Company directly owned by S21 Sec Gestion
(c) In November and December 2018, two participations were subscribed resulting in a variation of the effective participation of 0.06%
(d) In June 2018, Sonae IM sold a stake in the Venture Capital Company.
(e) Following a round of financing, Bright made a capital increase but was diluted by the entry of other investors.
(f) Participation acquired in December 2018.

As a result of the legislation of the Venture Capital Funds, Sonaecom does not control them, as it does not have control over its management entity.

During the years ended at 31 December 2018 and 2017, the movement occurred in investments in associated companies and companies jointly controlled, were as follows:

	31 December 2018			31 December 2017		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in associated companies and companies jointly controlled						
Balance at 1 January	679,091,048	92,644,319	771,735,367	658,212,535	87,849,200	746,061,735
Increases	712,649	-	712,649	989,578	4,795,119	5,784,697
Transfers	78,209	(78,209)	-	-	-	-
Equity method						
Effect on gains and losses (note 34)	110,909,102	-	110,909,102	35,753,514	-	35,753,514
Effect on reserves	(18,703,643)	-	(18,703,643)	673,562	-	673,562
Dividends	(19,799,186)	-	(19,799,186)	(16,538,141)	-	(16,538,141)
Return of invested capital	(16,477,366)	-	(16,477,366)	-	-	-
Others	(41,343,720)	-	(41,343,720)	-	-	-
	694,467,093	92,566,110	787,033,203	679,091,048	92,644,319	771,735,367
Registered in Provisions for other liabilities and charges						
Balance at 1 January	(106,404)	-	(106,404)	(119,250)	-	(119,250)
Increases	-	-	-	(12,705)	-	(12,705)
Effect on gains and losses (note 22 and 34)	(20,100,195)	-	(20,100,195)	25,551	-	25,551
	(20,206,599)	-	(20,206,599)	(106,404)	-	(106,404)
Total investment in associated companies and companies jointly controlled net of impairment losses	674,260,494	92,566,110	766,826,604	678,984,644	92,644,319	771,628,963

In the year ended at 31 December 2018, the subsidiary Sonae IM sold the entire stake (35%) of the company venture capital Armilar I.

In the year ended at 31 December 2018, the variation in the value of the proportion of equity relating to the return of invested capital and others results from the distribution of capital of Fundo Armilar II following the last round of financing of Outsystems.

The variation of Provisions for other liabilities and charges in amount of Euro 20,100,195 includes Euro 20,130,786 relating to an incentive scheme to be paid to the management of the Funds due to the fact that they exceeded the contractually defined barrier of return. Additinally, it includes the provision related to the results of Radio Nova and Big Data in amount to Euro 30,591. The amount concerning to Funds was charged against 'Gains and losses on associated and jointly controlled companies', to be deducted proportionally to the net results of the Funds (note 22).

In July 2017, there was a change in the number of shares of Armilar II fund due to the exit of one of the Shareholders, thus giving SonaeIM a participation of 50.74% in the fund

During the year 2018, there was a change of Euro 712,649 in associates and jointly controlled companies, mainly due to the acquisition of two shares in the Armilar III Fund in the amount of Euro 652,756, resulting in a final participation of 42.70%. In addition, the variation can also be explained by the capital increase in Probely in the amount of Euro 25,000 and the entry of associated companies (Euro 17,179 in relation to Suricate Solutions and Euro 17,715 in Alfaros) held by the subsidiary Excellium Group in the scope of the acquisition occurred in the end of 2018 (note 3.a).

In March 2017, an increase in the share in Armilar III fund was approved, and Sonae IM subscribed and paid the amount of Euro 622,996, corresponding to 0.41%, in July 2017 a new increase of Armilar III fund, with Sonae IM subscribed and paid in the amount of Euro 302,598, corresponding to 0.20% and in November 2017, another increase of participation in the Armilar III fund was approved and Sonae IM subscribed and paid the amount of Euro 484,103, corresponding to 0.04%, ending the year 2017 with a participation of 42.64% in the Armilar III fund.

In the year ended at 31 December 2017, the increase of Euro 5,784,697 in associated and jointly-controlled companies corresponds to the increase in the participation of the Armilar III fund in the amount of Euro 1,409,697, to the investment in the company Secucloud in value of Euro 4,000,000 and the investment in Probe.ly of Euro 375,000.

In the year ended at 31 December 2017, was recorded a provision in the amount of Euro 12,705 resulting from the acquisition of further 5% participation in equity of S.I.R.S. in June 2017 by the amount of its capital at that date.

During the year ended at 31 December 2018 and 2017 the company received the amount of Euro 19,755,883 and Euro 16,512,005 respectively, referring to received dividends from Zopt SGPS.

In accordance with the IFRS 11, the classification of investments in companies jointly controlled is determined based on the existence of an agreement that clearly demonstrate and regulate the joint control. Thus, at 31 December 2018 the Group held associated and jointly controlled companies, as decomposition below.

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

	31 December 2018			31 December 2017		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in companies jointly controlled						
Zopt	596,281,741	87,527,500	683,809,241	600,667,267	87,527,500	688,194,767
Unipress	494,366	321,700	816,066	484,500	321,700	806,200
SIRS	(74,334)	-	(74,334)	(105,373)	-	(105,373)
Big Data	(1,479)	-	(1,479)	(1,031)	-	(1,031)
	596,700,294	87,849,200	684,549,494	601,045,363	87,849,200	688,894,563
Investments in associated companies						
Armilar I	-	-	-	1	-	1
Armilar II	41,665,234	-	41,665,234	44,333,718	-	44,333,718
Armilar III	24,006,999	-	24,006,999	24,920,506	-	24,920,506
AVP I+I	13,576,554	-	13,576,554	9,431,244	-	9,431,244
Secucloud	(1,687,912)	4,419,742	2,731,830	(702,576)	4,419,742	3,717,166
Probe.ly	(35,569)	297,168	261,599	(43,612)	375,377	331,765
Suricate Solutions	17,179	-	17,179	-	-	-
Alfaros SARL	17,715	-	17,715	-	-	-
	77,560,200	4,716,910	82,277,110	77,939,281	4,795,119	82,734,400
Total	674,260,494	92,566,110	766,826,604	678,984,644	92,644,319	771,628,963

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

(Amounts expressed in thounsand Euro)								2018
Entity	% holding	Asset	Liability	Equity	Revenue	Operational results	Net result	Comprehensive income
ZOPT*	50.00%	4,227,314	1,899,074	2,328,240	1,576,161	185,879	129,712	36,124
Unipress	50.00%	1,962	973	989	2,598	223	106	106
SIRS	50.00%	529	678	(149)	1,199	100	62	62
Big Data	50.00%	1	5	(5)	-	(1)	(1)	(1)
Armilar II	50.74%	121,340	18,616	102,725	150,566	129,488	129,530	129,530
Armilar III	42.70%	82,443	11,446	70,997	20,354	10,835	11,034	11,034
AVP I+I	37.54%	58,079	12,389	45,690	26,141	20,066	20,087	20,087
Secucloud	27.45%	3,579	3,646	(67)	2,327	(2,546)	(3,428)	(3,428)
Probe.ly	21.21%	430	310	120	45	(286)	(375)	(375)
Suricate Solutions	20.00%	180	121	59	196	55	33	33
Alfaros SARL	40.00%	69	43	27	25	11	12	12

*The consolidated accounts audited of Group ZOPT, prepared in accordance with the International Financial Report Statements ('IFRS') as adopted by the European Union.
The value of the shareholder funds includes non-controlling interests in amount of Euro 1,119 million and on 31 December 2018 the NOS' market capitalization amount to Euro 2,728 million.

The financial participations of Armilar II, Armilar III and AVP I+I are valued at fair value and classified in the corresponding hierarchy of fair value definided in IFRS 13 – Fair value, as shown in the table bellow:

(Amounts expressed in thounsand Euro)	2018		
Fair value hierarchy	Armilar II	Armilar III	AVP I+I
Level 2	118,184	47,390	56,236
Level 3	1,499	34,023	1,363

Level 2 valuation techniques are essentially related to valuations resulting from the last transaction or firm acquisition offers, from significant percentages of holdings occurring in non-active markets.

Level 3 valuation techniques are essentially supported by:

(i) The business plans of the subsidiaries, in which discount rates ranging from 6.87% to 20.0% were used, revenue growth rates over the projection period (CAGR) ranging between 20.7% and 33.3% and where the terminal value was estimated by a mix of multiples applied mainly on Revenue and EBITDA. It should be noted that the implied appreciation of the investments held by the Fund results from a set of sensitivities applied to the original parameters of the Business Plans made available by the management of the Subsidiaries; and
(ii) Market Multiples in similar transactions applied to Revenues, Free Cash Flow, EBITDA, Recurring Revenues and other financial data of the Subsidiary.

Armilar II include a level 2 share with an accounting value of approximately Euro 118 million. Armilar III and AVP I+I include a level 2 share with an accounting value of approximately Euro 40 milion and 52 milion, respectively, the valuation was based given the last transaccion in a non-active market.It should be noted that these values are perfectly fit in those that would be obtained if the valuation methodology adopted was the use of market multiples.

Regarding the area of telecommunications (Zopt), the assessment of whether or not the impairment is determinated taking into account several information, as business plans approved by the Board of Directors of NOS for five years, which implied average growth rate of operating margin amounts to 4% and its associated, and the average rating of external reviewers (researches).

	NOS SGPS
Assumptions	
Basis of recoverable amount	**Value in use**
Discount rate	**7.2%**
Growth rate in perpetuity	**1.3%**

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

The analysis of the impairment indices and the review of the impairment projections and tests have not lead to the recording of losses, during the years ended at 31 December 2018 and 2017.

The sensitivity analysis made, have not lead to material changes of the amounts to be recovered, so no additional impairments were recorded.

The consolidated financial statements of Zopt, at 31 December 2018 and 2017 can be resumed as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	December 2018	December 2017 (reexpressed)
Assets		
Tangible assets	1,090,939	1,088,302
Intangible assets	2,219,604	2,426,618
Deferred tax assets	95,281	120,732
Other non-current assets	290,975	223,794
Non-current assets	3,696,799	3,859,446
Trade debtors	382,100	400,896
Cash and cash equivalents	2,319	5,493
Other current assets	146,096	151,361
Current assets	530,515	557,750
Total asseis	4,227,314	4,417,196
Liabilities		
Loans	888,918	997,423
Provisions	164,145	174,546
Other non-current liabilities	43,869	87,450
Non-current liabilities	1,096,932	1,259,419
Loans	244,134	210,175
Trade creditors	254,963	224,917
Other current liabilities	303,045	318,260
Current liabilities	802,142	753,352
Total liabilities	1,899,074	2,012,771
Shareholders' funds excluding non-controlling interests	1,209,594	1,230,019
Non-controlling interests	1,118,645	1,174,405
Total Shareholders' funds	2,328,240	2,404,425
Total Shareholders' funds and liabilities	4,227,314	4,417,196

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	December 2018	December 2017 (reexpressed)
Total revenue	1,576,160	1,558,640
Costs and losses		
Direct costs and External supplies and services	(664,005)	(662,617)
Depreciation, amortisation and impairment losses	(410,883)	(440,954)
Other operating costs	(315,394)	(333,689)
	(1,390,282)	(1,437,260)
Gains/ (losses) in associated companies	(7,110)	20,251
Financial results	(24,697)	(25,528)
Income taxation	(24,359)	(9,949)
Consolidated net income/(loss) for the year	129,712	106,154
Consolidated net income/(loss) for the year attributed to non-controlling interests	62,096	51,644
Attributed to shareholders of parent company	67,616	54,510

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

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial holdings that Group holds in associated companies operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The net book value of the associates in the financial statements of ZOPT at 31 December 2018 amounts to approximately Euro 100 million, which was reduced during the current year by approximately Euro 95 million, mainly due to the decrease of the Kwanza exchange rate.

During the last quarter of 2017, Angola was considered a hyperinflationary economy, and the individual financial statements of the investees in Angola were restated (for consolidation purposes) in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies. Effective at 1 January 2017, the financial participation (including implicit goodwill of Euro 171.1 million) on the Angolan associates was adjusted by the effect of hyperinflation by a total of Euro 140.5 million and reduced by 138.5 million of impairment losses on the holding. The net amount of approximately Euro 2 million was recorded under 'Other reserves'. In the exercises in 2017 and 2018, the effect of hyperinflation during this year was again adjusted by the effect of hyperinflation, with a net impact of approximately Euro 0.2 million (including Euro 68.9 million of impairment losses) and Euro 3.4 milion (including Euro 10 million of impairment losses), respectively, wich both amounts being recorded under the caption 'Losses / (gains) in subsidiaries companies.

The Group made impairment tests for those assets, which are denominated in the currencies of those countries, Kwanzas and Meticals, respectively, considering the business plans (internal valuation using the discounted cash flow method, compared to researches) approved by the Board of Directors for a five years period, which include average growth rates of revenue for that period of 10.7% (Angola) and 3.2% (Mozambique). These revenue growth rates reflects: (i) the best estimate for the growth of the customer base, reflecting an expectation of new clients and chum estimated rates, when considered prudent, and (ii) an annual price increase which the nature of the activity carried out by the companies, especially in Angola, assumes it is not expected that companies will be able to reflect in their prices the total inflation in the country.

In 2018, following the recommendation of the INACOM (regulatory entity of the communication sector in Angola), the Angolan subsidiaries did not carry out any price increase. Business plans consider annual price growth of 16%, 11% and 8% in 2019, 2020 and 2021 to 2023 respectively.

The business plans consider yet a growth rate in perpetuity of 6.5% (Angola) and 5.0% (Mozambique) and a discount rate ('wacc') in perpetuity of 17.5% (Angola) and 21% (Mozambique). The discount rate, over the period 2018 to 2023 ranged from a maximum of 34.0% to a minimum of 17.5% (in 2023), for Angola, and from a maximum of 23.0% to a minimum of 21.0% (2023) in Mozambique, in line with the most appropriate inflation forecasts (source: International Monetary Fund (FMI)) and assumes the current structure of the market in terms of competition.

The impairment tests carried out, based on the assumptions above, disregarding the effect of the adjustment to the effects of hyperinflation in the amount of financial investment, support the value of the assets, so not result in additional impairments was recorded in relation to the effect of the hyperinflationary economy. However, that the current economic conditions of uncertainty in these markets, particularly in the foreign exchange market and the limitation of currency transfer, particularly in Angola, introduces an additional degree of variability to the assumptions, which could significantly impact of the estimates considered, in terms of of the rate of inflation and the ability to reflect the rate in price increases.

The sensibility performed using of the variations of 2pp in WACC and 0.5 pp in the perpetuity growth rate allow us to conclude that in extreme situations, with a high rate of inflation and a lower capacity of the company to reflect a higher price increase (analyzed scenarios of price repercussion between 25% and 75% of the inflation rate, being this the most critical variable with impacts in variation of 54% and 133% of the book value), the valuation would't support the assets' value, varying between 50% and 157% of the book value.

At the end of January 2019, ZAP announced a price increase from 26 February 2019 on word. This increase in prices is higher than that used in the projections.

The Board of Directors believes that the assumptions used in the business plans are the most prudent and appropriate, and that the situations of high inflation and lower capacity of the company to reflect a higher price increase correspond to non-expected extreme situations.

a) Zopt Group provision's

The processes described below are provisioned in the consolidated accounts of Zopt, given the level of risk identified.

1. Future credits transferred

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

2. Supplementary Capital

The fiscal authorities believe that NOS SA has broken the principle of full competition under the terms of (1) of Article 58 of the Corporate Tax Code (CIRC) – currently Article 63 –, by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007 of corrections to the determination of its taxable income in the total amount of 20.5 million euros. NOS SA contested the decision with regard to all the above-mentioned years. As for the year 2004, the Court has decided favourably. This decision is concluded (favourably), originating a reversal of provisions, in 2016, in the amount of 1.3 million euros plus interest. As for the years 2006 and 2007, the Porto Fiscal and Administrative Court has already decided unfavourably. As for the year 2005, the Court decided favourably, having been concretized by the Tax Authorities, which meant the provision reversal of one million euros.

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

The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the Portuguese government, i.e. without a tender procedure, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision that was contested by NOS. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euros related to NOS, SA, NOS Madeira and NOS Açores which were object of judicial challenge and for which a bail was presented by NOS SGPS to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.

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

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, for a total amount of 7.7 million euros that was contested by NOS, in standard terms.

In 2017, NOS, SA, NOS Madeira and NOS Açores were notified of the decision of ANACOM concerning the entities that are obliged to contribute toward the compensation fund and the setting of the values of contributions corresponding to CLSU that have to be compensated and relating to the months of 2014 in which MEO still remained as provider of the Universal Service, which establishes for all these companies a contribution totaling close to 2.4 million euros. In December 2017, the settlement notes relating to NOS, SA, NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to Universal Service (not designated through a tender procedure) flagrantly violate the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS will continue judicially challenge either the approval of audit results of the net cost of universal service related to the pre-competitive period, and the liquidation of each extraordinary contribution, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken.

Legal actions and contingent assets and liabilities of Zopt Group

4. Legal actions with regulators

NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015,2016 and 2017) as Electronic Communications Services Networks Supplier, and furthermore the refund of the amounts that meanwhile were paid within the scope of the mentioned acts of settlement was requested. The settlements for the year 2017 were impugned in the first semester of 2018.

The settlement amounts are, respectively, as follows:

- NOS SA: 2009: 1,861 thousand euros 2010: 3,808 thousand euros, 2011: 6,049 thousand euros, 2012: 6,283 thousand euros, 2013: 7,270 thousand euros, 2014: 7,426 thousand euros 2015: 7,253 thousand euros, 2016: 8,242 thousand euros, and 2017: 9,099 thousand euros;
- NOS Açores: 2009: 29 thousand euros, 2010: 60 thousand euros, 2011: 95 thousand euros, 2012: 95 thousand euros, 2013: 104 thousand euros, 2014: 107 thousand euros, 2015: 98 thousand euros; 2016: 105 thousand euros, 2017: 104 thousand euros;
- NOS Madeira: 2009: 40 thousand euros, 2010: 83 thousand euros, 2011: 130 thousand euros, 2012: 132 thousand euros, 2013: 149 thousand euros, 2014: 165 thousand euros, 2015: 161 thousand euros, 2016: 177 thousand euros and 2017: 187 thousand euros.

This fee is a percentage decided annually by ANACOM (in 2009 it was 0.5826%) of operators' electronic communications revenues. NOS SA, NOS Açores and NOS Madeira, in the contests they promote, claim, namely: i) addition to defects of unconstitutionality and illegality, related to the inclusion in the cost accounting of ANACOM of the provisions made by the regulator, due to judicial proceedings against the latter (including these appeals of the activity rate) and ii) that only revenues from the electronic communications business *per se*, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

Four sentences on the matter were given, i.e. in December 2012, in September 2017, in April 2018 and in May 2018, respectively, within the scope of the contestation of the annual rate of 2009, 2010 (NOS Comunicações) and 2012 (Ex-ZON and also Ex-Optimus). The first judgment ruled in favour of the respective contestation, only based on lack of prior hearing, but ordered ANACOM to pay interest. ANACOM submitted an appeal concerning that decision, but the Court of Appeal declined it by decision in July 2013. The three remain decisions judge also, in turn, ruled in favour of the respective contestations, but, this time for fundamental reasons, annulled the contested act by unlawfulness with the legal consequences, namely imposing the refund of the tax that was paid but still not refunded to NOS and ordering ANACOM to pay compensatory interest. This decisions were the subject of an appeal from ANACOM to the Tribunal Central Administrativo – Sul (Central Administrative Court – South), where it are pending.

The remaining proceedings are awaiting trial and/or decision.

During the first quarter of 2017, NOS was notified by ANACOM of the initiation of an infraction process related to communications of prices update at the end of 2016. On this date, it is impossible to determine what the scope of the infraction proceedings is to be.

5. Tax Authorities

During the course of the 2003 to 2018 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2014 financial years. Following these inspections, NOS SGPS, as the controlling company of the Tax Group, and companies not covered by Tax Group, were notified of the corrections made to the Group's tax losses, to VAT and stamp tax and to make the payments related to the corrections made to the above exercises. The total amount of the notifications unpaid is about 19 million euros, added interest, and charges. Note that the Group considered that the corrections were unfounded, and contested the amounts mentioned. The Group provided the bank guarantees demanded by the tax authorities in connection with these proceedings.

6. Actions by MEO against NOS S.A., NOS Madeira and NOS Açores and by NOS S.A. against MEO

- In 2011, MEO brought against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million of Euros, as compensation for alleged unauthorized portability of NOS SA in the period between March 2009 and July 2011. NOS SA presented its defence and reply, and the Court ordered an expert opinion, which was, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor, but of mere delay in sending the documentation related to the portabilities by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it sentenced NOS to the payment of approximately 5.3 million Euros to MEO, a decision of which only NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied and did not appeal against the part of the sentence that acquitted the NOS of the requests for compensation that it formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which gave reason to the claims of NOS, in the sense that they should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice, which was admitted and is currently under appreciation in this Court.

- MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and September 2013 and May 2016) and three to NOS Madeira (March and September 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, realizing only part of these, in the case of NOS SA, in the amount of 26 million euros (from August 2011 to May 2014), in the case of NOS Açores, in the amount of 195 thousand euros and NOS Madeira, amounting to 817 thousand euros.

At the beginning of July 2018, NOS, SA was notified of the filing by MEO of a lawsuit concerning portability compensations in which MEO claims from NOS the right, in this respect, to approximately 26.8 million euros intending to proceed with the special judicial notification sent to the NOS in July 2015, as mentioned above. NOS is contesting the action during October.

- In 2011, NOS SA brought an action in Lisbon Judicial Court against MEO, claiming payment of 22.4 million euros, for damages suffered by NOS SA, arising from violations of the Portability Regulation by MEO, in particular, the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court declared the compulsory performance of expert evidence of technical nature. At the same time, it was requested by NOS and accepted by the Court an economic and financial expert analysis, which has already started. The related expert report has already been made available to the Court and parties. Therefore, awaits the scheduling of the court hearing.

It is the understanding of the Board of Directors of NOS, supported by lawyers who monitor the process, that there is, in substance, good chance of NOS SA winning the action, because MEO has already been convicted for the same offense, by ANACOM. Nevertheless, it is impossible to determine the outcome of the action.

7. Action brought by DECO

In March 2018, the NOS was notified of a lawsuit brought by DECO against NOS, MEO and NOWO, in which a declaration of nullity of the obligation to pay the price increases imposed on customers at the end of 2016 is requested. In April and May 2018, the operators, including NOS, lodged a defence and are awaiting further developments in the process. The Board of Directors of NOS is convinced that the arguments used by the author are not justified, which is why it is believed that the outcome of the proceeding should not result in significant impacts for the NOS Group's financial statements.

8. Interconnection tariffs

At 31 December 2018, accounts receivable and accounts payable include 37,139,253 euros and 43,475,093 euros, respectively, resulting from a dispute between the subsidiary NOS SA and, essentially, the operator MEO – Serviços de Comunicação e Multimédia, S.A. (previously named TMN – Telecomunicações Móveis Nacionais, S.A.), in relation to the non-definition of interconnection tariffs of 2001. In what concerns to that dispute, the result were totally favourable to NOS S.A., having already become final.

9. Contractual penalties

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

Until 31 December 2014, the revenue from penalties, in the face of the inherent uncertainties, was only recognised at the time of receipt, and at 31 December 2018, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 58,933 thousand euros. During the period ended at 31 December 2018, receipts in the amount of 1,233 thousand euros of the amounts outstanding as of 31 December 2014 were recognised as revenues.

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

Board of Directors of Sonaecom believes that the processes described above that may result in contingencies affecting the accounts of the ZOPT group are duly provisioned, taking into account the degree of risk, in the consolidated accounts of Sonaecom.

b) Other commitments Zopt Group

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

Also in December 2015, NOS signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting and Communication Platforms, S.A. which includes the following rights:

1) TV broadcasting rights and multimedia home games of Sporting SAD;
2) The right to explore the static and virtual advertising at Stadium José Alvalade;
3) The right of transmission and distribution of Sporting TV Channel;
4) The right to be its main sponsor.

The contract will last 10 years, concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 years in the case of the rights stated in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January 2016, with the overall financial consideration amounting to 446 million euros, divided into progressive annual amounts.

Also in December 2015, NOS SA has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

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

The contracts will begin in the 2019/2020 sports season and last up to 7 seasons, with the exception of the contract with Sporting Clube de Braga - Futebol, SAD which lasts 9 seasons.

During the year of 2016, NOS SA has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

1) C. D. Tondela – Futebol, SDUQ, Lda
2) Clube Futebol União da Madeira, Futebol, SAD
3) Grupo Desportivo de Chaves – Futebol, SAD
4) Sporting Clube da Covilhã – Futebol, SDUQ, Lda
5) Clube Desportivo Feirense – Futebol, SAD
6) Sport Clube de Freamunde – Futebol, SAD
7) Sporting Clube Olhanense – Futebol, SAD
8) Futebol Clube de Penafiel, SDUQ, Lda
9) Portimonense Futebol, SAD

The contracts will begin in the 2019/2020 sports season and last up to 3 seasons.

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, directly by the transferring party or indirectly through the transfer to channels or models of content, in order to assure to both companies, directly by the assigning party or indirectly through the transfer to third party content distribution channels or models, the availability of broadcasting rights of the sports clubs home football games, as well as the broadcasting and distribution rights of sports and sports clubs channels, whose rights are owned by each of the companies in each moment. The agreement came into force from the beginning of the sports season 16/17, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

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

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

The estimated cash flows are estimated as follows:

Seasons	2018/19	following
Estimated cash flows with the contracts signed by NOS with the sports entities*	Euro 74.1 million	Euro 1,017 million
NOS estimated cash flows for the contracts signed by NOS (net of the amounts charged to the operators) and for the contracts signed by the remaining operators	Euro 67.3 million	Euro 559 million

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

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement of infrastructure development and sharing with a nationwide scope. This partnership allows the two Operators providing their commercial offers under a shared network at the beginning of 2018.

The agreement covers the reciprocal sharing of dark fibre in approximately 2.6 million of homes in which each of the entities shares with the other one an equivalent investment value, in other words, they share similar goods. It is assumed that both companies retain full autonomy, independence, and confidentiality concerning the design of the commercial offers, the management of the customers' database and the choice of technological solutions they might decide to implement, that did not originate any impact on the consolidated financial statements (according to IAS 16, this exchange of similar non-monetary assets will be presented on a net basis).

The partnership was also widened to the sharing of the mobile infrastructure and the minimum share of 200 mobile towers was agreed.

9. Investments at fair value through other comprehensive income

At 31 December 2018 and 2017, this caption was composed as follows:

	2018	2017
Arctic wolf	7,751,174	3,830,113
ViSenze	4,384,811	-
Reblaze	2,352,438	-
Nextail	2,300,000	-
Case on IT	2,280,000	-
Ometria	2,228,029	854,165
ciValue	1,970,097	-
StyleSage	1,848,578	448,834
Jscrambler	1,250,000	-
Whitefantasy	640,804	-
Others	1,095,751	509,733
Impairment losses	-	(161,882)
	28,101,682	5,480,963

At 31 December 2018, these investments correspond to shareholdings in unlisted companies in which the Group has no significant influence.

According to IFRS 9 these investment are defined as 'Investments at fair value through other consolidated comprehensive income' as they are held as long-term strategic investments and there is no expectation that these investments will be sold in the short and medium term, and, so, were irrevocably designetd as investments at fair value trough other comprehensive income. For investments with a maturity of less than a year the acquision costs were considered as a reasonable approximation of their fair value. For investments with a maturity greater than a year the subsequent changes in fair value are presented through other consolidated comprehensive income.

At 31 December 2017, before the application of IFRS 9, the cost of acquisition of these investments was considered a reasonable approximation of their respective fair value, adjusted, where applicable, by the identified impairments.

In 2018, the change in investments at fair value through other comprehensive income was as follows:

	2018
Opening balance	5,475,963
Acquisitions	20,239,812
Fair value	2,385,907
Closing balance	28,101,682

The movements occurred in 2018 and 2017 in other comprehensive income were as follows:

	2018	2017
Gains / (losses) recognized in other comprehensive income	2,385,907	-
Total	2,385,907	-

The investments described above are valued at fair value and classified in the corresponding hierarchy of fair value defined in IFRS 13 - Fair Value, as shown in the table below:

	2018		
	Level 2	Level 3	Total
Investments	28,066,217	35,465	28,101,682

Arctic Wolf
Arctic Wolf, a US based company, is a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response (MOR), wich provides a unique combination of technology and services for clients to quickly detect and contain threats.

ViSenze
ViSenze is a company that delivers intelligent image recognition solutions that shorten the path to action as consumers search and discover on the visual web.

Reblaze
The company provides propriety security technologies in a unified platform, shielding assets from threats found on the Internet.

Nextail
This company developed a cloud-based platform that combines artificial intelligence and prescriptive analytics to upgrade retailers' inventory management processes and store operations.

Case on IT
The product of the company called MedUx is a machine learning solution for the measurement, prediction and analysis of landline, mobile and television services quality.

Ometria
Ometria is a english company based AI powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers.

ciValue
ciValue is a disruptive provider of cloud-based Precision Marketing and Supplier Advertising Platforms for Retailers.

Style Sage
The company is a strategic analytics SaaS platform that helps fashion, home and beaty retailers and brands with critical pre, in and post season decisions globally.

Jsrambler
The main activity of the company is develop a security solution to protect Web and Mobile Aplications (Javascript code).

Whitefantasy
The company develops digital solutions and dedicates its activity to computer programming activities.

10. Deferred taxes

Deferred tax assets at 31 December 2018 and 2017, amounted to Euro 10,275,910 and Euro 7,324,057 respectively, and arose, mainly, from tax losses carried forward, from tax benefits, from differences between the accounting and tax amount of some fixed assets and from others temporary differences.

The balance of deferred tax assets by nature at 31 December 2018 and 2017 is as follows:

	2018	2017
Tax losses	4,497,094	4,172,738
Tax provisions not accepted and other temporary differences	1,925,020	2,379,823
Tax benefits	3,853,796	771,496
Closing balance	10,275,910	7,324,057

The movements in deferred tax assets in the years ended at 31 December 2018 and 2017 were as follows:

	2018	2017
Opening balance	**7,324,057**	**9,314,972**
Impact on results:		
Record of deferred tax assets related to tax losses of the period	87,339	107,764
Record / (reverse) of deferred tax assets related to tax losses from previous periods	95,863	(522,649)
Record / (reverse) / use of tax benefits	831,542	280,998
Record / (reverse) of tax provisions not accepted and other temporary differences for the period	(461,758)	(228,253)
Record / (reverse) of temporary differences fromthe previous periods	(77,300)	(99,285)
Tax rate change effect	-	(933,955)
	475,686	**(1,395,380)**
Impact on reserves:		
Exchange variations	126,388	(595,535)
Effect of application of IFRS 15	104,307	-
	230,695	**(595,535)**
Other without impact on results:		
New companies (3.a)	2,245,472	-
	2,951,853	**(1,990,915)**
Closing balance	**10,275,910**	**7,324,057**

At 31 December 2018 and 2017, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated. The main criteria used in those business plans are described in note 7. For the companies that are included in the Special Group Taxation Regime, the assessment was made taking into account the business plan of the Sonae Group, as from 2018 the tax losses generated by the companies dominated within the group are partially offset by the dominant entity of the group. With respect to the tax losses generated by the unsettled companies in the year, they will be offset as the Group recovers, taking into account its future taxable income.

At 31 December 2018, the caption 'tax benefits' includes mainly amounts related to the incentive associated with the Conventional Remuneration of Capital in the amount of Euro 1,449,000 and amounts related to tax credits in the amount of Euro 2,362,223. The 'tax rate change effect' caption refers to the impact of the change of the tax rate in United States from 39% in 2016 to 28.5% in 2017.

The rate used at 31 December 2018 and 2017, in Portuguese companies, to calculate the deferred tax assets relating to tax losses carried forward was 21%. The rate used in 2018 and 2017 to calculate the temporary differences in Portuguese companies, including provisions not accepted and impairment losses, was 22.5%. It wasn't considered the state surcharge, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable. Tax benefits, related to deductions from taxable income, are considered at 100%, and in some cases, their full acceptance is dependent on the approval of the authorities that concede such tax benefits. For foreign companies was used the rate in force in each country: Brazil 34%, Mexico 30%, USA 28.5%, Spain 25%, Egypt 22.5%.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets, by nature, at 31 December 2018 was as follows:

													2018
Nature	Companies included in the tax group*	Digitmarket	S21sec Portugal	We Do Brasil	We Do USA	We Do Egipto	We Do Espanha	We Do Mexico	S21 Sec Gestion	S21 Sec Labs	Nextel	Total	Total Sonaecom Group
Tax losses:													
To be used until 2021	-	-	-	-	-	-	-	44,957	-	-	-	44,957	**44,957**
To be used until 2022	-	-	7,304	-	-	-	-	30,864	-	-	-	38,168	**38,168**
To be used until 2023	-	-	-	-	-	-	-	207,920	-	-		207,920	**207,920**
To be used until 2025	-	-	-	-	-	-	-	75,792	-	-	-	75,792	**75,792**
To be used until 2026	-	-	16,712	-	-	-	-	336,955	-	-	-	353,667	**353,667**
To be used until 2027	-	-	112,335	-	-	-	-	117,728	-	45,833	-	275,896	**275,896**
To be used until 2028	-	-	9,794	-	-	-	-	88,092	612,877	12,017	-	722,780	**722,780**
To be used until 2029	-	-	-	-	-	-	-	-	253,352	-	-	253,352	**253,352**
To be used until 2030	-	-	-	-	125,598	-	-	-	-	54,052	-	179,650	**179,650**
To be used until 2033	-	-	-	-	96,635	-	-	-	-	-	-	96,635	**96,635**
To be used until 2034	-	-	-	-	532,766	-	-	-	-	-	-	532,766	**532,766**
To be used until 2035	-	-	-	-	649,416	-	-	-	-	-		649,416	**649,416**
To be used until 2036	-	-	-	-	1,132,816	-	-	-	-	-	-	1,132,816	**1,132,816**
Unlimited	-	-	-	-	-	-	185,787	-	-	-	-	185,787	**185,787**
Tax losses	-	-	146,145	-	2,537,231	-	185,787	902,308	866,229	111,902	-	4,749,602	**4,749,602**
Tax provisions not accepted and other temporary differences	1,138,162	8,647	-	444,808	270,281	15,381	-	115,569	-	-	-	854,686	**1,992,848**
Tax benefits	1,165,500	157,500	168,573	-	126,216	-	-	-	-	-	2,245,472	2,697,761	**3,863,261**
Others	-	-	-	(89,985)	(161,744)	-	-	(78,072)	-	-	-	(329,801)	**(329,801)**
Total	2,303,662	166,147	314,718	354,823	2,771,984	15,381	185,787	939,805	866,229	111,902	2,245,472	7,972,248	**10,275,910**

At 31 December 2018 and 2017, the Group has other situations where potential deferred tax assets could be recognised, but since it is not expected that sufficient taxable profits will be generated in the future to cover those losses, such deferred tax assets were not recorded:

	2018	2017
Tax losses	**9,599,230**	9,007,281
Temporary differences (provisions not accepted for tax purposes and other temporary diferences)	**24,141,408**	24,370,354
Others	**16,041,000**	13,319,569
	49,781,637	46,697,204

At 31 December 2018 and 2017, the caption "Temporary differences" includes deferred taxes related to impairment of financial investments that can not be recorded.

At 31 December 2018 and 2017, the caption "Other" includes tax credits amounting to Euro 15,295,485 (Euro 12,117,883 in 2017).

At 31 December 2018 and 2017, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2018	2017
2018	-	129,777
2019	37,808	30,186
2020	130,297	122,679
2021	393,701	212,911
2022	318,343	403,723
2023	186,529	179,262
2024	78,923	78,923
2025	183,753	181,933
2026	770,132	894,269
2027	371,476	405,433
2028	245,591	49,973
2029	893,736	878,680
2030	50,704	50,704
2037	596,688	624,918
2038	75,534	-
Unlimited	5,266,015	4,736,990
	9,599,230	9,007,281

The year 2029 and following years are applicable to the subsidiaries incorporated in countries in which the reporting period of tax losses is greater than twelve years.

The movement that occurred in deferred tax liabilities in the years ended at 31 december 2018 and 2017 were as follows:

	2018	2017
Opening balance	(10,243,448)	(8,263,418)
Temporary differences between accounting and tax result	(3,687,284)	(1,980,030)
Sub-total effect on results (note 35)	(3,687,284)	(1,980,030)
Closing balance	(13,930,732)	(10,243,448)

In the year ended at 31 December 2018 and 2017, deferred tax liabilities arose from the application of the equity method above to the participation in the capital stock of Armilar II, Armilar III and AVP I+I (notes 8 and 35).

The reconciliation between the earnings before taxes and the taxes recorded for the years ended on 31 December 2018 and 2017 is as follows:

	2018	2017
Earnings before tax	82,112,596	25,647,028
Income tax rate (21%)	(17,243,645)	(5,385,876)
Autonomous taxation and surchage	(2,985,884)	(414,246)
Tax provision	(11,538)	(581,439)
Accounting adjustments not accepted	(330,864)	308,744
Temporary differences and tax losses of the period without record of deferred tax assets	(208,297)	(3,465,797)
Utilization of tax losses and tax benefits without record of deferred tax assets in previous periods	1,143,619	946,700
Deffered tax assets of temporary differences of previous periods	(77,300)	(99,285)
Effect of the existence of different tax rates from those in force in Portugal	25,278	579,192
Effect of the untaxed equity method	6,928,541	5,650,666
Consolidation adjustments	(799,352)	894,130
Deffered tax assets from tax losses of previous periods	95,863	(522,649)
Record/(reverse) of deffered tax assets related to tax benefits	1,296,011	280,998
Tax rate change	-	(933,955)
Income taxation recorded in the year (note 35)	(12,167,568)	(2,742,817)

In the year ended at 31 December 2017, the caption 'Tax rate change' refers to the impact of the change in the tax rate in the United States of America impacting Wedo USA in 2017.

The tax rate used to reconcile the tax expense and the accounting profit is 21% in 2018 and 2017 because it is the standard rate of the corporate income tax in Portugal, country where almost all of the income of Sonaecom group are taxed.

Portuguese Tax Authorities can review the income tax returns of the Company and of its subsidiaries with head office in Portugal for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in course, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not have a significant impact on the accompanying consolidated financial statements.

Supported by the Company's lawyers and Tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the consolidated financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, on 31 December 2018.

11. Other non-current assets

At 31 December 2018 and 2017, this caption can be detailed as follows:

	2018	2017
Convertable loans:	891,475	661,842
Others	2,029,177	3,150,694
	2,920,652	3,812,536

In the year ended at 31 December 2018 and 2017, the caption "Other" includes the amount of debt acquired by Sonae IM to Armilar in the scope of the acquisition of Armilar II and Armilar III associates, in the amount of 1,274,358 euros and in the year ended at 31 December 2018 also includes the amount receivable from Sonae under the policy of the Special Regime of Group Taxation in the amount of Euro 154.759. Armilar's debt has no defined maturity, being only limited to the maturity of the fund.

12. Inventories

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Raw materials	302,444	229,645
Goods	107,426	43,061
	409,870	272,706
Accumulated impairment losses on inventories (note 22)	(40,000)	(40,000)
	369,870	232,706

The cost of goods sold in the years ended at 31 December 2018 and 2017 amounted to Euro 62,264,367 and Euro 44,493,096 respectively and was determined as follows:

	2018	2017
Opening inventories	272,706	320,311
Purchases	62,277,113	44,506,119
Increase of accumulated impairment losses on inventories (note 22)	-	5,000
Inventory adjustments	124,418	(65,628)
Closing inventories	(409,870)	(272,706)
	62,264,367	44,493,096

The accumulated impairment losses on inventories reflect the difference between the acquisition cost and the market net realisable value of the inventory, as well as the estimate of impairment losses due to low stock turnover, obsolescence and deterioration. The accumulated impairment losses are registered in the caption 'Cost of sales' (note 1.i).

13. Trade debtors

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Trade debtors:		
Information Systems	**48,445,260**	44,305,755
Multimedia and others	**2,500,038**	2,865,092
	50,945,298	47,170,847
Doubtful debtors	**5,055,966**	4,156,097
	56,001,264	51,326,944
Impairment losses in accounts receivable (note 22)		
Information Systems	**(3,437,963)**	(2,515,339)
Multimedia and others	**(1,618,003)**	(1,640,758)
	(5,055,966)	(4,156,097)
	50,945,298	47,170,847

At 31 December 2018, the impairment amount is calculated based on the expected credit loss, the calculation of which results from the application of expected loss rates based on the payments received in the scope of sales and services rendered, over a period of 36 months, before 31 December 2018, and of historical credit losses.

For the impairment calculation we find that there is a set of amounts for which there is no credit risk and as such the expected credit loss is nise, namely collaterals, balances with other entities of the group and VAT values. At 31 December 2018, the expected loss rates of accounts receivable were considered in the calculation of the impairment of contractual assets ('Billing to be issued to customers'), considering that they are assets with similar risk characteristics. These amounts are net of each client's respective contractual liabilities.

At 31 December 2018, the ageing of the customer balances and expected credit loss rates can be detailed as follows:

	Not due	1 to 60 days	60 to 90 days	90 to 180 days	180 to 360 days	More than 360 days	Total
Expected credit loss rates	0% - 1,99%	0% - 2,39%	0% - 10,28%	0% - 15,37%	0% - 48,56%	0% - 100%	
Trade debtors	34,570,208	10,176,042	1,168,263	1,389,637	1,077,699	7,619,415	56,001,264
Other current debtors (note 14)	26,488	1,103,603	1,551,813	4,971,414	-	-	7,653,318
Billing to be issued to customers (note 15)	7,147,387	-	-	-	-	-	7,147,387
Accumulated impairment losses on 'Trade debtors'	119,838	73,802	22,120	50,729	62,648	4,726,828	5,055,966
Accumulated impairment losses on 'Other current debtors''	-	-	-	59,339	-	-	59,339

Due the adoption of IFRS 9 had no material impact on the Group accounts, the initial balances of 2018 for all financial assets and accumulated impairment losses are equal to the final balances of 2017 arising from the application of IAS 39.

14. Other current debtors

At 31 December 2018 and 2017, the caption 'Other current debtors' was compused as follows:

	2018	2017
State and other public entities	**576,675**	868,294
Advances to suppliers	**336,053**	347,309
Other debtors	**7,653,318**	1,857,929
Accumulated impairment losses in accounts receivable (note 22)	**(59,339)**	(131,419)
	8,506,707	2,942,113

In 2018, the caption "Other debtors" includes the amount of Euro 3,036,385 related to incentives, Euro 3,094,043 related to amounts to receive from companies that are include in the special regime for taxation (Euro 411,613 in 2017) and Euro 549,020 (Euro 561.663 in 2017) related to collaterals.

The impairment analysis, relatively to 'Other debtors', was made based on the expected credit rates, with the amounts of incentives, collaterals and accounts to be received from companies of the group were considered to amounts without risk and the expected loss considered was null (note 13).

At 31 December 2018 and 2017 the caption 'State and other public entities' was made up as follows:

	2018	2017
Value-added tax	364,965	369,331
Withheld Taxes (IRRF, INSS ans several contributions)	165,496	134,286
Social security contributions	-	1,211
Taxes on invoicing (ISS/PIS/COFINS)	-	13,466
Other taxes	46,214	350,000
	576,675	868,294

15. Other current assets

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Customer contract assets - Billing due to customers (note 29)	10,654,174	7,125,522
Specialised work paid in advance	3,397,275	1,367,695
Other costs paid in advance	560,214	433,365
Prepaid rents	222,272	237,250
Other accrued income	343,211	418,269
Other current assets	351,560	396,862
Rappel discounts to receive	281,143	6,173
	15,809,849	9,985,136

The analysis of the expected credit loss, regarding the caption 'Costumers constract assets- -Billing due to costumers', was realised based on the accounts receivable loss rates, considering that they are assets with similar risk characteristics. For this analysis, the net amounts of the respective contractual liabilities of each customer were considered (note 13).

16. Cash and cash equivalents

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Cash in hand	21,095	23,565
Bank deposits repayable on demand	229,013,117	131,452,333
Treasury applications	4,700	70,549,790
Cash and cash equivalents	229,038,912	202,025,688
Bank overdrafts (note 20)	(488,591)	(309)
	228,550,321	202,025,379

In years ended at 31 December 2018 and 2017, Sonaecom lead into financial transaction contracts with Sonae, SGPS from which the latter obtained the financial income referred to in note 36.

The above mentioned treasury applications were paid and, during the year ended on 31 December 2018, the applicable interest tax rate was 0.194% (0.29% in 2017).

At 31 December 2018 the reconciliation of liabilities whose flows affect financing activities is as follows:

			Non-cash changes			
	31.12.2017	Cash Flows	Financial actualization	Changes in consolidation perimeter	Others	31.12.2018
Long-term borrowing (note 20)	2,389,738	(1,807,805)	103,404	2,995,604	(3,850)	3,677,091
Short-term borrowing (note 20)	1,203,639	(670,982)	10,153	4,671,676	(4,540)	5,209,946
Lease liabilities	514,964	(406,772)		409,904	67,397	585,493
Total liabilities from financiag activities	4,108,341	(2,885,559)	113,558	8,077,184	59,007	9,472,530

17. Share capital

At 31 December 2018 and 2017, the share capital of Sonaecom was comprised by 311,340,037 ordinary registered shares, of Euro 0.74 each.

At those dates, the Shareholder structure was as follows:

	2018		2017	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 18)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorized, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

19. Own shares

During the year ended at 31 December 2018, Sonaecom did not acquire, sold or delivered own actions, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.3798.

As mentioned in note 1.u, the company must keep a reserve in the book value of the treasury shares as long as it holds them.

20. Non-controlling interests

Non-controlling interests at 31 December 2018 and 2017 are detailed as follows:

2018				Movement during the year			
	%hold	Shareholders' funds	Net Result	Book value of non-controlling interests 2017	Proportion of atribuible result	Others	Book value of non-controlling interests 2018
Digitmarket	25.00%	4,318,554	885,629	270,756	267,033	(84,117)	453,672
Saphety	13.01%	4,051,354	198,604	597,555	50,107	(42,108)	605,554
Saphety Colômbia	13.01%	279,473	(326,995)	(74,810)	(29,413)	1,924	(102,299)
Saphety Brasil	13.02%	(733,778)	29,422	(118,667)	18,871	(3,248)	(103,044)
Wedo Brasil	0.09%	5,190,531	1,524,251	6,109	1,348	(527)	6,930
Tecnológica	0.102%	92,445	(13,433)	(2,504)	(14)	(6)	(2,524)
Bright Vector I	49.87%	1,877,974	(20,232)	946,605	(10,622)	-	935,983
Taikai	0.99%	171,536	(3,465)	-	(34)	-	(34)
S21Sec Portugal	19.10%	5,369,690	481,233	-	76,642	2,578	79,220
S21Sec Gestión	19.10%	5,202,840	(3,966,552)	-	(505,344)	(1,762,421)	(2,267,765)
S21 Sec Labs	19.10%	(81,236)	(202,702)	-	12,662	(203,649)	(190,987)
S21 Sec, S.A. de CV	19.10%	(3,570,190)	(222,643)	-	(36,136)	(117,034)	(153,170)
S21 Sec Brasil	19.10%	52	(9,958)	-	735	9,657	10,392
Nextel	19.10%	1,336,429	(228,761)	-	139,470	(553,993)	(414,523)
Mxtel	19.03%	1,211,188	(97,601)	-	(26,327)	(243,119)	(269,446)
Excellium Group	40.80%	(1,669,986)	-	-	-	681,354	681,354
				1,625,044	(41,022)	(2,314,709)	(730,688)

2017				Movement during the year			
	%hold	Shareholders' funds	Net Result	Book value of non-controlling interests 2016	Proportion of atribuible result	Others	Book value of non-controlling interests 2018
Digitmarket	24.90%	3,583,924	692,853	177,916	172,520	(79,680)	270,756
Saphety Colômbia	13.01%	182,005	(281,130)	(82,679)	(33,532)	41,401	(74,810)
Saphety	13.01%	4,176,537	(189,200)	343,999	24,045	229,511	597,555
Saphety Brasil	13.02%	(852,612)	(333,922)	(90,408)	(24,505)	(3,754)	(118,667)
Tecnológica	0.102%	117,928	11,524	(2,479)	(15)	(10)	(2,504)
Wedo Brasil	0.09%	4,158,762	667,713	6,172	627	(690)	6,109
Bright Vector I	49.87%	1,898,205	(1,795)	-	(895)	947,500	946,605
Others				(507,575)	-	507,575	-
				(155,054)	138,245	1,641,853	1,625,044

In the year ended at 31 December 2018, the amount reflected in "Others"column in the companies S21Sec Portugal, S21Sec Gestión, S21Sec Labs, S21Sec S.A. de C.V., S21Sec Brasil, Nextel and Mxtel is related to the subscription of 19.10% in S21Sec Gestión capital by Nexthold, S.L. (note 2).

In the year ended at 31 December 2018, the amount of dividends paid to Non-controlling interests of Digitmarket was Euro 584,000.

In the year ended at 31 December 2017, the amount reflected in the 'Othera' column of the Bright Vector Fund is related to the investment in capital and quasi-equity funds (FC & QC) in the amount of Euro 947,500 (note 3.a).

The percentage of interests (note 2) and the right to vote are equivalent.

20. Loans

At 31 December 2018 and 2017, the caption loans had the following breakdown:

a) Medium and long-term loans

					Amount outstanding	
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2018	2017
Nextel	Bank loan	-	Mar-20	Parcel	26,128	-
Nextel	Bank loan	-	Mar-20	Parcel	23,484	-
Nextel	Bank loan	-	Mar-20	Parcel	19,433	-
Nextel	Bank loan	-	Abr-20	Parcel	62,500	-
Nextel	Bank loan	-	Jun-20	Parcel	50,594	-
Nextel	Bank loan	-	Abr-21	Parcel	109,911	-
Nextel	Bank loan	-	May-23	Parcel	175,000	-
Excellium Services	Bank loan	-	Sep-22	Parcel	839,410	-
					1,306,460	-
Nextel	Reimbursable grants	-	Feb-28	Parcel	738,273	-
S21Sec Gestion	Reimbursable grants	-	Jun-25	Parcel	782,245	1,161,033
S21Sec Labs	Reimbursable grants	-	Jun-24	Parcel	696,988	1,071,729
					2,217,506	2,232,762
Saphety	Minority Shareholder loans	-	-	-	152,122	152,122
	Interests incurred but not yet due	-	-	-	1,003	4,854
					3,677,091	2,389,738

The average interest rate on these bank loans at 31 December 2018 was 1.84%.

b) Short-term loans

					Amount outstanding	
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2018	2017
Nextel	Bank loan	-	Nov-19	Parcel	50,000	-
Nextel	Bank loan	-	Nov-19	Parcel	79,313	-
Nextel	Bank loan	-	Dec-19	Parcel	80,862	-
Nextel	Bank loan	-	Dec-19	Parcel	99,997	-
Nextel	Bank loan	-	Dec-19	Parcel	102,986	-
Nextel	Bank loan	-	Oct-19	Parcel	125,000	-
Nextel	Bank loan	-	Dec-19	Parcel	76,818	-
Nextel	Bank loan	-	Jun-19	Parcel	100,350	-
Nextel	Bank loan	-	May-19	Parcel	158,314	-
Excellium Services	Bank loan	-	Dec-19	Parcel	295,431	-
					1,169,071	-
Excellium Services	Overdraft facilities	1,000,000	Dec-19	Parcel	966,735	-
Excellium Services	Overdraft facilities	1,000,000	Dec-19	Parcel	987,565	-
					1,954,300	-
Nextel	Reimbursable grants	-	Dec-19	Parcel	738,622	-
S21Sec Gestion	Reimbursable grants	-	Dec-19	Parcel	424,844	715,499
S21Sec Labs	Reimbursable grants	-	Dec-19	Parcel	407,186	456,029
					1,570,652	1,171,528
	Bank overdrafts (note 16)	500,000	-	-	488,591	309
	Interests incurred but not yet due	-	-	-	27,332	31,802
					5,209,946	1,203,639

Grants

At 31 December 2018 the Group had grants obtained from dependent entities of the Basco Government, CDTI and 'Ministerio de Ciencia y Tecnología'. These subsidies are recorded at amortised cost in accordance with the method of effective interest rate and have the following repayment plan:

	2018
2018	1,570,652
2019	876,437
2020	467,270
2021	316,094
2022 and following years	557,705
	3,788,158

These subsidies bear interest at rates between 0% and 4%.

Given the nature of debts, there are no financial covenants.

Bank credit lines of short-term portion

Sonaecom has also a short term bank credit line, in the form of current or overdraft account commitment, in the amount of Euro 1 million.

Nextel has also a short term bank credit line, in the form of current or overdraft account commitment, in the amount of Euro 500,000.

Excellium Services has two credit lines, in the form of current account, in the amoun of 1 milion each.

All these bank credit lines of short-term portion bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in Euro.

At 31 December 2018 and 2017, the available bank credit lines of the Group were as follows:

						Maturity
Company	Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2018						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
Nextel	Authorised overdrafts	500,000	488,591	11,409	x	
Excellium Services	Overdraft facilities	1,000,000	966,735	33,265	x	
Excellium Services	Overdraft facilities	1,000,000	987,565	12,435	x	
Nextel	Bank loan	-	158,110	-	x	
Nextel	Bank loan	-	100,350	-	x	x
Nextel	Bank loan	-	129,114	-		x
Nextel	Bank loan	-	96,252	-		x
Nextel	Bank loan	-	187,500	-		x
Nextel	Bank loan	-	102,797	-		x
Nextel	Bank loan	-	150,561	-		x
Nextel	Bank loan	-	191,006	-		x
Nextel	Bank loan	-	225,000	-		x
Excellium Services	Bank loan	-	1,134,841	-		x
		3,500,000	4,918,422	1,057,109		
2017						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
		1,000,000	-	1,000,000		

Based on the debt exposed to variable rates at the end of 2018, including the debt of the financial lease, and considering the applications and bank balances at the same date, if market interest rates had rises (fallen), in average, 25bp during the year 2018, the interest paid that year would have decreased (increased) in an amount of approximately Euro 23,600 (Euro 166,000 in 2017), respectively.

At 31 December 2018 and 2017, there is no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

Others

At 31 December 2018 and 2017, debts to credit institutions (nominal values) related to medium and long-term loans had the following repayment plan:

	Between 12 and 24 months	Between 24 and 36 months	Between 36 and 48 months	Between 48 and 60 months
2018				
Reimbursements	615,768	385,331	280,361	25,000
Interests	17,896	8,993	2,255	118
	633,664	394,324	282,616	25,118

21. Other non-current financial liabilities

At 31 December 2018 and 2017, this caption was compused by of accounts payable to tangible and intangible assets suppliers related to lease contracts which are due in more than one year in the amount of Euro 158,447 and Euro 173,478, respectively.

At 31 December 2018 and 2017, the payment of these amounts was due as follows:

	2018		2017	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2018	-	-	358,863	343,878
2019	437,485	429,776	160,472	156,932
2020	154,527	152,747	11,609	11,178
2021	3,002	2,970	3,002	2,969
	595,014	585,493	533,946	514,957
Interests	(9,523)	-	(18,989)	-
	585,491	585,493	514,957	514,957
Short-term liability (note 25)	-	(427,046)	-	(341,479)
	585,491	158,447	514,957	173,478

22. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2018 and 2017 were as follows:

	Opening balance	Increases	Decreases	Utilisations and Transfers	Closing balance
2018					
Accumulated impairment losses on trade debtors (note 13)	4,156,097	893,390	(21,345)	27,824	5,055,966
Accumulated impairment losses on other current debtors (note 14)	131,419	6,975	-	(79,055)	59,339
Accumulated impairment losses on inventories (note 12)	40,000	-	-	-	40,000
Provisions for other liabilities and charges	3,603,145	21,182,040	(706,125)	(463,411)	23,615,649
	7,930,661	22,082,405	(727,470)	(514,642)	28,770,954
2017					
Accumulated impairment losses on trade debtors (note 13)	2,713,099	1,826,955	(177,019)	(206,938)	4,156,097
Accumulated impairment losses on other current debtors (note 14)	130,356	1,063	-	-	131,419
Accumulated impairment losses on inventories (note 12)	35,000	5,000	-	-	40,000
Provisions for other liabilities and charges	4,919,669	923,126	(1,544,283)	(695,367)	3,603,145
	7,798,124	2,756,144	(1,721,302)	(902,305)	7,930,661

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, at 31 December 2018 and 2017, are detailed as follows:

	2018		2017	
Accumulated impairment losses on accounts receivables	Increases	Decreases	Increases	Decreases
Registed in the line 'Provisions and accumulated impairment losses' (increases) and in 'Other operating costs' (decreases)	900,365	(21,345)	1,828,018	(177,019)
Total increases/(decreases) of accumulated impairment losses on accounts receivables	900,365	(21,345)	1,828,018	(177,019)
Provisions for other liabilities and charges	Increases	Decreases	Increases	Decreases
Recorded in the income statement, under the caption 'Income Tax ' (note 35)	505,918	(494,380)	427,922	(1,009,361)
Recorded in balance sheet, under the caption Taxes (note 14)	-	-	-	(31,744)
Recorded in 'Fixed Assets' regard to the provision for dismantling and abandonment of offices net value recorded in 'Other financial expenses' related to the financial actualization of the provision for dismantling as foreseen in IAS 16 - 'Fixed Assets' (note 1.c)	2,166	-	1,525	-
Recorded in the income statement in 'Gains and losses of associates and jointly controlled entities' related to the registration of the provision resulting from the application of the equity method (note 8)	448	(31,039)	-	(25,551)
Recorded in the income statement under 'Gains and losses on associated and jointly controlled companies', concerning the provision relating to the incentive in favor of Armilar	20,130,786	-	-	-
Recorded in the income statement 'Staff expenses' related to the provisions for redundancy paments	186,132	(118,987)	344,163	(165,533)
Other increses and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases)	356,590	(61,719)	149,516	(312,094)
Total increases/(decreases) of provisions for other liabilities and charges	21,182,040	(706,125)	923,126	(1,544,283)
Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases) (note 30)	1,256,955	(83,064)	1,977,534	(489,113)

At 31 December 2018 and 2017, the breakdown of the provisions for other liabilities and charges is as follows:

	2018	2017
Several contingencies	2,630,405	2,591,315
Legal processes in progress	273,577	86,870
Dismantling	55,635	53,468
Other responsibilities (note 8)	20,656,032	871,492
	23,615,649	3,603,145

At 31 December 2018 and 2017, the value of provisions for the dismantling is recorded at its present value, accordingly with the dates of its utilization in accordance with IAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'.

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

In relation to the provisions recorded for legal processes in progress and other responsabilities, given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used and therefore no financial actualisation was carried out.

In the caption "Other responsabilities" are included provisions for restructuring an amount of Euro 49,380 associated with severance payment (Euro 356,010 in 2017) and at 31 December 2018 is also included Euro 20,130,786 related to the incentive in favour of Armilar, as the funds have exceeded the defined return barrier.

23. Other non-current liabilities

At 31 December 2018 and 2017, the caption 'Other non-current liabilities' is as follows:

	2018	2017
Medium Term Incentive Plan (note 40)	220,686	1,217,487
Others	6,643,258	875,582
	6,863,944	2,093,069

The "Others" caption includes the medium and long-term phased price payable by Excellium net of financial update in the amount of Euro 6,244,706 which was measured using the amortised cost method (note 3.a).

24. Trade creditors

At 31 December 2018 and 2017, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2018				
Suppliers – current account	17,135,718	17,135,718	-	-
Intangible and tangible assets suppliers	326,386	326,386	-	-
Suppliers – invoices pending approval	1,469,226	1,469,226	-	-
	18,931,330	18,931,330	-	-
2017				
Suppliers – current account	13,914,618	13,914,618	-	-
Intangible and tangible assets suppliers	143,184	143,184	-	-
Suppliers – invoices pending approval	1,961,395	1,961,395	-	-
	16,019,197	16,019,197	-	-

At 31 December 2018 and 2017, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of intangible and tangible assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

25. Other financial liabilities

At 31 December 2018, this heading Other finantial liabilities includes the amount of Euro 427,046 (Euro 341,479 in 2017) related to the short term portion of lease contracts (note 21).

26. Other creditors

At 31 December 2018 and 2017, this caption can be decomposed as follows:

	2018	2017
State and other public entities	**5,103,791**	4,236,810
Other creditors	**9,280,072**	1,057,086
	14,383,863	5,293,896

The liability to other creditors matures as follows:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2018				
Other creditors	**9,280,072**	**9,280,072**	-	-
2017				
Other creditors	1,057,086	1,057,086	-	-

In the period ended at 31 December 2018, the amount of 'other creditors' refers primarily to the amount of tax payable to Sonae SGPS resulting from the distribution of capital of the Armilar II Fund following the last Outsystems financing round in the amount of 7,015,628 euros (tax amount of 11,151,754 euros net of the withholding tax amount of 4,136,126 euros) (note 35). The remaining 2,264,444 euros refer to various creditors.

The liability to other creditors does not incorporate any interest. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

At 31 December 2018 and 2017, the caption 'State and other public entities' can be detailed as follow:

	2018	2017
Value-added tax	**2,747,347**	2,486,816
Social security contributions	**1,194,883**	952,743
Personal Income Tax (IRS)	**910,169**	658,037
Withheld Taxes (IRRF, INSS ans several contributions)	**135,742**	104,657
Other taxes	**48,499**	34,557
	5,103,791	4,236,810

27. Income tax

a) Income tax receivable

At 31 December 2018 and 2017, this caption is detailed up as follows:

	2018	2017
Special account payment	1,496,264	1,625,208
Payments on account	542,221	246,470
Corporate income tax	1,004,722	1,444,240
	3,043,207	3,315,918

b) Income tax payable

At 31 December 2018 and 2017, this caption was only constituted by corporate income tax of Euro 310,220 and Euro 112,690, respectively.

28. Other current liabilities

At 31 December 2018 and 2017, this caption is detailed up as follows:

	2018	2017
Costs:		
Personnel costs	13,090,348	11,572,976
Medium Term Incentive Plans (note 40)	1,304,514	1,503,459
Specialised works	1,806,773	1,416,144
Other costs	1,395,084	1,164,771
Advertising and promotion	522,064	637,381
Tangible and intangible assets	302,135	338,750
Rents	204,393	110,649
Rappel discounts (annual quantity discounts)	6,951	130,137
Other external suppliers and services	4,181,311	2,962,550
	22,813,573	19,836,817
Deferred income:		
Customer advance payments related projects in progress (note 29)	13,026,806	9,408,561
Other customer advance payments	1,642,645	1,680,686
Other deferred income	2,778,677	1,331,489
	17,448,128	12,420,736
	40,261,701	32,257,553

The variation in "Other external supplies and services" mainly relates to the projects of the subsidiary Nextel (Euro 416,805).

The variation in "Deferred income" mainly relates to the entry of the subsidiaries Nextel and Excellium in the amount of Euro 207,059, and to the amount of 802,386 euros related to subsidies to be recognized.

29. Sales and services rendered

At 31 December 2018 and 2017, the caption 'Sales and services rendered' was composed as follows:

	2018	2017
Information Systems	**154,017,006**	125,046,765
Multimedia and others	**15,071,373**	14,512,797
	169,088,379	139,559,562

The results related to projects carried out by the area of technologies are recognised based on the percentage of completion of the projects as determined in note 1.s.

At 31 December 2018 and 2017, projects in progress can be summarized as follows:

	2018	2017
Number of projects in progress	**1,425**	1537
Total costs recognised in the year	**58,326,061**	44,808,312
Total revenues recognised in the year	**99,522,107**	83,620,660
Total Liabilities from customer contracts - Prepaid billing to customers (note 28)	**13,026,806**	9,408,561
Total Assets of customer contracts - Billing due to customers (note 15)	**10,654,174**	7,125,522

Bank guarantees were provided for "Good execution of work to be performed" (note 37).

30. Other operating revenues

At 31 December 2018 and 2017, the caption 'Other operating revenues' was made up as follows:

	2018	2017
Supplementary income	**529,249**	792,872
Reversal of provisions (note 22)	**83,064**	489,113
Incentives	**1,671,260**	670,607
Others	**416,308**	708,797
	2,699,881	2,661,389

The change in 'Incentives' inludes the amount of Euro 1,010,001 related to operating incentives and the amount of Euro 661,259 related to investment incentives and the variation occurred mainly related to projects of the Nextel subsidiary (Euro 416,805).

31. External supplies and services

'External supplies and services' for the years ended at 31 December 2018 and 2017 had the following composition:

	2018	2017
Subcontracts	**17,370,533**	12,764,997
Specialised works	**6,918,492**	5,911,853
Rents	**5,299,880**	5,330,246
Travelling costs	**4,500,148**	4,331,560
Advertising and promotion	**3,627,986**	3,974,890
Communications	**1,135,879**	1,188,968
Fees	**1,064,999**	1,214,199
Fuel	**504,796**	443,183
Commissions	**226,701**	370,890
Energy	**376,821**	398,250
Maintenance and repairs	**462,360**	331,871
Security	**145,797**	143,614
Others	**1,145,284**	1,120,183
	42,779,676	37,524,704

The subcontracts caption accompanied the evolution of sales, with part of the variation (around 2 million euros) explained by the new recognition of distribution costs under IFRS 15.

At 31 December 2018, the item "Specialized works" includes around 1.6 million euros in consultancy services (Euro 1.3 million in 2017) and Euro 1.3 million in IT services (Euro 1.2 million in 2017).

The commitments assumed by the Group at 31 December 2018 and 2017 related to operational leases are as follows:

	2018	2017
Minimum payments of operational lease:		
2018	-	3,573,295
2019	**3,520,860**	2,017,365
2020	**3,002,657**	1,247,822
2021	**2,297,594**	657,740
2022	**1,735,070**	255,317
2023 onwards	**2,292,270**	-
Renewable by periods of one year	**1,710,818**	950,982
	14,559,269	8,702,521

During the years ended on 31 December 2018, an amount of Euro 5,176,227 (Euro 4,910,476 on 31 December 2017) was recorded in the caption 'External supplies and services' related with operational leasing rents, recorded in 'Rents'. The operating leases essentially relate to vehicles, rental of buildings and equipment rentals.

32. Other operating costs

At 31 December 2018 and 2017, the caption 'Other operating costs' compused as follows:

	2018	2017
Taxes	189,410	254,053
Others	248,162	376,586
	437,572	630,639

33. Financial results

Net financial results for the years ended at 31 December 2018 and 2017 were detailed as follows ((costs) / gains):

	2018	2017
Financial expenses:		
Interest expenses:		
Bank loans	(29,875)	(1,245)
Leasing	(16,900)	(33,559)
Other interests	(117,589)	(152,948)
Foreign exchange losses	(3,904,117)	(5,030,286)
Other financial expenses	(294,318)	(447,096)
	(4,362,799)	(5,665,134)
Financial income:		
Interest income	430,368	543,651
Foreign exchange gains	3,861,966	4,049,611
Others financial gains	80,770	30,942
	4,373,104	4,624,204

During the years ended at 31 December 2018 and 2017, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications (note 16 and 36).

34. Gains and losses on Investments

Gains and losses on investments for the years ended at 31 December 2018 and 2017 are as follows ((expenses) / revenues):

	2018	2017
Financial results of associates and jointly controlled companies:		
Gains and losses related with the aplication of the equity method (note 8)	90,808,907	35,779,065
	90,808,907	35,779,065
Gains and losses on financial assets at fair value through profit or loss		
Gains and losses on financial assets at fair value through profit or loss	722	-
	722	-

The 2018 value is deducted from the 20,100,195 euros regarding the provision constituted to cover the payment to be made to the managers of the Armilar funds (note 22).

35. Income taxation

Income taxes recognised during the years ended at 31 December 2018 and 2017 were as follows ((costs) / gains):

	2018	2017
Current tax	(8,944,432)	1,214,032
Tax provision net of reduction (note 22)	(11,538)	(581,439)
Deferred tax assets (note 10)	475,686	(1,395,380)
Deferred tax liabilites (note 10)	(3,687,284)	(1,980,030)
	(12,167,568)	(2,742,817)

In the year ended at 31 December 2018, the amount of the tax is mainly due to the tax associated with the distribution of capital of the Armillary Fund following the last round of Outsystems financing in the amount of Euro 11,151,754 (note 26).

36. Related parties

During the years ended at 31 December 2018 and 2017, the balances and transactions maintained with related parties were mainly associated with the normal operational activity of the Group and to the concession and obtainment of loans.

The most significant balances and transactions with related parties, which are listed in the appendix to this report, during the years ended at 31 December 2018 and 2017 were as follows:

	Balances at 31 December 2018					
	Accounts receivable (note 13 and 14)	Accounts payable (note 24 and 26)	Other assets (note 11 and 15)	Other liabilities (note 23 and 28)	Treasury applications (note 16)	Loans Obtained (note 20)
Parent company (Sonaecom SGPS)	3,133,662	6,950,154	154,760	107,433	-	-
Companies jointly controlled	310,455	452,962	14	27,447	4,700	-
Associated companies	-	-	1,976,799	-	-	-
Other related parties	7,496,619	889,452	767,612	6,115,554	-	153,125
	10,940,736	8,292,568	2,899,185	6,250,434	4,700	153,125

	Balances at 31 December 2017					
	Accounts receivable (note 13 and 14)	Accounts payable (note 24 and 26)	Other assets (note 11 and 15)	Other liabilities (note 23 and 28)	Treasury applications (note 16)	Loans Obtained (note 20)
Parent company (Sonaecom SGPS)	337,063	116,938	-	128,872	-	-
Companies jointly controlled	393,717	556,672	11	(4,276)	3,700	-
Associated companies	-	-	2,918,027	-	-	-
Other related parties	11,077,991	657,035	499,580	5,365,585	-	156,916
	11,808,771	1,330,645	3,417,618	5,490,182	3,700	156,916

	Transactions at 31 December 2018				
	Sales and services rendered (note 29)	Supplies and services received (note 31)	Interest and similar income (note 33)	Interest and similar expense (note 33)	Supplementary income (note 30)
Parent company (Sonaecom SGPS)	(20,780)	-	356,887	-	-
Companies jointly controlled	81,191	435,285	169	-	118,167
Associated companies	(143)	276	10,414	-	-
Other related parties	34,533,909	2,502,692	-	15,646	73,778
	34,594,177	2,938,253	367,470	15,646	191,945

	Transactions at 31 December 2017				
	Sales and services rendered (note 29)	Supplies and services received (note 31)	Interest and similar income (note 33)	Interest and similar expense (note 33)	Supplementary income (note 30)
Parent company (Sonaecom SGPS)	21,641	100,000	490,442	-	-
Companies jointly controlled	17,220	405,517	215	-	196,985
Other related parties	32,538,920	2,711,067	-	14,073	184,692
	32,577,781	3,216,584	490,657	14,073	381,677

During the years ended at 31 December 2018, the company distributed as dividends the amount of Euro 2,997,850 to Sonae SGPS (Euro 6,238,768 on 31 December 2017) and Euro 7,180,335 to Sontel BV (Euro 14,942,860 on 31 December 2017). In 2018 each issued share corresponded to a gross dividend of Euro 0.27 (Euro 0.077 in 2017).

During the year ended at 31 December 2018 and 2017, the company recognised the amount of Euro 19,755,883 and Euro 16,512,005, respectively, referring to dividends of Zopt (note 8).

The transactions between Group companies were eliminated in consolidation, and therefore are not disclosed in this note.

All the above transactions were made at market prices.

Both accounts receivable and payable with related parties will be paid in cash and have no guaranties attached.

During the years ended on 31 December 2018 and 2017, no impairment losses have been recognised as accounts receivables of related parties.

Remuneration attributed to "key personnel" is disclosed in note 41.

37. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2018 and 2017 were as follows:

Company	Beneficiary	Description	2018	2017
Saphety, S21 Sec Gestion; WeDo and NEXTEL	Administrador de Infraestructuras Ferroviarias; Arrow Ecs Internet Security, S.L.; AENA; Asociacion Navarra de Informatica Municipal; Autoridad Territorial del Transporte de Gipuzkoa; Ayuntamiento de Basauri; Ayuntamiento de Getxo; Ayuntamiento de Rivas; Ayuntamiento de Vitoria; Ayuntamiento de Vitoria-Gazteiz; Banco de España; Barcelona Serveis Municipals; Canal de Isabel II; Centro Informatico Municipal de Bilbao, Comunidad de Madrid; Comunidade Intermunicipal do Médio Tejo; CTT Correios de Portugal, S.A.; Emirates Telecom. Corp.; Euskal Telebista; Eusko Jaurlaritzaren Informatika Elkartea; Eusko Legebiltzarra; Eusko Trenbideak - Ferrocarriles Vascos; Fabrica nacional de moneda y timbre; Fabrica nacional de moneda; Generalitat Valenciana; Gobierno Vasco; Instituto de mayores y servicios sociales; Instituto Nacional de Ciberseguridad de España, SA; IZFE; Metro Madrid; Ministerio de energia, turismo y agenda digital; National Intelligence Centre; Oficina de Control Económico del Departamento de Hacienda y Finanzas; OSAKIDETZA; Parlamento Vasco; Red Nacional de los Ferrocarriles Españoles; Solred; Tunisie Telecom and Universidad del Pais Vasco	Completion of work to be done	**1,234,789**	503,160
Inovretail, S21 Sec Gestion, S21 Sec Labs and NEXTEL	Agencia para o Desenvolvimento e Coesao, I.P.; Centro para Desarrollo Tecnológico Industrial; ICT; Ingenieria de Sistemas para la Defensa de España and Ministerio de Indústria, energia y turismo	Grants	**1,626,459**	774,839
Sonaecom	Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities)	IRC, IS, IVA – Tax assessment	**2,311,861**	1,558,985
Several	Others		**783,829**	547,420
			5,956,939	3,384,405

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

At 31 December 2018 and 2017, the contingencies for which guarantees and sureties are considered as remote.

At 31 December 2018, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the consolidated financial statements.

38. Information by business segment

During the years ended on 31 December 2017 and 2016 were identified the following business segments:

– Media;

– Technologies; and

– Holding activities.

These segments were identified taking into consideration the following criteria/conditions: the fact of being group units that develop activities where we can separately identify revenues and expenses, for which financial information is separately developed and their operating results are regularly reviewed by management and over which decisions are made. For example, decisions about allocation of resources, for having similar products/services and also taking into consideration the quantitative threshold (in accordance with IFRS 8).
The segment 'Holding activities' includes the operations of the Group companies that have as their main activity the management of shareholdings.

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

Inter-segment transactions during the years ended on 31 December 2018 and 2017 were eliminated in the consolidation process. All these transactions were made at market prices.

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

Overall information by business segment at 31 December 2018 and 2017, prepared in accordance with the same accounting policies and measurement criteria adopted in the preparation of the consolidated financial statements, can be summarised as follows:

	Media		Tecnhologies		Holding Activities		Subtotal		Eliminations and others		Total	
	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017
Revenues:												
Sales and services rendered	15,070,530	14,486,444	154,574,296	125,929,752	496,953	514,483	170,141,779	140,930,679	(1,053,400)	(1,371,117)	169,088,379	139,559,562
Reversal of provisions	-	-	151,741	433,551	13,407	-	165,148	433,551	-	-	165,148	433,551
Other operating revenues	740,581	740,735	1,747,662	1,372,933	65,449	92,873	2,553,692	2,206,540	(18,959)	21,297	2,534,733	2,227,838
Total revenues	15,811,111	15,227,179	156,473,699	127,736,236	575,809	607,356	172,860,619	143,570,770	(1,072,359)	(1,349,819)	171,788,260	142,220,951
Depreciation and amortisation	(893,607)	(307,710)	(10,412,750)	(9,189,558)	(3,849)	(10,456)	(11,310,206)	(9,507,724)	221,916	100,653	(11,088,290)	(9,407,071)
Provisions and impairment losses	(252,077)	(789,950)	(905,517)	(1,108,196)	(93,720)	(54,888)	(1,251,314)	(1,953,034)	(5,640)	(24,500)	(1,256,955)	(1,977,534)
Net operating income / (loss) for the segment	(4,058,747)	(3,383,303)	(3,790,511)	(4,523,120)	(1,309,624)	(1,331,331)	(9,158,882)	(9,237,754)	451,544	146,647	(8,707,338)	(9,091,107)
Interest income	39,707	1,449	60,404	38,131	991,780	1,585,101	1,091,891	1,624,681	(661,523)	(1,063,325)	430,368	561,356
Interest expenses	(16,319)	(138,618)	(817,607)	(1,099,897)	(32,846)	(4,098)	(866,772)	(1,242,613)	702,408	1,055,640	(164,364)	(186,973)
Gains and losses on financial assets at fair value through profit or loss	-	(57,312)	324	-	-	-	324	(57,312)	398	57,312	722	-
Gains and losses in associated companies	84,209	71,372	56,650,375	8,473,692	34,074,000	27,234,001	90,808,584	35,779,065	324	-	90,808,907	35,779,065
Other financial results	(4,256)	(14,973)	(273,279)	(1,263,451)	108,747	(158,397)	(168,788)	(1,436,821)	(86,911)	21,508	(255,699)	(1,415,313)
Income taxation	988,848	(364,713)	(13,974,827)	(2,301,042)	388,837	(68,215)	(12,597,142)	(2,733,970)	429,574	(8,847)	(12,167,568)	(2,742,817)
Consolidated net income/(loss) for the period	(2,966,558)	(3,886,098)	37,854,879	(675,687)	34,220,894	27,257,061	69,109,215	22,695,276	835,814	208,935	69,945,027	22,904,211
Attributable to:												
Shareholders of parent company	(2,966,558)	(3,886,098)	37,895,891	(813,892)	34,220,894	27,257,061	69,150,227	22,557,071	835,823	208,895	69,986,049	22,765,966
Non-controlling interests	-	-	(41,012)	138,205	-	-	(41,012)	138,205	(9)	40	(41,022)	138,245
Assets:												
Tangible and intangible assets and goodwill	1,468,045	1,276,407	77,549,913	62,225,108	9,475	12,078	79,027,433	63,513,593	(12,065,976)	(11,930,075)	66,961,457	51,583,518
Inventories	262,443	189,648	107,427	43,058	-	-	369,870	232,706	-	-	369,870	232,706
Investments in associated companies and companies jointly controlled	834,002	753,255	102,407,896	83,976,494	683,809,244	688,194,766	787,051,142	772,924,515	(17,939)	(1,189,148)	787,033,203	771,735,367
Other investments	30,242	47,947	28,053,735	5,293,016	57,298,656	49,294,593	85,382,633	54,635,556	(57,192,360)	(49,154,593)	28,190,273	5,480,963
Other non-current assets	388,176	14,736	12,298,241	10,782,727	105,375,508	130,982,520	118,061,925	141,779,983	(104,865,363)	(130,643,390)	13,196,562	11,136,593
Other current assets of the segment	9,122,901	6,651,889	82,775,791	64,806,908	214,030,090	192,749,468	305,928,782	264,208,265	1,415,191	1,231,437	307,343,973	265,439,702
Liabilities:				-		-						
Liabilities of the segment	7,415,294	8,084,032	148,356,881	98,331,502	2,615,033	2,289,567	158,387,208	108,705,101	(30,617,239)	(34,973,769)	127,769,969	73,731,332
CAPEX	655,226	1,081,328	44,670,006	19,393,038	42,066,271	34,606,880	87,391,503	55,081,246	(41,979,503)	(34,438,567)	45,412,000	20,642,679

During the years ended at 31 December 2018 and 2017, the inter-segments sales and services were as follows:

	Multimedia	Information Systems	Holding Activities
2018			
Multimedia	-	256,862	-
Information Systems	149	-	363,459
Holding Activities	-	3,416	-
External trade debtors	15,070,381	154,314,018	133,494
	15,070,530	154,574,296	496,953
2017			
Multimedia	-	504,163	-
Information Systems	767	-	425,000
Holding Activities	327	7,314	-
External trade debtors	14,485,350	125,418,275	89,483
	14,486,444	125,929,752	514,483

During the years ended at 31 December 2018 and 2017, sales and services rendered of the segments of Multimedia and Activities Holding were obtained predominantly in the Portuguese market, this market represents approximately 99% and 98%, respectively, of revenue.

During the years ended at 31 December 2018, for the Technologies segment, also the Portuguese market is dominant, accounting for 51.0% of revenue (49.7% in 2017) followed by the Spanish and Brazilian markets, representing 15.7% of revenue (12.3% in 2017).

During the years ended at 31 December 2018 and 2017, inter-segment sales and services by geographic market can be detailed as follows:

	Information systems		Multimedia		Holding activities	
Country	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**
Portugal	**78,841,314**	62,558,085	**14,834,873**	14,312,279	**496,953**	464,483
Spain	**24,191,158**	15,440,474	**18,318**	20,111	-	50,000
Brazil	**5,979,496**	6,303,331	**1,424**	2,988	-	-
United States of Americ	**7,686,536**	4,847,290	**1,313**	618	-	-
South America	**3,419,231**	2,757,302	**580**	-	-	-
Angola	**3,619,068**	3,372,912	-	-	-	-
German	**1,683,567**	2,678,037	**743**	381	-	-
Malaysia	**768,875**	901,162	-	-	-	-
United Kingdom	**2,490,864**	1,868,038	**8,876**	3,292	-	-
Sweden	**703,757**	819,240	-	-	-	-
Mexico	**2,313,147**	3,869,166	-	-	-	-
Luxembourg	**2,930,043**	2,414,475	**72,012**	92,386	-	-
Turkey	**198,332**	402,845	-	-	-	-
Malta	**42,527**	28,350	-	-	-	-
Egypt	**641,948**	722,049	-	-	-	-
Other countries in Europ	**7,572,941**	4,668,576	**125,928**	39,131	-	-
Rest of the world	**11,491,491**	12,278,421	**6,463**	15,257	-	-
Total	**154,574,296**	125,929,752	**15,070,530**	14,486,444	**496,953**	514,483

During the years ended at 31 December 2018 and 2017, non-current inter-segment assets by geographic market may be broken down as follows:

	Media		Technologies		Holding activities	
Country	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**
Portugal	1,541,221	1,291,143	66,332,732	56,812,270	105,267,162	130,879,892
United States of Americ	-	-	3,753,054	5,404,682	-	-
Spain	-	-	7,356,198	3,178,642	-	-
Luxembourg	-	-	-	-	-	-
Brazil	-	-	169,801	152,393	-	-
Mexico	-	-	173,546	91,513	-	-
United Kingdom	-	-	954	2,419	-	-
Egypt	-	-	6,444	7,437	-	-
Colombia	-	-	140,166	142,174	-	-
Netherlands	-	-	3,363	3,420	-	-
Ireland	-	-	1,778	2,645	-	-
Australia	-	-	543	889	-	-
Total	1,541,221	1,291,143	80,162,565	65,798,484	105,267,162	130,879,892

The consolidated financial statements of NOS at 31 December 2018 and 2017 incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method (note 8), can be summarized as follows:

Condensed consolidated balance sheets

(Amounts expressed in of Euro)	December 2018	December 2017 (reexpressed)
Assets		
Tangible assets	1,053,663	1,137,209
Intangible assets	1,064,878	1,141,104
Deferred tax assets	85,641	99,538
Other non-current assets	190,991	44,306
Non-current assets	2,395,173	2,422,157
Trade debtors	382,100	406,904
Cash and cash equivalents	2,182	2,977
Other current assets	146,088	135,030
Current assets	530,370	544,911
Total assets	2,925,543	2,967,068
Liabilities		
Loans	888,918	954,658
Provisions for other liabilities and charges	128,814	133,262
Other non-current liabilities	21,901	39,758
Non-current liabilities	1,039,633	1,127,678
Loans	244,134	210,136
Trade creditors	254,950	224,864
Other current liabilities	302,940	318,021
Current liabilities	802,024	753,021
Total liabilities	1,841,657	1,880,699
Shareholders' funds excluding non-controlling interests	1,076,585	1,077,302
Non-controlling interests	7,301	9,067
Total Shareholders' funds	1,083,886	1,086,369
Total Shareholders' funds and liabilities	2,925,543	2,967,068

Condensed consolidated statements of income by nature

(Amounts expressed in of Euro)	December 2018	December 2017 (reexpressed)
Total revenue	1,576,161	1,561,783
Costs and losses		
Direct costs and External supplies and services	(664,057)	(672,811)
Depreciation and amortisation	(388,701)	(422,211)
Other operating costs	(321,326)	(323,999)
	(1,374,084)	(1,419,021)
Financial results	(31,534)	(1,061)
Income taxation	(29,635)	(17,480)
Consolidated net income/(loss) for the year	140,904	124,221
Consolidated net income/(loss) for the year attributed to non-controlling interests	(503)	128
Attributed to shareholders of parent company	141,407	124,093

39. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 69,986,049 in 2018 and Euro 22,765,966 in 2017) by the average number of shares outstanding during the year ended 31 December 2018 and 2017, net of own shares (305,769,023 in 2018 and 2017).

The basic and diluted dividend per share in the amount of 0.037 euros in 2018 and 0.077 euros in 2017 are calculated by dividing the amount of the distributed dividend (11,313,454 euros in 2018 and 23,544,214 euros in 2017) by the average number of existing shares during the years ended December 31, 2018 and 2017, less the Group's own shares (305,769,023 in 2018 and 2017).

40. Medium Term Incentive Plans

In June 2000, Sonaecom Group created a discretionary Medium Term Incentive Plan, for more senior employees, based on Sonaecom options and shares and Sonae-SGPS, S.A. shares, being on 10 March 2014, Sonaecom shares plans were fully converted into Sonae SGPS shares. The exercise of the rights occurs three years after their attribution, provided that the employee stays in the company during that period.

The 2013 plan was delivered in April 2017 to all companies with the Sonaecom exemption that was delivered in March 2017.

The 2014 plan was delivered in April 2018 to all employees.

Accordingly, the plans outstanding on 31 December 2018 are as follows:

		Vesting period		31 December 2018	
	Share price 31 December 2018	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2015 Plan	0.810	10-Mar-16	10-Mar-19	166	1,719,519
2016 Plan	0.810	10-Mar-17	10-Mar-20	5	384,904
2017 Plan	0.810	10-Mar-18	10-Mar-21	2	204,925

During the year ended on 31 December 2018, the movements that occurred in the plans can be summarised as follows:

	Sonae SGPS shares	
	Number of participants	Number of shares
Outstanding at 31 December 2017:		
Unvested	348	3,504,244
Total	348	3,504,244
Movements of the year:		
Award	2	204,925
Vested (a)	(162)	(1,381,361)
Cancelled / corrected / transfers [1]	(15)	(18,460)
Outstanding at 31 December 2018:		
Unvested	173	2,309,348
Total	173	2,309,348

(1) The corrections are made based on the dividend paid and the employees' salaries during the plan period.

(a) Of the overdue shares 357,054 were delivered in cash.

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

Share plans costs are recognised in the accounts over the year between the award and the vesting date of those shares. The costs recognised for the open plans and for the plans vested in previous years and in the year ended on 31 December 2018, were as follows:

	Value
Costs recognised in previous years	2,689,929
Costs recognised in the year	368,716
Costs of plans vested in the year (a)	(1,533,445)
Total cost of the plans	1,525,200
Recorded in 'Other current liabilities' (note 28)	1,304,514
Recorded in 'Other non-current liabilities (note 23)	220,686

(a) These costs include the cost of delivery to the Directors of Sonaecom and foreign companies in cash in the amount of Euro 396,332.

41. Staff expenses

For the years ended at 31 December 2018 and 2017, the caption 'Staff expenses' was as follows:

	2018	2017
Remuneration	53,916,550	50,012,833
Charges on remuneration	10,337,624	9,314,263
Medium Term Incentive Plans (note 40)	368,716	1,782,274
Works for own company	(4,682,852)	(5,503,141)
Others	2,728,700	1,672,785
	62,668,738	57,279,014

During the years 2018 and 2017, the remunerations paid to Directors and other members of key management in functions (9 managers in 2018 and 2017) were as follows:

	2018	2017
Short-term employee benefits	1,439,989	1,577,806
Share-based payments	244,700	365,083
	1,684,689	1,942,889

The amounts included in the line of Benefits of short-term employees include Fixed Remuneration and the Performance Premium, the latter calculated on an accrual basis. The value of Share-based Payments for 2018 and 2017 corresponds to the value of the medium-term incentive plan to be awarded in 2019 and relative to the performance of 2018 (and attributed in 2018 relative to the performance of 2017, to the value of 2017) , whose shares, or the corresponding cash value, will be delivered in March 2021 and March 2020, respectively, and for which the expense is recorded during the period from 2019 to 2022 (2018 to 2021 for the value of 2017). Corporate Governance Report includes more detailed information on Sonaecom's compensation policy.

42. Fees of Statutory Auditor

During the years ended at 31 December 2018 and 2017, the Group paid as fees to ROC, PricewaterhouseCoopers SROC the amount of Euro 217.658 (Euro 165,529 in 2017).

The details of the services provided during the year in 2018 are as follows:

	Sonaecom		Other companies in the group		Total
	PwC SROC	Other companies in the network	PwC SROC	Other companies in the network	
Statutory audit	30,036	-	103,982	82,640	216,658
Other services	-	-	1,000	-	1,000
Total	30,036	-	104,982	82,640	217,658

The amount of the item "Other services" refers to the service associated with the Bright Interim Balance Sheet.

43. Average number of employees

During the years ended on 31 December 2018 and 2017, the companies included in the consolidation employed an average number of 1,874 and 1,239 respectively. At 31 December 2018, the number of employees was 2,095.

44. Subsquent events

On 1 March 2019, Sonae IM, together with AITEC and BPI, and in accordance with its active management strategy, reached an agreement to sell 100% of Saphety shares to the members of its management team , supported by Oxy Capital. The closing of the contract is still subject to some events, but is scheduled for the end of March. The contribution of Saphety and its subsidiaries to Soanecom as at 31 December 2018 was Euro 6,661,753 in total assets, Euro 3,019,154 in total liabilities and Euro 8,277,700 in total Sales and services rendered volume of business.

These financial consolidated presentations have been approved by the Executive Board and authorized to be issued on 18 March 2019, however, subject to approval by the Shareholders' General Meeting.

1.3. Sonaecom separate financial statements

Statement of financial position

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	December 2018	December 2017
Assets			
Non-current assets			
Tangible assets	1.a, 1.f, 1.t and 2	**6,994**	8,891
Intangible assets	1.b, 1.t and 3	**2,480**	3,187
Investments in Group companies	1.c and 5	**64,307,037**	58,271,587
Companies jointly controlled	1.d and 6	**597,666,944**	597,666,944
Other non-current assets	1.c, 1.n, 4, 7 and 26	**215,399,891**	236,890,820
Deferred tax assets	1.m and 8	**117,821**	114,706
Total non-current assets		**877,501,167**	892,956,135
Current assets			
Income tax receivable	1 m, 4 and 9	**650,600**	737,633
Other current debtors	1.e, 1.g, 4, 10 and 26	**430,783**	709,433
Other current assets	1.e, 1.n, 4, 11 and 26	**193,376**	441,565
Cash and cash equivalents	1.e, 1.h, 4, 12 and 26	**212,722,898**	190,901,170
Total current assets		**213,997,657**	192,789,801
Total assets		**1,091,498,823**	1,085,745,936
Shareholder' funds and liabilities			
Shareholders' funds			
Share capital	13	**230,391,627**	230,391,627
Own shares	1.r and 14	**(8,441,804)**	(8,441,804)
Reserves	1.q	**850,152,758**	845,695,705
Net income / (loss) for the year		**16,866,108**	15,770,507
Total Shareholders' funds		**1,088,968,689**	1,083,416,035
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	1.l and 16	**349,979**	269,665
Other non-current liabilities	1.e, 1.n, 1.u, 4 and 17	**155,717**	224,758
Total non-current liabilities		**505,696**	494,423
Current liabilities			
Other creditors	1.e, 1.g, 4, 18 and 26	**1,255,174**	1,122,256
Other current liabilities	1.e, 1.n, 1.u, 4 and 19	**769,264**	713,222
Total current liabilities		**2,024,438**	1,835,478
Total liabilities		**2,530,134**	2,329,901
Total Shareholders' funds and liabilities		**1,091,498,823**	1,085,745,936

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Income Statement by nature

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	December 2018	September to December 2018 (not audited)	December 2017	September to December 2017 (not audited)
Services rendered	1.o, 20 and 26	**496,953**	124,975	514,483	130,655
Other operating revenues	1.o, 21 and 26	**65,449**	14,296	92,873	21,110
		562,402	139,271	607,356	151,765
External supplies and services	1.f, 22 and 26	**(672,791)**	(182,238)	(541,225)	(55,275)
Staff expenses	1.u and 30	**(1,054,569)**	(272,676)	(1,285,953)	(370,603)
Depreciation and amortisation	1.a, 1.b, 2 and 3	**(3,849)**	(687)	(10,456)	(1,376)
Provisions and impairment losses	1.l, 1.t and 16	**(93,720)**	3,000	(54,888)	-
Other operating costs		**(47,097)**	(12,470)	(46,164)	(27,241)
		(1,872,026)	(465,071)	(1,938,686)	(454,495)
Gains and losses on Group companies and companies jointly controlled	1.d, 1.o, 5, 7 and 23	**16,748,327**	224,248	15,667,446	923,357
Other financial expenses	1.c, 1.i, 1.j, 1.s, 1.t and 24	**(94,251)**	(75,236)	(82,495)	(17,446)
Other financial income	1.s, 12 and 24	**1,076,619**	295,735	1,585,101	374,553
Earnings before taxes		**16,421,071**	118,947	15,838,722	977,734
Income taxation	1.m, 8 and 25	**445,037**	55,604	(68,215)	(17,968)
Net income / (loss) for the year		**16,866,108**	174,551	15,770,507	959,766

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Statement of comprehensive income

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)	Notes	December 2018	September to December 2018 (not audited)	December 2017	September to December 2017 (not audited)
Net income / (loss) for the year		**16,866,108**	174,551	15,770,507	959,766
Comprehensive income for the year		**16,866,108**	174,551	15,770,507	959,766

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Statements of changes in Equity

For the years ended at 31 December 2018 and 2017

(Amounts expressed in Euro)			Reserves						
	Share capital (note 13)	Own shares (note 1.r and 14)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves (note 1.q)	Net income / (loss)	Total
2018									
Balance at 31 December 2017	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,050,162	845,695,705	15,770,507	1,083,416,035
Appropriation of the result of 2017									
Transfer to legal reserves and other reserves	-	-	-	788,525	-	14,981,982	15,770,507	(15,770,507)	-
Dividend Distribution (Note 26)	-	-	-	-	-	(11,313,454)	(11,313,454)	-	(11,313,454)
Comprehensive income for the exercise ended at 31 December 2018	-	-	-	-	-	-	-	16,866,108	16,866,108
Balance at 31 December 2018	230,391,627	(8,441,804)	775,290,377	17,701,887	8,441,804	48,718,690	850,152,758	16,866,108	1,088,968,689

(Amounts expressed in Euro)			Reserves						
	Share capital (note 13)	Own shares (note 1.r and 14)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves (note 1.q)	Net income / (loss)	Total
2017									
Balance at 31 December 2016	230,391,627	(8,441,804)	775,290,377	15,163,177	8,441,804	35,340,861	834,236,219	35,003,700	1,091,189,742
Appropriation of the result of 2016									
Transfer to legal reserves and other reserves	-	-	-	1,750,185	-	33,253,515	35,003,700	(35,003,700)	-
Dividend Distribution (Note 26)	-	-	-	-	-	(23,544,214)	(23,544,214)	-	(23,544,214)
Comprehensive income for the exercise ended at 31 December 2017	-	-	-	-	-	-	-	15,770,507	15,770,507
Balance at 31 December 2017	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,050,162	845,695,705	15,770,507	1,083,416,035

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Cash Flow statements

For the years ended at 31 December 2018 and 2017

(Amounts expresses in Euro)	Notes	December 2018	December 2017
Operating activities			
Receipts from trade debtors		691,557	514,483
Payments to trade creditors		(675,327)	(507,919)
Payments to employees		(1,079,028)	(1,117,225)
Cash flows from operating activities		(1,062,798)	(1,110,661)
Payments / receipts relating to income taxes		535,055	17,319,208
Other payments / receipts relating to operating activities		587,475	215,778
Cash flows from operating activities (1)		59,732	16,424,324
Investing activities			
Receipts from:			
Financial investments	5 and 7	48,296,902	300,000
Interest and similar income	24	962,405	1,733,155
Loans granted	7	18,865,000	2,725,000
Dividends	26	19,755,883	16,512,005
Payments for:			
Financial investments	5 and 7	(42,064,511)	(33,986,827)
Tangible assets	2	(2,125)	(1,475)
Intangible assets	3	(70)	(2,822)
Loans granted	7	(12,645,000)	(70,000)
Cash flows from investing activities (2)		33,168,484	(12,790,966)
Financing activities			
Payments for:			
Interest and similar expenses	24	(93,034)	(121,696)
Dividends Paid	26	(11,313,454)	(23,544,214)
Cash flows from financing activities (3)		(11,406,488)	(23,665,910)
Net cash flows (4)=(1)+(2)+(3)		21,821,728	(20,032,553)
Cash and cash equivalents at the beginning of the year	4 and 12	190,901,170	210,933,723
Cash and cash equivalents at year end	4 and 12	212,722,898	190,901,170

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

Notes to the cash flow statements

For the years ended at 31 December 2018 and 2017.

	Notes	Deecember 2018	December 2017
1. Acquisition or sale of subsidiaries or other businesses activities			
a) Receipts from other business activities			
Loan repayment from Sonae Investment Management - Software and Technology, SGPS, S.A.	7	**18,795,000**	18,150,000
Loan repayment from Público - Comunicação Social, S.A.	7	**-**	2,335,000
Loan repayment from PCJ - Público, Comunicação e Jornalismo, S.A.	7	**70,000**	-
Reimbursement of supplementary capital from Sonae Investment Management - Software and Technology, SGPS, S.A.	7	**48,296,902**	-
Reimbursement of supplementary capital from PCJ - Público, Comunicação e Jornalismo, S.A.	7	**-**	300,000
		67,161,902	20,785,000
b) Payments from other business activities			
Loan granted to Sonae Investment Management - Software and Technology, SGPS, S.A.	7	**12,645,000**	17,760,000
Loan granted to PCJ - Público, Comunicação e Jornalismo, S.A.	7	**-**	70,000
Supplementary capital to Sonae Investment Management - Software and Technology, SGPS, S.A.	7	**34,064,511**	24,486,827
Supplementary capital to Público - Comunicação Social, S.A.	7	**2,000,000**	3,500,000
Share capital increase of Público - Comunicação Social, S.A.	5	**2,000,000**	2,000,000
Share capital increase of PCJ - Público, Comunicação e Jornalismo, S.A.	5	**2,000,000**	2,000,000
Share capital increase of Sonaecom Serviços Partilhados, S.A.	5	**2,000,000**	2,000,000
		54,709,511	51,816,827
c) Dividends received			
ZOPT, SGPS, S.A.	26	**19,755,883**	16,512,004
		19,755,883	16,512,004

	Notes	Deecember 2018	December 2017
2. Description of non-monetary financing activities			
a) Bank credit obtained and not used		**1,000,000**	1,000,000
b) Purchase of company through the issue of shares		**Not applicable**	Not applicable
c) Conversion of loans into shares		**Not applicable**	Not applicable

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

1.4. Notes to the separate financial statements of Sonaecom

SONAECOM, SGPS, S.A., (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. The corporate purpose of the Company is the management of shareholdings, as an indirect form of economic activities.

Sonaecom is owned directly by Sontel BV and Sonae SGPS, SA, and Efanor Investimentos SGPS, S.A. the ultimate controlling company.

By public deed of 30 September 1997, the scission-fusion of Pargeste, SGPS, S.A., was carried out, and the company started to include the financial participations in the companies related to the communication and information technologies of the spun-off company.

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

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

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

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

In addition, in this year, Sonae sold 4,721,739 Sonaecom shares under an option granted to the banks leading the Institutional Offer for Sale and 1,507,865 shares to Sonae Group managers and to the former owners of the companies acquired by Sonaecom.

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

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

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

By decision of the Shareholders' General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 Euro each and with a share premium of Euro 275,657,217, subscribed by 093X – Telecomunicações Celulares, S.A. (EDP) and Parpública – Participações Públicas, SGPS, S.A. (Parpública). The corresponding public deed was executed on 18 October 2006.

By decision of the Shareholders General Meeting held on 16 April 2008, bearer shares were converted into registered shares.

On 5 February 2014, Sonaecom made public the decision to launch a general and voluntary tender offer for the acquisition of shares representing the share capital.
The offer was general and voluntary, with the offered obliged to acquire all the shares that were the object of the offer and were, until the end of the respective exercise, subject to valid acceptance by the recipients.

The period of the offer, during which sales orders were received, ran for two weeks, beginning on 6 February and ending on 19 February 2014. On 20 February 2014, the results of the offer were released. The level of acceptance reached 62%, corresponding to 54,906,831 Sonaecom shares. In 2014 Sonaecom reduced its share capital to EUR 230,391,627.

Following this result,Euronext Lisbon announced Sonaecom exclusion from the PSI-20 from 24 February 2014 forward.

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

1. Basis of presentation

The accompanying financial statements have been prepared with an on a going concern basis, based on the Company's accounting records in accordance with International Financial Reporting Standards (IFRS), as adopted and effective in the European Union on 1 January 2018. These financial statements were prepared based on historical cost, except for the revaluation of certain financial instruments.

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

The following standards, interpretations, amendments and revisions have been approved ('endorsed') by the European Union, and have mandatory application to the financial years beginning on or after 1 January 2018 and were first adopted in the exercise ending 31 December 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 15 - Revenue from contracts with Customers IFRS 15 specifies how and when an IFRS reporter shall recognise revenue and requires that such entities provide users of financial statements with more informative, relevant disclosures. The standard provides a simple, principles based five-step model to be applied to all contracts with customers.	1-Jan-2018
Amendments to IFRS 15 - Revenue from contracts with customers Review of accounting standard for license revenue, definition of agency and transitory regime.	1-Jan-18
IFRS 9 - Financial instruments and subsequent changes This standard introduces new requirements for classifying and measuring financial assets (recognition of impairment in accounts receivable - expected credit loss model) and a new general hedge accounting model.	1-Jan-18
Amendments to IFRS 4 - Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts This amendment gives insurers the option to recognize the volatility that may result from the application of IFRS 9 before the new insurance contract standard is published in 'Other comprehensive income', instead of recognizing in the Profit and Loss Account. Moreover, a temporary exemption is granted for the application of IFRS 9 to 2021 to entities whose predominant activity is that of insurance company. This exemption is optional and applies to consolidated financial statements that include an insurance entity.	1-Jan-18
Amendments to IFRS 2 - Share-based payment The objective of clarifications to IFRS 2 Share-based Payment was to clarify the classification and measurement of share-based payment transactions.	1-Jan-18
Annual Improvements to IFRS Standards 2014-2016 Cycle Annual Improvements to IFRSs 2014–2016 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2014–2016 cycle for annual improvements to IFRSs. This cycle afects the following standards: IFRS 1, IFRS 2 and IAS 28.	1-Jan-18
IFRIC Interpretation 22 - Foreign currency transactions and advance consideration IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.	1-Jan-18
Amendments to IAS 40 - Transfers of investmenty property Amendments to IAS 40 clarifles the application of paragraph 57 of IAS 40 Investment Property, which provides guidance on transfers to, or from, investment properties.	1-Jan-18

Impacts of IFRS 15 and IFRS 9 adoption

In the year ended at 31 December 2018, the changes resulting from the application of IFRS 15 and IFRS 9 were introduced in the financial statements.

I – IFRS 15 – Revenue from contracts with customers

IFRS 15 is based on the principle that revenue is recognised on the date of transfer of control to the customer, with the transaction value being allocated to the different performance obligations assumed to the client and subject to adjustment in the measurement whenever the consideration is variable or subject to a significant financial effect.

In adopting IFRS 15, the Company decided to adopt the transitional regime of the retrospective application with the initial cumulative effect recognised in retained earnings at 1 January 2018, with the adoption of the following practical records:

a) Application only for contracts not completed on 01/01/2018

b) Non-restatement of modified contracts before 01/01/2017

IFRS 15 did not have an impact on Sonaecom's financial statements when it was applied on 1 January 2018.

II – IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and derecognition of financial instruments, introducing changes at the level of: i) classification of financial assets; ii) calculation of the impairment of financial assets; and iii) the designation of hedging instruments.

The Company's financial assets refer mainly to accounts receivable and treasury applications.

With the adoption of IFRS 9, Sonaecom assessed the business models that applied to its financial assets and the characteristics of contractual cash flows at the date of initial application of IFRS 9 (1 January 2018). The Company classified the financial instruments in the categories provided by IFRS 9, which resulted in the following reclassifications:

Financial assets	Note	Loans and receivables	Amortised cost	Total
IAS 39 Amounts		213,084,806	-	213,084,806
Reclassification of 'Loans and receivables' to 'Financial assets measured at amortised cost'	4	(213,084,806)	213,084,806	-
IAS 39 Amounts		-	213,084,806	213,084,806

The financial assets included in the captions, which in 2017 were classified in the category of "Loans and receivables" of IAS 39, in 2018 are classified as financial assets measured at amortised cost. The reclassification of these assets had no impact on equity at 1 January 2018, since the application of the new classification criteria of IFRS 9 did not change the asset measurement model before impairment losses, continuing to be applied the amortised cost.

At the date of initial application of IFRS 9, the Company assessed the existing business models for its financial assets and did not identify significant changes in the measurement associated with the classification of its financial instruments into the new categories of IFRS 9. The applicable business model to all financial assets held by the Company consists of holding them exclusively for the receipt of cash flows from contractual cash and the cash flows received consist only of capital and interest.

The application of IFRS 9 requires the recognition of impairment losses based on expected credit losses model rather than credit losses incurred in the year as was the case in IAS 39.

The Company has two natures of financial assets subject to the new expected credit loss model of IFRS 9:

- Accounts receivable for services rendered ("Trade debtors") and other debtors;
- Loans granted to related entities.

The Company has revised its methodology for the calculation and recognition of impairment losses so that it is consistent with the principles of IFRS 9 for its financial assets.

a) Clients and Other Debtors

Regarding the balances of "Trade debtors" and "Other debtors", the Company applies the simplified approach of IFRS 9, according to which estimated impairment losses are recognised from initial recognition of the balances and their maturity, considering a matrix of historical default rates for the maturity of the balances, adjusted by prospective estimates.

b) Loans to related parties

Loans to related parties were considered as having low risk, and so impairment losses were determined by evaluating estimated losses over the next 12 months, according to the general model of estimated impairment losses.

In adopting IFRS 9, the Company adopted the transitional retrospective application regime with the initial cumulative effect recognized in retained earnings at 1 January 2018.

The Company had no material impacts resulting from the application of IFRS 9, so no effect on equity was recorded.

The other standards did not impact the financial statements for the year.

The following standards, interpretations, amendments and revisions, whose application is mandatory in future financial years, were, until 31 December 2018, approved (endorsed) by the European Union:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 16 - Leases	**1-Jan-19**
This new standard replaces IAS 17 with a significant impact on accounting by lessees who are now required to recognize a lease liability reflecting future lease payments and a "right of use" asset for all leases, except for certain short-term leases and for low value assets. The definition of a lease has also been modified, based on the "right to control the use of an identified asset." With regards to the transition regime, the new standard may be applied retrospectively or a modified retrospective approach can be followed.	
Amendments to IFRS 9 - Prepayment features with negative compensation	**1-Jan-19**
The objective of the amendments to IFRS 9 is examine whether amortized cost measurement would provide relevant and useful information for instruments that contain symmetric prepayment options and otherwise have contractual cash flows that are solely payments of principal and interest.	
IFRIC 23 - Uncertainty over income tax treatments	**1-Jan-19**
This is an interpretation of IAS 12 - 'Income tax', referring to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of a certain tax treatment by the tax authorities in respect of income tax . In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, rather than IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. The application of IFRIC 23 may be retrospectively or retrospectively modified.	

With respect to the new standards that became effective in the year beginning on 1 January 2019, the Sonaecom performed an analysis of the changes introduced and the potential impact on the financial statements and concluded that the application of these standards, except for IFRS 16, will not produce effects on the financial statements.

Disclosure of IFRS 16 impacts

IFRS 16 is now defined as the new accounting record of leases, both from the lessor's point of view and from the lessee's perspective, by introducing a new accounting regime for the lessee, which determines the registration of a right of use over leased assets and a lease liability relating to rental payable for all lease contracts.

The Company analysed all the contracts that contain the use of assets in order to identify the underlying conditions, the contract period, the nature of the rent payable and the interest rates implicit in the contracts.

On the date of transition to IFRS 16, the Company applied retrospectively to the beginning of each of the lease contracts analysed, with application on 1 January 2018 and restatement of the comparative amounts of the financial statements.

From the analysis of the contracts and based on a first estimate of the potential impacts of adopting IFRS 16, it was concluded that the impact of adopting IFRS 16 on the Company's financial statements at 1 January 2019 will correspond to the registration of assets for rights of use in the amount of EUR 95,280 and leasehold liabilities of EUR 97,427, in consideration of retained earnings of EUR 2,147.

No impact is expected from the adoption of the remaining standards.

The Company did not apply any of these standards in the financial statements for the year ended at 31 December 2018.

The following standards, interpretations, amendments and revisions have not been approved (endorsed) by the European Union until 31 December 2018:

Standard / Interpretation	Effective date (annual periods beginning on or after)
Amendments to IAS 28 - Long-term interests in associates and joint ventures This amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investment in associates and joint ventures), which are not being measured using the equity method, are accounted for under IFRS 9. Long-term investments in associates and joint ventures are subject to the estimated impairment loss model, before being added to the impairment test for global investment in an associate or joint ventures, when there are impairment indicators.	1-Jan-19
Annual Improvements to IFRS Standards 2015-2017 Cycle Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2017 cycle for annual improvements to IFRSs. This cycle afects the following standards: IAS 23, IAS 12, IFRS 3 e IFRS 11.	1-Jan-19
IFRS 17 - Insurance contracts This new standard replaces IFRS 4 and applies to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete "building block approach" or "premium allocation approach". The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is retrospective application.	1-Jan-21
Amendments to references to the conceptual framework in IFRS standards Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. in order to clarify the application of the new definitions of asset / liability and expenditure / income, in addition to some of the characteristics of the financial information. These changes are retrospective, except if impractical.	1-Jan-20
Amendments to IAS 19 - Plan amendment, curtailment or settlement This amendment to IAS 19 requires an entity: (i) to use updated assumptions to determine the current service cost and net interest for the remaining period after the change, reduction or settlement of the plan; and (ii) recognises in profit or loss as part of the past service cost, or as gain or loss in settlement any reduction in excess hedge, even if the hedge surplus has not previously been recognized due to the impact of the asset ceiling. The impact on the asset ceiling is always recorded in 'Other Comprehensive Income', and can not be recognised as a result of the year.	1-Jan-19
Amendments to IAS 1 and IAS 8: Definition of Material This amendment introduces a modification to the concept of material. It includes clarifications regarding the reference to unclear information, corresponding to situations in which its effect is similar to omitting or distorting such information, within the overall context of the financial statements; as well as clarifications as to the term 'principal users of financial statements', which are defined as 'current and future investors, lenders and creditors' who rely on the financial statements to obtain a significant portion of the information they require.	1-Jan-20
Amendments to IFRS 3: Business Combinations This amendment constitutes a review of business combinations for the purpose of accounting for business activities. The new definition requires that an acquisition include an input and a substantial process that together generate output. Output is defined as goods and services that are delivered to customers, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits to shareholders. Concentration tests are allowed to determine whether a transaction refers to the acquisition of an asset or a business.	1-jan-20

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the company for the exercise ended at 31 December 2018, because its application is not mandatory.

The accounting policies and measurement criteria adopted by the Company at 31 December 2018 are comparable with those used in the preparation of 31 December 2017 financial statements, except for those resulting from the adoption of IFRS 9 and IFRS 15.

Main accounting policies

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

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

Depreciations are calculated on a straight-line monthly basis as from the date the assets are available for use in the necessary conditions to operate as intended by the management, by a corresponding charge to the profit and loss statement caption 'Depreciation and amortisation'.
Impairment losses detected in the realisation value of tangible assets are recorded in the exercise in which they arise, by a corresponding charge to the caption 'Depreciation and amortisation' of the profit and loss statement.

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

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

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

b) Intangible assets
Intangible assets are recorded at their acquisition cost less accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised, if they were identifiable and if it is likely that they will bring future economic benefits to the Company, if the Company controls them and if their cost can be reliably measured.

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

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

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

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

The acquisition cost is the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of acquisition or establishment or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of IFRS 3.

The consideration transferred may include assets or liabilities of the acquirer that have carrying amounts that differ from their fair value at the acquisition date (for example, non-monetary assets or a business of the acquirer). If so, the acquirer must re-measure the assets and liabilities transferred at their fair value at the acquisition date and recognize the resulting gains or losses, if any, in the income statement. However, sometimes the transferred assets or liabilities remain in the entity acquired after the completion of the business and therefore the buyer retains control over them. In this situation, the acquirer shall measure those assets and liabilities at their carrying amounts immediately before the acquisition date and shall not recognise any gain or loss in the income statement for assets or liabilities it controls both before and after the completion of the deal.

Loans and supplementary capital granted to affiliated companies with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to group companies are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable, or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to Group companies are recorded, in the exercise that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

The expenses incurred with the acquisition of investments in Group companies are recorded as cost when they are incurred.

d) Investments in companies jointly controlled

Investments in companies jointly controlled (companies in which the Company has, direct or indirect, 50% of the voting rights in the Shareholders' General Meeting of or in which it has the control over the financial and operating policies), are recorded under the caption 'Investments in companies jointly controlled, at acquisition cost in accordance with IAS 27, as such, Sonaecom presents, separately, consolidated financial statements in accordance with IAS / IFRS.

Loans and supplementary capital granted to companies jointly controlled, with maturities, estimated or defined contractually, greater than one year, are recorded, at their nominal value, under the caption 'Other non-current assets'.

Investments and loans granted to companies jointly controlled are evaluated whenever an event or change of circumstances indicates that the recorded amount may not be recoverable, or impairment losses recorded in previous years no longer exist.

Impairment losses estimated for investments and loans granted to companies jointly controlled are recorded, in the exercise that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

The expenses incurred with the acquisition of investments in companies jointly controlled are recorded as cost when they are incurred.

e) Financial instruments

Policy at 31 December 2018

Financial assets

The Company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortised cost, financial assets at fair value through other comprehensive income. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

Changes to the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, as equity instruments, which can never be reclassified to another category.

(i) Financial assets measured at amortised cost

Financial assets measured at amortized cost are those that are part of a business model with the purpose to hold financial assets in order to receive contractual cashflows, although these contractual cash flows can only be capital repayments and interest payments of capital in debt.

(ii) Financial assets at fair value through other comprehensive income

This category may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity);

a. Of debt instruments, this category includes financial assets that correspond only to the payment of nominal value and interest, for which the business model followed by the management is the receipt of contractual cash flows or on time sale;

b. Of equity instruments, this category includes the percentage of interest held in entities over which the Company does not exercise control, joint control or significant influence, and which the Company irrevocably chose on the date of initial recognition to designate at fair value through other comprehensive income.

At 31 December 2018, the Company did not hold assets classified at fair value through other comprehensive income.

(iii) Financial assets at fair value through profit or loss

This category includes debt instruments and equity instruments that do not meet the criteria for qualification as financial assets at amortized cost and which the Comapny has not classified as financial assets through other comprehensive income at the time of initial recognition. This category also includes all financial instruments whose contractual cash flows are not exclusively capital and interest.

As 31 December 2018, the Company did not hold assets classified at fair value through profit or loss.

Gains and losses resulting from the change in the fair value of assets measured at fair value through profit or loss are recognized in income for the year in which they occur in the respective caption "Losses / (gains) on financial assets", which include income amounts interest and dividends.

Financial assets are recognised in the Company's statement of financial position on the trade or contracting date, which is the date on which the Company undertakes to acquire or dispose of the asset. At the initial moment, except for trade accounts receivable, financial assets are recognised at fair value plus directly attributable transaction costs, except for

assets at fair value through profit or loss in which transaction costs are immediately recognised in the income statement. Trade accounts receivable, at the initial time, are recognised at their transaction price, as defined in IFRS 15.

Financial assets are derecognised when: (i) the contractual rights of the Company expire upon receipt of their cash flows; (ii) the Company has transferred substantially all the risks and benefits associated with its detention; or (iii) notwithstanding that it retains a portion, but not substantially all the risks and rewards associated with its detention, the Company has transferred control over the assets.

Financial assets at amortized cost are subsequently measured in accordance with the effective interest rate method and deducted from impairment losses. Interest income on these financial assets is included in "Interest earned on assets at amortized cost" in financial income.

Financial assets at fair value through other comprehensive income, which are debt instruments, are subsequently measured at fair value through fair value changes recognized in other comprehensive income, except for variations related to the recognition of impairment, interest income and gains/(losses) due to foreign exchange differences, which are recognized in income for the year. Financial assets at fair value through other comprehensive income are subject to impairment.

Financial assets at fair value through other comprehensive income that are equity instruments are measured at fair value on the date of initial registration and subsequently, the fair value changes are recorded directly in the other comprehensive income, in the equity. Future reclassification is not possible, even after derecognition of the investment. Dividends obtained from these investments are recognised as gains, in results for the year, on the date they are attributed.

Financial assets and liabilities are offset and presented at net value, when and only when the Company has the right to offset the amounts recognised and intends to settle at the net value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the contractual substance regardless of their legal form. Equity instruments are contracts that show a residual interest in the Company's assets after deducting liabilities. The equity instruments issued by the company are recorded at the amount received, net of the costs incurred with their issuance. Financial liabilities are derecognised only when they are extinguished, that is, when the obligation is settled, cancelled or expired.

Financial liabilities are classified into two categories:
(i) Financial liabilities at amortized cost
(ii) Financial liabilities at fair value through profit or loss

In accordance with IFRS 9, financial liabilities are classified as subsequently measured at amortized cost, except for:

a) Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;

b) Financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when the continued involvement approach is applied;

c) Financial guarantee contracts;

d) Commitments to grant a loan at a lower interest rate than the market;

e) The contingent consideration recognized by a purchaser in a business combination to which IFRS 3 applies. This contingent consideration should be subsequently measured at fair value, with changes recognized in profit or loss.

The Company's financial liabilities include: loans obtained (note i), accounts payable and derivative financial instruments (note k).

Policy at 31 December 2017

At 31 December 2017, the Company classified its financial instruments in the following categories: 'Financial assets at fair value through profit or loss', 'Held-to-maturity investments', 'Available-for-sale financial assets', 'Loans and receivables', 'Cash and cash equivalents' (note 1.k)), and 'Derivates' (note 1.n)).

Investments

(i) 'Financial assets at fair value through profit or loss'
Financial assets at fair value through profit or loss include financial assets held for trading that the Company acquires with the purpose of trading in the short term. This category also includes derivatives that do not qualify for hedging purposes.
Assets in this category are classified as current assets if they are either held for trading or are expected to mature within 12 months of the date of the statement of financial position.

Gains or losses, realized or not, arising from a change in fair value of 'Financial assets at fair value through profit or loss' are

recorded under the caption 'Gains and losses on financial assets at fair value through profit and loss'.

At 31 December 2017, the Company did not hold any investments recorded at fair value through profit or loss.

(ii) 'Held-to-maturity investments'
Held-to-maturity investments are classified as non-current assets unless they mature within 12 months of the statement of financial position date, being recorded under this caption investments with defined maturity and for which it is the intention of the Board of Directors to hold them until the maturity date.

At 31 December 2017 the Company did not hold any 'Held-to-maturity investment'.

(iii) 'Available-for-sale financial assets'
Financial assets available for sale are non-derivative financial assets which:
(i) are designated as available for sale at the time of their initial recognition; or
(ii) do not fit into the other categories of financial assets above.

They are recognized as non-current assets except where there is an intention to sell them within 12 months following the date of the statement of financial position.
Equity holdings other than participations in Group companies, jointly controlled companies or associated companies are classified as financial investments available for sale and are recorded in the statement of financial position as non-current assets.

Investments are initially recorded at their acquisition cost. After initial recognition, the investments available for sale are revalued at their fair value by reference to their market value at the date of the statement of financial position, without any deduction regarding transaction costs that may occur until their sale. The available-for-sale financial assets not listed on regulated markets and for which it is not possible to reliably estimate their fair value, they are maintained at acquisition cost less any impairment losses.

Gains or losses arising from a change in the fair value of available-for-sale investments are recorded in equity until the investment is sold , received or otherwise disposed of, or until it is determined to be impaired, at which time the accumulated gain or loss is recorded in the profit and loss statement.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.
In the case of equity investments classified as available for sale, an investment is considered to be impaired when there is a significant or prolonged decline in its fair value below its cost acquisition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or variable refunds that are not quoted in an active market and they are carried at amortised cost using the effective interest method, deducted from any impairment losses.
These financial investments arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

'Loans and receivables' are recorded as current assets, except when their maturity is greater than 12 months from the balance sheet date, a situation in which they are classified as non-current assets. Loans and receivables are included in the captions 'Trade debtors', 'Other current debtors', 'Other non-current assets' and 'Cash and cash equivalents' in financial position.

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

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, being the only exception the financial assets at fair value through profit or loss. In this case, the investments are initially recognised at fair value and the transaction costs are recorded in the profit and loss statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of their ownership have been transferred.

f) Financial and operational leases
Lease contracts are classified as financial leases, if, in substance, all risks and rewards associated with the detention of the leased asset are transferred by the lease contract or as operational leases, if, in substance, there is no transfer of risks and rewards associated with the detention of the leased assets. The lease contracts are classified as financial or operational in accordance with the substance and not with the form of the respective contracts.

Tangible assets acquired under finance lease contracts and the related liabilities are recorded in accordance with the financial method. Under this method the tangible assets, the corresponding accumulated depreciation and the related liability are recorded in accordance with the contractual financial plan at fair value or, if less, at the present value of payments. In addition, interest included in lease payments and

depreciation of the tangible assets are recognised as expenses in the profit and loss statement for the year.
Assets under long-term rental contracts are recorded in accordance with the operational lease method. In accordance with this method, the rents paid are recognised as an expense, over the rental period to which they relate.

g) Other current debtors
'Other current debtors' are recorded at their net realisable value and do not include interests, since the discount effect is not significant.

These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

The amount relating to this caption is presented net of any impairment losses and are registered in profit and loss statement in heading 'Provisions and impairment losses'. Future reversals of impairment losses are recorded in the profit and loss statement under the caption in other operating revenue.

h) Cash and cash equivalents
Amounts included under the caption 'Cash and cash equivalents' correspond to amounts held in cash and term bank deposits and other treasury applications with a maturity of less than three months, where the risk of any change in value is insignificant.

The cash flow statement has been prepared in accordance with IAS 7 –'Statement of Cash Flow', using the direct method. The Company classifies, under the caption 'Cash and cash equivalents', investments that mature in less than three months, for which the risk of change in value is insignificant. The caption 'Cash and cash equivalents' in the cash flow statement also includes bank overdrafts, which are reflected in the statement of financial position caption 'Short-term loans and other loans'.

The cash flow statement is classified by operating, financing and investing activities. Operating activities include collections from customers, payments to suppliers, payments to personnel and other flows related to operating activities.

Cash flows from investing activities include the acquisition and sale of investments in associated, subsidiary companies and companies jointly controlled as well as receipts and payments resulting from the purchase and sale of fixed assets.

Cash flows from financing activities include payments and receipts relating to loans obtained and finance lease contracts, as well as cash flows from the shareholders' transactions in quality of shareholders.

All amounts included under this caption are likely to be realised in the short term and there are no amounts given or pledged as guarantee.

i) Loans
Loans are initially recorded as liabilities by fair value and subsequently mensured by the 'amortised cost'. Any expenses incurred in setting up loans are recorded as a deduction to the nominal debt and recognised during the period of the financing, based on the effective interest rate method. The interests incurred but not yet due are added to the loans caption until their payment and are classified in current liabilities except when the company has an unconditional right to defer payment for at least 12 months

j) Financial expenses relating to loans
Financial expenses relating to loans are generally recognised as expenses at the time they are incurred. Financial expenses related to loans for the acquisition, construction or production of assets are capitalised as part of the cost of the assets. These expenses are capitalised starting from the time of preparation for the construction or development of the asset and are interrupted when the assets are ready to operate, at the end of the production or construction phases or when the associated project is suspended.

k) Derivatives
The Company only uses derivatives in the management of its financial risks to hedge against such risks. The Company does not use derivatives for trading purposes.
The cash flow hedges used by the Company are related to:

(i) Interest rate swaps operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are similar in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against a corresponding entry under the caption 'Hedging reserves' in Shareholders' funds.

(ii) Forward's exchange rate for hedging foreign exchange risk. The values and times periods involved are identical to the amounts invoiced and their maturities.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

At 31 December 2018 and 2017, the Company did not have any derivative.

l) Provisions and contingencies
Provisions are recognised when, and only when, the Company has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the

disbursement of funds by an amount that can be reasonably estimated.

Provisions are reviewed at the statement of financial position date and adjusted to reflect the best estimate at that date.

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

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

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

m) Income Tax

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

Sonaecom's Group has been covered, since January 2008, by the special regime for the taxation of groups of companies, from which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime. However, the Sonaecom Group, no longer has an independent group of companies covered by the special regime for taxation as start to integrate the special regime for taxation of groups of Sonae SGPS companies.

Therefore, since 1 January 2015, Sonaecom's Group is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company. In 2017, due to change of RETGS policy, the tax losses generated by the companies controlled in the tax group (RETGS) determine their allocation to the tax losses of the group, so that, since 2017, only the parent company has recognised the amounts corresponding to such tax losses, without giving rise to any financial. From fiscal year 2018 these tax losses generated by the companies controlled within the group were offset by the Group's dominant entity. With respect to tax losses generated by the dominated companies not compensated in the exercise the year, they will be compensated as the Group recovers, taking into account the future taxable profits of the Group, and the amount to be compensated is registered in non-current assets in an account receivable from the Group. Each company records the income tax on its individual accounts, and the tax recorded is recorded against the group companies account. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if meet certain requirements.

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

'Deferred tax assets' are only recognised when there is reasonable expectation that sufficient taxable profits shall arise in the future to allow such deferred tax assets to be used. At the end of each year the recorded and unrecorded deferred tax assets are revised and they are reduced whenever their realisation ceases to be probable, or increased if future taxable profits are, likely, enabling the recovery of such assets (note 8).

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

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

n) Accrual basis

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

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

The costs attributable to current exercise and whose expenses will only occur in future exercises are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.l).

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

Dividends
Dividends are recognised when the Shareholders' rights to receive such amounts are appropriately established and communicated.

p) Fair value
The measurement of fair value presumes that an asset or liability is changed in an orderly transaction between market participants to see the asset or transfer the liability at the measurement date, under current market conditions. The measurement of fair value is based on the assumption that the transaction of sell the asset or transfer the liability may occur:

(i) In the main asset and liability market, or

(ii) In the main asset and liability does not exist in the market in which an orderly transaction would take place for the asset or liability

The Company use valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximizing the use of observable relevant data and minimizing the use of unobservable data.
All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which allocates the data to be used in the fair value measurement, into three levels detail below:
Level 1 - Unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;
Level 2 - Valuation techniques that use inputs that are not quoted are directly or indirectly observable;
Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data;

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

q) Reserves
Legal reserve
Portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Own shares reserve
The own shares reserve reflects the acquisition value of the own shares and follows the same requirements of legal reserve.

Other reserves and Shares Premium
This caption includes retained earnings from previous years that are available for distribution and the Shares Premium.

Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, at 31 December 2018, Sonaecom, have free reserves distributable amounting approximately Euro 63 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the exercise ended at 31 December 2018.

r) Own shares
Own shares are recorded as a deduction of Shareholders' funds. Gains or losses related to the sale of own shares are recorded under the caption 'Other reserves'. While shares are owned for the Company must maintain an unavailable reserve equivalent to its book value.

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

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

The following rates were used for the translation into Euro:

	2018		2017	
	31 December	Average	31 December	Average
Pounds Sterling	1.1179	1.1304	1.1271	1.1414
American Dollar	0.8734	0.8475	0.8338	0.8872

t) Assets impairment
Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and intangible assets for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.

Non-financial assets impairment
Impairment tests are performed for assets with undefined useful life at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

Impairment tests are performed for assets with defined useful lives and investments in associates whenever there is evidence that their book value is higher than the recoverable value.

The recoverable amount is the greater of the net selling price and the value of use. Net selling price is the amount obtained upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value of use is the present amount of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life. The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For investments in associated companies of the group and for assets with defined useful lives, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Company's Board of Directors. For Investments in companies jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Company's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

Policy at 31 December 2018

Financial assets impairment
The Company assesses at each reporting date the existence of impairment in financial assets at amortized cost. The expected loss results from the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The objective of this impairment policy is to recognise expected credit losses over the duration of financial instruments that have undergone significant credit risk increases since initial recognition, assessed on an individual or collective basis, taking into account all reasonable and sustainable information, including prospects. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Company measures the provision for losses relating to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months. If there has been an increase in credit risk, the Company calculates the impairment corresponding to expected losses for all contractual flows until the maturity of the asset.

Regarding accounts receivable from related entities, which are not considered as part of the financial investment in these entities, credit impairment is assessed according to the following criteria: i) if the balance receivable is immediately due, ii) if the balance a low risk, or (iii) if it has a maturity of less than 12 months. In cases where the amount receivable is immediately payable and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered equal to zero. In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Group only assesses the probability of a default occurring for the cash flows that mature in the next 12 months.

Policy at 31 December 2017

Financial assets impairment
At 31 December 2017, in accordance with IAS 39, the Group assesses at each reporting date the existence of impairment in financial assets at amortized cost.
A financial asset is impaired if events occurring after initial recognition have an impact on estimated cash flows of the asset that can be reasonably estimated.

Evidence of the existence of impairment in accounts receivables appears when:

(i) The counterparty presents significant financial difficulties;
(ii) There are significant delays in interest payments and in other leading payments from the counterparty;
(iii) It is probable that the debtor goes into liquidation or into a financial restructuring.

For certain categories of financial assets for which it is not possible to determine the impairment for each asset

individually, the analysis is made for a group of assets. Evidence of an impairment loss in a portfolio of accounts receivable may include past experience in terms of collections, increasing number of delays in collections, as well as changes in national or local economic conditions that are related with the collections capacity

For Accounts receivables, the Company uses historical and statistical information to estimate the amounts in impairment. For inventories, impairments are calculated on the basis of market values and various stock rotation indicators.

u) Medium-term incentive plans
The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 – 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the Company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Reserves – Medium Term Incentive Plans', within the caption 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on its fair value at the attribution date and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point in time, is calculated based on the proportion of the vesting period that has 'elapsed' up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plan, the above accounting treatment is subject to the following changes:

(i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';

(ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the 'unelapsed' proportion of the cost of each plan) is deferred and is recorded, in the statement of financial position as either 'Other non-current assets' or 'Other current assets';

(iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds'; and

(iv) In the profit and loss statement, the 'elapsed' proportion continues to be charged as an expense under the caption 'Staff expenses'.

At 31 December 2018 and 2017 there are no outstanding hedge agreements.

For plans settled in cash, the estimated liability is recorded under the statement of financial position captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date. When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae SGPS are recorded as if they were settled in cash, which means that the estimated liability is recorded under the statement of financial position captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

At 31 December 2018, the plans granted during the year 2016, 2017 and 2018 are not covered, by the contract and so a liability is recorded at fair value was record. The responsibility of all plans is recorded under the captions 'Other non-current liabilities' and 'Other current liabilities'. The cost is recognized on the income statement under the caption 'Staff expenses'.

v) Subsequent events
Events occurring after the date of the statement of financial position which provide additional information about conditions prevailing at the time of the statement of financial position (adjusting events) are reflected in the financial statements. Events occurring after the statement of financial position date that provide information on post- statement of financial position conditions (non-adjusting events), when material, are disclosed in the notes to the financial statements.

w) Judgements and estimates
The most significant accounting estimates reflected in the consolidated financial statements of the exercises ended at 31 December 2018 and 2017 are as follows:

(i) Useful lives of tangible and intangible assets (note 1a and 1b);

(ii) Impairment analysis of investments in group companies and joint ventures and of other tangible and intangible assets;

(iii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities; and

(iv) Recoverability of deferred tax assets (note 8).

Estimates used are based on the best information available during the preparation of the financial statements and are based on the best knowledge of past and present events. Although future events are neither foreseeable nor controlled by the Group, some could occur and have impact on such estimates. Changes to the estimates used by the management that occur after the approval date of these consolidated financial statements, will be recognised in net income, in accordance with IAS 8 – 'Accounting Policies, Changes in Accounting Estimates and Errors', using a prospective methodology.

The main estimates and assumptions in relation to future events included in the preparation of these consolidated financial statements are disclosed in the corresponding notes.

x) Financial risk management

The Company's activities expose it to a variety of financial risks such as market risk, liquidity risk and credit risk.

These risks arise from the unpredictability of financial markets, which affect the capacity to project cash flows and profits. The Company's financial risk management, subject to a long-term ongoing perspective, seeks to minimise potential adverse effects that derive from that uncertainty, using, every time it is possible and advisable, derivative financial instruments to hedge the exposure to such risks (note 1.k).

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

Market risk

a) Foreign exchange risk

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

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

Considering the reduced values of assets and liabilities in foreign currency, the impact of a change in exchange rate will not have significant impacts on the financial statements.

b) Interest rate risk

In the exercise ended at 31 December 2018, Sonaecom has no indebtedness. However, as all Sonaecom's borrowings (note 13) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments, when it is considered necessary. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions.

In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations. In determining the fair value of hedging operations, the Company uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the statement of financial position date.

Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge, are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the exercise.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Company, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

At 31 December 2018 and 2017, are not contracted any derivatives instruments of hedging of the interest rate changes.

Liquidity risk

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

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most

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

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.
The existing liquidity should be applied to the alternatives and by the order described below:

(i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;

(ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and

(iii) Applications in the market.

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

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

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

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

Credit risk

The companys's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities, cash investments and other non-current assets supplies.

The management of this risk seeks to guarantee that the amounts owing are effectively collected within the periods negotiated without affecting the financial health of the Company. The company uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, as well as credit insurances, which all contribute to the mitigation of credit risk.

The amount included in the financial statements related to cash and equivalents and other non-current assets (supplies) and other current debtors, represent the maximum exposure of the company to credit risk.

To measure the expected credit losses, the unpaid amounts and contractual assets were grouped based on the common credit risk characteristics and the days of late payment. The expected loss rates are based on the sales payment profiles over a period of 36 months (3 years) before 31 December 2018, and the corresponding historical credit losses verified during this period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle outstanding amounts.

Sonaecom holds financial assets resulting from its relationship with its subsidiaries (note 5) and with financial institutions (note 12). There is a credit risk associated with the potential pecuniary default of the Financial Institutions that are counterparts in these relationships, however, in general, the exposure related to this type of financial assets is widely diversified and of limited duration in time.

The credit risk associated to financial institutions is limited by the management of risks concentration and a rigorous selection of counterparties that presents a high prestige and international recognition and based on their ratings, taking into account the nature, maturity and size of operations.

Taking into account the above mentioned policies, the Administration does not anticipate the possibility of any occurrence of any immaterial non-compliance with contractual obligations.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximizes shareholder returns and optimizes the cost of financing.

Sonaecom periodically monitors its capital structure, identifying risks, opportunities and necessary adjustment measures in order to achieve the referred objectives.

In 2018, Sonaecom reported a negative average gearing (accounting) of 19.9%. The average gearing in market values in 2018 was negative in 29.3%.

2. Tangible assets

The changes in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2018 and 2017 was as follows:

							2018
	Edifícios e outras construções	Equipamento básico	Equipamento de transporte	Ferramentas e utensílios	Equipamento administrativo	Outros ativos fixos tangíveis	Total
Ativo bruto							
Saldo em 31 dezembro 2017	347,208	43,858	22,060	171	247,788	104	661,189
Adições	-	-	-	-	1,173	-	1,173
Saldo final em 31 dezembro 2018	347,208	43,858	22,060	171	248,961	104	662,362
Depreciações e perdas de imparidade acumuladas							
Saldo em 31 dezembro 2017	341,953	43,858	22,060	171	244,152	104	652,298
Depreciações do exercício	1,756	-	-	-	1,314	-	3,070
Saldo final em 31 dezembro 2018	343,709	43,858	22,060	171	245,466	104	655,368
Valor líquido	3,499	-	-	-	3,495	-	6,994

							2017
	Edifícios e outras construções	Equipamento básico	Equipamento de transporte	Ferramentas e utensílios	Equipamento administrativo	Outros ativos fixos tangíveis	Total
Ativo bruto							
Saldo em 31 dezembro 2016	347,208	43,858	22,060	171	243,696	104	657,097
Adições	-	-	-	-	4,092	-	4,092
Saldo final em 31 dezembro 2017	347,208	43,858	22,060	171	247,788	104	661,189
Depreciações e perdas de imparidade acumuladas							
Saldo em 31 dezembro 2016	338,235	43,858	18,844	171	242,469	104	643,681
Depreciações do exercício	3,718	-	3,216	-	1,683	-	8,617
Saldo final em 31 dezembro 2017	341,953	43,858	22,060	171	244,152	104	652,298
Valor líquido	5,255	-	-	-	3,636	-	8,891

3. Intangible assets

The changes in intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2018 and 2017 was as follows:

				2018
	Propriedade industrial	Software	Ativos intangíveis em curso	Total
Ativo bruto				
Saldo em 31 dezembro 2017	9,859	195,879	-	205,738
Adições	72	-	-	72
Saldo final em 31 dezembro 2018	9,931	195,879	-	205,810
Amortizações e perdas de imparidade acumuladas				
Saldo em 31 dezembro 2017	9,812	192,739	-	202,551
Amortizações do exercício	84	695	-	779
Saldo final em 31 dezembro 2018	9,896	193,434	-	203,330
Valor líquido	35	2,445	-	2,480

				2017
	Propriedade industrial	Software	Ativos intangíveis em curso	Total
Ativo bruto				
Saldo em 31 dezembro 2016	9,789	193,127	-	202,916
Adições	70	-	2,752	2,822
Transferências	-	2,752	(2,752)	-
Saldo final em 31 dezembro 2017	9,859	195,879	-	205,738
Amortizações e perdas de imparidade acumuladas				
Saldo em 31 dezembro 2016	9,783	190,929	-	200,712
Amortizações do exercício	29	1,810	-	1,839
Saldo final em 31 dezembro 2017	9,812	192,739	-	202,551
Valor líquido	47	3,140	-	3,187

4. Breakdown of financial instruments

At 31 December 2018 and 2017, the breakdown of financial instruments, according to IFRS 9, was as follows:

				2018
	Assets measured at amortised cost	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets				
Other non-current assets (note 7)	21,237,867	21,237,867	194,162,024	215,399,891
	21,237,867	21,237,867	194,162,024	215,399,891
Current assets				
Income tax receivable (note 9)	-	-	650,600	650,600
Other trade debtors (note 10)	361,908	361,908	68,875	430,783
Other current assets (note 11)	142,891	142,891	50,485	193,376
Cash and cash equivalents (note 12)	212,722,898	212,722,898	-	212,722,898
	213,227,697	213,227,697	769,960	213,997,657

				2017
	Assets measured at amortised cost	Total financial assets	Others not covered by IFRS 9	Total
Non-current assets				
Other non-current assets (note 7)	23,264,201	23,264,201	213,626,619	236,890,820
	23,264,201	23,264,201	213,626,619	236,890,820
Current assets		-		
Income tax receivable (note 9)	-	-	737,633	737,633
Other trade debtors (note 10)	599,242	599,242	110,191	709,433
Other current assets (note 11)	406,158	406,158	35,407	441,565
Cash and cash equivalents (note 12)	190,901,170	190,901,170	-	190,901,170
	191,906,570	191,906,570	883,231	192,789,801

				2018
	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
Non-current liabilities				
Other non-current liabilities (note 17)	-	-	155,717	155,717
	-	-	155,717	155,717
Current liabilities				
Other creditors (note 18)	1,204,878	1,204,878	50,296	1,255,174
Other current liabilities (note 19)	575,540	575,540	193,724	769,264
	1,780,418	1,780,418	244,020	2,024,438

				2017
	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
Non-current liabilities				
Other non-current liabilities (note 17)	-	-	224,758	224,758
	-	-	224,758	224,758
Current liabilities		-		
Other creditors (note 18)	1,090,052	1,090,052	32,204	1,122,256
Other current liabilities (note 19)	522,070	522,070	191,152	713,222
	1,612,122	1,612,122	223,356	1,835,478

Considering the nature of the balances, the amounts to be paid and received to/from 'State and other Public Entities' as well as the specialised costs with the action plan, given its nature, were considered as financial instruments not covered by IFRS 9. On the other hand, the deferred costs/profits recorded in the caption other current and non-current assets and liabilities, were considered as non-financial instruments.

The Sonaecom's Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument.

5. Investments in Group companies

At 31 December 2018 and 2017, this caption included the following investments in Group companies was as follows:

Company	2018	2017
Sonae Investment Management - Software and Technology, SGPS, S.A. ("Sonae IM")	**52,241,587**	52,241,587
Público - Comunicação Social S.A. ('Público')	**32,537,204**	23,305,000
PCJ - Público Comunicação e Jornalismo S.A. ('PCJ')	**17,690,000**	15,690,000
Sonaecom - Serviços Partilhados S.A. ('Sonaecom SP')	**4,050,000**	2,050,000
	106,518,791	93,286,587
Impairment losses (note 16)	**(42,211,754)**	(35,015,000)
Total investments in Group companies	**64,307,037**	58,271,587

The changes that occurred in investments in this caption during the exercises ended at 31 December 2018 and 2017 were as follows:

Company	Balance at 31 December 2017	Additions	Disposals	Transfers and write-offs	Balance on 31 December 2018
Sonae IM	52,241,587	-	-	-	**52,241,587**
Público	23,305,000	2,000,000	-	7,232,204	**32,537,204**
PCJ	15,690,000	2,000,000	-	-	**17,690,000**
Sonaecom SP	2,050,000	2,000,000	-	-	**4,050,000**
	93,286,587	6,000,000	-	7,232,204	**106,518,791**
Impairment losses (note 16)	(35,015,000)	2,137,362	(242,812)	5,302,204	**(42,211,754)**
Total investments in Group companies	58,271,587	8,137,362	(242,812)	12,534,408	**64,307,037**

Company	Balance at 31 December 2016	Additions	Disposals	Transfers and write-offs	Balance on 31 December 2017
Sonae IM	52,241,587	-	-	-	52,241,587
Público	21,305,000	2,000,000	-	-	23,305,000
PCJ	13,690,000	2,000,000	-	-	15,690,000
Sonaecom SP	50,000	2,000,000	-	-	2,050,000
	87,286,587	6,000,000	-	-	93,286,587
Impairment losses (note 16)	(34,995,000)	-	-	(20,000)	(35,015,000)
Total investments in Group companies	52,291,587	6,000,000	-	(20,000)	58,271,587

For the year ended at 31 December 2018, the increases in PCJ, Público and Sonaecom SP correspond to capital increases in cash. The amount of 'Transfers and write-offs' corresponds to the increase in the investment in capital of Público by conversion of Supplementary Capital (note 7).

The amount of 'Transfers and write-offs' in 'Impairment losses' for the year ended at 31 December 2018, corresponds to the reallocation of the impairment of loans that were used to increase the capital of Public (note 7 and 16). The amount of 'Additions' refers to the impairment record in Público and PCJ.

In the year ended at 31 December 2017, the amounts of EUR 2,000,000 in PCJ, Público and Sonaecom SP correspond to capital increases made in cash.

In the year ended at 31 December 2017, the amount of EUR 20,000 EUR corresponds to the reallocation of the impairment of loans that were used to increase capital (note 16).

At 31 December 2018 and 2017, the main financial information regarding the subsidiaries and jointly controlled directly owned by the company is as follows (values in accordance with IFRS standards):

(Amounts expressed in thousand Euro)		2018			2017		
Company	Head office	% holding	Shareholders' funds	Net profit / (loss)	% holding	Shareholders' funds	Net profit / (loss)
ZOPT (a) (note 6)*	Matosinhos	**50%**	**2,328,241**	**129,712**	50%	2,404,424	106,154
Sonae IM	Maia	**100%**	**140,031**	**33,524**	100%	118,379	4,265
PCJ	Maia	**100%**	**4,141**	**171**	100%	1,780	54
Sonaecom SP	Maia	**100%**	**4,511**	**46**	100%	2,276	66
Público	Maia	**100%**	**2,930**	**(3,327)**	100%	2,068	(3,503)

* At 31 December 2018, the market capitalization of NOS amounted to EUR 2,728 million.

The measurement of the existence or not of impairment of the main amounts of interests in group companies recorded in the accompanying financial statements is made taking into account the cash generating units, based on the last business plans approved by the Group's Board of Directors made on an annual basis unless there are indications of impairment, which are prepared using cash flows projected for periods of 5 years.

At 31 December 2018 and 2017, the assumptions used are based on the subsidiaries' various businesses and the growth in the various geographic areas where the subsidiaries operates:

	Technologies				Media
Assumptions	Telecomunications	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Discount rate	6.25%-17%	10.5%	6.75%- 11.25%	7%-13.75%	7%
Growth rate in perpetuity	2%	3%	3%	1%-2%	0%

The average growth rate considered for the 5-year turnover was 6.3% for the Technologies sector. For the Media sector, the average growth rate of the considered volume was about 2.6%. The discount rates used are based on the weighted average capital costs estimated based on the segments and geographies where the companies are included. In Europe, discount rates are used between 6.25% and 10.5%, in Asia 10.25%, in Latin America rates are used between 11.25% and 13.75% and in Africa 17%.

The analysis of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the years ended at 31 December 2018, beyond registered in the income statement (note 16).

6. Investments in companies jointly controlled

At 31 December 2018 and 2017, this caption included the following investments in companies jointly controlled and was as follows:

Company	2018	2017
ZOPT SGPS S.A. ('ZOPT')	**597,666,944**	597,666,944

The changes that occurred in this caption during the years ended at 31 December 2018 and 2017 were as follows:

Company	Balance at 31 December 2017	Additions	Disposals	Transfers	Balance at 30 December 2018
ZOPT	597,666,944	-	-	-	**597,666,944**

Company	Balance at31 December 2016	Additions	Disposals	Transfers	Balance at 31 December 2017
ZOPT	597,666,944	-	-	-	597,666,944

ZOPT is a joint venture of Sonaecom, Kento Holding Limited and Unitel International Holdings BV, created for as a holding for participation in NOS SGPS, SA ("NOS"). At the year at 31 December 2018 and 2017 ZOPT held 52.15% of participation in NOS.

The recoverable amount of this asset and its associates and the average valuation made by external analysts (researches) was about 5% above its book value, and the existence or not of impairment was determined taking into account various information such as the business plan approved by the Board of Directors of NOS, which presents an implicit average growth rate of the operating margin of 4%.

	NOS SGPS
Assumptions	
Basis of recoverable amount	**Value in use**
Discount rate	**7.2%**
Growth rate in perpetuity	**1.3%**

Additionality, the ZOPT's consolidated financial accounts has a significant exposure to the African market, specially the shares that the Group holds in associated companies operating in the Angolan and Mozambican markets which are engaged in providing satellite and fibre television services. The net book value of the Angolan associates in the financial statements at 31 December 2018 amounts to approximately EUR 100 million. These participations were submitted to impairment tests in the sensitivity analysis using variations of 2pp in WACC and 0.5 pp in the perpetuity growth rate allow us to conclude that in extreme situations, with a high rate of inflation and a lower capacity of the company to reflect a higher price increase, the valuation would not support the assets' value, varying between 50% and 157% of the book value.

7. Other non-current assets

At 31 December 2018 and 2017, this caption can be decomposed as follows:

	2018	2017
Financial assets		
Medium and long-term loans granted to group companies and jointly controlled:		
Sonae IM	**25,875,000**	32,025,000
PCJ	**-**	70,000
	25,875,000	32,095,000
Supplementary capital:		
Zopt	**115,000,000**	115,000,000
Sonae IM	**74,304,228**	88,536,618
Público	**2,007,796**	7,240,000
PCJ	**2,850,000**	2,850,000
	194,162,024	213,626,618
	220,037,024	245,721,618
Accumulated impairment losses (note 16)	**(4,857,796)**	(9,046,994)
Others	**220,663**	216,196
	215,399,891	236,890,820

During the years ended at 31 December 2018 and 2017, the movements that occurred under the caption 'Medium and long-term loans granted' to Group companies and companies jointly controlled were as follows:

				2018
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	32,025,000	**12,645,000**	**(18,795,000)**	**25,875,000**
PCJ	70,000	**-**	**(70,000)**	**-**
	32,095,000	**12,645,000**	**(18,865,000)**	**25,875,000**

				2017
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	32,415,000	-	(390,000)	32,025,000
PCJ	-	70,000	-	70,000
Público	2,335,000	-	(2,335,000)	-
	34,750,000	70,000	(2,725,000)	32,095,000

During the years ended at 31 December 2018 and 2017, the movements in the caption 'Supplementary Capital' were as follows:

					2018
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
ZOPT	115,000,000	-	-	-	115,000,000
Sonae IM	88,536,618	34,064,511	(48,296,902)	-	74,304,228
Público	7,240,000	2,000,000	-	(7,232,204)	2,007,796
PCJ	2,850,000	-	-	-	2,850,000
	213,626,618	36,064,511	(48,296,902)	(7,232,204)	194,162,024

					2017
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
ZOPT	115,000,000	-	-		115,000,000
Sonae IM	64,049,791	24,486,827	-		88,536,618
Público	3,740,000	3,500,000	-		7,240,000
PCJ	3,150,000	-	(300,000)		2,850,000
	185,939,791	27,986,827	(300,000)	-	213,626,618

The amount of 'Transfers' refers to the investment increase in Público's share capital through conversion of Supplementary Capital (note 5).

The supplementary capital has a repayment term of more than one year, and the repayment period is not defined after one year, so no information is presented on their maturity.

During the years ended at December 2018 and 2017, the loans granted to Group companies and companies jointly controlled earned interest at market rates with an average interest rate of 2.23% and 2.31%, respectively. Supplementary Capital is non-interest bearing and has no reimbursement turn.

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

8. Deferred taxes

The changes in deferred tax assets for the exercises ended at 31 December 2018 and 2017 were as follows:

	2018	2017
Opening balance	114,706	94,475
Movement in provisions not accepted for tax purposes and other temporary differences	3,115	20,231
Closing balance	117,821	114,706

At 31 December 2018 and 2017, assessments of the deferred tax assets to be recovered and recognised were made. Potential deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated.

At 31 December 2018, the values of deferred taxes assets not recorded were 2,256,624 EUR (267,617 EUR generated in 2018 and available for use up to 2023 and 1,989,007 EUR generated in 2014 and available for use up to 2026). In addition, there are impairment losses in amount of 49,220,134 EUR (44,061,994 EUR in 2017) that did not give rise to the registration of deferred tax assets, but which could be used in the case of liquidation of the companies.

In the year ended at 31 December 2018 and 2017 the tax rate used to calculate deferred tax assets related to tax losses was 21%. In the case of temporary differences, in particular of provisions not accepted and impairment losses, the rate used in 2018 and 2017 was 22.5%.

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

The reconciliation between the earnings before tax and the tax recorded for the exercises ended at 31 December 2018 and 2017 is as follows:

	2018	2017
Earnings before tax	**16,421,071**	15,838,722
Income tax rate (21%)	**(3,448,425)**	(3,326,132)
Autonomous taxation and surcharge	**(10,104)**	(21,910)
Temporary differences from the exercise without record deferred tax assets	**(631,379)**	(19,096)
Accounting adjustments not accepted	**4,534,945**	3,278,692
Differed tax assets of previous years	**-**	20,231
Income taxation recorded in the year (note 25)	**445,037**	(68,215)

The tax rate used to reconcile the tax expense and the accounting profit was 21% in the year of 2018 and 2017 because it is the standard rate of the corporate income tax in Portugal in 2018 and 2017.

In the years ended at 31 December 2018 and 2017, "Adjustments of results not tax deductible" corresponds essentially to dividends received in the amount of EUR 19,755,883 (EUR 16,512,004 in 2017) (note 26), which do not contribute to the formation of the taxable profit of the year.

The adjustments of results not tax deductible referring to 2018 and 2017 also includes adjustments that do not contribute to the formation of taxable income for the year.

In the year ended at 31 December 2018, "Temporary differences from the exercise without record deferred tax assets" refers mainly to impairment of financial investments recorded in the year (note 16)

Portuguese Tax administration can review the income tax returns of the Company for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in progress, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not produce a significant impact in the accompanying financial statements.

Supported by the Company's lawyers and tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, at 31 December 2018.

9. Income tax receivable

At 31 December 2018 and 2017, the caption 'Income tax receivable' had the following composition:

	2018	2017
Special account payment	**650,600**	701,200
Corporate income tax	**-**	26,241
Withholdings	**-**	10,192
	650,600	737,633

The heading 'Special payment on account' is essentially composed by previous values to RETGS Sonae SGPS, including PEC's for which reimbursement was requested.

The determination of the tax for the year on income payable includes the amount of EUR 22,338 is recorded under the caption 'Other creditors' (note 18).

10. Other current debtors

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
State and other public entities	68,875	110,191
Trade debtors (note 26)	361,908	599,242
	430,783	709,433

At 31 December 2018 and 2017, the caption 'Trade debtors' included amounts receivable from various group companies, related to interest on supplies, interest on treasury applications and various services rendered. Given the nature of this heading, it is the Board Directors believes that it does not present a credit risk (notes 24 and 26).

At 31 December 2018 and 2017, the caption 'State and other public entities' corresponds to value added tax in the amount of EUR 68,875 and EUR 110,191 respectively.

11. Other current assets

At 31 December 2018 and 2017, this caption had the following composition:

	2018	2017
Accrued income		
Interest receivable	60,803	116,060
Invoices to be issued	79,797	287,807
Other accrued income	2,291	2,291
	142,891	406,158
Deferred costs		
Insurance	33,530	28,157
Other deferred costs	16,955	7,250
	50,485	35,407
	193,376	441,565

12. Cash and cash equivalents

At 31 December 2018 and 2017, the breakdown of cash and cash equivalents was as follows:

	2018	2017
Cash	953	639
Bank deposits repayable on demand	210,776,945	120,900,531
Treasury applications	1,945,000	70,000,000
	212,722,898	190,901,170

At 31 December 2018 and 2017, the caption 'Treasury applications' had the following breakdown:

	2018	2017
Bank applications	-	70,000,000
Sonae IM (note 26)	1,945,000	-
	1,945,000	70,000,000

In the years ended at 31 December 2018 and 2017, Sonaecom entered into financial transaction contracts with Sonae, Sonae IM, Público, Sonaecom SP and PCJ. In relation to these financial transactions, was registered income referred in note 26.

The treasury applications immediately available, mentioned above, are remunerated during the years ended at 31 December 2018 and 2017, with an interest average rate of 0.25% (0.386% in 2017).

13. Share capital

At 31 December 2018 and 2017, the share capital of Sonaecom was comprised by 311,340,037 ordinary shares registered of EUR 0.74 each. At those dates, the Shareholder structure was as follows:

	2018		2017	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 14)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorised, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

14. Own shares

During the years ended at 31 December 2018 and 2017, Sonaecom did not acquire, sold or delivered own shares, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of EUR 1.515.

15. Loans

Short-term loans and other loans

In the year ended at 31 December 2018, Sonaecom is not using a short-term credit line, although it has a bank credit line in the form of current or overdraft account commitments, in the amount of EUR 1 million. This credit line has maturities up to one year, automatically renewable, except in case of termination by either party, with some periods of notice.

The credit line bear interest at market rates, indexed to the EURIBOR of the respective term.

At 31 December 2018 and 2017, the available credit lines are as follows:

				Maturity	
Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2018					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		
2017					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		

At 31 December 2018 and 2017, there are no financial instruments of interest rate hedging.

16. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the exercises ended at 31 December 2018 and 2017 were as follows:

	Opening balance	Increases	Reductions	Transfers and utilizations	Closing balance
2018					
Accumulated impairment losses on investments in Group companies (notes 5)	35,015,000	2,137,362	(242,812)	5,302,204	42,211,754
Accumulated impairment losses on other non-current assets (notes 7)	9,046,994	1,113,006	-	(5,302,204)	4,857,796
Provisions for other liabilities and charges	269,665	93,720	(13,406)	-	349,979
	44,331,659	3,344,088	(256,218)	-	47,419,529
2017					
Accumulated impairment losses on investments in Group companies (notes 5)	34,995,000	-	20,000	-	35,015,000
Accumulated impairment losses on other non-current assets (notes 7)	8,222,436	844,558	(20,000)	-	9,046,994
Provisions for other liabilities and charges	214,777	54,888	-	-	269,665
	43,432,213	899,446	-	-	44,331,659

The increases in provisions and impairment losses are registered under the caption "Provisions and impairment losses" in the profit and loss statement with the exception of the impairment losses in investments in Group companies and other non-current assets, which, due to their nature, are recorded under the caption "Gains and losses on Group companies" (note 23).

At 31 December 2018 and 2017, the changes in the caption 'Accumulated impairment losses on other non-current assets' corresponds to an increase in the impairment of financial investments in Público and PCJ.

The amount of 'Transfers and utilizations' for the year ended at 31 December 2018 corresponds to the reallocation of the impairment of loans that were used to increase the Público's capital (note 5 and 7).

17. Other non-current liabilities

This caption at 31 December 2018 and 2017 was composed of the amounts related to medium-term and long-term incentive plans, in the amount of EUR 155,717 and EUR 224,758, respectively (note 29).

18. Other creditors

At 31 December 2018 and 2017, this caption was detailed as follows:

	2018	2017
Other creditors (note 26)	1,204,878	1,090,052
State and other public entities	50,296	32,204
	1,255,174	1,122,256

At 31 December 2018, the caption "Other creditors" is mainly composed of balances with group companies in the amount of EUR 1,104,966 EUR, mainly consisting of amounts payable under the Special Regime for the Taxation of EUR 979,932 (EUR 992,436 in 2017).

At 31 December 2018 and 2017, the caption "State and other public entities" were detailed as follows:

	2018	2017
Social security contributions	13,837	16,651
Personal income tax	14,121	15,553
Income tax payable	22,338	-
	50,296	32,204

19. Other current liabilities

At 31 December 2018 and 2017, this caption has the following composed:

	2018	2017
Accrued costs		
Staff expenses	344,876	298,521
Medium Term Incentive Plans (note 29)	193,724	191,152
Consultancy	114,491	91,437
Other accrued costs	116,173	132,112
	769,264	713,222

20. Services rendered

At 31 December 2018 and 2017, the Services rendered corresponded to the debiting of management fees to associated companies (note 26).

21. Other operating revenues

At 31 December 2018 and 2017, the caption 'Other operating revenues' was as follows:

	2018	2017
Supplementary income	14,709	24,743
Others	50,740	68,130
	65,449	92,873

At 31 December 2018 and 2017, the caption 'Supplementary Income' is essentially composed of income associated with sureties that Sonaecom has guaranteed on behalf of its subsidiaries.

22. External supplies and services

At 31 December 2018 and 2017, this caption was detailed as follows:

	2018	2017
Specialised work	417,315	321,510
Travel and accommodation	91,716	65,005
Insurance	49,862	49,823
Rents	29,955	35,153
Communications	28,396	29,553
Other external supplies and services	55,547	40,181
	672,791	541,225

The commitments assumed, at 31 December 2018 and 2017, under operating lease agreements are as follows:

	2018	2017
Minimum payments of operational leases:		
2018	-	28,958
2019	31,748	31,223
2020	26,583	26,057
2021	23,103	22,577
2022	23,103	22,577
2023	4,282	-
Renewable by periods of one year	-	-
	108,819	131,392

During the year ended at 31 December 2018, were recognized EUR 28,464 (EUR 17,847 in 2017) under the caption 'External supplies and services' related to operating lease rentals, namely under 'Rents'. The assets in operational lease are summarized to vehicles, real estate and equipment.

23. Gains and losses related to investments

At 31 December 2018 and 2017, these captions 'Gains and losses on investments in group companies and jointly controlled' and 'Gains and losses on investments recorded at fair value through profit or loss' were detailed as follows:

	2018	2017
Gains and losses on investments in Group companies and companies jointey controlled		
Losses related to Group companies (notes 5 and 16)	**(3,250,368)**	(844,558)
Gains related to Group companies (note 5 and 16)	**242,812**	-
Dividends obtained (note 26)	**19,755,883**	16,512,004
	16,748,327	15,667,446

At 31 December 2018 and 2017, losses on the Group companies include the reinforcement of impairment losses on investments in Público and PCJ.

At 31 December 2018 and 2017, gains on dividends received from investments in group companies and joint ventures are related to dividends received from Zopt.

24. Financial results

The financial results for the years ended at 31 December 2018 and 2017 are detailed as follows ((costs)/gains):

	2018	2017
Other financial expenses		
Interest expenses - Others	**(32,846)**	(4,098)
Foreign currency exchange losses	**(1,217)**	(200)
Other financial expenses	**(60,188)**	(78,197)
	(94,251)	(82,495)
Other financial income		
Interest income (note 26)	**991,780**	1,585,101
Foreign currency exchange gains	**1,023**	-
Other financial income	**83,816**	-
	1,076,619	1,585,101

25. Income Taxation

Income taxes recognised during the years ended at 31 December 2018 and 2017 were detailed as follows ((costs) / gains):

	2018	2017
Current tax	**441,922**	(88,446)
Deferred tax assets (note 8)	**3,115**	20,231
Closing balance	**445,037**	(68,215)

26. Related parties

During the years ended at 31 December 2018 and 2017, the most significant balances and transactions with related parties were as follows:

						Balances at 31 December 2018
	Accounts receivable (note 10)	Accounts payable (note 18)	Treasury applications (note 12)	Other assets (note 7 and 11)	Other liabilities (note 19)	Loans granted (note 7)
Parent Company (Sonae SGPS)	356,167	309,750	-	215,776	107,433	-
Companies jointly controlled	13,869	-	-	-	-	-
Others related parties	-	178,968	-	122,137	694	-
Subsidiaries	219	706,349	1,945,000	63,094	-	25,875,000
	370,255	1,195,067	1,945,000	401,007	108,127	25,875,000

						Balances at 31 December 2017
	Accounts receivable (note 10)	Accounts payable (note 18)	Treasury applications (note 12)	Other assets (note 7 and 11)	Other liabilities (note 19)	Loans granted (note 7)
Parent Company (Sonae SGPS)	-	86,507	-	215,557	157,433	-
Companies jointly controlled	13,869	-	-	-	-	-
Others related parties	3,147	23,334	-	326,970	1,867	-
Subsidiaries	548,645	887,554	-	83,577	-	32,095,000
	565,661	997,395	-	626,104	159,300	32,095,000

					Transactions at 31 December 2018
	Sales and services rendered (note 20)	Supplies and services received (note 22)	Interest and similar income (note 24)	Interest and similar expense (note 24)	Supplementary income (note 21)
Parent Company (Sonae SGPS)	-	-	356,167	-	-
Companies jointly controlled	-	6,775	-	-	-
Others related parties	-	201,204	-	-	11,550
Subsidiaries	496,953	(17,740)	622,616	-	2,291
	496,953	190,239	978,783	-	13,841

					Transactions at 31 December 2017
	Sales and services rendered (note 20)	Supplies and services received (note 22)	Interest and similar income (note 24)	Interest and similar expense (note 24)	Supplementary income (note 21)
Parent Company (Sonae SGPS)	-	100,000	490,299	-	-
Others related parties	-	113,429	-	-	22,090
Subsidiaries	514,483	89,726	1,063,469	116	2,291
	514,483	303,155	1,553,768	116	24,381

During the year ended at 31 December 2018, the Company distributed dividends, in the amount of EUR 2,997,850 to Sonae SGPS (EUR 6,238,768 at 31 December2017) and EUR 7,180,335 to Sontel BV (EUR 14,942,860 at 31 December 2017).

During the years ended at 31 December 2018 and 2017, the Company recognized in the amount of EUR 19,755,883 related to dividends from Zopt (EUR 16,512,004 at 31 December 2017) (Note 23).

All the above transactions were made at market prices.

Both accounts receivable and payable with related companies will be settled in cash and have no guarantees attached.

Remuneration attributed to key personnel is disclosed in note 30.

27. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2018 and 2017 were as follows:

Beneficiary	Description	2018	2017
Direção de Contribuições e Impostos (Portuguese tax authorities)	Additional tax assessments (Stamp and Income tax)	**2,311,861**	1,558,985
		2,311,861	1,558,985

In addition to these guarantees were set up sureties for the current fiscal processes. Sonae SGPS consisted of Sonaecom surety to the amount of 28,111,899 EUR and Sonaecom consisted of Público for the amount of 564,900 EUR

At 31 December 2018 and 2017, the contingencies for which guarantees, and sureties were considered as remote.

At 31 December 2018, the Board of Directors of the Company believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the financial statements.

28. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (EUR 16,866,108 in 2018 and EUR 15,770,507 in 2017) by the average number of shares outstanding during the years ended at 31 December 2018 and 2017, net of own shares (305,769,023 in 2018 and 2017).

29. Medium Term Incentive Plans

In June 2000, the Company created a discretionary Medium Term Incentive Plan for more senior employees, based on Sonaecom options and shares and Sonae, SGPS, S.A. shares which on 10 March 2014 Sonaecom share plans been converted into Sonae shares. The exercise of the rights occurs three years after their attribution, provided that the employee stays in the Company during this period.

The 2013 plan was delivered in March 2017 only to the Directors of Sonaecom and in April 2017 for the remaining employees.

The 2014 plan was delivered in April 2018 to all employees.

Therefore, the outstanding plans at 31 December 2018 are as follows:

		Vesting period		31 December 2018	
	Share price 31 December 2018	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2015 Plan	0.810	10-Mar-16	10-Mar-19	**4**	**258,524**
2016 Plan	0.810	10-Mar-17	10-Mar-20	**2**	**245,526**
2017 Plan	0.810	10-Mar-18	10-Mar-21	**2**	**204,925**

During the year ended at 31 December 2018, the movements that occurred in the plans can be summarized as follows:

	Sonae SGPS shares	
	Aggregate number of participations	Number of shares
Outstanding at 31 December 2017:		
Still deferred	10	671,138
Total	10	671,138
Movements in the year:		
Awarded	2	204,925
Overdue (a)	(4)	(186,501)
Cancelled / lapsed / corrected*	-	19,413
Outstanding on 31 December 2018:		
Still deferred	8	708,975
Total	8	708,975

* The corrections are made based on the dividend paid.
(a) Of the overdue shares 174,347 were delivered to the Administrators in cash

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

Share plan costs are recognised in the accounts over the period between the award and the vesting date of those plans. The costs recognized for the outstanding plans and for the plan delivered in the exercise ended 31 December 2018 are as follows:

	Value
Costs recognised in previous years	**421,440**
Costs recognised in the year (note 30)	**135,019**
Costs of plans vested in the year (a)	**(207,018)**
Total cost of the plans	**349,441**
Recorded in 'Other current liabilities (note 19)	**193,724**
Recorded in 'Other non-current liabilities (nota 17)	**155,717**

(a) These costs include costs of delivery to the Administrators in cash in the amount of EUR 193,525.

30. Staff expenses

For the years ended at 31 December 2018 and 2017, the heading 'Staff expenses' was detailed as follows:

	2018	2017
Remuneration	**751,668**	789,716
Charges on remuneration	**131,740**	152,385
Medium Term Incentive Plan (note 29)	**135,019**	322,162
Others	**36,142**	21,690
	1,054,569	1,285,953

During the years 2018 and 2017, the remuneration attributed to the members of the Board of Directors and other key members of Sonaecom's management was as follows:

	2018	2017
Short-term employee benefits	**504,700**	625,629
Share-based payments	**244,700**	212,986
	749,400	838,615

The amounts included in the Short-Term Employee Benefits line include Fixed Remuneration and the Performance Premium, the latter calculated on an accrual basis. The value of Share-based Payments for 2018 and 2017 corresponds to the value of the medium-term incentive plan to be awarded in 2019 and relative to the performance of 2018 (and attributed in 2018 relative to the performance

of 2017, to the value of 2017) , whose shares, or the corresponding cash value, will be delivered in March 2022 and March 2021, respectively, and for which the expense is recorded during the period from 2019 to 2022 (2018 to 2021 for the value of 2017).

31. Average number of employees

During the years ended at 31 December 2018 and 2017, the average number of employees employed by the company was 7 and 6, respectively. At 31 December 2018, the number of workers was 6.

32. Fees of the Statutory Auditor

During the year ended at 31 December 2018 the company paid, as a fee to the ROC, PricewaterhouseCoopers SROC the amount of EUR 30,036 (EUR 18,926 EUR in 2017).

33. Subsequent Events

There were no relevant subsequent events.

These financial statements have been approved by the Board of Directors and authorized for issue at 18 March 2019, however subject by the Shareholders' General Meeting.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

ANNUAL REPORT 2018

IV

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Sonaecom, S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at 31st December 2018 (which shows total assets of Euro 1,203,095,338 and total shareholders' equity of Euro 1,075,325,369 including a net profit of Euro 69,986,049), the consolidated income statement by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonaecom, S.G.P.S., S.A. as at 31st December 2018, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

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.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal

Key Audit Matter	*Summary of the Audit Approach*
Measurement of investments in jointly controlled and associated companies	
The group holds investments in the joint venture ZOPT in the amount of Euro 683.8 million, which holds investments in Angolan and Mozambican associated companies Finstar, Mstar and Zap Media, in the amount of Euro 100 million, and the Angola economy was classified as hyperinflationary in 2018 and 2017. The group also holds investments in the associated companies Armilar II, Armilar III and AVP I + I in the amount of Euro 79.2 million (net of Euro 20.1 million recognized in provisions), which are investment entities, and measure their financial investments at fair value. Investments in associated companies and joint ventures are recorded under the equity method. As recommended in IAS 36, impairment tests are performed whenever there is evidence of impairment, and business plans are prepared for this purpose. Considering the inherent subjectivity of the assumptions used in determining the recoverability of the referred values, which in the case of Angola and Mozambique are still subject to country-specific issues, as well as to the assumptions used in determining the associated companies' financial investments fair value, we consider these investments to be a key audit matter. The disclosures are presented in Notes 1.b), 8 and 34 to the consolidated financial statements.	We have obtained the financial statements of associated companies and jointly controlled companies, as well as their respective audit reports, issued by another auditor. As the financial statements of the joint venture and associated companies are audited by other auditors, we have sent audit instructions, interacted with the respective auditors, evaluated the strategy and the audit plan, as well as the tests performed for the significant areas and the conclusions reached. In relation to the joint venture, we have also performed some auditing procedures, from which we highlight: - analysis of the validation procedures of the adjustments resulting from Angola being considered a hyperinflationary economy, in accordance with IAS 29; - reasonableness analysis of the assumptions used in the impairment tests of the joint venture. As mentioned in Note 8 to the consolidated financial statements, in what relates to the African associated companies, the current economic uncertainty conditions in those markets may significantly impact these estimates; - comparing the book value with the market value of NOS; - validation of the application of the equity method. In relation to the associated companies we validated the application of the equity method. We have also verified the adequacy of disclosures relating to joint ventures and associated ventures.

Key Audit Matter	*Summary of the Audit Approach*
Goodwill recoverability	
The statement of financial position has a Goodwill of Euro 37.3 million, of which Euro 12.1 million related to the acquisition of a subsidiary in December 2018. Goodwill is not amortized and it is tested annually, or whenever there are signs of impairment, to verify if there are any losses to be recognized. The recoverable amount is determined based on the business plans used by Sonaecom's management. Considering the significance of this amount and the complexity and level of inherent judgment in the model adopted for the calculation of impairment and the identification and aggregation of cash-generating units (CGUs), this issue was a key matter for the purposes of our audit. The disclosures are presented in Notes 1.f) and 7 to the consolidated financial statements.	In order to assess Management's conclusions in relation to the recovery of Goodwill, we have obtained and analyzed the impairment tests prepared by the Group. Considering the identification and aggregation of the CGUs, we performed the following auditing procedures: - reasonableness analysis of the assumptions used in the forecasts made, the market conditions, the sensitivity analysis and the historical accuracy of the Group in preparing forecasts and budgets; - analysis of the reasonableness of the discount rates used, as well as the growth rates; - recalculation of the model. We have also validate the disclosures related to this matter.
Revenue recognition	
The consolidated financial statements include revenue from projects in the segment of information systems in the amount of Euro 99.5 million. The consolidated financial statements also present revenue to be invoiced to customers of Euro 10.7 million and projects invoiced in advance of Euro 13.0 million. The Group adopted IFRS 15 - Revenue from contracts with customers, and chose the transitional regime of retrospective application, with the initial cumulative effect recognized in retained earnings as of 1st January 2018, amounting to Euro 359 thousand.	To validate the reasonableness of the adjustments related to the application of the percentage of completion, we have obtained the project schedules and performed the following audit procedures: - reconciliation of the schedules with the values of in the consolidadeted statement of financial position and consolidated income statement; - review of contracts to support project schedules; - reasonableness analysis of the stage of completion considered, taking into account the underlying assumptions; - comparison of the results obtained with the recognized revenue;

Key Audit Matter	*Summary of the Audit Approach*
As mentioned in accounting policies, the income and expenses of consulting projects are recognized each year, based on the percentage of completion, which is obtained through the percentage of expenses incurred on the estimated costs of the project, based on budgets prepared for this purpose, according to management's best knowledge for each project. Project schedules supporting the revenue recognition based on the stage of completion of consulting projects have several assumptions, essentially relating to the overall budget of project expenditures and expenses to be incurred. Given the inherent uncertainty in the estimates of the expenses to be incurred, they have to be continually reviewed and, as such, we consider this a key matter for the purposes of our audit. The disclosures are presented in Notes 1, 1.s), 15, 28 and 29.	- to validate management's assumptions, regarding the recognized margin, analysis of available information, essentially related to the terms of the contracts, the latest projections, the completion status of the projects, the billings made and the reasonableness of the budgets in the past, compared to actual values. We evaluated the impact of adoption of IFRS 15 - Revenue from contracts with customers, disclosed in note 1. to the consolidated financial statements. We have also validate the remaining disclosures related to this matter.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

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 financial statements.

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

a) identify and assess the risks of material misstatement 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;

b) 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;

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

d) 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 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

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

f) 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;

g) 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;

h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial information set forth in article No. 508. º-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group stated in its Director's report that that parent company Sonae, S.G.P.S., S.A. will include the non-financial information set forth in article No. 508. º-G of the Portuguese Company Law in the Sonae group sustainability report, which should be published on its website until the legal deadline.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 26th March 2019.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

26th March 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:

Hermínio António Paulos Afonso, R.O.C.

Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sonaecom, S.G.P.S., S.A. (the Entity), which comprise the statement of financial position as at 31st December 2018 (which shows total assets of Euro 1,091,498,823 and total shareholders' equity of Euro 1,088,968,689 including a net profit of Euro 16,866,108), the income statement by nature, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonaecom, S.G.P.S., S.A. as at 31st December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*Summary of the Audit Approach*
Recoverability of investments in group companies and jointly controlled companies	
Sonaecom, SGPS, SA, on 31st December 2018, holds financial interests in group companies and jointly controlled companies in the amount of Euro 64.3 million and Euro 597.7 million, respectively, which are measured at acquisition cost. As mentioned in the accounting policies, a valuation of the investments is made when there are indicators that the asset may be impaired or when impairments recognized in previous years cease to exist. The valuation of financial investments is considered to be a key audit matter, given that changes caused by events or circumstances that adversely influence the performance of the investees may result in the non-recoverability of the book value of these assets. The valuation model used is the discounted cash flow model. To prepare this model, management incorporates judgments based on assumptions about cash flows forecasts, growth rates and discount rates to be applied. The disclosures are presented in Notes 1.c), 1.d), 5 and 6.	In order to validate the assumptions and judgments made by management in the valuation of financial investments, we performed the following procedures: - assessment of whether or not there is evidence of impairment in financial investments; and - obtaining and analyzing the impairment tests for financial investments, when applicable. The analysis of impairment tests, based on discounted cash flow models, involved auditing procedures that included (a) the evaluation of the method used to quantify the fair value of the investment, as well as; (b) evaluation of the assumptions used in the calculation, in order to assess the reasonableness of these assumptions, in particular sales growth, gross margin and discount rate implicit in the valuation model. We compared the recoverable amount obtained in the valuations with the book value of the investment and assessed the reasonableness of the impairment losses recorded by the Entity. Emphasis was also placed on the adequacy of disclosures, presented in the notes to the financial statements.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;

b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;

c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the 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 financial statements.

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

a) identify and assess the risks of material misstatement of the 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;

b) 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 Entity's internal control;

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

d) 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 Entity'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 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

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

f) 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;

g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and

h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.

b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.

c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of this date.

d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

26th March 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:

Hermínio António Paulos Afonso, R.O.C.

ANNUAL
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2018

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REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

Report and opinion of the Statutory Audit Board of Sonaecom, SGPS,S.A.

To the Shareholders

1 **– Report**

1.1 - Introduction
In compliance with the applicable legislation and the mandate given to the Statutory Audit Board, we hereby issue our Report and Opinion of the audit performed, as well the documentation concerning the individual and consolidated accounts, for the year ended at 31 December 2018, which are of the responsibility of the Company's Board of Directors.

1.2 – Supervisory activities

During the year under analysis, the Statutory Audit Board, in accordance with its competence, accompanied the management of the Company and its affiliated companies, and has overseen, with the required scope, the evolution of the operations, the adequacy of the accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies, valuation criteria used as well as the compliance with legal and regulatory requirements.

In the exercise of its competences, the Statutory Audit Board had regular quarterly meetings, as well as other extraordinary meetings, in which matters subject to its attributions and competencies were analysed. In accordance with the nature of the matters to be discussed, the meetings were attended by the Board and head of Planning and Control department, Financial and Administrative department, Internal Audit department and the Society of Statutory and External Auditor. In addition, the Statutory Audit Board participated in the Board of Directors' meeting that approved the report and accounts for the year and was granted access to all the documentary or personal information that appeared appropriate to the exercise of its audit action.

The Statutory Audit Board verified the effectiveness of the risk management and internal control, analysed the planning and the results of external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities. The Statutory Audit Board has also assessed the process of preparing the individual and consolidated statements, communicated to the Board of Directors information regarding the conclusion and quality of the financial statements audit and its intervention in the process, has pronounced itself in favor of the rendering of nonaudit services by the Statutory and External Auditor, having exercised its mandate in what concerns the evaluation of the competence and independence of external auditors, as well as to the supervision of the establishment of the Statutory and External Auditor remuneration.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that had had material impact on the evolution of operations and on the individual and consolidated financial position of Sonaecom SGPS, S.A.. Within the scope of its attributions, the Statutory Audit Board examined the individual and consolidated balance sheets, the individual and consolidated profit and loss accounts by nature, cash flows, comprehensive income, changes in equity and related annexes for the year end 2018, having received from the Statutory and External Auditor all the information and clarifications requested, as well as the Additional Audit Report provided for in article 24 of Law 148/2015, of 9 September.

The Statutory Audit Board has complied with the IPCG Recommendation I.5 of the Corporate Governance Code, in order to characterise the relevant level of transactions concluded with shareholders holding qualifying holdings or with entities with them in any of the relationships set forth in paragraph 1 of article 20 of the Securities Market Code (Código dos Valores Mobiliários), not having identified the execution of relevant transactions in the light of those criteria, nor did it identify the presence of conflicts of interest.

The Audit Committee has complied with the IPCG Recommendations of the Corporate Governance Code I.2.2, I.2.3, 1,2,4, I.3.1,1.3.2, 1.5.1, 1.5.2, III.1.1, III. 8 (with a bearing on risk policy in accordance with and within the scope of its legal competence), III.11, III.12, IV.4, V.1.2 (with a focus on the assessment of budget compliance and risk management, in within its competence), VII.1.1, VII.2.1, VII.2.2 and VII. 2.3.

As a fully integrated body of independent members in light of the legal criteria and professionally qualified to perform their duties, the Statutory Audit Board developed its powers and interrelations with the other corporate bodies and services of the company in accordance with the principles and conduct recommended in the legal and recommendations, and did not receive from the External Auditor any report relating to irregularities or difficulties in the performance of their duties.

Furthermore, the Statutory Audit Board appreciated the Corporate Governance Report which is attached to the company's Management Report, regarding the consolidated financial accounts, under the terms and for the purpose of No. 5 of Art. 420 of the Portuguese Commercial Code (Código das Sociedades Comerciais), having concluded that the report includes the elements referred to in Art. 245 – A of the Securities Market Code (Código dos Valores Mobiliários).

Still, in the fulfilment of its duties, the Statutory Audit Board reviewed the Report of the Board of Directors, including the Corporate Governance Report, and remaining individual and consolidated documents of account prepared by the Board of Directors, concluding that these information was prepared in accordance with the applicable legislation and that it is appropriate to the understanding of the financial position and results of the Company and the consolidation perimeter, and has reviewed the Statutory Audit and Auditors' Report issued by the Statutory Auditor and agreed with its content.

2 – **Opinion**

Considering the above, in the opinion of the Statutory Audit Board, that all the necessary conditions are fulfilled in order for the Shareholders' General Meeting to approve:

a) the Report of the Board of Directors;

b) the individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2018;

c) the proposal of net profit appropriation presented by the Board of Directors.

3 – **Responsibility Statement**

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 and with the terms defined in paragraph c) nº 1 of the article 245º of the Portuguese Securities Market Code, the members of the Statutory Audit Board declare that, to their knowledge, the information contained individual and consolidated financial statements were prepared in accordance with applicable accounting

standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Sonaecom, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding that the Board of Directors Report faithfully describes the business evolution, performance and financial position of Sonaecom, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face. It is also declared that the Corporate Governance Report complies with article 245º A of the Portuguese Securities Market Code.

Maia, 26 March 2019

The Statutory Audit Board

João Manuel Gonçalves Bastos

Maria José Martins Lourenço da Fonseca

Óscar José Alçada da Quinta

Sonaecom SGPS is listed on the Euronext Stock Exchange. Information is available on Reuters under the symbol SNC.LS and on Bloomberg under the symbol SNC:PL.

SAFE HARBOUR

This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that are not historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, the telecommunications industry and economic conditions; and the effects of competition. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, analysts and, generally, the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. You are cautioned not to put undue reliance on any forward-looking information or statements. We do not undertake any obligation to update any forward-looking information or statements.

Report available on Sonaecom's corporate website

www.sonae.com

Investor Relations Contacts

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