

# SONAE COM

MANAGEMENT REPORT & ACCOUNTS

9M19



*The consolidated financial information disclosed in this report is based on unaudited financial statements, prepared in accordance with the International Financial Reporting Standards (IAS/IFRS), issued by the International Accounting Standards Board (IASB), as adopted by the European Union.*



## Table of contents

### I MANAGEMENT REPORT

1. Main Highlights	5
2. Sonaecom Consolidated Results	5
2.1 Telecommunications	6
2.2 Technology	7
2.3 Media	10
3. Appendix	11

### II FINANCIAL STATEMENTS

4. Financial Information	14
4.1. Sonaecom consolidated financial statements	14
4.2. Notes to the consolidated financial statements of Sonaecom	21
4.3. Sonaecom separate financial statements	87
4.4. Notes to the separate financial statements of Sonaecom	93



## I – MANAGEMENT REPORT



# 1. Main Highlights

---

Consolidated turnover of 102.6 million euros increasing 30.8% y.o.y, or 11.1% on a comparable basis

NOS presenting 1.5% y.o.y consolidated revenues growth and a strong FCF generation in the quarter of 44.4 million euros

Technology revenues reaching 90.3 million euros, growing 35.9% y.o.y, or 12.3%, on a comparable basis, and with International markets weighting almost 40%

**Total EBITDA reaching 37.4 million euros, positively impacted by the capital gain generated with WeDo and Saphety's sale**

## 2. Sonaecom Consolidated Results

---

*Introductory notes:*

*As from 1Q19, Sonaecom's accounts are reported applying IFRS 16, primarily affecting the accounting of operating lease contracts. Restated values for the corresponding periods in 2018 are presented in this report.*

*On March and August, Sonae IM sold the total share capital of Saphety and WeDo, respectively. Subsequent to these operations, Sonaecom adjusted the 2018 and the 1H19 profit and loss statements on a pro-forma basis, assuming Saphety and WeDo contribution as a discontinued operation since January 2018.*

---

Telecommunications area, which includes a 50% stake in ZOPT - consolidated through the equity method - which owns 52.15% stake in NOS, presented, in the 3Q19, an increase in y.o.y consolidated revenues growth, led by solid telco performance and a record quarter for Cinema exhibition. RGU growth accelerated in 3Q19 driven by seasonal pick-up in mobile subscribers, increased traction in Pay TV services and increased penetration of integrated and convergent offers. The quarter presented a strong FCF generation of 44.4 million euros, although declining versus 3Q18 due to non-recurrent impact of legal settlement in same quarter last year.

During the 9M19, Technology area, besides reinforcing its participation in some portfolio companies, has entered in the capital of six new companies, three of which in early stage.

Also in 9M19, and aligned with its active portfolio management strategy, Sonae IM sold 100% of its Saphety's shares to members of management team, backed by Oxy Capital and sold 100% of its WeDo's shares to Mobileum, Inc..

Turnover

Consolidated turnover in 9M19 reached 102.6 million euros, increasing 30.8%, when compared to 9M18, or 11.1%, on a comparable basis, assuming the same portfolio companies in both periods.

This positive evolution was driven by both Media and Technology area, the latter presenting a growth of 35.9% y.o.y, or 12.3%, on a comparable basis.

Operating costs

Operating costs amounted to 110.9 million euros, 33.2% above 9M18. Personnel costs grew 52.1% reflecting the increase in the average number of employees, driven by the consolidation of Nextel and Excellium. Commercial costs increased 26.3% to 59.8 million euros, mainly driven by the higher cost of goods sold, aligned with the higher level of sales. Other operating costs increased 25.7%, mainly explained by the higher level of Outsourcing costs, also explained by the consolidation of Nextel and Excellium.

EBITDA

Total EBITDA stood at 37.4 million euros, or 23.8 million euros excluding non-recurrent items that correspond to the net capital gain generated by Saphety and WeDo's sale.

The capital gain generated with WeDo is based only on the fixed amount of 70 million USD and deducted from transaction related costs. The total price also includes a variable and deferred component depending on the performance of the combined businesses, until 31 December 2021, with a maximum value of 27 million USD.

In 9M18, the non-recurrent items stood at 38.3 million euros, driven by the capital gain generated with Outsystems financing round.

The equity results, mostly driven by ZOPT contribution which, in turn, depends on NOS net income evolution, increased to 31.4 million euros. Underlying EBITDA stood at negative 6.6 million euros, decreasing 2.7 million euros versus 9M18, strongly impacted by the negative contribution of the new consolidated companies.

#### Net results

Sonaecom's EBIT decreased to 31.1 million euros, from 60.7 million in 9M18, explained by the lower level of EBITDA and the higher level of depreciations.

Net financial results stood at 0.02 million euros in 9M19 that compares with 0.3 million in the previous year.

Sonaecom's earnings before tax (EBT) decreased from 61.0 million to 31.1 million euros, driven by the lower EBIT and financial results.

Indirect results reached negative 0.5 million euros, that compare with positive 6.8 million euros in 9M18, impacted by Armilar Venture Funds' portfolio fair value adjustments.

Net results group share stood at 33.9 million euros, below the 57.8 million euros presented in 9M18.

#### Operating CAPEX

Sonaecom's operating CAPEX increased to 5.7 million euros, reaching 5.5% of turnover, 1.2 p.p. above 9M18. Excluding the IFRS 16 impact, operating CAPEX would be 2.9 million euros, 0.6 million euros above 9M18, also without IFRS 16.

#### Capital structure

The net cash position stood at 250.8 million euros, increasing 44.0 million euros since December 2018. Excluding IFRS 16 impacts, Net cash position stood at 262.9 million euros, 43.3 million above December 2018, driven by the 47.0 million euros of dividends from ZOPT and the 48.2 million of positive net inflow from investment activity, and despite the 34.2 million euros of dividends distribution and the negative operating cash flow of 18.5 million euros.

## 2.1 Telecommunications

NOS operating revenues were 1,185.2 million euros in 9M19, growing 1.5% y.o.y..

EBITDA reached 505.3 million euros, increasing 2.8% when compared to 9M18 and representing a 42.6% EBITDA margin.

CAPEX excluding leasings amounted to 274.7 million euros in 9M19, a decrease of 1.7% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX increased 8.7%.

At the end of 9M19, total net debt including leasings and long-term contracts (according to IFRS 16) amounted to 1,329.1 million euros. Net Financial Debt/EBITDA after lease payments (last 4 quarters) now stands at 1.9x EBITDA, and with an average maturity of 3.1 years.

NOS published its 9M19 results on 6<sup>th</sup> November 2019, which are available at [www.nos.pt](http://www.nos.pt).

During 9M19, NOS share price decreased 5.4% from €5.295 to €5.010, whilst PSI20 increased by 5.1%.

#### Operational Indicators

Million euros

Operational Indicators ('000)	3Q18 <sup>(R)</sup>	3Q19	Δ 19/18	2Q19	q.o.q.	9M18 <sup>(R)</sup>	9M19	Δ 19/18
Total RGUs	9,548.9	9,652.9	1.1%	9,583.8	0.7%	9,548.9	9,652.9	1.1%
Convergent + Integrated RGUs	4,432.8	4,622.1	4.3%	4,574.9	1.0%	4,432.8	4,622.1	4.3%

## Financial indicators

Million euros

NOS HIGHLIGHTS	3Q18 <sup>(R)</sup>	3Q19	Δ 19/18	2Q19	q.o.q.	9M18 <sup>(R)</sup>	9M19	Δ 19/18
Operating Revenues	395.0	403.4	2.1%	396.4	1.8%	1,167.3	1185.2	1.5%
EBITDA	167.7	173.4	3.4%	171.2	1.3%	491.7	505.3	2.8%
EBITDA margin (%)	42.5%	43.0%	0.5pp	43.2%	-0.2pp	42.1%	42.6%	0.5pp
Net Income	45.3	47.9	5.7%	47.7	0.3%	125.1	138.1	10.4%
CAPEX excluding Leasings	100.2	92.2	-8.0%	95.2	-3.2%	279.6	274.7	-1.7%
EBITDA-CAPEX excluding Leasings	67.5	81.2	20.2%	76.1	6.7%	212.2	230.7	8.7%

(R) The values were restated in order to reflect IFRS16 application impacts.

## 2.2 Technology

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, four controlled companies – S21Sec, Bizdirect, Inovretail and Excellium- that generated circa 37.6% of its revenues outside the Portuguese market with 70.3% out of the total 676 employees based abroad.

### Controlled Companies

S21Sec is a reference multinational MSSP (Managed Security Services Provider), 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. Since June 2018, with the integration of Nextel, S21Sec is the most relevant “pure player” (company specializing exclusively in the cybersecurity sector) in Spain and Portugal in terms of turnover and number of cybersecurity experts.

Excellium is a market-leading managed security services provider from Luxembourg, with presence in Belgium and counting with more than 100 experts. Sonae IM investment, at the end of 2018, was aimed both at accelerating growth through a capital raise and acquisition of a majority stake.

This investment, 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.

Bizdirect is a technology company specialized in IT solutions commercialization, consulting and management of corporate software licensing contracts and Microsoft solutions integration.

During 9M19, the cloud business unit continued to improve 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 6.6% 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.

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.

Armlar 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 analyses 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 series B 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 company, 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.

CB4 is a company based in Israel that provides a patented AI software solution for brick and mortar retailers to identify and correct critical operational issues at store, product level. The investment was part of a series B \$16M round, led by Octopus Ventures with Sonae IM joining. Existing investors Sequoia Capital and Pereg Ventures also participated in the round.



Cellwize is a leading provider of Mobile Network Automation and Orchestration solutions for telco, based in Israel. Cellwize offers modular solutions for an agile adoption of 'zero-touch' network automation capabilities on top of a virtualized service orchestration platform. It supports network operations, especially given the increase in network density and complexity driven by 5G adoption. Sonae IM invested in a series B round of \$15M led by Deutsche Telekom Capital Partners.

Daisy Intelligence is an AI-powered platform for retail merchandising teams focused on optimizing promotional product and price mixes for dramatically improved business results. Sonae IM partnered with Framework Venture Partners invested in a C\$ 10M (circa €7M) series A round.

## Financial indicators

Million euros

TECHNOLOGY AREA	3Q18 <sup>(R)</sup>	3Q19	Δ 19/18	2Q19 <sup>(R)</sup>	q.o.q.	9M18 <sup>(R)</sup>	9M19	Δ 19/18
Turnover	20.9	24.0	14.8%	35.6	-32.7%	66.5	90.3	35.9%
Service Revenues	8.1	11.1	37.5%	10.4	6.7%	19.8	31.4	58.7%
Sales	12.8	12.9	0.4%	25.2	-49.0%	46.7	58.9	26.2%
Other Revenues	0.2	0.4	95.6%	0.3	53.5%	0.3	1.0	-
Operating Costs	22.0	26.0	18.4%	37.4	-30.4%	68.1	96.0	40.9%
Personnel Costs	6.2	9.4	51.5%	8.9	6.0%	15.2	26.8	76.6%
Commercial Costs <sup>(1)</sup>	12.2	12.2	0.0%	24.5	-50.1%	44.6	57.0	27.9%
Other Operating Costs <sup>(2)</sup>	3.6	4.4	23.5%	4.1	8.1%	8.3	12.1	45.6%
Underlying EBITDA <sup>(3)</sup>	-0.9	-1.7	-85.1%	-1.5	-10.0%	-1.4	-4.7	-
Underlying EBITDA Margin (%)	-4.3%	-6.9%	-2.6pp	-4.2%	-2.7pp	-2.1%	-5.2%	-3.1pp
Operating CAPEX <sup>(4)</sup>	0.8	0.8	2.5%	1.0	-19.3%	2.7	4.1	51.8%
Operating CAPEX as % of Turnover	3.6%	3.3%	-0.4pp	2.7%	0.5pp	4.1%	4.5%	0.5pp
Underlying EBITDA - Operating CAPEX	-1.7	-2.4	-47.2%	-2.5	1.4%	-4.1	-8.8	-115.6%
Total CAPEX	5.9	8.1	37.6%	7.2	13.2%	17.5	25.1	43.2%

(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) Operating CAPEX excludes Financial Investments; (R) The values were restated in order to reflect IFRS16 application impacts and Sonaecom structure after Saphety and WeDo sale.

### Turnover

Turnover increased 35.9% y.o.y., fuelled by the integration of Nextel and Excellium. On a comparable basis, assuming the same portfolio companies in both periods, Turnover increased by 12.3%.

### Operating costs

Operating costs increased 40.9% to 96.0 million euros. Staff costs increased 76.6% driven by the growth in the number of employees, mainly driven by Nextel and Excellium consolidation. Commercial costs increased 27.9% mainly driven by cost of goods sold, aligned with the higher level of sales. Other operating costs increased 45.6%, mainly explained by the higher level of Outsourcing Costs, also explained by the enlarged portfolio.

### Underlying EBITDA

Underlying EBITDA stood at negative 4.7 million euros versus negative 1.4 million euros presented in 9M18, significantly impacted by the consolidation of the new cybersecurity companies.

### Underlying EBITDA-operating CAPEX

Underlying EBITDA-operating CAPEX stood at negative 8.8 million euros, decreasing when compared to 9M18, mainly explained by the higher level of Operating CAPEX but also driven by the lower EBITDA. Excluding the IFRS 16 impacts, operating CAPEX would have reached 2.3 million euros, 0.5 million euros above 9M18, also without IFRS 16.



## 2.3 Media

---

During 9M19, Público continued to pursue its digital strategy reinforcing digital competencies and presence in online platforms and continued to implement important initiatives aimed at strengthening Público as the reference Portuguese speaking news organisation.

The positive performance of online subscriptions, newspaper sales and advertising online translated into an overall 5.6% revenue growth, when compared to 9M18.

### 3. Appendix

#### Consolidated income statement

Million euros

CONSOLIDATED INCOME STATEMENT	3Q18 <sup>(R)</sup>	3Q19	Δ 19/18	2Q19 <sup>(R)</sup>	q.o.q.	9M18 <sup>(R)</sup>	9M19	Δ 19/18
Turnover	24.8	28.1	13.1%	40.1	-30.0%	78.4	102.6	30.8%
Service Revenues	9.5	12.7	32.9%	12.7	-0.6%	25.0	36.9	47.3%
Sales	15.3	15.4	0.8%	27.4	-43.7%	53.4	65.7	23.1%
Other Revenues	0.4	0.6	62.7%	0.4	40.4%	0.8	1.6	95.1%
Operating Costs	27.0	31.1	15.0%	42.4	-26.8%	83.2	110.9	33.2%
Personnel Costs	8.8	11.9	35.4%	11.2	6.0%	22.5	34.3	52.1%
Commercial Costs <sup>(1)</sup>	13.1	13.2	0.5%	25.5	-48.1%	47.3	59.8	26.3%
Other Operating Costs <sup>(2)</sup>	5.1	6.0	17.0%	5.8	3.9%	13.4	16.8	25.7%
EBITDA	8.6	17.3	102.0%	8.5	105.0%	63.9	37.4	-41.5%
Underlying EBITDA <sup>(3)</sup>	-1.9	-2.4	-29.6%	-1.9	-27.2%	-4.0	-6.6	-66.9%
Non recurrent items <sup>(4)</sup>	0.0	8.5	-	0.0	-	38.3	13.6	-64.6%
Equity method <sup>(5)</sup>	10.4	11.2	8.1%	10.8	3.7%	29.2	31.4	7.5%
Discontinued Operations <sup>(6)</sup>	0.1	0.0	-96.5%	-0.5	-	0.4	-1.0	-
Underlying EBITDA Margin (%)	-7.5%	-8.6%	-1.1pp	-4.7%	-3.9pp	-5.1%	-6.5%	-1.4pp
Depreciation & Amortization	1.4	2.1	51.8%	2.4	-12.4%	3.2	6.3	95.6%
EBIT	7.2	15.3	111.5%	6.1	151.2%	60.7	31.1	-48.7%
Net Financial Results	0.3	0.0	-	-0.1	97.4%	0.3	0.0	-94.8%
Financial Income	0.4	0.6	42.9%	0.4	66.9%	1.7	1.5	-7.3%
Financial Expenses	0.2	0.6	-	0.5	26.5%	1.3	1.5	14.4%
EBT	7.5	15.3	103.6%	6.0	156.3%	61.0	31.1	-49.0%
Tax results	0.5	0.4	-33.9%	0.3	18.5%	-10.0	1.7	-
Direct Results	8.0	15.6	94.4%	6.2	149.7%	51.0	32.8	-35.8%
Indirect Results <sup>(7)</sup>	-0.1	0.2	-	-0.9	-	6.8	-0.5	-
Net Income	7.9	15.8	-	5.4	-	57.8	32.2	-44.3%
Group Share	8.0	16.5	104.9%	6.2	166.4%	57.8	33.9	-41.4%
Attributable to Non-Controlling Interests	-0.1	-0.6	-	-0.8	21.8%	0.0	-1.7	-

(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 capital gain in Outsystms and Saphety and WeDo's sale;

(5) 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;

(6) Includes Saphety and WeDo contributions until the sale;

(7) Includes equity method adjustments related with AVP funds and related taxes;

(R) The values were restated in order to reflect IFRS16 application impacts and Sonaecom structure after Saphety and WeDo sale.

The provision recorded in 4Q18 related to the incentive in favour of Armilar, as the funds have exceeded the defined return barrier, was partially reclassified to 2Q18 and 3Q18, impacting indirect results and with the objective of allocating the provision to the period in which the return barrier was surpassed. From the total gain recorded in 2Q18, related with Outsystms financing round, the part corresponding to the realized capital gain was reclassified to EBITDA and Taxes. The remaining part of fair value adjustments was kept as indirect results.

## Consolidated balance sheet

Million euros

CONSOLIDATED BALANCE SHEET	3Q18 <sup>(R)</sup>	3Q19	Δ 19/18	2Q19 <sup>(R)</sup>	q.o.q.	9M18 <sup>(R)</sup>	9M19	Δ 19/18
Total Net Assets	1,166.5	1,168.5	0.2%	1,189.8	-1.8%	1,166.5	1,168.5	0.2%
Non Current Assets	855.3	856.5	0.1%	897.0	-4.5%	855.3	856.5	0.1%
Tangible and Intangible Assets	34.0	22.6	-33.4%	44.2	-48.9%	34.0	22.6	-33.4%
Goodwill	25.6	14.8	-42.4%	36.3	-59.4%	25.6	14.8	-42.4%
Investments	782.2	805.6	3.0%	799.6	0.8%	782.2	805.6	3.0%
Deferred Tax Assets	10.8	5.5	-48.9%	11.0	-49.8%	10.8	5.5	-48.9%
Others	2.8	8.0	189.0%	5.8	36.7%	2.8	8.0	189.0%
Current Assets	311.2	312.0	0.3%	292.8	6.5%	311.2	312.0	0.3%
Trade Debtors	33.7	17.2	-48.8%	48.7	-64.7%	33.7	17.2	-48.8%
Liquidity	245.2	271.2	10.6%	211.0	28.5%	245.2	271.2	10.6%
Others	32.3	23.6	-27.0%	33.1	-28.8%	32.3	23.6	-27.0%
Shareholders' Funds	1,055.8	1,063.9	0.8%	1,048.8	1.4%	1,055.8	1,063.9	0.8%
Group Share	1,057.2	1,064.1	0.7%	1,048.3	1.5%	1,057.2	1,064.1	0.7%
Non-Controlling Interests	-1.4	-0.2	86.2%	0.5	-	-1.4	-0.2	86.2%
Total Liabilities	110.7	104.6	-5.5%	141.0	-25.8%	110.7	104.6	-5.5%
Non Current Liabilities	41.3	55.7	34.8%	59.6	-6.7%	41.3	55.7	34.8%
Bank Loans	3.7	4.9	33.3%	2.7	83.5%	3.7	4.9	33.3%
Provisions for Other Liabilities and Charges	20.6	20.9	1.4%	22.4	-7.0%	20.6	20.9	1.4%
Others	17.0	29.9	75.4%	34.5	-13.4%	17.0	29.9	75.4%
Current Liabilities	69.4	48.9	-29.5%	81.4	-39.9%	69.4	48.9	-29.5%
Loans	3.9	2.8	-27.4%	4.0	-29.4%	3.9	2.8	-27.4%
Trade Creditors	13.5	10.0	-26.1%	23.8	-58.2%	13.5	10.0	-26.1%
Others	52.0	36.1	-30.6%	53.5	-32.5%	52.0	36.1	-30.6%
Operating CAPEX <sup>(1)</sup>	0.9	1.1	26.3%	1.3	-14.6%	3.4	5.7	68.1%
Operating CAPEX as % of Turnover	3.6%	4.1%	0.4pp	3.3%	0.7pp	4.3%	5.5%	1.2pp
Total CAPEX	6.0	8.5	40.3%	7.5	12.5%	18.2	26.7	46.6%
Underlying EBITDA - Operating CAPEX	-2.8	-3.6	-28.5%	-3.2	-9.9%	-7.4	-12.3	-67.5%
Gross Debt	15.7	20.4	29.9%	23.9	-14.9%	15.7	20.4	29.9%
Net Debt	-229.5	-250.8	-9.3%	-187.0	-34.1%	-229.5	-250.8	-9.3%

(1) Operating CAPEX excludes Financial Investments;

(R) The values were restated in order to reflect IFRS16 application impacts and Sonaecom structure after Saphety and WeDo sale. The Balance Sheet of 2018 and 1Q19 was adjusted due to the review of purchase price allocation of Excellium, according to IFRS3.

## Consolidated levered FCF

Million euros

LEVERED FREE CASH FLOW	3Q18 <sup>(R)</sup>	3Q19	Δ 19/18	2Q19 <sup>(R)</sup>	q.o.q.	9M18 <sup>(R)</sup>	9M19	Δ 19/18
Underlying EBITDA-Operating CAPEX	-2.8	-3.6	-28.5%	-3.2	-9.9%	-7.4	-12.3	-67.5%
Change in WC	8.4	0.3	-96.8%	-4.2	-	3.6	-3.7	-
Non Cash Items & Other	0.4	-4.6	-	0.9	-	6.0	-2.5	-
Operating Cash Flow	6.0	-7.8	-	-6.6	-19.7%	2.3	-18.5	-
Investments	-5.1	52.9	-	-6.3	-	40.3	48.2	19.4%
Dividends	2.5	11.5	-	35.5	-67.6%	19.8	47.0	137.9%
Financial results	0.3	0.3	-11.2%	-0.2	-	0.6	0.5	-24.5%
Income taxes	-10.6	0.9	-	0.2	-	-10.3	1.6	-
FCF <sup>(1)</sup>	-6.8	57.7	-	22.8	153.8%	52.7	78.8	49.5%

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

(R) The values were restated in order to reflect IFRS16 application impacts and Sonaecom structure after Saphety and WeDo sale.



## II – FINANCIAL STATEMENTS

## 4. Financial Information

### 4.1. Sonaecom consolidated financial statements

#### Consolidated statement of financial position

For the periods ended at 30 September 2019 and 2018 (restated – note 1.ac) and for the year ended at 31 December 2018 (restated – note 1.ac).

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	September 2018 (not audited and restated)	December 2018 (restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Tangible assets	1.c and 5	1,986,539	2,838,610	3,381,652
Intangible assets	1.d, 1.e, 1.x and 6	12,023,585	23,409,374	29,375,733
Rights of use	1.h and 7	8,601,737	7,712,923	13,123,631
Goodwill	1.f, 1.x and 8	14,750,856	25,595,895	36,289,522
Investments in associated companies and companies jointly controlled	1.b and 9	758,691,482	764,668,968	779,132,697
Investments at fair value through other comprehensive income	1.g, 4 and 10	46,953,793	17,569,002	28,101,682
Deferred tax assets	1.p, 1.t and 11	5,508,972	10,791,267	10,275,910
Other non-current assets	1.g, 1.r, 4 and 23	7,962,922	2,755,552	3,009,243
<b>Total non-current assets</b>		<b>856,479,886</b>	<b>855,341,591</b>	<b>902,690,070</b>
<b>Current assets</b>				
Inventories	1.i	371,330	289,542	369,870
Trade debtors	1.g, 1.j, 1.x., 4 and 23	17,221,428	33,664,724	50,960,546
Other current debtors	1.g, 1.j, 1.x, 4 and 23	6,323,946	7,175,417	8,591,931
Income tax receivable	1.p and 4	1,841,481	7,118,903	3,043,207
Other current assets	1.g, 1.r, 1.x, 4 and 23	15,065,168	17,734,896	17,051,088
Cash and cash equivalents	1.g, 1.k, 4 and 12	271,195,649	245,197,816	229,040,868
<b>Total current assets</b>		<b>312,019,002</b>	<b>311,181,298</b>	<b>309,057,510</b>
<b>Total assets</b>		<b>1,168,498,888</b>	<b>1,166,522,889</b>	<b>1,211,747,580</b>
<b>Shareholders' funds and liabilities</b>				
<b>Shareholders' funds</b>				
Share capital	13	230,391,627	230,391,627	230,391,627
Own shares	1.v and 14	(7,686,952)	(7,686,952)	(7,686,952)
Reserves	1.u	807,518,856	776,668,511	776,724,100
Consolidated net income/(loss) for the period		33,876,611	57,811,510	69,034,540
		1,064,100,142	1,057,184,696	1,068,463,315
<b>Non-controlling interests</b>		<b>(190,265)</b>	<b>(1,375,277)</b>	<b>670,783</b>
<b>Total Shareholders' funds</b>		<b>1,063,909,877</b>	<b>1,055,809,419</b>	<b>1,069,134,098</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current loans net of current position	1.g, 1.l, 1.m, 1.q, 4 and 15.a	4,923,269	3,692,542	3,677,091
Non-current lease liabilities	1.g, 1.h, 4 and 16	9,292,058	4,859,207	9,522,942
Provisions for other liabilities and charges	1.o, 1.t and 17	20,863,293	20,575,306	23,615,649
Deferred tax liabilities	1.p, 1.t and 11	13,775,691	11,530,433	13,930,732
Other non-current liabilities	1.g, 1.r, 1.y, 4, 23 and 29	6,804,227	636,993	7,294,586
<b>Total non-current liabilities</b>		<b>55,658,538</b>	<b>41,294,481</b>	<b>58,041,000</b>
<b>Current liabilities</b>				
Current loans and other loans	1.g, 1.l, 1.m, 1.q, 4 and 15.b	2,848,745	3,925,694	5,209,946
Trade creditors	1.g, 4 and 23	9,969,064	13,494,683	18,941,483
Current lease liabilities	1.g, 1.h, 4 and 18	3,314,058	3,169,761	3,850,740
Other creditors	1.g, 4 and 23	9,094,798	15,548,262	14,440,264
Income tax payable	1.p and 4	325,205	245,089	310,220
Other current liabilities	1.g, 1.r, 1.y, 4, 23 and 29	23,378,603	33,035,500	41,819,829
<b>Total current liabilities</b>		<b>48,930,473</b>	<b>69,418,989</b>	<b>84,572,482</b>
<b>Total liabilities</b>		<b>104,589,011</b>	<b>110,713,470</b>	<b>142,613,482</b>
<b>Total Shareholders' funds and liabilities</b>		<b>1,168,498,888</b>	<b>1,166,522,889</b>	<b>1,211,747,580</b>

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 periods ended at 30 September 2019 and 2018 (restated – note 1.ac) and for the year ended at 31 December 2018 (restated – note 1.ac).

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	July to September 2019 (not audited)	September 2018 (not audited and restated)	July to September 2018 (not audited and restated)	December 2018 (restated)
Sales	1s and 23	65,721,682	15,408,985	53,387,578	15,279,285	73,195,865
Services rendered	1s and 23	36,879,009	12,659,719	25,034,999	9,527,759	35,557,298
Other operating revenues	1.q and 23	1,560,202	596,098	842,273	366,391	1,743,750
		104,160,893	28,664,802	79,264,850	25,173,435	110,496,913
Cost of sales	1.i	(57,582,773)	(12,685,104)	(45,652,331)	(12,716,279)	(62,663,733)
External supplies and services	19 and 23	(18,418,202)	(6,288,228)	(14,741,172)	(5,490,639)	(20,768,052)
Staff expenses	1.y, 28 and 29	(34,288,981)	(11,886,568)	(22,536,913)	(8,776,225)	(31,371,382)
Depreciation and amortisation	1.c, 1.d, 1.f, 1.h, 1.x, 5, 6, 7 and 8	(6,261,305)	(2,091,130)	(3,200,435)	(1,377,939)	(5,484,765)
Provisions and impairment losses	1.j, 1.o, 1.x and 17	(216,173)	(134,049)	(171,773)	(30,894)	(575,000)
Other operating costs		(285,718)	(84,310)	(136,482)	(21,596)	(275,025)
		(117,053,152)	(33,169,389)	(86,439,106)	(28,413,572)	(121,137,957)
Gains and losses in associated companies and companies jointly controlled	1.b, 9 and 21	30,724,392	11,543,527	76,272,166	10,270,715	89,861,059
Other financial expenses	1.h, 1.m, 1.w, 1.x and 20	(1,514,069)	(627,919)	(1,323,183)	(157,229)	(2,151,673)
Other financial income	1.h, 1.w and 20	1,531,185	624,802	1,652,054	437,218	2,382,209
Current income / (loss)		17,849,249	7,035,823	69,426,781	7,310,567	79,450,551
Income taxation	1.p, 11 and 22	1,808,680	285,684	(11,960,185)	564,933	(11,395,534)
Consolidated net income/(loss) for the period of continued operations		19,657,929	7,321,507	57,466,596	7,875,500	68,055,017
Consolidated net income/(loss) for the period of discontinued operations	26	12,568,216	8,526,264	366,197	58,792	920,392
Consolidated net income/(loss) for the period		32,226,145	15,847,770	57,832,793	7,934,292	68,975,409
Attributed to:						
Shareholders of the parent company	27	33,876,611	16,475,540	57,811,510	8,042,644	69,034,540
Non-controlling interests		(1,885,496)	(637,112)	(9,530)	(110,482)	(100,937)
Non-controlling interests (discontinued operations)	26	235,030	9,343	30,813	2,130	41,806
Earnings per share						
Including discontinued operations						
Basic	27	0.11	0.05	0.19	0.03	0.23
Diluted	27	0.11	0.05	0.19	0.03	0.23
Excluding discontinued operations						
Basic	27	0.11	0.05	0.19	0.03	0.23
Diluted	27	0.11	0.05	0.19	0.03	0.23

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

The Chief Accountant

The Board of Directors

## Consolidated statement of comprehensive income

For the periods ended at 30 September 2019 and 2018 (restated – note 1.ac) and for the year ended at 31 December 2018 (restated – note 1.ac)

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	July to September 2019 (not audited)	September 2018 (not audited and restated)	July to September 2018 (not audited)	December 2018 (restated)
Consolidated net income / (loss) for the period		32,226,145	15,847,770	57,832,793	7,934,292	68,975,409
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 the equity method	9	(2,749,654)	(838,110)	(22,235,911)	(5,104,382)	(24,862,555)
Changes in currency translation reserve and other	1u	457,013	128,693	(471,600)	(33,690)	(136,830)
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	9	(1,701,012)	(12,516)	(785,640)	-	(785,643)
Fair value of investments		-	-	-	-	2,385,907
Consolidated comprehensive income for the period		28,232,492	15,125,837	34,339,642	2,796,220	45,576,288
Attributed to:						
Shareholders of the parent company		29,882,958	15,753,607	34,318,359	2,903,780	45,635,419
Non-controlling interests		(1,650,466)	(627,770)	21,283	(107,560)	(59,131)

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

The Chief Accountant

The Board of Directors



## Consolidated statement of changes in equity

For the periods ended at 30 September 2019 and 2018 (restated– note 1.ac)

			Reserves							
(Amounts expressed in Euro)	Share capital	Own shares (note 14)	Share premium	Legal reserves	Reserves of own shares	Other reserves	Total reserves	Non- -controlling	Net income / (loss)	Total
<b>2019</b>										
Balance at 31 December 2018 (restated)	230,391,627	(7,686,952)	775,290,377	17,701,887	7,686,952	(23,955,116)	776,724,100	670,783	69,034,540	1,069,134,098
Appropriation of the consolidated net result of 2018										
Transfers to other reserves	-	-	-	843,305	-	68,191,235	69,034,540	-	(69,034,540)	-
Dividend distribution	-	-	-	-	-	(34,246,131)	(34,246,131)	(110,000)	-	(34,356,131)
Consolidated comprehensive income for the period ended at 30 September 2019	-	-	-	-	-	(3,993,653)	(3,993,653)	(1,650,466)	33,876,611	28,232,492
Capital increase in subsidiaries	-	-	-	-	-	-	-	947,500	-	947,500
Other changes	-	-	-	-	-	-	-	(48,082)	-	(48,082)
Balance at 30 September 2019	230,391,627	(7,686,952)	775,290,377	18,545,192	7,686,952	5,996,335	807,518,856	(190,265)	33,876,611	1,063,909,877
<b>2018</b>										
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										
Transfer to other reserves	-	-	-	788,525	-	21,977,441	22,765,966	-	(22,765,966)	-
Dividend distribution	-	-	-	-	-	(11,313,454)	(11,313,454)	(585,000)	-	(11,898,454)
Percentage change in subsidiaries	-	-	-	-	-	4,584,072	4,584,072	(4,584,072)	-	-
Consolidated comprehensive income for the period ended at 30 September 2018 (restated)	-	-	-	-	-	(16,548,596)	(16,548,596)	22,123	57,198,465	40,671,992
Consolidated comprehensive income for the period ended at 30 September 2018 - Impact of the application of IFRS 16 (restated)	-	-	-	-	-	(6,944,555)	(6,944,555)	-	-	(6,944,555)
Capital increase in subsidiaries	-	-	-	-	-	-	-	2,053,149	-	2,053,149
Impact of the application of IFRS 15	-	-	-	-	-	(359,278)	(359,278)	-	-	(359,278)
Impact of the application of IFRS 16 (restated)	-	-	-	-	-	(314,378)	(314,378)	(7,930)	613,044	290,736
Other changes	-	-	-	-	-	16,902	16,902	101,410	-	118,312
Balance at 30 September 2018 (restated)	230,391,627	(7,686,952)	775,290,377	17,701,887	7,686,952	(24,010,705)	776,668,511	(1,375,276)	57,811,509	1,055,809,419

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

The Chief Accountant

The Board of Directors

## Consolidated cash flow statement

For the periods ended at 30 September 2019 and 2018 (restated – note 1.ac)

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	September 2018 (not audited and restated)
<b>Operating activities</b>			
Receipts from trade debtors		143,273,890	130,458,494
Payments to trade creditors		(90,357,046)	(78,045,447)
Payments to employees		(57,168,086)	(50,011,325)
Cash flows generated by operations		(4,251,242)	2,401,722
Payments / receipts relating to income taxes		(2,663,193)	(4,844,721)
Other receipts / payments relating to operating activities		(2,848,587)	(2,807,175)
Cash flows from operating activities (1)		(9,763,022)	(5,250,174)
<b>Investing activities</b>			
Receipts from:			
Financial investments		68,743,220	16,480,788
Tangible assets	5	34,630	2,762
Intangible assets	6	-	18,660
Dividends	23	46,991,788	19,756,031
Interest and similar income		1,096,426	13,677
Others	9	-	41,343,720
Payments for:			
Financial investments		(20,565,997)	(15,023,701)
Tangible assets	5	(2,399,686)	(524,712)
Intangible assets	6	(935,082)	(928,515)
Cash flows from investing activities (2)		92,965,299	61,138,710
<b>Financing activities</b>			
Receipts from:			
Capital increases, supplementary capital and share premium		947,500	2,053,149
Loans obtained		148,502	-
Others		-	1,503,670
Payments for:			
Leasing	16	(3,448,893)	(3,220,822)
Interest and similar expenses		(648,462)	(416,331)
Dividends	23	(34,356,131)	(11,898,454)
Loans obtained		(1,158,469)	(623,972)
Cash flows from financing activities (3)		(38,515,953)	(12,602,760)
Net cash flows (4)=(1)+(2)+(3)		44,686,324	43,285,776
Effect of the foreign exchanges		(4,323)	(113,647)
Effect of the discontinued operations		(2,535,126)	-
Cash and cash equivalents at the beginning of the period	12	228,550,322	202,025,377
Cash and cash equivalents at the end of the period	12	270,697,197	245,197,506

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

The Chief Accountant

The Board of Directors

## Notes to the consolidated cash flow statement

For the periods ended at 30 September 2019 and 2018

### 1. Description of non-monetary financing activities

	Notes	September 2019	September 2018
a) Bank credit obtained and not used	15	1,180,426	1,500,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

### 2. Acquisition or sale of subsidiaries or other businesses

	Notes	September 2019	September 2018
a) Amounts received of acquisitions			
Sold of participation on Saphety	3.c	8,323,095	-
Sold of participation on Wedo	3.c	60,420,125	-
Sold of 0,10% of participation on Digitmarket	3.c	-	3,422
Return of capital invested on Fundo Armilar II	9	-	16,477,366
		68,743,220	16,480,788
b) Amounts paid of acquisitions and others			
Cellwise	3.a	5,357,593	-
Visenze	3.a	5,244,147	-
Ometria	3.a	4,404,318	-
Daisy Intelligence	3.a	2,406,623	-
Case on IT	3.a	650,744	2,280,000
Convertivel Loan Style Sage	3.a	644,058	-
Convertivel Loan Secucloud	3.a	569,615	551,475
Armilar	3.a	450,212	-
Fyde	3.a	443,687	-
Automaise	3.a	300,000	-
Reblaze	3.a	-	2,352,437
Nextel	3.a	-	2,682,238
Nextail	3.a	-	2,300,000
ciValue	3.a	-	1,970,097
Jscrambler	3.a	-	1,250,000
Style Sage	3.a	-	812,414
RK.AI	3.a	-	200,000
Convertivel Loan Sensei	3.a	-	200,000
Beamy	3.a	-	150,040
Advert.io	3.a	-	150,000
EGI Factory	3.a	-	50,000
Binary answer	3.a	-	25,000
Supplementary capital Probely	3.a	-	25,000
Others	3.a	95,000	25,000
		20,565,997	15,023,701
c) Amounts received of dividends			
ZOPT	23	46,991,559	19,755,883
Caixa Bank		229	148
		46,991,788	19,756,031
d) Amounts paid of dividends			
Sontel BV, Sonae SGPS and other minority interests	23	34,246,131	11,313,454
Aitec and BPI		110,000	585,000
		34,356,131	11,898,454

### 3. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2019				
Multimedia	(1,513,164)	(491,327)	(247,297)	(2,251,788)
Information Systems	(5,721,922)	46,456,628	(3,548,583)	37,186,123
Holding	(2,527,936)	46,999,998	(34,720,073)	9,751,989
	(9,763,022)	92,965,299	(38,515,953)	44,686,324

Activity	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Net cash flows
2018				
Multimedia	(2,050,536)	(281,552)	(149,538)	(2,481,626)
Information Systems	144,597	41,870,548	(101,151)	41,913,994
Holding	(3,344,235)	19,549,714	(12,352,071)	3,853,408
	(5,250,174)	61,138,710	(12,602,760)	43,285,776

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

The Chief Accountant

The Board of Directors

## 4.2. Notes to the consolidated financial statements of Sonaecom

SONAECON, SGPS, S.A. (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. It is the parent company of the Group of companies listed in notes 2 and 3 ('the Group').

Sonaecom SGPS, S.A. is owned directly by Sontel BV and Sonae SGPS, SA and 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, 30,000,000 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 SONAECON, SGPS, S.A..

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

By decision of the Shareholders General Meeting held on 18 September 2006, Sonaecom's share capital was increased by Euro 69,720,000, from Euro 296,526,868 to Euro 366,246,868, by the issuance of 69,720,000 new shares of 1 euro each and with a share premium of Euro 275,657,217, subscribed by O93X – Telecomunicações Celulares, S.A. ('EDP') and Parpública – Participações Públicas, SGPS, S.A. ('Parpública'). The corresponding public deed was executed on 18 October 2006.

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

During the year ended at 31 December 2013, the merger between Zon Multimédia – Serviços de Telecomunicações e Multimédia, SGPS, S.A. ('Zon') and Optimus SGPS, SA (note 9) 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;
- Technologies.

Consequently, since the merger mentioned above, the telecommunications segment became jointly controlled (note 9).

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 54,906,830 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 onwards.

The Group operates in Portugal and has subsidiaries (from the technologies segment) operating in about 6 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 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 2019 and taking into consideration the IAS 34 – Interim Financial Reporting. These financial statements were prepared based on the historical cost, except for the revaluation of some financial instruments.

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

The following standards, interpretations, amendments and revisions have been approved (endorsed) by the European Union, and have mandatory application to the financial years beginning on or after 1 January 2019 and were first adopted in the period ended at 30 September 2019:

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.	
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.	
Amendments to IAS 19 - Plan amendment, curtailment or settlement	1-Jan-19
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.	
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.	
Amendments to IAS 28 - Long-term interests in associates and joint ventures	1-Jan-19
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.	

Standard / Interpretation	Effective date (annual periods beginning on or after)
Annual Improvements to IFRS Standards 2015-2018 Cycle	1-Jan-19
Annual Improvements to IFRSs 2015-2018 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015-2018 cycle for annual improvements to IFRSs. This cycle affects the following standards: IAS 23, IAS 12, IFRS 3 e IFRS 11.	

Regarding the new standards that became effective in the year beginning at 1 January 2019, the Group made an analysis of the changes introduced and the impact on the financial statements and concluded that the application of these standards, except for IFRS 16, had no material effect in the financial statements.

The disclosure of IFRS 16 impacts is described in the notes 1.ac.

The following standards, interpretations, amendments and revisions have not, as of the date of approval of these financial statements, been approved (endorsed) by the European Union:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 17 - Insurance contracts	1-Jan-21
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 has retrospective application.	
Amendments to references to the conceptual framework in IFRS standards	1-Jan-20
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.	
Amendments to IAS 1 and IAS 8: Definition of Material	1-Jan-20
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.	
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.	

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the period ended at 30 September 2019. Their application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group at 30 September 2019 are comparable with those used in the preparation of 30 September 2018 financial statements.

### Main accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements were 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 period 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 sale.

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 9.

**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 - 10
Fixtures and fittings	2 - 10
Tools and utensils	4

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 period is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

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

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

	Years of useful life
Brands and patents	1 - 15
Customers' portfolios	6
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 8), 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 9). 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 a sale transaction generates a loss of control, the assets and liabilities of the entity should be derecognised 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

##### 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. Their 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 includes financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity);

a. Regarding 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 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 "Gains / (losses) 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 Entity 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 cancelled or expire.

At 30 September 2019, the Group only recognises liabilities classified as 'Financial liabilities at amortised cost'.

#### h) Rights of use and leasing

A lease is defined as a contract, or part of a contract, that transfers the right to use a good (the underlying asset) for a period of time in exchange for a value.

At the beginning of each contract, it is evaluated and identified whether or not the contract contains a lease. This evaluation involves an exercise of judgment as to whether each contract depends on a specific asset, if the companies of Sonaecom Group obtain substantially all the economic benefits from the use of that asset and whether they have the right to control the use of the asset.

All contracts that constitute a lease are accounted for on the basis of a single recognition model in the balance sheet as the IAS 17 established for financial leases.

At the date of commencement of the lease, the Group recognises the liability related to lease payments (i.e. the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e. the right of use or "RoU").

The interest on the lease liability and the depreciation of the RoU are recognised separately.

Lease liabilities are remeasured if certain events occur (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). This remeasurement of the lease liability is recognised as an adjustment in the RoU.

#### *Rights of use (assets)*

The Group recognises the right to use the assets at the starting date of the lease (that is, the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, less accumulated depreciation and impairment losses and adjusted for any new measurement of lease liabilities. The cost of the right to use the assets includes the recognised amount of the lease liability, any direct costs incurred initially and payments already made prior to the initial rental date, less any incentives received.

Unless it is reasonably certain that the Group obtains ownership of the leased asset at the end of the lease term, the recognised right to use the assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the term of the lease.

Rights of use are subject to impairment.

#### *Lease liabilities*

At the date of commencement of the lease, the Group recognises the liabilities measured at the present value of the future payments to be made until the end of the lease.

Lease payments include fixed payments (including fixed payments on the substance), less any incentives to receive, variable payments, dependent on an index or rate, and expected amounts to be paid under residual value guarantees. The lease payments also include the exercise price of a call option if it is reasonably certain that the Group will exercise the option and penalties for termination of the lease if it is reasonably certain that the Group will terminate the lease.

Variable payments that do not depend on an index or a rate are recognised as an expense in the period in which the event giving rise to them occurs.

For the calculation of the present value of the lease payments, the Group uses the incremental loan rate at the start date of the lease if the implied interest rate is not readily determinable.

After the starting date of the lease, the value of the lease liability increases to reflect the increase in interest and reduces the payments made. In addition, the book value of the lease liability is remeasured if there is a change, such as a change in the lease term, fixed payments or the purchase decision of the underlying asset.

#### *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.

**'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 1.x. The identified**

impairment losses are recorded in the income statement and other comprehensive income in **'Provisions and impairment losses'**.

#### *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 30 September 2019, the Group had no foreign exchange forwards. At 30 September 2018, the Group had foreign exchange forwards in the amount of USD 460,000 fixing the exchange rate for EUR, which had an average maturity of 3 months.

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 2015, the Sonaecom Group, no longer has an independent group of companies covered by the special regime for taxation as started 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. From 2018 onwards 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 subsidiaries Digitmarket and S21Sec Portugal are not part of the special tax regime for groups of companies, as Sonae SGPS's indirect stake is less than 75%.

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 11).

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

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 the 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. 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 is transferred to 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.

#### 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 liability 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, maximising the use of observable relevant data and minimising 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 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, i.e., 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 negative amount of Euro 87,974.

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 30 September 2019, Sonaecom have free reserves distributable amounting approximately Euro 72 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the period ended 30 September 2019.

#### *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:

	2019		2018	
	30 September	Average	30 September	Average
Pounds Sterling	1.1290	1.1331	1.1270	1.1314
Brazilian Real	0.2208	0.2293	0.2149	0.2338
American Dollar	0.9184	0.8901	0.8639	0.8377
Australian Dollar	0.6201	0.6224	0.6231	0.6345
Mexican Peso	0.0466	0.0463	0.0459	0.0440
Egyptian Pound	0.0564	0.0526	0.0483	0.0472
Malaysian Ringgit	0.2193	0.2153	0.2088	0.2099
Swiss Franc	0.9219	0.8944	0.8837	0.8613
South African Rand	0.0604	0.0621	0.0608	0.0652
Canadian Dollar	0.6932	0.6696	0.6638	0.6505
Turkish Lira	0.1626	0.1579	0.1436	0.1864
Colombian Peso	0.0003	0.0003	0.0003	0.0003

#### *x) Assets impairment*

Whenever the book value of an asset is greater than the amount recoverable, an impairment loss is recognised and recorded in the profit and loss statement under the caption 'Depreciation and amortisation' in the case of tangible assets and Goodwill and for the other assets under the caption 'Provisions and impairment losses', in relation to the other assets.


#### *Non-financial assets impairment*

Impairment tests are performed for assets with undefined useful life and Goodwill at the date of each statement of financial position and whenever an event or change of circumstances indicates that the recorded amount of an asset may not be recoverable.

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. The net selling price is the amount obtainable upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related





to the sale. The value in use is the present value of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

The recoverable amount is estimated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

For the value of Goodwill, and of investments in associated companies, the recoverable amount, calculated in terms of value in use, is determined based on the most recent business plans duly approved by the Group's Board of Directors.

For the value of Goodwill, and of investments in companies and jointly controlled, the recoverable amount is determined taking into account various information such as the most recent business plans duly approved by the Group's Board of Directors and the average of evaluations made by external analysts (researches).

Non-financial assets, except Goodwill, for which impairment losses have been recorded, are reviewed at each reporting date for reversal of these losses.

#### *Financial assets impairment*

The Group 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 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 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', the impairment losses are calculated based on the expected credit loss, the calculation 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.

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.

#### *y) Medium Term Incentive Plans*

The accounting treatment of Medium Term Incentive Plans is based on IFRS 2 - 'Share-based Payments'.

Under IFRS 2, when the settlement of plans established by the company involves the delivery of Sonaecom's own shares, the estimated responsibility is recorded, as a credit entry, under the caption 'Medium Term Incentive Plans Reserve', within the heading 'Shareholders' funds' and is charged as an expense under the caption 'Staff expenses' in the profit and loss statement.

The quantification of this responsibility is based on fair value and is recognised over the vesting period of each plan (from the award date of the plan until its vesting or settlement date). The total responsibility, at any point of time, is calculated based on the proportion of the vesting period that has elapsed up to the respective accounting date.

When the responsibilities associated with any plan are covered by a hedging contract, i.e., when those responsibilities are

replaced by a fixed amount payable to a third party and when Sonaecom is no longer the party that will deliver the Sonaecom shares, at the settlement date of each plan, the above accounting treatment is subject to the following changes:

- (i) The total gross fixed amount payable to third parties is recorded in the balance sheet as either 'Other non-current liabilities' or 'Other current liabilities';
- (ii) The part of this responsibility that has not yet been recognised in the profit and loss statement (the unelapsed proportion of the cost of each plan) is deferred and is recorded, in the balance sheet as either 'Other non-current assets' or 'Other current assets';
- (iii) The net effect of the entries in (i) and (ii) above eliminate the original entry to 'Shareholders' funds';
- (iv) In the profit and loss statement, the elapsed proportion continues to be charged as an expense under the caption 'Staff expenses'.

At 30 September 2019 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 30 September 2019, the plans attributed during the years 2017, 2018 and 2019 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 periods ended at 30 September 2019 and 2018 are as follows:

- (i) Useful lives of tangible and intangible assets (note 1.c) and 1.d);
- (ii) Impairment analysis of goodwill, investments in associated companies and companies jointly controlled and of other tangible and intangible assets (note 8);
- (iii) Financial assets impairment;
- (iv) Recognition provisions and analysis of contingent liabilities;
- (v) Recoverability of deferred tax assets (note 11);
- (vi) Recognition of contract revenue;
- (vii) Investments at fair value of other comprehensive income (note 10).

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.

#### *Impairment of financial assets*

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.

#### *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 recognition:

- a) Method for revenue recognition (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

The remaining judgments and estimates are described in attached notes, where applicable.

#### *Rights of use*

The Group determines the end of the lease as the non-cancellable part of the lease term, together with any periods covered by an option to extend the lease if it is reasonably certain that it will be exercised, or any periods covered by an option to terminate the lease agreement, if it is reasonably certain that it will not be exercised.

The Group has the option, under some of its lease agreements, to lease its assets for additional periods. Sonaecom evaluates the reasonableness of exercising the option to renew the agreement. That is, the Group considers all the relevant factors that create an economic incentive for the renewal exercise. After the starting date, the Group re-evaluates the termination of the contract if there is a significant event or changes in circumstances that are under control and affect its ability to exercise (or not exercise) the renewal option (e.g. a change in the business strategy).

#### *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 United Kingdom, Mexico, 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 procedure is not possible, the Group adopts derivative financial hedging instruments (note 1.n).

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

##### b) Interest rate risk

Sonaecom's total debt is indexed to variable rates, exposing the total cost of debt to a high risk of volatility. The impact of this volatility on the Group results or on its Shareholders' funds is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility to use derivative financial instruments that hedge the interest rate risk, as mentioned below; (iii) possible correlation between the level of market interest rates and economic growth having the latter a positive effect in other lines of the Group's consolidated results (particularly operational), and in this way partially offsetting the increase of financial costs ('natural hedge'); and (iv) the existence of stand alone or consolidated liquidity which is also bearing interest at a variable rate.



The Group only uses derivatives or similar transactions to hedge interest rate risks considered significant. Three main principles are followed in all instruments selected and used to hedge interest rate risk:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates on the loans subject to hedging must equalise the settlement dates defined under the hedging instrument;
- Perfect match between the base rates: the base rate used in the derivative or hedging instrument should be the same as that of the facility/transaction which is being hedged;
- As from the start of the transaction, the maximum cost of the debt, resulting from the hedging operation is known and limited, even in scenarios of extreme changes in market interest rates, so that the resulting rates are within the cost of the funds considered in the Group's business plan.

As all Sonaecom's borrowings (note 15) are at variable rates, swaps and other derivatives are used, 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 are recognised under the statement of 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 30 September 2019, there are no contracted derivatives of interest rate hedging.

### 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.

Loans, suppliers and other debts to third parties and other financial liabilities represent the Group's maximum exposure to liquidity risk.

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 30 September 2019 were determined taking into account these assumptions of IFRS 9.


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 (loans granted) 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 monitored by Sonaecom.



At 30 September 2019, Sonaecom reported an average negative gearing (accounting) of 21.2%. The average gearing at market values at 2019 was negative in 30.2%. The reported amounts have been restated due to the sale of the Saphety and We Do groups. Additionally, the debt values considered for the calculation do not include lease agreements registered under IFRS 16.

ac) Restatement of consolidated 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 analysed lease contracts, with application on 1 January 2018 and restatement of the comparative amounts of the financial statements.

#### Disclosure of the impacts of the alienation of the Saphety Group

In the period ended at 30 September 2019, the Saphety Group composed by Saphety Level - Trusted Services, S.A. (with a share capital held of 86.99% by Sonae Investment Management - Software and Technology, SGPS, S.A., 7.84% by AITEC SA and 5.17% by Banco BPI, SA), by Saphety Brasil Transações Eletrônicas Ltda. (with a share capital held of 99.99% by Saphety Level - Trusted Services, S.A. and 0.01% by the Administrator) and also by Saphety -Transacciones Eletronicas SAS (100% owned by Saphety Level - Trusted Services, S.A.), was sold to members of its Management team, supported by Oxy Capital (Note 3.c)). The Group was classified, for presentation purposes, as a discontinued operation.

As envisaged by IFRS 5, changes were made in the Consolidated Statements of Income by nature for the period ended at 30 September 2018 and for the year ended at 31 December 2018 to reflect in a single item ('Net income for the period of discontinued operations'), on the face of the income statement, the after-tax profits or losses of the discontinued operations.

#### Disclosure of the impacts of the Goodwill restatement

In December 2018 with the acquisition of Excellium Group, a Goodwill was recorded although the allocation of the purchase price is subject to changes until the completion of the one year period from the date of acquisition, as permitted by IFRS 3 Business Concentrations.

For the period ended at 30 September 2019, the fair value of identifiable assets acquired and liabilities assumed was measured.

As provided in IFRS 3, the provisional amounts recognised at the acquisition date were retrospectively adjusted to reflect the new information obtained on facts and circumstances that existed at the acquisition date and that, if known, would have affected the measurement of the recognised amounts in this date.

#### Disclosure of the impacts of the restatement of Armilar's incentive provision

In period ended at 30 September 2019, the provision recorded at 31 December 2018 related to the incentive in favour of Armilar, due to the fact that the fund's performance exceeded the return level defined for that purpose, was partially reclassified to September 2018 in order to adjust the provision at the moment the return level was exceeded, leading to the restatement of the comparative periods in this period.

#### Disclosure of the impacts of the alienation of the We Do Group

In the period ended at 30 September 2019, the We Do Group composed by We Do Consulting – Sistemas de Informação, S.A. (with a share capital held of 100% by Sonae Investment Management - Software and Technology, SGPS, S.A.), Cape Technologies Limited (100% owned by We Do Consulting – Sistemas de Informação, S.A.), Wedo do Brasil Soluções Informáticas, Ltda (99,91% owned by We Do Consulting – Sistemas de Informação, S.A. and 0,09% owned by delegated Director), We Do Technologies Americas, Inc (100% owned by Cape Technologies Limited), We Do Technologies BV (100% owned by We Do Consulting – Sistemas de Informação, S.A.), We Do

Technologies BV – Malaysian Branch (100% owned by We Do Technologies BV), We Do Chile (100% owned by We Do Consulting – Sistemas de Informação, S.A.), We Do Technologies Egypt LLC (90% owned by We Do Technologies BV and 10% by We Do Consulting – Sistemas de Informação, S.A.), We Do Technologies España - Sistemas de Informação, S.L. (100% owned by We Do Consulting – Sistemas de Informação, S.A.), We Do Technologies (UK) Limited (100% owned by We Do Consulting – Sistemas de Informação, S.A.), We Do Technologies Mexico, S de R.L. (99,999% owned by We Do Technologies BV and 0,001% by We Do Consulting – Sistemas de Informação, S.A.) and by Tecnológica Telecomunicações, LTDA. (99,99% owned by Wedo do Brasil Soluções Informáticas, Ltda and 0,01% owned by delegated Director) was sold to Mobileum Inc. (note 3.c). The Group was classified, for presentation purposes, as a discontinued operation.

As envisaged by IFRS 5, changes were made in the Consolidated Statements of Income by nature for the period ended at 30 September 2018 and for the year ended at 31 December 2018 to reflect in a single item ('Net income for the period of discontinued operations'), on the income statement, the after-tax profits or losses of the discontinued operations.

The impacts of the restatement of consolidated accounts in accordance with the changes described above for the period ended at 30 September 2018 can be summarized as follows:

(Amounts expressed in Euro)	September 2018 (reported)	IFRS 16	Armar's provision adjustments	Restatement of Saphety Group's contribution to discontinued units	Restatement of We Do Group's contribution to discontinued units	September 2019 (restated)
<b>BALANCE SHEET</b>						
<b>Non-current assets</b>						
Tangible assets	3,074,866	(236,256)	-	-	-	2,838,610
Intangible assets	23,450,556	(41,182)	-	-	-	23,409,374
Rights of use	-	7,712,923	-	-	-	7,712,923
Investments in associated companies and companies jointly controlled	771,064,386	(6,395,418)	-	-	-	764,668,968
<b>Current assets</b>						
Other current debtors	7,097,083	78,334	-	-	-	7,175,417
<b>Shareholders' funds</b>						
Reserves	783,927,444	(7,258,933)	-	-	-	776,668,511
Non-controlling interests	(1,367,347)	(7,930)	-	-	-	(1,375,277)
<b>Non-current liabilities</b>						
Non-current lease liabilities	44,065	4,815,142	-	-	-	4,859,207
Provisions for other liabilities and charges	3,274,708	-	17,300,598	-	-	20,575,306
Deferred tax liabilities	15,423,068	-	(3,892,635)	-	-	11,530,433
<b>Current liabilities</b>						
Current lease liabilities	212,683	2,957,078	-	-	-	3,169,761
<b>STATEMENT OF COMPREHENSIVE INCOME</b>						
Total Revenues	124,226,728	-	-	(5,858,969)	(39,102,909)	79,264,850
External supplies and services	(30,892,424)	1,152,641	-	2,384,132	12,614,479	(14,741,172)
Other operating costs	(91,829,615)	-	-	2,320,920	21,011,196	(68,497,499)
Depreciation and amortisation	(7,293,897)	(1,086,204)	-	681,228	4,498,438	(3,200,435)
Gains and losses in associated companies and companies jointly controlled	93,023,627	549,137	(17,300,598)	-	-	76,272,166
Other financial expenses	(2,852,656)	(84,672)	-	7,554	1,605,859	(1,323,915)
Other financial income	3,170,153	3,054	-	80,949	(1,595,069)	1,659,087
Income taxation	(16,917,063)	-	3,892,635	160,352	903,891	(11,960,185)
Net income/(loss) for the period of continued operations	70,628,552	533,956	(13,407,964)	(223,834)	(64,115)	57,466,596
Net income/(loss) for the period of discontinued operations	-	78,248	-	223,834	64,115	366,197
Non-controlling interests	22,123	(1,438)	-	(29,109)	(1,106)	(9,530)
Non-controlling interests (discontinued operations)	-	598	-	29,109	1,106	30,813



The impacts of the restatement of consolidated accounts in accordance with the changes described above for the year ended at 31 December 2018 can be summarized as follows:

(Amounts expressed in Euro)	December 2018 (reported)	IFRS 16	Goodwill Excellium's fair value adjustments	Restatement of Saphety Group's contribution to discontinued units	Restatement of We Do Group's contribution to discontinued units	December 2019 (restated)
<b>BALANCE SHEET</b>						
<b>Non-current assets</b>						
Tangible assets	4,041,331	(646,195)	(13,484)	-	-	3,381,652
Intangible assets	25,607,506	(198,455)	3,966,682	-	-	29,375,733
Rights of use	-	13,123,631	-	-	-	13,123,631
Goodwill	37,312,620	-	(1,023,098)	-	-	36,289,522
Investments in associated companies and companies jointly controlled	787,033,203	(7,892,403)	(8,103)	-	-	779,132,697
<b>Current assets</b>						
Trade debtors	50,945,298	-	15,248	-	-	50,960,546
Other current debtors	8,506,707	57,224	28,000	-	-	8,591,931
Other current assets	15,809,849	-	1,241,239	-	-	17,051,088
Cash and cash equivalents	229,038,912	-	1,956	-	-	229,040,868
<b>Shareholders' funds</b>						
Reserves	783,365,333	(7,322,751)	681,518	-	-	776,724,100
Non-controlling interests	(730,688)	(70,126)	1,471,597	-	-	670,783
<b>Non-current liabilities</b>						
Non-current lease liabilities	158,447	9,364,495	-	-	-	9,522,942
Other non-current liabilities	6,863,944	-	430,642	-	-	7,294,586
<b>Current liabilities</b>						
Trade creditors	18,931,330	-	10,153	-	-	18,941,483
Current lease liabilities	427,046	3,423,694	-	-	-	3,850,740
Other creditors	14,383,863	-	56,401	-	-	14,440,264
Other current liabilities	40,261,701	-	1,558,128	-	-	41,819,829
<b>STATEMENT OF COMPREHENSIVE INCOME</b>						
Total Revenues	171,788,260	-	-	(7,952,559)	(53,338,788)	110,496,913
External supplies and services	(42,779,676)	1,448,024	-	3,176,635	17,386,965	(20,768,052)
Other operating costs	(126,627,632)	-	-	3,107,448	28,635,044	(94,885,140)
Depreciation and amortisation	(11,088,290)	(1,419,146)	-	899,196	6,123,475	(5,484,765)
Gains and losses in associated companies and companies jointly controlled	90,808,907	(947,848)	-	-	-	89,861,059
Other financial expenses	(4,362,799)	(131,327)	-	77,689	2,264,764	(2,151,673)
Other financial income	4,373,104	3,696	-	99,820	(2,095,133)	2,381,487
Income taxation	(12,167,568)	-	-	287,540	484,494	(11,395,534)
Net income/(loss) for the period of continued operations	69,945,027	(1,046,601)	-	(304,231)	(539,179)	68,055,017
Net income/(loss) for the period of discontinued operations	-	76,982	-	304,231	539,179	920,392
Non-controlling interests	(41,022)	(19,014)	-	(39,566)	(1,335)	(100,937)
Non-controlling interests (discontinued operations)	-	905	-	39,566	1,335	41,806

## 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 30 September 2019 and 2018, are as follows:

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				2019		2018	
				Direct	Effective*	Direct	Effective*
<b>Parent company</b>							
SONAECON, S.G.P.S., S.A. ('Sonaecom')	Maia	Management of shareholdings.	-	-	-	-	-
<b>Subsidiaries</b>							
Bright Development 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') (i)	Dublin	Rendering of consultancy services in the area of information systems.	We Do	Alienated		100%	100%
Digitmarket - Sistemas de Informação, S.A. ('Digitmarket' - using the brand 'Bizdirect')	Maia	Development of management platforms and commercialisation of products, services and information, with the internet as its main support.	Sonae IM	75.00%	75.00%	75.00%	75.00%
Excellium Group, S.A. ('Excellium') (a)	Contern	Provides professional and managed customised cybersecurity services	Sonae IM	59.20%	59.20%	-	-
Excellium Services, S.A. ('Excellium Services') (a)	Contern	Provide services within the IT and cybersecurity domain mainly to Luxembourgish institutions, banks and insurance companies.	Sonae IM	59.20%	59.20%	-	-
Excellium Services Belgium, S.A. ('Excellium Services Belgium') (a)	Wavre	Provide services within the IT and cybersecurity domain mainly to Belgium institutions, banks and insurance companies.	Sonae IM	59.20%	59.20%	-	-
Excellium Factory SARL ('Excellium Factory') (a)	Raouad-Ariana	Vehicle for the Excellium product development.	Sonae IM	80%	47.36%	-	-
Inovretail, S.A.	Oporto	Industry and sale 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') (b)	Madrid	Industry and sale 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')	Lisbon	Venture Capital Fund	Sonae IM	50.13%	50.13%	50.13%	50.13%
Nextel, S.A. (Nextel) (c)	Bilbao	Rendering of engineering and IT consulting services specializing in information security and management of telecommunications services.	S21 Sec Gestion	Merged with S21 Sec Gestion		100%	80.90%
MxTel, S.A. de CV (MxTel)	Mexico City	Rendering of engineering and IT consulting services specializing in information security and management of telecommunications services.	Nextel	99.93%	80.90%	100%	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')	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')	Maia	Commercialization of products and management services, implementation and consulting in information systems and technologies areas.	S21 Sec Gestion	100%	80.90%	100%	80.90%
S21 Sec Brasil, Ltda ('S21 Sec Brasil') (d)	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	Discontinued		99.99% 0.01%	80.90%
S21 Sec Gestion, S.A. ('S21 Sec Gestion')	Gulpuzcoa	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%	80.90%	80.90%
S21 Sec Information Security Labs, S.L. ('S21 Sec Labs')	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%	80.90%
S21 Sec, S.A. de CV ('S21 Sec, S.A. de CV')	Mexico City	Computer consulting services	S21 Sec Gestion S21 Sec Labs	99.9996% 0.0004%	80.90%	99.9996% 0.0004%	80.90%

\* Sonaecom effective participation

Company (Commercial brand)	Head office	Main activity	Shareholder	Percentage of share capital held			
				Direct	2019 Effective*	Direct	2018 Effective*
Saphety Level – Trusted Services, S.A. ('Saphety') (e)	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	Alienated		86.995%	86.995%
Saphety Brasil Transações Eletrônicas Ltda. ('Saphety Brasil') (e)	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	Alienated		99.99%	86.986%
Saphety – Transacciones Electronicas SAS ('Saphety Colombia') (e)	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	Alienated		100%	86.995%
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%
Taikai, LTDA ('Taikai')	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%	99.01%	99.01%
Tecnológica Telecomunicações, LTDA. ('Tecnológica') (i)	Rio de Janeiro	Rendering of consultancy and technical assistance in the area of IT systems and telecommunications.	We Do Brasil	Alienated		99.99%	99.90%
We Do Consulting – Sistemas de Informação, S.A. ('We Do') (i)	Maia	Rendering of consultancy services in the area of information systems.	Sonae IM	Alienated		100%	100%
Wedo do Brasil Soluções Informáticas, Ltda. ('We Do Brasil') (i)	Rio de Janeiro	Commercialisation of software and hardware; rendering of consultancy and technical assistance related to information technology and data processing.	We Do	Alienated		99.91%	99.91%
We Do Technologies Americas, Inc ('We Do USA') (f) (i)	Delaware	Rendering of consultancy services in the area of information systems.	Cape Technologies We Do	Alienated		100% -	100% -
We Do Technologies Australia PTY Limited ('We Do Australia') (g)	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	Discontinued		100%	100%
We Do Technologies BV ('We Do BV') (i)	Amsterdam	Management of shareholdings.	We Do	Alienated		100%	100%
We Do Technologies BV – Malaysian Branch ('We Do Malásia') (i)	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	Alienated		100%	100%
We Do Chile ('We Do Chile') (h) (i)	Santiago do Chile	Rendering of consultancy services in the area of information systems.	We Do	Alienated		100%	100%
We Do Technologies Egypt LLC ('We Do Egypt') (i)	Cairo	Rendering of consultancy services in the area of information systems.	We Do BV We Do	Alienated		90% 10%	100%
We Do Technologies España - Sistemas de Informação, S.L. ('We Do España') (i)	Madrid	Rendering of consultancy services in the area of information systems.	We Do	Alienated		100%	100%
We Do Technologies (UK) Limited ('We Do UK') (i)	Berkshire	Rendering of consultancy services in the area of information systems.	We Do	Alienated		100%	100%
We Do Technologies Mexico, S de R.L. ('We Do Mexico') (i)	Mexico City	Rendering of consultancy services in the area of information systems.	We Do We Do BV	Alienated		0.001% 99.999%	100%

\* Sonaecom effective participation

(a) Company acquired in December 2018.

(b) Company constituted at 25 October 2018.

(c) In May 2019, Nextel merged with S21Sec Gestion.

(d) In June 2019, the subsidiary S21 Sec Brasil was discontinued.

(e) On 21 March 2019, Sonae IM alongside with AITEC and BPI sold their participation in the Saphety Group (note 3.c).

(f) In October 2018 the participation of 100% held by Cape Technologies Limited was sold to We Do Consulting - Sistemas de Informação, S.A.

(g) In March 2019, the subsidiary We Do Australia was discontinued.

(h) Company constituted in October 2018.

(i) On 13 August 2019, Sonae IM sold its participation of We Do (note 3.c), with effect at 31st July 2019.

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 periods ended at 30 September 2019 and 2018, the following changes occurred in the composition of the Group:

#### a) Acquisitions

Shareholder	Subsidiary	Date
<b>2019</b>		
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armar III') (note 9)	Jan-19
Sonae IM	ViSenze Pte. Ltd ('ViSenze') (note 10)	Feb-19
Sonae IM	Case on IT, S.L. ('Case on IT') (note 10)	Feb-19
Sonae IM	C-B4, Ltd ('CB-4') (note 10)	Feb-19
Fundo Bright Vector I	Automaise, Lda ('Automaise') (note 10)	Mar-19
Fundo Bright Vector I	Social Disruption Marketing Agency, Lda ('Sway') (note 10)	Apr-19
Sonae IM	Cellwise Wireless Technologies Ltd. ('Cellwise') (note 10)	May-19
Bright	Fyde, Inc. ('Fyde') (note 10)	Jun-19
Bright	EGI Acceleration S.I. ('EGI Acceleration') (note 10)	Jul-19
Sonae IM	Ometria Ltd. ('Ometria') (note 10)	Set-19
Sonae IM	Daisy Intelligence Corporation ('Daisy Intelligence') (note 10)	Set-19

Shareholder	Subsidiary	Date
<b>2018</b>		
Bright	Food Orchestrator, Lda ('Food Orchestrator') (note 10)	Jan-18
Sonae IM	Jscrambler, S.A. ('Jscrambler') (note 10)	Feb-18
Fundo Bright Vector I	Advert.io, Lda ('Advert.io') (note 10)	Mar-18
Fundo Bright Vector I	Binary Answer, Lda ('Binary Answer') (note 10)	Mar-18
Sonae IM	Style Sage, Inc. ('Style Sage') (note 10)	Apr-18
Sonae IM	Nextail Labs, Inc ('Nextail') (note 10)	May-18
Sonae IM	Case on IT, S.L. ('Case on IT') (note 10)	Jun-18
Bright	EGI Factory, S.L. ('EGI Factory') (note 10)	Jun-18
S21 Sec Gestión	Nextel	Jun-18
S21 Sec Gestión	Mxtel	Jun-18
Sonae IM	Reblaze Technologies, Ltd. ('Reblaze') (note 10)	Jul-18
Fundo Bright Vector I	RK.AI - Serviços de processamento de imagens e análise de dados, Lda ('RK.AI') (note 10)	Jul-18
Sonae IM	ciValue Systems, Ltd. ('ciValue') (note 10)	Aug-18
Bright	Beamy, S.A.S. ('Beamy') (note 10)	Aug-18

#### b) Dissolutions

Shareholder	Subsidiary	Date
<b>2019</b>		
Sonae IM	We Do Australia	Mar-19
S21 Sec Gestion	S21 Sec Brasil	Jun-19

### c) Alienations

Shareholder	Subsidiary	Date
2019		
Sonae IM	Saphety	Mar-19
Saphety	Saphety Brasil	Mar-19
Saphety	Saphety Colômbia	Mar-19
Sonae IM	We Do	Jul-19
We Do	We Do Brasil	Jul-19
We Do	We Do USA	Jul-19
We Do	We Do BV	Jul-19
We Do BV	We Do Malásia	Jul-19
We Do	We Do Chile	Jul-19
We Do BV	We Do Egypt	Jul-19
We Do	We Do Espanha	Jul-19
We Do	We Do UK	Jul-19
We Do	We Do Mexico	Jul-19
We Do BV	Tecnológica	Jul-19
We Do	Cape Technologies	Jul-19

Shareholder	Subsidiary	Date
2018		
Sonae IM	Digitmarket (0.10%)	May-18
Sonae IM	Armlar Venture Partners - Sociedade de Capital de Risco, SA ('Armlar') (note 9)	Jun-18

### Effects of the alienation of subsidiaries in the financial statements

In March 2019, the companies that are part of the Saphety Group were alienated by the amount of Euro 8,580,809 to its management team, supported by Oxy Capital. As a result of the value of sale and the derecognition of the Saphety Group, an add value of Euro 4,933,947 was registered, as detailed below:

		Saphety Group
(Amounts expressed in Euro)	Notes	March 2019
Acquired assets		
Tangible assets	5	(280,044)
Intangible assets	6	(2,303,459)
Rights of use	7	(1,487,795)
Deferred tax assets	11	(123,408)
Trade debtors		(2,725,770)
Other current debtors		(209,344)
Other current assets		(831,324)
Cash and cash equivalents	12	(257,712)
		(8,218,856)
Acquired liabilities		
Loans obtained	15	154,202
Trade creditors		662,099
Other current creditors		597,649
Other current liabilities		2,484,972
		3,898,922
Total net assets derecognised		4,319,934
Total net assets of non-controlling interests derecognised		(571,288)
Exchange reserves		(101,784)
Total net assets after non-controlling interests derecognised		3,646,862
Acquisition price		8,580,809
Goodwill		4,933,947

In August 2019, with effect at 31 July 2019, the companies that are part of the We Do Group were alienated by the amount of Euro 62,091,647 to Mobileum, Inc. As a result of the sale value and derecognition of the We Do Group, an add value of Euro 8,530,002 was registered, as detailed below:

		We Do Group
(Amounts expressed in Euro)	Notes	July 2019
Acquired assets		
Tangible assets	5	(940,560)
Intangible assets	6	(13,288,230)
Rights of use	7	(6,498,697)
Goodwill	8	(20,576,531)
Deferred tax assets	11	(6,090,251)
Other non-current assets		(31,949,634)
Trade debtors		(24,173,191)
Other current debtors		(9,297,582)
Other current assets		(9,272,306)
Cash and cash equivalents	12	(1,605,190)
		(123,692,172)
Acquired liabilities		
Loans obtained	15	246,725
Trade creditors		10,037,836
Other current creditors		7,232,766
Lease liabilities		6,954,475
Provisions		1,416,152
Other current liabilities		51,033,063
		76,921,017
Total net assets derecognised		46,771,155
Total net assets of non-controlling interests derecognised		(3,296)
Adjustments to net assets due to the sale		6,793,786
Exchange reserves		529,392
Costs related to the sale		5,223,814
Goodwill	8	1,040,580
Total net assets after non-controlling interests derecognised		53,561,645
Amount received		62,091,647
Goodwill		8,530,002

The caption 'Costs related to the sale' includes the amount of circa 3.4 million Euro of sale commissions and the amount of circa 1.7 million Euro (net of the tax effect) of extraordinary bonus to employees, the latter included in the net result of the discontinued operations of We Do group (note 26).

Given the best estimate today, the amount recorded as consideration received does not include any amount related to deferred variable payments.

#### d) Mergers

In May 2019 an absorption merger proceeded between the incorporating company S21 Sec Gestion, S.A. and the incorporated company Nextel, S.A., which the S21 Sec Gestion, SA incorporated, with retroactive accounting effects as from 1 January 2019, this company's entire operating activity, as well as Nextel's global transfer of its assets to book value. This merger had no impact on Sonaecom's consolidated accounts for the period ended at 30 September 2019.

#### d) Constitutions

Buyer	Subsidiary	Date
2018		
Bright	Taikai, Lda ('Taikai')	Aug-18



## 4. Breakdown of financial instruments

At 30 September 2019 and 2018, the breakdown of financial instruments in accordance with the IFRS 9 is as follows:

						2019
	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
<b>Non-current assets</b>						
Investments at fair value through other comprehensive income (note 10)	-	46,953,793	-	46,953,793	-	46,953,793
Other non-current assets	7,874,763	-	88,159	7,962,922	-	7,962,922
	7,874,763	46,953,793	88,159	54,916,715	-	54,916,715
<b>Current assets</b>						
Trade debtors	17,221,428	-	-	17,221,428	-	17,221,428
Other current debtors	5,457,803	-	-	5,457,803	866,143	6,323,946
Income tax receivable	-	-	-	-	1,841,481	1,841,481
Other current assets	10,489,903	-	-	10,489,903	4,575,265	15,065,168
Cash and cash equivalents (note 12)	271,195,649	-	-	271,195,649	-	271,195,649
	304,364,783	-	-	304,364,783	7,282,890	311,647,672

						2018 (restated)
	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
<b>Non-current assets</b>						
Investments at fair value through other comprehensive income (note 10)	-	17,569,002	-	17,569,002	-	17,569,002
Other non-current assets	2,673,804	-	81,748	2,755,552	-	2,755,552
	2,673,804	17,569,002	81,748	20,324,554	-	20,324,554
<b>Current assets</b>						
Trade debtors	33,664,724	-	-	33,664,724	-	33,664,724
Other current debtors (restated)	6,044,809	-	-	6,044,809	1,130,608	7,175,417
Income tax receivable	-	-	-	-	7,118,903	7,118,903
Other current assets	14,194,838	-	-	14,194,838	3,540,058	17,734,896
Cash and cash equivalents (note 12)	245,197,816	-	-	245,197,816	-	245,197,816
	299,102,187	-	-	299,102,187	11,789,569	310,891,756

						2019
		Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total	
<b>Non-current liabilities</b>						
Non-current loans net of short term position (note 15)		4,923,269	4,923,269	-	4,923,269	
Non-current lease liabilities (note 16)		9,292,058	9,292,058	-	9,292,058	
Other non-current liabilities		6,691,859	6,691,859	112,368	6,804,227	
		20,907,186	20,907,186	112,368	21,019,554	
<b>Current liabilities</b>						
Current loans and other loans (note 15)		2,848,745	2,848,745	-	2,848,745	
Trade creditors		9,969,064	9,969,064	-	9,969,064	
Current lease liabilities (note 16)		3,314,058	3,314,058	-	3,314,058	
Other creditors		6,632,372	6,632,372	2,462,426	9,094,798	
Income tax payable		-	-	325,205	325,205	
Other current liabilities		14,706,934	14,706,934	8,671,669	23,378,603	
		37,471,173	37,471,173	11,459,300	48,930,473	

						2018 (restated)
		Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total	
<b>Non-current liabilities</b>						
Non-current loans net of short term position (note 15)		3,692,542	3,692,542	-	3,692,542	
Non-current lease liabilities (note 16) (restated)		4,859,207	4,859,207	-	4,859,207	
Other non-current liabilities		436,962	436,962	200,031	636,993	
		8,988,711	8,988,711	200,031	9,188,742	
<b>Current liabilities</b>						
Current loans and other loans (note 15)		3,925,694	3,925,694	-	3,925,694	
Trade creditors		13,494,683	13,494,683	-	13,494,683	
Current lease liabilities (note 16) (restated)		3,169,761	3,169,761	-	3,169,761	
Other creditors		12,214,604	12,214,604	3,333,658	15,548,262	
Income tax payable		-	-	245,089	245,089	
Other current liabilities		20,154,472	20,154,472	12,881,028	33,035,500	
		52,959,214	52,959,214	16,459,775	69,418,989	

Considering the nature of the balances, the amounts to be paid and received to/from 'State and other public entities' as well as specialised 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/liabilities were considered non-financial instruments.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument. 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.

## 5. Tangible assets

The changes in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended at 30 September 2019 and 2018 were as follows:

							2019
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
<b>Gross assets</b>							
Balance at 31 December 2018 (restated)	4,267,550	11,684,618	385,569	9,757,930	485,832	342,710	26,924,209
Additions	5,700	135,732	-	129,142	516	254,550	525,640
Disposals	-	(40,936)	-	(505,728)	(945)	-	(547,609)
Effect of currency translation	(5,816)	9,604	-	76,917	34	45	80,784
Transfers and write-offs	103,526	(401,538)	-	374,202	7,324	(212,242)	(128,728)
Discontinued units (note 3.c)	(2,129,537)	(547,361)	-	(2,874,706)	(33,652)	(3,239)	(5,588,495)
Balance at 30 September 2019	2,241,423	10,840,119	385,569	6,957,757	459,109	381,824	21,265,801
<b>Accumulated depreciation and impairment losses</b>							
Balance at 31 December 2018 (restated)	2,865,417	11,129,511	354,938	8,802,070	390,621	-	23,542,557
Depreciation for the period	42,995	215,216	9,225	206,611	7,583	-	481,630
Depreciation for the period of the discontinued operations (note 26)	72,805	15,147	-	68,942	1,272	-	158,166
Disposals	-	(30,876)	-	(485,196)	(614)	-	(516,686)
Effect of currency translation	(3,095)	8,060	-	71,113	(1)	-	76,077
Transfers and write-offs	(13,371)	(5,568)	-	(75,692)	40	-	(94,591)
Discontinued units (note 3.c)	(1,254,657)	(492,533)	-	(2,590,126)	(30,575)	-	(4,367,891)
Balance at 30 September 2019	1,710,094	10,838,957	364,163	5,997,722	368,326	-	19,279,262
Net value	531,329	1,162	21,406	960,035	90,783	381,824	1,986,539

							2018 (restated)
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
<b>Gross assets</b>							
Balance at 31 December 2017	4,261,366	10,090,749	27,398	8,997,214	453,821	227,465	24,058,013
Changes in consolidation perimeter (note 8)	-	600,161	342,353	287,671	-	-	1,230,185
Additions	18,433	36,840	-	156,225	5,810	134,143	351,451
Disposals	-	-	-	(57,345)	-	-	(57,345)
Effect of currency translation	(30,321)	4,661	1,818	(5,276)	(51)	-	(29,169)
Transfers and write-offs	4,082	53,683	-	226,336	1,986	(286,057)	30
Balance at 30 September 2018	4,253,560	10,786,094	371,569	9,604,825	461,566	75,551	25,553,165
<b>Accumulated depreciation and impairment losses</b>							
Balance at 31 December 2017	2,606,886	9,868,165	27,398	8,311,678	372,871	-	21,186,998
Changes in consolidation perimeter (note 8)	-	538,196	303,100	258,737	-	-	1,100,033
Depreciation for the period	81,724	49,858	4,283	141,142	3,058	-	280,065
Depreciation for the period of the discontinued operations (note 26)	101,354	21,031	-	116,462	1,635	-	240,482
Disposals	-	-	-	(56,800)	-	-	(56,800)
Effect of currency translation	(39,246)	4,087	1,782	(3,329)	(83)	-	(36,789)
Transfers and write-offs	(28)	565	-	29	-	-	566
Balance at 30 September 2018	2,750,690	10,481,902	336,563	8,767,919	377,481	-	22,714,555
Net value	1,502,870	304,192	35,006	836,906	84,085	75,551	2,838,610

Depreciation, amortisation and impairment losses for the periods ended at 30 September 2019 and 2018 can be detailed as follows:

	2019	2018
Tangible assets	481,630	280,065
Intangible assets (note 6)	3,497,208	1,773,436
Rights of use (note 7)	2,282,467	1,146,934
	6,261,305	3,200,435

At 30 September 2019 and 2018, 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 30 September 2019 and 2018 can be decomposed as follows:

	2019	2018
Information systems / IT equipment	3,863	72,237
Other projects in progress	377,961	3,314
	381,824	75,551

During the periods ended at 30 September 2019 and 2018, there are no commitments to third parties relating to investments to be made.

## 6. Intangible assets

In the periods ended at 30 September 2019 and 2018, the changes occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, were as follows:

							2019
	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
<b>Gross assets</b>							
Balance at 31 December 2018 (restated)	18,197,187	20,671,995	121,575	502,471	76,416,768	4,885,320	120,795,316
Additions	21,943	421,821	-	592,341	62,712	3,183,695	4,282,512
Effect of currency translation	333,011	374,161	-	-	-	-	707,172
Transfers and write-offs	(173,096)	(2,583,747)	72,566	(271,545)	5,432,211	(5,432,211)	(2,955,822)
Discontinued units (note 3.c)	(10,758,208)	(4,238,945)	(183,898)	(369,823)	(44,869,738)	(939,823)	(61,360,435)
Balance at 30 September 2019	7,620,837	14,645,285	10,243	453,444	37,041,953	1,696,981	61,468,743
<b>Accumulated amortisation and impairment losses</b>							
Balance at 31 December 2018 (restated)	12,045,087	18,468,935	89,568	-	60,815,993	-	91,419,583
Amortisation and impairment for the period (note 5)	1,682,015	618,174	20,064	-	1,176,955	-	3,497,208
Amortisation for the period of the discontinued operations (note 26)	1,678	102,808	67,443	-	2,796,339	-	2,968,268
Effect of currency translation	330,420	303,758	-	-	-	-	634,178
Transfers and write-offs	(210,455)	(3,076,082)	(18,796)	-	-	-	(3,305,333)
Discontinued units (note 3.c)	(10,694,713)	(3,528,764)	(109,266)	-	(31,436,003)	-	(45,768,746)
Balance at 30 September 2019	3,154,032	12,888,829	49,013	-	33,353,284	-	49,445,158
Net value	4,466,805	1,756,456	(38,770)	453,444	3,688,669	1,696,981	12,023,585

							2018 (restated)
	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
<b>Gross assets</b>							
Balance at 31 December 2017	11,433,736	17,155,261	-	140,852	70,061,829	5,314,343	104,106,021
Changes in consolidation perimeter (note 8)	-	1,064,260	-	-	-	-	1,064,260
Additions	17,745	284,155	96,437	529,061	72,762	4,011,818	5,011,978
Disposals	-	(23,696)	-	-	-	-	(23,696)
Effect of currency translation	241,590	(196,665)	-	(8,800)	221,372	10,116	267,613
Transfers and write-offs	(58,017)	466,580	-	(486,064)	3,946,474	(3,946,474)	(77,501)
Balance at 30 September 2018	11,635,054	18,749,894	96,437	175,048	74,302,438	5,389,804	110,348,675
<b>Accumulated amortisation and impairment losses</b>							
Balance at 31 December 2017	11,130,078	16,248,484	-	-	51,836,956	-	79,215,518
Changes in consolidation perimeter (note 8)	-	1,006,801	-	-	-	-	1,006,801
Amortisation and impairment for the period (note 5)	82,633	42,506	27,344	-	1,620,953	-	1,773,436
Amortisation for the period of the discontinued operations (note 26)	107,464	404,860	-	-	4,294,857	-	4,807,181
Effect of currency translation	230,540	(217,601)	-	-	170,132	-	183,071
Disposals	-	(6,366)	-	-	-	-	(6,366)
Transfers and write-offs	(47,431)	7,091	-	-	-	-	(40,340)
Balance at 30 September 2018	11,503,284	17,485,775	27,344	-	57,922,898	-	86,939,301
Net value	131,770	1,264,119	69,093	175,048	16,379,540	5,389,804	23,409,374

At 30 September 2019 and 2018, the additions related with intangible assets in progress include capitalisations of personnel costs related to own work mainly related to IT software development and to the RAID 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 8 ('Goodwill'), to the extent that such assets are closely related to the overall activity of the segment and consequently cannot be analysed separately.

At 30 September 2019 it was understood that the assumptions made in the impairment tests carried out in the year ended at 31 December 2018 did not have material variations, therefore, there are no additional impairments.

## 7. Rights of use

For the periods ended at 30 September 2019 and 2018, the changes occurred in the value of the rights of use, as well as its depreciations and amortisations and accumulated impairment losses, were as detailed below:

					2019
	Land, Buildings and other constructions	Equipment	Vehicles	Software	Total
<b>Gross assets</b>					
Balance at 31 December 2018 (restated)	9,493,280	3,003,143	8,782,863	584,843	21,864,129
Additions	5,892,727	160,614	1,013,735	136,256	7,203,332
Effect of currency translation	10,484	9,498	1,430	16,942	38,354
Transfers and write-offs	(468,970)	-	(126,321)	-	(595,291)
Discontinued units (note 3.c)	(6,644,077)	(1,622,731)	(4,601,927)	(345,738)	(13,214,473)
Balance at 30 September 2019	8,283,444	1,550,524	5,069,780	392,303	15,296,051
<b>Accumulated amortisation, depreciation and impairment losses</b>					
Balance at 31 December 2018 (restated)	3,105,852	1,360,827	3,887,431	386,388	8,740,498
Amortisation and depreciation for the period (note 5)	1,145,975	222,180	838,966	75,346	2,282,467
Amortisation and depreciation for the period for discontinued operations (note 26)	549,529	163,338	495,279	26,427	1,234,573
Effect of currency translation	590	8,921	(359)	16,255	25,407
Transfers and write-offs	(286,593)	-	(74,057)	-	(360,650)
Discontinued operations (note 3.c)	(1,634,268)	(853,890)	(2,397,980)	(341,843)	(5,227,981)
Balance at 30 September 2019	2,881,085	901,376	2,749,280	162,573	6,694,314
Net value	5,402,359	649,148	2,320,500	229,730	8,601,737

					2018 (restated)
	Land, Buildings and other constructions	Equipment	Vehicles	Software	Total
<b>Gross assets</b>					
Balance at 31 December 2017 (restated)	8,572,450	1,925,034	6,414,599	305,553	17,217,636
Additions	621,027	614,092	1,603,303	-	2,838,422
Effect of currency translation	(127,765)	(2)	(36,658)	-	(164,426)
Balance at 30 September 2018 (restated)	9,065,712	2,539,124	7,981,244	305,553	19,891,632
<b>Accumulated amortisation, depreciation and impairment losses</b>					
Balance at 31 December 2017 (restated)	5,024,499	818,796	3,297,342	176,161	9,316,798
Amortisation and depreciation for the period (note 5)	599,768	143,285	403,881	-	1,146,934
Amortisation and depreciation for the period for discontinued operations (note 26)	813,921	241,809	675,033	88,209	1,818,972
Effect of currency translation	(76,749)	(8)	(27,238)	-	(103,995)
Balance at 30 September 2018 (restated)	6,361,439	1,203,882	4,349,018	264,370	12,178,709
Net value	2,704,273	1,335,242	3,632,226	41,183	7,712,923

## 8. Goodwill

For the periods ended at 30 September 2019 and 2018, the changes occurred in 'Goodwill' were as follows:

	2019	2018
Opening balance (restated)	36,289,522	23,351,829
Acquisition of Nextel	-	2,172,157
We Do Sale (note 3.c)	(21,617,111)	-
Other movements of the period	78,445	71,909
Closing balance	14,750,856	25,595,895

For the periods ended at 30 September 2019 and 2018, the caption 'Other movements of the period' includes the effect of the financial update of the Goodwill.

As established in IFRS 3, the provisional amounts recognised on the Excellium acquisition date were retrospectively adjusted to reflect the fair value measurement at date as described in Note 1.ac, which led to the restatement of the opening balance of 2019.

### Effects of the acquisition of subsidiaries in the consolidated financial statements

#### Nextel and Mxtel

The companies Nextel and Mxtel 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 the acquisition of this Group, Sonaecom recognised an amount of Goodwill (after adjustments to fair value) in December 2018 of Euro 1,641,824, which can be detailed as follows:

(Amounts expressed in Euro)	Notes	Nextel and Mxtel		
		Balance value before acquisition	Adjustments to fair value	Fair value
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	11	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		1,696,325		1,641,824

An assessment of the fair value of assets acquired and liabilities assumed was made, resulting in a decrease in the amount of total assets and an increase in the total amounting liabilities of Euro 507,937 and Euro 453,436, respectively, which includes the recognition of the customer portfolio in the amount of Euro 2,548,521.

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 relates to elements that can not be reliably isolated and quantified and as synergies, skilled workforce, technological capabilities and market reputation.

In the period ended at 30 September 2019, the contribution of the company Mxtel to the net profit attributable to shareholders of Sonaecom was positive of Euro 39,103. In the case of Nextel, it was not possible to determine its contribution for the period ended at 30 September 2019, because since May 2019 it has been merged into S21 Sec Gestion, and the contribution presented refers to the period prior to the merger. The respective contributions are as follows:

	Nextel	Mxtel
(Amounts expressed in Euro)	Contribution at 30 April 2019 (*)	Contribution at 30 September 2019
Total Revenues	3,690,536	150,150
Costs and losses		
Cost of sales	(1,678,986)	(54,365)
External supplies and services	(209,364)	(17,775)
Staff expenses	(1,822,974)	(31,120)
Depreciations and amortisations	(385,842)	(1,550)
Other operating costs	(6,379)	(2,924)
	(413,009)	42,414
Financial results	(40,791)	(2,156)
Income tax	-	-
Net income for the period before non-controlling interests	(453,800)	40,259
Net income attributed to non-controlling interests	44,875	(1,156)
Net income attributed to shareholders of parent company	(408,925)	39,103

(\*) At may 2019 the company was merged with S21 Sec Gestion and its contribution is, since that date, included in the latter.

The contributions to Sonaecom's consolidated financial position at 30 September 2019, excluding the goodwill generated as a result of the acquisition of investments in these companies, are as follows:

	Nextel	Mxtel
(Amounts expressed in Euro)	Contribution at 30 April 2019 (*)	Contribution at 30 September 2019
Assets		
Tangible assets	141,009	13,453
Intangible assets	1,895,327	809
Rights of use	164,987	-
Deferred tax assets	2,245,472	-
Trade debtors	1,655,285	135,675
Other current debtors	892,179	33,272
Cash and cash equivalents	344,009	45,072
Other assets	2,254,073	209
Total assets	9,592,341	228,491
Liabilities		
Non-current liabilities	1,269,730	32
Current liabilities	4,634,948	89,433
Total liabilities	5,904,678	89,465
Net assets	3,687,663	139,027

(\*) At may 2019 the company was merged with S21 Sec Gestion and its contribution is, since that date, included in the latter.



## 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 by the following entities: Excellium Group, S.A, Excellium S.A., Excellium Services Belgium, S.A., Excellium Factory SARL, Suricate Solutions, S.A., Alfaro SARL, Suricate Solutions CI SARL, Suricate Solutions SN SARL.

As described in note 2, Sonaecom shares of the Excellium Group amount to 59.20%.

As a result of these acquisitions, the Group initially recognised a provisory Goodwill amount of Euro 11,051,218, which can be detailed as follows:

(Amounts expressed in Euro)	Notes	Excellium Group		
		Balance value before acquisition	Adjustments to fair value	Fair value
Acquired assets				
Tangible assets	5	951,534	(13,484)	938,050
Intangible assets	6	1,080,653	3,966,683	5,047,336
Investments in associated companies and companies jointly controlled	8	34,893	(8,103)	26,790
Goodwill		150,000	-	150,000
Other non-current assets		41,800	-	41,800
Trade debtors		2,754,330	15,248	2,769,578
Other current debtors		90,115	28,000	118,115
Other current assets		1,688,788	1,241,239	2,930,027
Cash and cash equivalents		2,125,602	1,956	2,127,558
		8,917,715	5,231,539	14,149,254
Acquired liabilities				
Loans obtained		3,089,140	-	3,089,140
Other financial liabilities		409,904	-	409,904
Trade creditors		2,069,025	10,153	2,079,178
Other current creditors		603,212	56,401	659,613
Other current liabilities		1,076,044	1,558,128	2,634,172
		7,247,325	1,624,682	8,872,007
Total net assets		1,670,390	3,606,857	5,277,247
Total net assets acquired (59.2%)		988,871	2,135,259	3,124,130
Initial acquisition estimated price				13,973,716
Adjustments to estimated price				430,642
Financial update				(229,010)
Goodwill				11,051,218

In the period ended at 30 September 2019, the Group made an assessment of the fair value of the assets acquired and liabilities assumed, resulting in an increase in total assets and liabilities of Euro 5,231,539 and Euro 1,624,682, respectively, which includes the recognition of the customer portfolio in the amount of Euro 3,945,593, and the adjustment of the total net assets acquired by the Group (59.2%) to Euro 2,135,259. The acquisition price was adjusted in line with the deferred amount payable by 430,642 euros. The effects of fair value adjustments were restated at 31 December 2018 as provided in IFRS 3 Business Combinations.

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 it 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 6,973,716) payable over 2 years, depending on the company's performance.

In the period ended at 30 September 2019, the contribution of the Excellium Group to the net profit attributable to shareholders of Sonaecom was negative of Euro 1,983,966. The respective contributions are as follows:

	Excellium Group
(Amounts expressed in Euro)	Contribution at 30 September 2019
Total Revenues	10,288,459
Costs and losses	
Cost of sales	(1,415,050)
External supplies and services	(3,465,112)
Staff expenses	(6,455,811)
Depreciations and amortisations	(2,153,935)
Other operating costs	(28,306)
	(3,229,755)
Financial results	(159,025)
Income tax	-
Net income for the period before non-controlling interests	(3,388,780)
Net income attributed to non-controlling interests	1,404,814
Net income attributed to shareholders of parent company	(1,983,966)

The contributions to Sonaecom's consolidated financial position at 30 September 2019, excluding the goodwill generated as a result of the acquisition of investments in these companies, are as follows:

	Excellium Group
(Amounts expressed in Euro)	Contribution at 30 September 2019
Assets	
Tangible assets	931,304
Intangible assets	3,994,638
Rights of use	1,794,978
Goodwill	11,201,218
Trade debtors	1,914,137
Other current debtors	87,651
Cash and cash equivalents	298
Other assets	3,985,402
Total assets	23,909,627
Liabilities	
Non-current liabilities	4,285,929
Current liabilities	6,798,012
Total liabilities	11,083,941
Net assets	12,825,686

At 30 September 2019 and 2018, the caption had the following composition by business area where the companies are included:

2019	Technologies			Media
	Telecommunications	Retail	Cybersecurity	
Goodwill	-	1,165,721	13,585,135	-

2018	Technologies			Media
	Telecommunications	Retail	Cybersecurity	
Goodwill	21,515,925	1,165,721	2,914,249	-

Goodwill impairment is tested annually. In 2018, 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.

The assumptions used are based on the Group's various businesses and the growth in the various geographic areas where the Group operates:

2019	Technologies				Media
Assumptions	Telecommunications	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%	0.01%

2018	Technologies				Media
Assumptions	Telecommunications	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. For the sensitivity analysis made, required in the IAS 36 - Impairment of Assets did not lead to material changes in the recovery amounts, and therefore there would not be any additional material impairment.

At 30 September 2019 it was presumed that the assumptions used in the impairment tests at 31 December 2018 did not have significant changes, and such there would not be any additional impairment.

## 9. 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 30 September 2019 and 2018 are as follows:

		Percentage of ownership				Value in profit and loss statement	
Head Office		30 September 2019		30 September 2018		30 September 2019	30 September 2018 (restated)
		Direct	Total	Direct	Total		
ZOPT, SGPS, S.A. ('ZOPT') (a)	Oporto	50.00%	50.00%	50.00%	50.00%	31,816,000	29,867,637
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%	79,218	132,841
SIRS - Sociedade Independente de Radiodifusão Sonora, S.A. ('Radio Nova')	Oporto	50.00%	50.00%	50.00%	50.00%	61,784	(2,641)
Intelligent Big Data, S.L. ('Big Data') (b)	Gipuzcoa	50.00%	50.00%	50.00%	50.00%	(113)	(19)
Fundo de Capital de Risco Armilar Venture Partners II (Armlar II)	Lisbon	50.74%	50.74%	50.74%	50.74%	80,617	55,177,604
Fundo de Capital de Risco Armilar Venture Partners III (Armlar III) (c)	Lisbon	42.73%	42.73%	42.58%	42.58%	(489,757)	(6,175,426)
Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização (AVP I + I) (d)	Lisbon	38.25%	38.25%	37.54%	37.54%	(279,933)	(1,938,525)
Secucloud Network GmbH ('Secucloud')	Hamburg	27.45%	27.45%	27.45%	27.45%	(490,609)	(712,629)
Probe.ly (e)	Lisbon	21.21%	21.21%	22.88%	22.88%	(57,266)	(76,676)
Suricate Solutions (f)	Luxembourg	20.00%	11.84%	-	-	7,289	-
Alfaros SARL (f)	Tunisia	40.00%	23.68%	-	-	(2,837)	-
Total (note 21)						30,724,392	76,272,166

(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 April 2019 was subscribed an increased on capital.

(d) In January 2019 was subscribed an increased on capital.

(e) In October 2018, 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 managing entity.

During the periods ended at 30 September 2019 and 2018, the changes occurred in investments in associated companies and companies jointly controlled, were as follows:

	30 September 2019			30 September 2018 (restated)		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
<b>Investments in associated companies and companies jointly controlled</b>						
Balance at 1 January	686,566,587	92,566,110	779,132,697	679,091,048	92,644,319	771,735,367
Increases	450,212	-	450,212	-	-	-
Transfers	-	-	-	78,209	(78,209)	-
Equity method:						
Effect on gains and losses (note 21)	30,603,006	-	30,603,006	93,026,287	-	93,026,287
Effect on reserves	(4,452,364)	-	(4,452,364)	(16,076,996)	-	(16,076,996)
IFRS16 impact - reserves	-	-	-	(6,944,555)	-	(6,944,555)
IFRS16 impact - effect on gains and losses (note 21)	-	-	-	549,137	-	549,137
Dividends	(47,042,069)	-	(47,042,069)	(19,799,186)	-	(19,799,186)
Return of invested capital	-	-	-	(16,477,366)	-	(16,477,366)
Others	-	-	-	(41,343,720)	-	(41,343,720)
	666,125,372	92,566,110	758,691,482	672,102,858	92,566,110	764,668,968
<b>Registered in Provisions for other liabilities and charges</b>						
Balance at 1 January	(20,206,599)	-	(20,206,599)	(106,404)	-	(106,404)
Equity method						
Effect on gains and losses (notes 17 and 21)	121,386	-	121,386	(17,303,258)	-	(17,303,258)
	(20,085,213)	-	(20,085,213)	(17,409,662)	-	(17,409,662)
Total investment in associated companies and companies jointly controlled net of impairment losses	646,040,159	92,566,110	738,606,269	654,693,196	92,566,110	747,259,306

In the period ended on 30 September 2018, the variation in the value of the proportion of equity relative 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.

During the period ended at 30 September 2019, there was a change of 450,212 euros due to capital increases in the AVP I + I Fund in the amount of 360,393 euros and in the Armilar III Fund in the amount of 89,819 euros. resulted in an increase of 0.71% of the share capital and of 0.05% of the capital respectively.

The caption 'Provisions for other risks and charges' in the amount of Euro 20,085,213 includes the amount of Euro 20,071,071 (Euro 17,300,598 in 2018) related to the incentive scheme payable to the management of the Funds due to the fact that they exceeded the contractually defined level of return and the provision relating to Radio Nova and Big Data's income of Euro 14,142.

As evidenced in Note 1.ac, the period ended at 30 September 2018 has been restated to adjust the provision to the extent that the level of return has been exceeded.

During the period ended at 30 September 2019 and 2018, Sonaecom received the amount of Euro 46.991.559 and Euro 17,255,883, respectively, referring to 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 30 September 2019 the Group held associated and jointly controlled companies, as decomposed below.

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

	30 September 2019			30 September 2018 (restated)		
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
<b>Investments in companies jointly controlled</b>						
Zopt	568,763,138	87,527,500	656,290,638	587,757,470	87,527,500	675,284,970
Unipress	523,074	321,700	844,774	574,038	321,700	895,738
SIRS	(12,550)	-	(12,550)	(108,014)	-	(108,014)
Big Data	(1,592)	-	(1,592)	(1,050)	-	(1,050)
	569,272,070	87,849,200	657,121,270	588,222,444	87,849,200	676,071,644
<b>Investments in associated companies</b>						
Armilar II	41,745,851	-	41,745,851	41,690,237	-	41,690,237
Armilar III	23,607,061	-	23,607,061	18,745,080	-	18,745,080
AVP I+I	13,657,014	-	13,657,014	7,492,719	-	7,492,719
Secucloud	(2,178,521)	4,419,742	2,241,221	(1,415,205)	4,419,742	3,004,537
Probe.ly	(92,835)	297,168	204,333	(42,079)	297,168	255,089
Suricate Solutions	25,843	-	25,843	-	-	-
Alfaros SARL	3,677	-	3,677	-	-	-
	76,768,090	4,716,910	81,485,000	66,470,752	4,716,910	71,187,662
<b>Total</b>	<b>646,040,159</b>	<b>92,566,110</b>	<b>738,606,269</b>	<b>654,693,196</b>	<b>92,566,110</b>	<b>747,259,306</b>

The aggregated amounts of the main financial indicators of the entities can be resumed as follows:

(Amounts expressed in thousand Euro)								2019
Entity	% holding	Asset	Liability	Equity	Revenue	Operational results	Net result	Comprehensive income
ZOPT*	50.00%	4,362,453	2,132,292	2,230,161	1,185,183	178,843	122,756	64,123
Unipress	50.00%	1,758	712	1,046	1,899	163	158	158
SIRS	50.00%	578	609	(31)	1,035	134	124	124
Big Data	50.00%	0	5	(5)	-	(0)	(0)	(0)
Armilar II	50.74%	120,409	17,485	102,924	359	191	199	199
Armilar III	42.73%	80,084	10,363	69,721	1,714	(1,375)	(1,318)	(1,318)
AVP I+I	38.25%	56,978	12,341	44,637	143	(1,067)	(1,053)	(1,053)
Secucloud	27.45%	3,462	5,316	(1,855)	1,887	(1,817)	(1,833)	(1,833)
Probe.ly	21.21%	449	323	125	165	(237)	(237)	(237)
Suricate Solutions	11.84%	375	234	141	129	(70)	(54)	(54)
Alfaros SARL	23.68%	28	24	4	2	2	7	7

\*The consolidated accounts not audited of Group ZOPT, prepared in accordance with the International Financial Report Statements ('IFRS') as adopted by the European Union. The value of the shareholder funds includes non-controlling interests in amount of Euro 1,074 millions and on 30 September 2019 the NOS' market capitalization amount to Euro 2,581 millions.

The assessment of the existence, or not, of impairment for investments including goodwill recorded in the accompanying consolidated financial statements for the telecommunications sector (Zopt), is determinate 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
<b>Assumptions</b>	
Basis of recoverable amount	Value in use
Discount rate	7.4%
Growth rate in perpetuity	1.3%

For other business sectors, including the companies jointly controlled, the assessment of whether or not impairment to the goodwill value exists is determined based on the considerations presented in note 8.

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 periods ended at 30 September 2019 and 2018.

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 30 September 2019 and 2018 can be resumed as follows:

#### Condensed consolidated balance sheets


(Amounts expressed in thousands of Euro)	September 2019	September 2018 (restated)
Assets		
Tangible assets	1,080,111	1,064,287
Intangible assets	2,180,620	2,337,981
Rights of use	196,909	199,367
Deferred tax assets	82,945	116,831
Other non-current assets	252,461	128,073
Non-current assets	3,793,046	3,846,539
Trade debtors	350,054	449,708
Cash and cash equivalents	31,318	2,637
Other current assets	188,035	84,167
Current assets	569,407	536,512
Total assets	4,362,453	4,383,051
Liabilities		
Loans	1,111,541	1,068,374
Provisions	167,626	179,445
Other non-current liabilities	39,839	42,928
Non-current liabilities	1,319,006	1,290,747
Loans	248,752	225,499
Trade creditors	262,297	287,755
Other current liabilities	302,238	287,693
Current liabilities	813,287	800,947
Total liabilities	2,132,293	2,091,694
Shareholders' funds excluding non-controlling interests	1,156,518	1,176,609
Non-controlling interests	1,073,642	1,114,748
Total Shareholders' funds	2,230,160	2,291,357
Total Shareholders' funds and liabilities	4,362,453	4,383,051

#### Condensed consolidated statement of income by nature

(Amounts expressed in thousands of Euro)	September 2019	September 2018 (restated)
Total revenue	1,185,183	1,167,282
Costs and losses		
Direct costs and External supplies and services	(461,617)	(323,352)
Depreciation, amortisation and impairment losses	(312,540)	(335,602)
Other operating costs	(232,183)	(342,144)
	(1,006,340)	(1,001,098)
Gains/ (losses) in associated companies	(2,953)	7,503
Financial results	(19,168)	(24,614)
Income taxation	(33,966)	(19,646)
Consolidated net income/(loss) for the period	122,756	129,427
Consolidated net income/(loss) for the period attributed to non-controlling interests	58,633	34,881
Attributed to shareholders of the parent company	64,123	37,944

The consolidated financial statements of ZOPT have a significant exposure to the African market, particularly through financial holdings that the 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 these associates in the financial statements of the company at 30 September 2019 amounts to approximately Euro 89 million.

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. During the periods at 30 September 2019 and 2018, the effect of the hyperinflation was once more adjusted, taking into account the fluctuation of kwanza.



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 churn 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 the period in 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 2019 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 in 2018, 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 no additional impairments were recorded in relation to the effect of the hyperinflationary economy. However, the current economic conditions of uncertainty in these markets, particularly in the foreign exchange market and the limitation of currency transfer and INACOM's recommendation not to have price increases on TV and internet packages (particularly in Angola), introduces an additional degree of variability to the assumptions, which could significantly impact the estimates considered, in terms of the rate of inflation and the ability to reflect the rate in price increases.

At the end of January 2019, ZAP announced a price increase from 26 February 2019 onwards. This increase in prices is higher than that used in the projections.

At 30 September 2019 it was understood that the assumptions made in the impairment tests carried out in 2018 did not change significantly.

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 legal and fiscal claims described below are provisioned in the consolidated accounts of Zopt, given the level of risk identified.

##### 1. Future credits transferred

Future credits transferred: for the financial year ended at 31 December 2010, NOS SA was notified of the Report of Tax Inspection, where it is considered that the increase, when calculating the taxable profit for the year 2008, in 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 carried on by the Tax Authorities, which meant the provision reversal of one million euros in 2018.

## 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 been 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 the law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requestees 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 guarantees were 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 also 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 guarantees were also presented by NOS SGPS in order to avoid the promotion of respective tax enforcement processes, the guarantees 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 it happened with the others resolutions, 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 to 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 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 to 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, being the Board of Directors conviction 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, 2017 and 2018) 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 2018 were impugned in the first semester of 2019.

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, 2017: 9,099 thousand euros and 2018: 10,303 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 and 2018: 111 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 and 2018: 205 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 remaining decisions 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 they 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 2019 financial years, some companies of the NOS Group were the subject of tax inspections for the 2001 to 2016 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 28.5 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.

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


## 6. Actions by MEO against NOS S.A., NOS Madeira and NOS Açores and by NOS S.A. against MEO

- In 2011, MEO brought actions against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million Euros, as compensation for alleged unauthorised 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 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 accounted 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, that found that the facts as established by the Court of First Instance and confirmed by the Court of Appeal were insufficient to resolve the substance. As a result, the Supreme Court of Justice ordered the defendant court to extend the facts. The case will go to the Court of Appeal so that the Court, if it considers that it has the conditions to do so, expands the factual fact in the terms intended by the Supreme Court of Justice.
- MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and June 2013 and May 2016) and three to NOS Madeira (March and June 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, realising 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 2018 and in September 2019, a judgment was handed down by the Court of First Instance, which upheld the limitation period invoked by NOS SA, wholly absolving it from the request made by MEO. MEO appealed against this decision to the Court of Appeal, and the deadline for NOS to lodge its counterclaims is ongoing.
- In 2011, NOS SA brought action in the 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, 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. Further terms of the proceedings are awaited.

#### 8. Interconnection tariffs

At 30 September 2019, 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 to compensation for the set of advantages which, from the perspective of the agreed duration of the contract.

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 30 September 2019, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 50,834 thousand euros. During the period ended at 30 September 2019, receipts in the amount of 762 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.

The 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 regarding the 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 seasons 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 115.6 million	Euro 870.8 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 68.1 million	Euro 488.2 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 to provide 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 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 upon.

## 10. Investments at fair value through other comprehensive income

At 30 September 2019 and 2018, this caption was composed as follows:

	2019	2018
Arctic wolf	7,751,174	3,830,113
Ometria	6,632,347	854,165
Cellwise	5,357,593	-
ViSenze	5,260,238	-
CB4	4,368,720	-
Case on IT	2,930,744	2,280,000
Daisy Intelligence	2,406,623	-
Reblaze	2,352,438	2,352,438
Nextail	2,300,000	2,300,000
ciValue	1,970,097	1,970,097
StyleSage	1,848,578	1,680,538
Jscrambler	1,250,000	1,250,000
Whitefantasy	640,804	-
Fyde	443,687	-
Others	1,440,750	1,051,651
	46,953,793	17,569,002

At 30 September 2019 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 designated as investments at fair value through other comprehensive income. For investments with a maturity of less than a year the acquisition 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.

In the periods ended at 30 September 2019 and 2018, the change in 'Investments at fair value through other comprehensive income' was as follows:

	2019	2018
Opening balance	28,101,682	5,480,963
Acquisitions	18,852,111	12,088,039
Closing balance	46,953,793	17,569,002

#### 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 (MDR), which provides a unique combination of technology and services for clients to quickly detect and contain threats.

#### 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.

#### Cellwise

Cellwise provides network orchestration and automation solutions for global telecom operators.

#### 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.

#### CB4

CB4 provides a patented artificial intelligence software solution for traditional retailers to identify and correct critical in-store operational problems.

#### 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.

#### Daisy Intelligence

The company develops an Artificial Intelligence (AI) platform for retail and insurance companies in order to improve their management and risk management performance.

#### 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.

#### 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 beauty 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 Applications (Javascript code).

### Whitefantasy

The company develops digital solutions and dedicates its activity to computer programming activities.

### Fyde

The Fyde app allows users to securely surf the internet and access corporate resources on any device with performance optimized over traditional solutions like VPN, SWG or NAC.

## 11. Deferred taxes

Deferred tax assets at 30 September 2019 and 2018, amounted to Euro 5,508,972 and Euro 10,791,267 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 30 September 2019 and 2018 is as follows:

	2019	2018
Tax losses	1,101,300	4,478,963
Tax provisions not accepted and other temporary differences	329,698	1,949,536
Tax benefits	4,077,974	4,362,768
	5,508,972	10,791,267

The changes in deferred tax assets in the periods ended at 30 September 2019 and 2018 were as follows:

	2019	2018 (restated)
Opening balance	10,275,910	7,324,057
Impact on results:		
Record of deferred tax assets related to tax losses of the period	84,028	87,220
Record / (reverse) of deferred tax assets related to tax losses from previous periods	(107,003)	-
Record / (reverse) / use of tax benefits	592,930	(366,378)
Record / (reverse) of tax provisions not accepted and other temporary differences for the period	203,230	(456,250)
Record / (reverse) of temporary differences from the previous periods	-	(23,130)
	773,185	(758,538)
Impact on results of the discontinued operations		
Discontinued operations (note 26)	566,858	75,828
	566,858	75,828
Impact on reserves:		
Exchange variations	106,678	115,605
Effect of application of IFRS 15	-	104,307
	106,678	219,912
Other without impact on results:		
Alienation of companies (note 3.c)	(6,213,659)	-
Changes in the consolidation perimeter (note 8)	-	3,930,008
	(4,766,938)	3,467,210
Closing balance	5,508,972	10,791,267

At 30 September 2019 and 2018, 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 8. 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 onwards 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 30 September 2019, the caption 'tax benefits' includes mainly amounts related to the incentive associated with the Conventional Remuneration of Capital in the amount of Euro 1,519,875 and amounts related to tax credits in the amount of Euro 2,245,472.

The rate used at 30 September 2019 and 2018, in Portuguese companies, to calculate the deferred tax assets relating to tax losses carried forward was 21%. The rate used in 2019 and 2018 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 it 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 30 September 2019 was as follows:

Nature	Companies included in the tax group						2019
		Digitmarket	S21 Sec Portugal	S21 Sec Gestion	S21 Sec Labs	Total	Total Sonaecom Group
Tax losses:							
To be used until 2026	-	-	44,759	-	-	44,759	44,759
To be used until 2027	-	-	78,410	-	45,833	124,243	124,243
To be used until 2028	-	-	-	612,877	12,017	624,894	624,894
To be used until 2029	-	-	-	253,352	-	253,352	253,352
To be used until 2030	-	-	-	-	54,052	54,052	54,052
Tax losses	-	-	123,169	866,229	111,902	1,101,300	1,101,300
Tax provisions not accepted and other temporary differences	270,320	57,240	2,138	-	-	59,378	329,698
Tax benefits	1,543,730	133,875	154,897	2,245,472	-	2,534,244	4,077,974
Total	1,814,050	191,115	280,204	3,111,701	111,902	3,694,922	5,508,972

At 30 September 2019 and 2018, 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:

	2019	2018
Tax losses	9,000,252	11,425,140
Temporary differences (provisions not accepted for tax purposes and other temporary differences)	16,603,200	23,652,387
Others	21,881,447	16,465,255
	47,484,899	51,542,782

At 30 September 2019 and 2018, the caption 'Temporary differences' includes deferred taxes related to impairment of financial investments that can not be recorded.

At 30 September 2019 and 2018, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2019	2018
2018	-	189,071
2019	36,166	39,868
2020	122,072	132,658
2021	182,232	276,552
2022	417,616	1,156,996
2023	78,798	472,976
2024	83,586	78,923
2025	187,408	186,796
2026	854,724	803,382
2027	464,269	487,665
2028	359,785	139,006
2029	726,349	885,984
2030	-	50,704
2033	64,260	-
2034	82,607	-
2035	270,772	-
2037	-	738,072
Unlimited	5,069,608	5,786,487
	9,000,252	11,425,140

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 periods ended at 30 September 2019 and 2018 were as follows:

	2019	2018 (restated)
Opening balance	(13,930,732)	(10,243,448)
Temporary differences between accounting and tax result (restated)	155,041	(1,286,985)
Sub-total effect on results (note 22)	155,041	(1,286,985)
Closing balance	(13,775,691)	(11,530,433)

The reconciliation between the earnings before taxes and the taxes recorded for the periods ended at 30 September 2019 and 2018 is as follows:

	2019	2018 (restated)
Earnings before tax	17,849,249	69,426,781
Income tax rate (21%)	(3,748,342)	(14,579,624)
Autonomous taxation and surcharge	(125,674)	(2,720,616)
Tax provision	(8,446)	(4,568)
Accounting adjustments not accepted	(3,984,847)	1,083,090
Temporary differences and tax losses of the period without record of deferred tax assets	2,300,898	(1,274,487)
Utilization of tax losses and tax benefits without record of deferred tax assets in previous periods	593,775	96,379
Deferred tax assets of temporary differences of previous periods	-	(23,130)
Effect of the existence of different tax rates from those in force in Portugal	278,986	184,532
Effect of the untaxed equity method	6,576,619	5,991,127
Consolidation adjustments	(560,216)	(798,675)
Deferred tax assets from tax losses of previous periods	(107,003)	-
Record/(reverse) of deferred tax assets related to tax benefits	592,930	85,787
Income taxation recorded in the period (note 22)	1,808,680	(11,960,185)

The tax rate used to reconcile the tax expense and the accounting profit is 21% in 2019 and 2018 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 Group'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, at 30 September 2019.

## 12. Cash and cash equivalents

At 30 September 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Cash	16,350	23,703
Bank deposits repayable on demand	269,337,883	244,937,043
Treasury applications	1,841,416	237,070
Cash and cash equivalents	271,195,649	245,197,816
Bank overdrafts (note 15)	(498,452)	(310)
	270,697,197	245,197,506

## 13. Share capital

At 30 September 2019 and 2018, 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:

	2019		2018	
	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 period ended at 30 September 2019, Sonaecom did not acquire, sell or deliver 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.



## 15. Loans

At 30 September 2019 and 2018, the caption loans had the following breakdown:

### a) Medium and long-term loans

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2019	2018
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	-	43,312
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	-	52,091
S21 Sec Gestion*	Bank loan	-	Jun-20	Parcel	-	75,703
S21 Sec Gestion*	Bank loan	-	Apr-20	Parcel	-	93,750
S21 Sec Gestion*	Bank loan	-	Apr-21	Parcel	48,415	130,252
S21 Sec Gestion*	Bank loan	-	May-23	Parcel	137,500	187,500
Excellium Services	Bank loan	-	Sep-22	Parcel	613,576	-
Excellium Services	Credit facility	-	Jun-21	Parcel	2,323,592	-
					3,123,083	582,608
Nextel*	Reimbursable grants	-	Jul-21	Parcel	-	1,266,549
S21 Sec Gestion*	Reimbursable grants	-	Jun-25	Parcel	1,430,318	952,473
S21 Sec Labs	Reimbursable grants	-	Jun-24	Parcel	353,868	738,342
					1,784,186	2,957,364
Saphety	Minority Shareholder loans	-	-	-	-	152,122
	Interests incurred but not due yet	-	-	-	16,000	448
					4,923,269	3,692,542

\* Includes debt initially contracted by Nextel, merged into S21 Sec Gestion in May 2019, with retroactive effect to January 2019.

The average interest rate on these bank loans at 30 September 2019 was 1.79%.

### b) Short-term loans

Company	Issue denomination	Limit	Maturity	Type of reimbursement	Amount outstanding	
					2019	2018
S21 Sec Gestion*	Bank loan	-	Nov-18	Parcel	-	22,701
S21 Sec Gestion*	Bank loan	-	May-19	Parcel	-	252,503
S21 Sec Gestion*	Bank loan	-	Jun-19	Parcel	-	150,247
S21 Sec Gestion*	Bank loan	-	Sep-19	Parcel	-	346,826
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	52,091	102,396
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	38,774	134,118
S21 Sec Gestion*	Bank loan	-	Apr-20	Parcel	93,750	125,000
S21 Sec Gestion*	Bank loan	-	May-20	Parcel	43,312	79,313
S21 Sec Gestion*	Bank loan	-	Jun-20	Parcel	75,703	99,623
S21 Sec Gestion*	Bank loan	-	Aug-20	Parcel	50,000	50,000
S21 Sec Gestion*	Bank loan	-	Sep-20	Parcel	81,868	80,530
Excellium Services	Bank loan	-	Jun-20	Parcel	300,475	-
					735,973	1,443,257
Nextel*	Reimbursable grants	-	Dec-18	-	-	1,266,886
S21 Sec Gestion*	Reimbursable grants	-	Jun-20	-	1,194,355	724,554
S21 Sec Labs	Reimbursable grants	-	Jun-20	-	410,899	463,831
					1,605,254	2,455,271
Others	Bank overdrafts (note 12)	-	-	-	498,452	310
Others	Interests incurred but not due yet	-	-	-	9,066	26,856
					2,848,745	3,925,694

\* Includes debt initially contracted by Nextel, merged into S21 Sec Gestion in May 2019, with retroactive effect to January 2019.

## Grants

At 30 September 2019 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:

	2019
2019	770,175
2020	904,994
2021	509,912
2022	376,225
2023 and onwards	828,134
	<u>3,389,440</u>

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.

S21 Sec Gestión 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 a credit line in the amount of Euro 2.5 million.

All these bank credit lines of short-term portion bear interest at market rates, indexed to the Euribor for the respective term, and were all contracted in Euro.

At 30 September 2019 and 2018, 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
<b>2019</b>						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
S21 Sec Gestion*	Authorised overdrafts	500,000	495,982	4,018	x	
Excellium Services	Authorised overdrafts	-	2,470	-	x	
Excellium Services	Credit facility	2,500,000	2,323,592	176,408	x	
S21 Sec Gestion*	Bank loan	-	38,774	-	x	
S21 Sec Gestion*	Bank loan	-	43,312	-	x	
S21 Sec Gestion*	Bank loan	-	52,091	-	x	
S21 Sec Gestion*	Bank loan	-	93,750	-	x	
S21 Sec Gestion*	Bank loan	-	75,703	-	x	
S21 Sec Gestion*	Bank loan	-	130,283	-	x	
S21 Sec Gestion*	Bank loan	-	187,500	-		x
Excellium Services	Bank loan	-	914,051	-		x
		4,000,000	4,357,508	1,180,426		
<b>2018</b>						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	x	
Nextel	Authorised overdrafts	500,000	-	500,000	x	
Nextel	Bank loan	-	22,701	-	x	
Nextel	Bank loan	-	134,118	-	x	
Nextel	Bank loan	-	150,247	-	x	
Nextel	Bank loan	-	252,503	-	x	
Nextel	Bank loan	-	346,826	-	x	
Nextel	Bank loan	-	122,625	-		x
Nextel	Bank loan	-	154,487	-		x
Nextel	Bank loan	-	175,326	-		x
Nextel	Bank loan	-	210,782	-		x
Nextel	Bank loan	-	218,750	-		x
Nextel	Bank loan	-	237,500	-		x
		1,500,000	2,025,865	1,500,000		

\* Includes debt initially contracted by Nextel, merged into S21 Sec Gestion in May 2019, with retroactive effect to January 2019.

At 30 September 2019 and 2018, there is no interest rate hedging instruments therefore the total gross debit is exposed to changes in market interest rates.

## Others

At 30 September 2019 and 2018, debts to credit institutions (nominal values) related to non-current 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	Between 60 and 72 months
<b>2019</b>					
Other loans					
Reimbursements	2.432.392	385.331	280.360	25.000	-
Interests	3.487	8.993	2.255	118	-
	2.435.879	394.324	282.615	25.118	-
<b>2018</b>					
Other loans					
Reimbursements	135.423	294.480	77.705	50.000	25.000
Interests	2.409	3.933	1.434	709	118
	137.832	298.413	79.139	50.709	25.118

## 16. Non-current lease liabilities

At 30 September 2019 and 2018, this caption was composed of accounts payable to tangible and intangible assets suppliers related to lease contracts.

At 30 September 2019 and 2018, the payment of these amounts was due as follows:

	2019		2018 (restated)	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
2018	-	-	1,084,615	1,017,831
2019	965,823	866,215	2,915,583	2,723,488
2020	3,324,083	2,982,946	1,943,254	1,829,694
2021	2,589,520	2,327,962	1,324,996	1,266,262
2022	1,928,583	1,733,433	673,938	646,794
2023	1,458,948	1,313,631	267,421	254,657
2024	1,336,668	1,235,453	150,000	142,806
2025	1,266,507	1,207,899	150,000	147,436
2026	370,452	341,006	-	-
2027	370,452	354,047	-	-
2028	246,968	243,523	-	-
	13,858,003	12,606,116	8,509,807	8,028,968
Interests	(1,251,887)	-	(480,839)	-
	12,606,116	12,606,116	8,028,968	8,028,968
Short-term liability (note 18)	-	(3,314,058)	-	(3,169,761)
	12,606,116	9,292,058	8,028,968	4,859,207

## 17. Provisions and accumulated impairment losses

The changes in provisions and in accumulated impairment losses in the periods ended at 30 September 2019 and 2018 were as follows:

	Opening balance	Increases	Decreases	Utilisations and Transfers	Discontinued units (Note 3.c)	Closing balance
<b>2019</b>						
Accumulated impairment losses on trade debtors	5,055,966	262,656	(150,000)	(62,170)	(2,613,724)	2,492,728
Accumulated impairment losses on other current debtors	59,339	-	-	-	(4,217)	55,122
Accumulated impairment losses on inventories	40,000	7,000	-	-	-	47,000
Provisions for other liabilities and charges	23,615,649	173,713	(990,137)	(248,262)	(1,687,670)	20,863,293
	28,770,954	443,369	(1,140,137)	(310,432)	(4,305,611)	23,458,143
<b>2018</b>						
Accumulated impairment losses on trade debtors	4,156,097	310,640	(21,345)	36,619	-	4,482,011
Accumulated impairment losses on other current debtors	131,419	2,602	-	(79,053)	-	54,968
Accumulated impairment losses on inventories	40,000	-	-	-	-	40,000
Provisions for other liabilities and charges	3,603,145	17,844,676	(542,083)	(330,432)	-	20,575,306
	7,930,661	18,157,918	(563,428)	(372,866)	-	25,152,285

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, at 30 September 2019 and 2018, are detailed as follows:

	2019		2018 (restated)	
	Increases	Decreases	Increases	Decreases
<b>Accumulated impairment losses on accounts receivables</b>				
Continuing units - registered in the line 'Provisions and accumulated impairment losses' (increases) and in 'Other operating costs' (decreases)	160,337	(150,000)	35,623	(21,345)
Discontinued units (note 26)	102,319	-	277,619	-
<b>Total increases/(decreases) of accumulated impairment losses on accounts receivables</b>	<b>262,656</b>	<b>(150,000)</b>	<b>313,242</b>	<b>(21,345)</b>
<b>Provisions for other liabilities and charges</b>				
Recorded in the income statement, under the caption 'Income Tax' (note 22)	9,845	(1,399)	4,568	-
Recorded in balance sheet, under the caption Taxes and Other current debtors	-	(33,431)	-	-
Recorded in 'Fixed Assets' regarding to the provision for dismantling and abandonment of offices net value recorded in 'Other financial expenses' related to the financial update of the provision for dismantling as foreseen in IAS 16 - 'Fixed Assets' (note 1.c)	145	-	1,113	-
Recorded in the income statement in 'Gains and losses of associated companies and companies jointly controlled' related to the registration of the provision resulting from the application of the equity method (note 8)	114	(61,784)	2,660	-
Recorded in the income statement under 'Gains and losses on associated companies and companies jointly controlled', concerning the provision relating to the incentive in favor of Armilar (restated)	-	(59,716)	17,300,598	-
Recorded in the income statement 'Staff expenses' related to the provisions for severance payments	-	-	172,093	(118,218)
Other increases and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases)	55,836	-	136,150	(17,208)
<b>Total continuing operations</b>	<b>65,940</b>	<b>(156,330)</b>	<b>17,617,182</b>	<b>(135,426)</b>
Recorded in the income statement, under the caption 'Income Tax' - Discontinued units	65,811	(727,582)	216,889	(381,492)
Recorded in 'Fixed Assets' regarding to the provision for dismantling and abandonment of offices net value recorded in 'Other financial expenses' related to the financial update of the provision for dismantling as foreseen in IAS 16 - 'Fixed Assets' (note 1.c) - Discontinued units	101	(3,463)	-	-
Other increases and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases) - Discontinued units	41,861	(102,762)	10,605	(25,165)
<b>Total Discontinued units</b>	<b>107,773</b>	<b>(833,807)</b>	<b>227,494</b>	<b>(406,657)</b>
<b>Total increases/(decreases) of provisions for other liabilities and charges</b>	<b>173,713</b>	<b>(990,137)</b>	<b>17,844,676</b>	<b>(542,083)</b>
<b>Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases)</b>	<b>216,173</b>	<b>(150,000)</b>	<b>171,773</b>	<b>(38,553)</b>
<b>Total recorded in the income statement in 'Provisions and impairment losses' (increases) and in 'Other operating revenue' (decreases) - Discontinued units (note 26)</b>	<b>144,180</b>	<b>(102,762)</b>	<b>288,224</b>	<b>(25,165)</b>

At 30 September 2019 and 2018, the breakdown of the provisions for other liabilities and charges is as follows:

	2019	2018
Several contingencies	386,258	2,451,609
Legal processes in progress	95,525	26,797
Dismantlement	40,952	54,579
Other responsibilities (note 9)	20,340,558	18,042,321
	<b>20,863,293</b>	<b>20,575,306</b>

At 30 September 2019 and 2018, the value of provisions for dismantlement is recorded at its present value, accordingly with the dates of its utilisation in accordance with IAS 37 - 'Provisions, Contingent Liabilities and Contingent Assets'.

The caption 'Several contingencies' relates to contingent liabilities arising from transactions carried out in previous years and for which an outflow of funds is probable.

In relation to the provisions recorded for legal processes in progress and other responsibilities, given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used and therefore no financial update was carried out.

At 30 September 2019, under the caption 'Other responsibilities' are included the amount of Euro 20,071,071 related to the incentive in favour of Armilar, as the funds have exceeded the defined return barrier (Euro 17,300,598 at 30 September 2018). At 30 September 2018, the caption 'Other responsibilities' also included an amount of provisions for restructuring of Euro 167,403 associated with severance payment.

## 18. Current lease liabilities

At 30 September 2019, the caption 'Current lease liabilities' includes the amount of Euro 3,314,058 (Euro 3,169,761 in 2018) related to the short term parcel of the lease contracts (note 16).

## 19. External supplies and services

'External supplies and services' for the periods ended at 30 September 2019 and 2018 had the following composition:

	2019	2018 (restated)
Subcontracts	7,863,216	6,641,210
Specialised works	3,455,996	2,860,390
Travelling costs	1,439,404	1,060,785
Advertising and promotion	2,067,787	1,580,355
Communications	566,326	429,247
Rents	442,789	296,052
Maintenance and repairs	498,782	322,954
Fees	677,650	672,964
Fuels	356,662	157,792
Energy	154,064	160,798
Commissions	112,033	84,350
Others	783,493	474,275
	18,418,202	14,741,172

## 20. Financial results

Net financial results for the periods ended at 30 September 2019 and 2018 were detailed as follows ((costs) / gains):

	2019	2018 (restated)
Financial expenses:		
Interest expenses:		
Bank loans	(527,889)	(155,315)
Leasing	(78,757)	(8,203)
Other interests	(294,131)	(89,797)
Foreign exchange losses	(155,001)	(57,315)
Other financial expenses	(829,214)	(1,080,674)
	(156,966)	(87,194)
	(1,514,069)	(1,323,183)
Financial income:		
Interest income	607,643	615,720
Foreign exchange gains	901,605	1,040,773
Others financial gains	21,936	(4,439)
	1,531,185	1,652,054

## 21. Gains and losses on Investments

Gains and losses on investments for the periods ended at 30 September 2019 and 2018 are as follows ((costs) / gains):

	2019	2018 (restated)
Financial results of associated companies and companies jointly controlled:		
Gains and losses related with the application of the equity method (note 9)	30,724,392	76,272,166
	30,724,392	76,272,166

## 22. Income taxation

Income taxes recognised during the periods ended at 30 September 2019 and 2018 were as follows ((costs) / gains):

	2019	2018 (restated)
Current tax	888,900	(9,910,094)
Tax provision net of reduction (note 17)	(8,446)	(4,568)
Deferred tax assets (note 11)	773,185	(758,538)
Deferred tax liabilities (note 11)	155,041	(1,286,985)
	1,808,680	(11,960,185)

## 23. Related parties

During the periods ended at 30 September 2019 and 2018, 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, during the periods ended at 30 September 2019 and 2018 were as follows:

	Balances at 30 September 2019					
	Accounts receivable	Accounts payable	Other assets	Other liabilities	Treasury applications	Loans Obtained
Parent company (Sonae SGPS)	2,943,861	5,997,093	668,287	18,420	-	-
Companies jointly controlled	101,665	275,659	14	29,333	4,700	-
Associated companies	24	-	3,244,068	-	-	-
Other related parties	4,050,582	451,577	327,625	288,074	-	-
	7,096,132	6,724,330	4,239,995	335,828	4,700	-

	Balances at 30 September 2018 (restated)					
	Accounts receivable	Accounts payable	Other assets	Other liabilities	Treasury applications	Loans Granted
Parent company (Sonae SGPS)	1,047,065	11,041,724	104,400	79,274	-	-
Companies jointly controlled	346,524	412,408	11	22,557	3,700	-
Associated companies	-	1,018	1,418,466	-	-	-
Other related parties	6,186,228	843,909	172,341	3,969,084	-	152,222
	7,579,817	12,299,059	1,695,218	4,070,915	3,700	152,222





	Transactions at 30 September 2019				
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent company (Sonae SGPS)	1,470	43,707	288,504	-	-
Companies jointly controlled	19,998	313,223	125	-	147,167
Associated companies	-	552	29,148	-	-
Other related parties	22,984,028	959,340	17,460	77	47,101
	23,005,496	1,316,822	335,238	77	194,268

	Transactions at 30 September 2018				
	Sales and services rendered	Supplies and services received	Interest and similar income	Interest and similar expense	Supplementary income
Parent company (Sonae SGPS)	-	-	254,591	-	-
Companies jointly controlled	61,399	329,123	132	-	98,000
Associated companies	-	-	3,349	-	-
Other related parties	27,851,863	1,790,453	13,479	4,073	13,629
	27,913,262	2,119,576	271,551	4,073	111,629

During the period ended at 30 September 2019, the company distributed dividends in the amount of Euro 9,074,572 to Sonae SGPS (Euro 2,997,850 at 30 September 2018) and Euro 21,735,069 to Sontel BV (Euro 7,180,335 at 30 September 2018).

During the period ended at 30 September 2019, the company recognised the amount of Euro 46,991,559 related to dividends of Zopt (Euro 19,755,883 in 2018).

The transactions between Group companies were eliminated in consolidation process 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 periods ended at 30 September 2019 and 2018, no impairment losses have been recognised as accounts receivable of related parties.

## 24. Guarantees provided to third parties

Guarantees provided to third parties at 30 September 2019 and 2018 were as follows:

Company	Beneficiary	Description	2019	2018
S21 Sec Gestion	Administrador de Infraestructuras Ferroviarias; AENA; Arrow Ecs Internet Security, S.L.; Asociacion Navarra de Informatica Municipal; Autoridad Territorial del Transporte de Gipuzkoa; Ayuntamiento de Basauri; Ayuntamiento de Getxo; Ayuntamiento de Rivas; Ayuntamiento de Vitoria; Banco de España; Barcelona Serveis Municipals; Bic Gipuzkoa Berrilan, Sa; Canal de Isabel II; Centro Informático Municipal de Bilbao; Comunidad de Madrid; Eusko Jaurilaritzaren Informatika Elkartea; Eusko Legebiltzarra; Eusko Trenbideak; Fabrica Nacional de la Moneda y Timbre; Generalitat Valenciana; Gobierno Vasco; Instituto de Mayores y Servicios Sociales; Instituto Nacional de Ciberseguridad de España; IZFE; Ministerio de Energía, Turismo y Agenda Digital; National Intelligence Centre; Osakidetza; Parlamento Vasco; Red Nacional de los Ferrocarriles Españoles; Solred S.A.; SPRI - Agencia vasca de desarrollo empresarial; Universidad del Pais Vasco; REPSOL; Diputación Foral de Gipuzkoa; Metro de Madrid; Dirección General Osakidetza; Dirección General de Izfe; Euskal Telebista S.A; Euskaltel S.A.	Completion of work to be done	1,812,693	407,232
Inovretail, S21 Sec Gestion and S21 Sec Labs	Agencia para o Desenvolvimento e Coesao, I.P.; Centro para Desarrollo Tecnológico Industrial; Ingeniería de Sistemas para la Defensa de España; Ministerio de Economía y Competitividad; Ministerio de Industria; Ministerio de Industria, Energía y Turismo	Grants	1,700,794	656,057
Sonaecom and Público	Direção de Contribuições e Impostos and Autoridade Tributária e Aduaneira (Portuguese tax authorities)	IRC, IS, IVA – Tax assessment	23,998,745	2,311,861
Several	Others		703,355	554,467
			28,215,588	4,256,452

In addition to these guarantees were set securities up for the current fiscal processes. Sonae SGPS became consigner of Sonaecom SGPS surety to the amount of Euro 7,112,129 and Sonaecom become consigner of Público for the amount of Euro 1,129,799.

At 30 September 2019, the Board of Directors of the Group believes that the decision of the court proceedings and ongoing tax assessments in progress will not have significant impacts on the consolidated financial statements.

## 25. Information by business segment

During the periods ended at 30 September 2019 and 2018 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).

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

Inter-segment transactions during the periods ended at 30 September 2019 and 2018 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 30 September 2019 and 2018, 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		Technologies		Holding Activities		Subtotal		Eliminations and others		Total	
	September 2019	September 2018 (restated)	September 2019	September 2018 (restated)	September 2019	September 2018 (restated)	September 2019	September 2018 (restated)	September 2019	September 2018 (restated)	September 2019	September 2018 (restated)
Revenues:												
Sales and services rendered (restated)	11,882,564	11,252,070	90,281,733	66,455,518	269,306	371,978	102,433,603	78,079,566	167,088	343,011	102,600,691	78,422,577
Reversal of provisions (restated)	-	-	7,650	38,552	-	-	7,650	38,552	-	-	7,650	38,552
Other operating revenues (restated)	518,691	535,397	1,027,383	258,764	1,693	14,682	1,547,767	808,843	4,785	(5,122)	1,552,552	803,721
Total revenues	12,401,255	11,787,467	91,316,766	66,752,834	270,999	386,660	103,989,020	78,926,961	171,873	337,889	104,160,893	36,570,293
Depreciation and amortisation (restated)	(809,463)	(875,583)	(5,113,560)	(2,475,248)	(23,752)	(24,636)	(5,946,775)	(3,375,467)	(314,530)	175,032	(6,261,305)	(3,200,435)
Provisions and impairment losses (restated)	(23,025)	(40,000)	(170,365)	(35,053)	(22,783)	(96,720)	(216,173)	(171,773)	-	-	(216,173)	(171,773)
Net operating income / (loss) for the segment	(2,363,673)	(2,870,573)	(9,800,523)	(3,849,460)	(953,076)	(981,612)	(13,117,272)	(7,701,645)	225,013	527,389	(12,892,259)	(7,174,256)
Interest income (restated)	4,016	28,701	219,298	350,876	696,512	724,048	919,826	1,103,625	(312,183)	(487,905)	607,643	615,720
Interest expenses (restated)	(22,322)	(26,327)	(829,160)	(635,064)	(2,223)	(3,658)	(853,705)	(665,049)	325,816	509,734	(527,889)	(155,315)
Gains and losses on financial assets at fair value through profit or loss	-	-	-	(6,301)	-	-	-	(6,301)	-	-	-	(6,301)
Gains and losses in associated companies (restated)	141,001	130,201	(1,232,610)	46,274,328	31,816,001	29,867,637	30,724,392	76,272,166	-	-	30,724,392	76,272,166
Other financial results (restated)	(2,389)	(3,359)	(28,464)	(159,845)	(2,018,109)	(3,193,133)	(2,048,962)	(3,356,337)	1,986,324	3,231,104	(62,638)	(125,233)
Income taxation (restated)	742,928	(41,797)	808,741	(12,299,286)	55,474	389,433	1,607,143	(11,951,650)	201,537	(8,535)	1,808,680	(11,960,185)
Consolidated net income/(loss) for the period (restated)	(1,500,439)	(2,783,154)	(10,862,718)	29,675,248	29,594,579	26,802,715	17,231,422	53,694,809	2,426,507	3,771,787	19,657,929	57,466,596
Consolidated net income/(loss) for the period of discontinued operations	-	-	(783,482)	326,534	-	-	(783,482)	326,534	13,351,698	39,663	12,568,216	366,197
Attributable to:												
Shareholders of parent company (restated)	(1,500,439)	(2,783,154)	(9,949,523)	29,976,071	29,594,579	26,802,715	18,144,617	53,995,632	15,731,995	3,815,878	33,876,611	57,811,510
Non-controlling interests (restated)	-	-	(1,696,676)	25,711	-	-	(1,696,676)	25,711	46,210	(4,428)	(1,650,466)	21,283
Assets:												
Tangible and intangible assets and goodwill (restated)	1,976,525	2,206,673	33,841,145	69,218,783	81,002	112,001	35,898,672	71,537,457	1,464,045	(11,980,655)	37,362,717	59,556,802
Inventories	338,632	194,692	32,698	94,850	-	-	371,330	289,542	-	-	371,330	289,542
Investments in associated companies and companies jointly controlled (restated)	809,532	881,614	101,556,072	88,488,259	656,290,638	675,284,972	758,656,242	764,654,845	35,240	14,123	758,691,482	764,668,968
Other investments	30,242	47,947	46,905,846	17,521,054	57,462,810	46,260,310	104,398,898	63,829,311	(57,445,105)	(46,260,309)	46,953,793	17,569,002
Other non-current assets (restated)	887,333	32,109	8,665,805	13,184,063	64,520,703	78,244,229	74,073,841	91,460,401	(60,601,947)	(77,913,582)	13,471,894	13,546,819
Other current assets of the segment (restated)	6,048,200	5,609,425	39,822,394	66,644,593	266,931,707	254,331,270	312,802,301	326,585,288	(1,154,629)	(15,693,532)	311,647,672	310,891,756
Liabilities:												
Liabilities of the segment (restated)	8,673,887	9,378,267	89,850,875	113,087,547	2,172,617	1,864,745	100,697,379	112,449,845	3,891,632	(1,736,375)	104,589,011	110,713,470
CAPEX	775,407	505,025	25,123,527	17,541,453	21,197,595	11,820,946	47,096,528	29,867,424	(20,377,055)	(11,635,543)	26,719,473	18,231,881

During the periods ended at 30 September 2019 and 2018, the inter-segments sales and services were as follows:

	Multimedia	Information Systems	Holding Activities
<b>2019</b>			
Multimedia	-	160,045	-
Information Systems	35,000	-	119,858
Holding Activities	-	2,709	-
External trade debtors	11,847,564	90,118,979	149,448
	11,882,564	90,281,733	269,306
<b>2018</b>			
Multimedia	-	174,653	-
Information Systems	-	-	302,730
Holding Activities	-	27	-
External trade debtors	11,252,070	66,280,838	69,248
	11,252,070	66,455,518	371,978

During the periods ended at 30 September 2019 and 2018, sales and services rendered of the segments of Multimedia and Activities Holding were obtained predominantly in the Portuguese market, this market represents approximately 100% of revenue.

Regarding the Information Systems' segment, the Portuguese market is also dominant, representing 62.62% of the revenue (72.77% in 2018), followed by the Spanish market with a share of 13.44% of revenue (10.47% in 2018).

The consolidated financial statements of NOS at 30 September 2019 and 2018 incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method (note 9), can be summarised as follows:

#### Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	September 2019	September 2018 (restated)
<b>Assets</b>		
Tangible assets	1,044,520	1,021,818
Intangible assets	1,179,565	1,178,631
Rights of use	196,909	199,367
Deferred tax assets	73,330	107,184
Other non-current assets	27,234	27,458
<b>Non-current assets</b>	<b>2,521,558</b>	<b>2,534,458</b>
Trade debtors	418,697	441,163
Cash and cash equivalents	31,173	2,484
Other current assets	119,383	88,657
<b>Current assets</b>	<b>569,253</b>	<b>532,304</b>
<b>Total assets</b>	<b>3,090,811</b>	<b>3,066,762</b>
<b>Liabilities</b>		
Loans	1,111,541	1,068,374
Provisions	132,295	137,743
Other non-current liabilities	22,052	24,514
<b>Non-current liabilities</b>	<b>1,265,888</b>	<b>1,230,631</b>
Loans	248,752	225,499
Trade creditors	262,291	253,106
Other current liabilities	302,217	318,152
<b>Current liabilities</b>	<b>813,260</b>	<b>796,757</b>
<b>Total liabilities</b>	<b>2,079,148</b>	<b>2,027,388</b>
Shareholders' funds excluding non-controlling interests	1,004,604	1,032,175
Non-controlling interests	7,059	7,199
<b>Total Shareholders' funds</b>	<b>1,011,663</b>	<b>1,039,374</b>
<b>Total Shareholders' funds and liabilities</b>	<b>3,090,811</b>	<b>3,066,762</b>

## Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	September 2019	September 2018 (restated)
Total revenue	1,185,182	1,167,283
Costs and losses		
Direct costs and External supplies and services	(461,676)	(457,256)
Depreciation, amortisation and impairment losses	(297,974)	(319,837)
Other operating costs	(232,177)	(214,216)
	(991,827)	(991,309)
Gains/ (losses) in associated companies	2,296	(4,451)
Financial results	(19,171)	(24,072)
Income taxation	(38,618)	(22,936)
Consolidated net income/(loss) for the period	137,862	124,515
Consolidated net income/(loss) for the period attributed to non-controlling interests	(231)	(592)
Attributed to shareholders of the parent company	138,093	125,107

## 26. Discontinued units

### Saphety Group

The net income from the discontinued operations can be detailed as follows:

(Amounts expressed in Euro)	March 2019	September 2018 (restated)
Services rendered	2,067,305	5,673,594
Other operating revenues	-	185,375
	2,067,305	5,858,969
Cost of sales	-	65,570
External supplies and services	(554,167)	(2,027,796)
Staff expenses	(779,237)	(2,325,814)
Depreciation and amortisation	(417,135)	(1,004,736)
Provisions and impairment losses	-	(18,078)
Other operating costs	(11,452)	(42,598)
	(1,761,991)	(5,353,452)
Other financial expenses	(9,481)	(35,782)
Other financial income	(31,759)	(80,949)
Current income / (loss)	264,074	388,786
Income taxation	(67,484)	(160,351)
Consolidated net income/(loss) for the period of discontinued operations	196,590	228,435
Gain/ (loss) resulting from the alienation	5,148,926	-
Attributed to:		
Non-controlling interests (discontinued operations)	(240,455)	(29,109)

The net income at 31 March 2019 corresponds to the net income from the Saphety Group, amounting to Euro 196,590, and to the gain resulting from the alienation in the amount of Euro 5,148,926, where the net amount of the non-controlling interests is Euro 4,933,947, as stated in note 3.c.

## We Do Group

The net income from the discontinued operations can be detailed as follows:

(Amounts expressed in Euro)	July 2019	September 2018 (restated)
Services rendered	34,814,480	38,569,877
Other operating revenues	797,781	533,032
	35,612,261	39,102,909
Cost of sales	-	309,983
External supplies and services (note 3.c)	(14,339,841)	(11,070,240)
Staff expenses	(17,391,448)	(20,985,127)
Depreciation and amortisation	(3,943,872)	(5,861,899)
Provisions and impairment losses	(144,180)	(270,146)
Other operating costs	(86,427)	(65,908)
	(35,905,767)	(37,943,337)
Other financial expenses	(2,478,336)	(1,712,988)
Other financial income	2,053,898	1,595,069
Current income / (loss)	(717,943)	1,041,653
Income taxation (note 3.c)	(583,534)	(903,891)
Consolidated net income/(loss) for the period of discontinued operations	(1,301,477)	137,762
Gain/ (loss) resulting from the alienation (note 3.c)	8,524,177	-
Attributed to:		
Non-controlling interests (discontinued operations)	5,425	(1,704)

The net income at 31 July 2019 corresponds to the net income from the We Do Group, amounting to negative Euro 1,301,477, and to the gain resulting from the alienation in the amount of Euro 8,524,177, where the net amount of the non-controlling interests is Euro 8,530,002, as stated in note 3.c.

## 27. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the consolidated net income attributable to the Group (Euro 33,876,611 in 2019 and Euro 57,811,510 in 2018) by the average number of shares outstanding during the period ended 30 September 2019 and 2018, net of own shares.

## 28. Staff expenses

For the periods ended at 30 September 2019 and 2018, the caption 'Staff expenses' is as follows:

	2019	2018 (restated)
Remuneration	28,307,002	18,947,017
Remuneration Charges	6,109,961	4,273,277
Medium Term Incentive Plan	253,304	138,281
Works for the Company	(1,747,141)	(1,525,188)
Others	1,365,855	703,526
	34,288,981	22,536,913

## 29. 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 2018 plan was delivered in March 2019 to the Sonaecom's Directors.

The 2015 plan was delivered in March 2019 to Saphety's employees and in April 2019 for the remaining employees.

Accordingly, the plans outstanding at 30 September 2019 are as follows:

	Vesting period			30 September 2019	
	Share price 30 September 2019	Award date	Vesting date	Aggregate number of participations	Number of shares
<b>Sonae SGPS shares</b>					
2016 Plan	0.86	Mar-17	Mar-20	2	253,607
2017 Plan	0.86	Mar-18	Mar-21	2	211,450
2018 Plan	0.86	Mar-19	Mar-22	2	264,629

During the period ended at 30 September 2019, 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 2018:		
Still deferred	173	2,309,348
Total	173	2,309,348
Movements in the period:		
Awarded	2	257,038
Overdue <sup>(1)</sup>	(161)	(1,725,175)
Cancelled / corrected / transfers <sup>(2)</sup>	(8)	(111,525)
Outstanding at 30 September 2019:		
Still deferred	6	729,686
Total	6	729,686

(1) Of the overdue shares, 562,939 were delivered in cash

(2) Corrections are made based on the dividend paid and by the exit of the employees during the plan period.

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 periods and in the period ended at 30 September 2019 were as follows:

	Value
Costs recognised in previous years	1,440,702
Costs recognised in the period	253,304
Costs recognised in the period of the discontinued units (note 26)	218,655
Costs of plans vested in the period	(1,620,187)
<b>Total cost of the plans</b>	<b>292,474</b>
Recorded in 'Other current liabilities'	180,106
Recorded in 'Other non-current liabilities'	112,368

These financial consolidated presentations have been approved by the Executive Board and authorised to be issued on 5 November 2019, however, subject to approval by the Shareholders' General Meeting.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

## 4.3. Sonaecom separate financial statements

### Statement of financial position

For the periods ended at 30 September 2019 and 2018 (restated – note 1) and for the year ended at 31 December 2018 (restated – note 1)

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	September 2018 (not audited and restated)	December 2018 (restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Tangible assets	1a, 1t and 2	5,514	6,308	6,994
Intangible assets	1b, 1t and 3	1,930	2,678	2,480
Rights of use	1f and 4	73,559	103,016	95,280
Investments in Group companies	1c and 6	62,320,607	56,350,310	64,307,037
Companies jointly controlled	1d and 7	597,666,944	597,666,944	597,666,944
Other non-current assets	1c, 1e, 1n, 5, 8 and 22	174,549,760	182,769,306	215,399,891
Deferred tax assets	1m and 9	113,146	117,402	117,821
<b>Total non-current assets</b>		<b>834,731,460</b>	<b>837,015,964</b>	<b>877,596,447</b>
<b>Current assets</b>				
Income tax receivable	1m and 5	650,600	812,009	650,600
Other current debtors	1e, 1g, 5, 10 and 22	237,209	1,067,084	430,783
Other current assets	1e, 1n, 5 and 22	273,056	333,599	193,376
Cash and cash equivalents	1e, 1h, 5, 11 and 22	265,741,315	252,064,848	212,722,898
<b>Total current assets</b>		<b>266,902,180</b>	<b>254,277,540</b>	<b>213,997,657</b>
<b>Total assets</b>		<b>1,101,633,640</b>	<b>1,091,293,504</b>	<b>1,091,594,104</b>
<b>Shareholder' funds and liabilities</b>				
<b>Shareholders' funds</b>				
Share capital	12	230,391,627	230,391,627	230,391,627
Own shares	1r and 13	(8,441,804)	(8,441,804)	(8,441,804)
Reserves	1q	832,770,588	850,151,304	850,151,304
Net income / (loss) for the period		44,770,138	16,690,961	16,865,415
<b>Total Shareholders' funds</b>		<b>1,099,490,549</b>	<b>1,088,792,088</b>	<b>1,088,966,542</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Provisions for other liabilities and charges	1l and 15	372,763	366,386	349,979
Non-current lease liabilities	1e, 1f, 5 and 16	50,676	75,779	69,583
Other non-current liabilities	1e, 1n, 1u and 5	112,368	139,027	155,717
<b>Total non-current liabilities</b>		<b>535,807</b>	<b>581,192</b>	<b>575,279</b>
<b>Current liabilities</b>				
Income tax payable	1.m) and 5	21,730	-	-
Other creditors	1e, 5, 17 and 22	1,062,691	1,200,536	1,255,174
Current lease liabilities	1e, 1f, 5 and 16	25,103	29,287	27,844
Other current liabilities	1e, 1n, 1u and 5	497,760	690,401	769,265
<b>Total current liabilities</b>		<b>1,607,284</b>	<b>1,920,224</b>	<b>2,052,283</b>
<b>Total liabilities</b>		<b>2,143,091</b>	<b>2,501,416</b>	<b>2,627,562</b>
<b>Total Shareholders' funds and liabilities</b>		<b>1,101,633,640</b>	<b>1,091,293,504</b>	<b>1,091,594,104</b>

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

## Income statement by nature

For the periods ended at 30 September 2019 and 2018 (restated – note 1) and for the year ended at 31 December 2018 (restated – note 1)

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	July to September 2019 (not audited)	September 2018 (not audited and restated)	July to September 2018 (not audited and restated)	December 2018 (restated)
Services rendered	1.o and 22	269,306	89,769	371,978	87,881	496,953
Other operating revenues	1.o and 22	1,693	627	51,153	39,566	65,449
		270,999	90,396	423,131	127,447	562,402
External supplies and services	1.f, 18 and 22	(475,616)	(139,052)	(466,866)	(136,884)	(640,581)
Staff expenses	1.u and 25	(666,858)	(205,727)	(781,893)	(279,398)	(1,054,569)
Depreciation and amortisation	1.a, 1.b, 1.f, 2, 3 and 4	(23,752)	(6,881)	(24,636)	(8,428)	(33,059)
Provisions and impairment losses	1.l, 1.t and 15	(22,784)	-	(96,720)	24,103	(93,720)
Other operating costs		(35,065)	(12,379)	(34,627)	(11,636)	(47,097)
		(1,224,075)	(364,039)	(1,404,743)	(412,244)	(1,869,026)
Gains and losses on Group companies and companies jointly controlled	1.d, 1.o, 6, 7 and 19	45,005,129	10,997,392	16,524,080	859,384	16,748,327
Other financial expenses	1.c, 1.f 1.i, 1.j, 1.s, 1.t, 20 and 22	(43,271)	(11,015)	(21,824)	20,597	(97,944)
Other financial income	1.f, 1.s, 11, 20 and 22	705,882	240,294	780,884	306,614	1,076,619
Earnings before taxes		44,714,664	10,953,028	16,301,528	901,798	16,420,378
Income taxation	1.m, 9 and 21	55,474	8,102	389,433	387,546	445,037
Net income / (loss) for the period		44,770,138	10,961,130	16,690,961	1,289,344	16,865,415

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

## Statement of comprehensive income

For the periods ended at 30 September 2019 and 2018 (restated – note 1) and for the year ended at 31 December 2018 (restated – note 1)

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	July to September 2019 (not audited)	September 2018 (not audited and restated)	July to September 2018 (not audited and restated)	December 2018 (restated)
Net income / (loss) for the period		44,770,138	10,961,130	16,690,961	1,289,344	16,865,415
Comprehensive income for the period		44,770,138	10,961,130	16,690,961	1,289,344	16,865,415

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

## Statement of changes in Equity

For the periods ended at 30 September 2019 and 2018 (restated – note 1)

(Amounts expressed in Euro)			Reserves						
	Share capital (note 12)	Own shares (note 1r and 13)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves (note 1.q)	Net income / (loss)	Total
<b>2019</b>									
Balance at 31 December 2018 (restated)	230,391,627	(8,441,804)	775,290,377	17,701,887	8,441,804	48,717,236	850,151,304	16,865,415	1,088,966,542
Appropriation of the result of 2018									
Transfer to legal reserves and other reserves	-	-	-	843,305	-	16,022,110	16,865,415	(16,865,415)	-
Dividend Distribution (note 22)	-	-	-	-	-	(34,246,131)	(34,246,131)	-	(34,246,131)
Comprehensive income for the period ended at 30 September 2019	-	-	-	-	-	-	-	44,770,138	44,770,138
Balance at 30 September 2019	230,391,627	(8,441,804)	775,290,377	18,545,192	8,441,804	30,493,215	832,770,588	44,770,138	1,099,490,549
<b>2018</b>									
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 22)	-	-	-	-	-	(11,313,454)	(11,313,454)	-	(11,313,454)
Impact of the application of IFRS 16 (restated)	-	-	-	-	-	(1,454)	(1,454)	-	(1,454)
Comprehensive income for the period ended at 30 September 2018 (restated)	-	-	-	-	-	-	-	16,690,961	16,690,961
Balance at 30 September 2018 (restated)	230,391,627	(8,441,804)	775,290,377	17,701,887	8,441,804	48,717,236	850,151,304	16,690,961	1,088,792,088

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

## Cash flow statement

For the periods ended at 30 September 2019 and 2018 (restated – note 1)

(Amounts expressed in Euro)	Notes	September 2019 (not audited)	September 2018 (not audited and restated)
<b>Operating activities</b>			
Receipts from trade debtors		170,200	600,978
Payments to trade creditors		(521,241)	(500,269)
Payments to employees		(857,914)	(852,907)
Cash flows from operating activities		(1,208,955)	(752,198)
Payments / receipts relating to income taxes		(747)	18,799
Other payments / receipts relating to operating activities		(605,476)	(29,993)
Cash flows from operating activities (1)		(1,815,178)	(763,392)
<b>Investing activities</b>			
Receipts from:			
Financial investments	8	46,895,941	47,812,800
Interest and similar income	20	1,240,033	956,154
Loans granted	8	15,215,000	18,700,000
Dividends	22	46,991,559	19,755,883
Payments for:			
Financial investments	8	(21,196,976)	(11,716,464)
Tangible assets	2	-	(2,616)
Intangible assets	3	-	(70)
Loans granted	8	-	(1,985,000)
Cash flows from investing activities (2)		89,145,557	73,520,687
<b>Financing activities</b>			
Payments for:			
Interest and similar expenses	20	(41,979)	(256,476)
Dividends Paid	22	(34,246,131)	(11,313,454)
Leases		(23,852)	(23,687)
Cash flows from financing activities (3)		(34,311,962)	(11,593,617)
Net cash flows (4)=(1)+(2)+(3)		53,018,417	61,163,678
Cash and cash equivalents at the beginning of the period	11	212,722,898	190,901,170
Cash and cash equivalents at period end	11	265,741,315	252,064,848

The notes are an integral part of the financial statements.

The Chief Accountant

The Board of Directors

## Notes to the cash flow statement

For the periods ended at 30 September 2019 and 2018

	Notes	September 2019 (not audited)	September 2018 (not audited)
<b>1. Acquisition or sale of subsidiaries or other businesses activities</b>			
<b>a) Receipts from other business activities</b>			
Loan repayment from Sonae Investment Management - Software and Technology, SGPS, S.A.	8	15,215,000	18,700,000
Reimbursement of supplementary capital from Sonae Investment Management - Software and Technology, SGPS, S.A.	8	46,895,941	47,812,800
		<u>62,110,941</u>	<u>66,512,800</u>
<b>b) Payments from other business activities</b>			
Loan granted to Sonae Investment Management - Software and Technology, SGPS, S.A.	8	-	1,985,000
Supplementary capital to Sonae Investment Management - Software and Technology, SGPS, S.A.	8	21,196,976	11,716,464
		<u>21,196,976</u>	<u>13,701,464</u>
<b>c) Dividends received</b>			
ZOPT, SGPS, S.A.	22	46,991,559	19,755,883
		<u>46,991,559</u>	<u>19,755,883</u>
<b>2. Description of non-monetary financing activities</b>			
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



## 4.4. Notes to the separate financial statements of Sonaecom

SONAECON, 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.

At 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.

At 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 period, 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.

At 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.

At 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 period, subject to valid acceptance by the recipients.

The period of the offer, during which sales orders were received, ran for two weeks, beginning at 6 February and ending on 19 February 2014. At 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 the 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 2019 and in accordance with the IAS 34 – Interim Financial Reporting. 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 2019 and were first adopted in the period ending at 30 September 2019:

Standard / Interpretation	Effective date (annual periods beginning on or after)
IFRS 16 - Leases This new standard replaces IAS 17 with a significant impact on accounting by lessees who are now required to recognise 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.	1-Jan-19
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

Standard / Interpretation	Effective date (annual periods beginning on or after)
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
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 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 affects the following standards: IAS 23, IAS 12, IFRS 3 e IFRS 11.	1-Jan-19

## 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, the impact of the adoption of IFRS 16 in the financial statements at 30 September 2018 and 31 December 2018 was as follows:

(Amounts expressed in Euro)	September 2018 (reported)	IFRS 16	September 2018 (restated)
Balance			
Non-current assets			
Rights of use	-	103,016	103,016
Non-current liabilities			
Non-current lease liabilities	-	75,779	75,779
Current liabilities			
Current lease liabilities	-	29,287	29,287
Shareholders' funds			
Reserves	850,152,758	(1,454)	850,151,304
Profit and Loss			
External supplies and services	(490,553)	23,687	(466,866)
Depreciation and amortisation	(3,162)	(21,474)	(24,636)
Other financial expenses	(19,015)	(2,809)	(21,824)

(Amounts expressed in Euro)	December 2018 (reported)	IFRS 16	December 2018 (restated)
Balance			
Non-current assets			
Rights of use	-	95,280	95,280
Non-current liabilities			
Non-current lease liabilities	-	69,583	69,583
Current liabilities			
Current lease liabilities	-	27,844	27,844
Shareholders' funds			
Reserves	850,152,758	(1,454)	850,151,304
Profit and Loss			
External supplies and services	(672,791)	32,210	(640,581)
Depreciation and amortisation	(3,849)	(29,210)	(33,059)
Other financial expenses	(94,251)	(3,693)	(97,944)

No impact is expected from the adoption of the remaining standards.

The following standards, interpretations, amendments and revisions have not been approved (endorsed) by the European Union until 30 September 2019:

Standard / Interpretation	Effective date (annual periods beginning on
IFRS 17 - Insurance contracts	1-Jan-21
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.	
Amendments to references to the conceptual framework in IFRS standards	1-Jan-20
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.	

Standard / Interpretation	Effective date (annual periods beginning on
Amendments to IAS 1 and IAS 8: Definition of Material	1-Jan-20
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.	
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.	

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the company for the period ended at 30 September 2019, because their application is not mandatory.

The accounting policies and measurement criteria adopted by the Company at 30 September 2019 are comparable with those used in the preparation of 30 September 2018 financial statements.

### Main accounting policies

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

#### a) Tangible assets

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

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

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

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

	Years of useful life
Buildings and others constructions	20
Fixtures and fittings	4

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

#### b) Intangible assets

Intangible assets are recorded at their acquisition cost less accumulated amortisation and less estimated accumulated impairment losses. Intangible assets are only recognised, if they were identifiable and if it is likely that they will bring future economic benefits to the Company, if the Company controls them and if their cost can be reliably measured.

Intangible assets correspond, essentially, to software and industrial property.

Amortisations are calculated on a straight-line monthly basis, over the estimated useful life of the assets (one to five years) as from the month in which the corresponding expenses are incurred.

Amortisation for the period is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

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

#### c) Investments in group companies and other non-current assets

Sonaecom has control of subsidiaries in situations that cumulatively fulfils the following conditions: i) has power over the subsidiary; ii) is exposed to, or has rights to, variable results via its relationship with the subsidiary; and iii) is able to use its power over the investee to affect the amount of your results. Financial investments in equity investments in group companies, are recorded under "Investments in group companies", at cost of acquisition.

The acquisition cost is the amount of cash and cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of acquisition or establishment or, where

applicable, the amount attributed to that asset when initially 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 recognise 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 period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

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

#### d) Investments in companies jointly controlled

Investments in companies jointly controlled (companies in which the Company has, direct or indirect, 50% of the voting rights in the Shareholders' General Meeting 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 period that they are estimated, under the caption 'Other financial expenses' in the profit and loss statement.

The expenses incurred with the acquisition of investments in companies jointly controlled are recorded as cost when they are incurred.

#### e) Financial instruments

##### 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 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) 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 30 September 2019, 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 amortised cost and which the Company 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 30 September 2019, 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 recognised 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 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 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:

- (iii) Financial liabilities at amortised cost
- (iv) 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:

- f) Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
- g) 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;
- h) Financial guarantee contracts;
- i) Commitments to grant a loan at a lower interest rate than the market;
- j) 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 Company's financial liabilities include: loans obtained (note i), accounts payable and derivative financial instruments (note k).

#### *f) Rights of use and leasing*

A lease is defined as a contract, or part of a contract, that transfers the right to use a good (the underlying asset) for a period of time in exchange for a value.

At the beginning of each contract, it is evaluated and identified whether or not the contract contains a lease. This evaluation involves an exercise of judgment as to whether each contract depends on a specific asset, if the companies of Sonaecom group obtain substantially all the economic benefits from the use of that asset and whether they have the right to control the use of the asset.

All contracts that constitute a lease are accounted for on the basis of a single recognition model in the balance sheet as the IAS 17 established for financial leases.

At the date of commencement of the lease, the Company recognises the liability related to lease payments (i.e. the lease liability) and the asset that represents the right to use the underlying asset during the lease period (i.e. the right of use or "ROU").

The interest on the lease liability and the depreciation of the ROU are recognised separately.

Lease liabilities are remeasured if certain events occur (such as a change in the lease period, a change in future payments that result from a change in the reference rate or rate used to determine such payments). This remeasurement of the lease liability is recognised as an adjustment in the ROU.

#### *Rights of use (assets)*

The Company recognises the right to use the assets at the start date of the lease (that is, the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, less accumulated depreciation and impairment losses and adjusted for any new measurement of lease liabilities. The cost of the right to use the assets includes the recognised amount of the lease liability, any direct costs incurred initially and payments already made prior to the initial rental date, less any incentives received.

Unless it is reasonably certain that the Company obtains ownership of the leased asset at the end of the lease term, the recognised right to use the assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the term of the lease.

Usage rights are subject to impairment.

#### *Lease liabilities*

At the date of commencement of the lease, the Company recognises the liabilities measured at the present value of the future payments to be made until the end of the lease.

Lease payments include fixed payments (including fixed payments on the substance), less any incentives to receive, variable payments, dependent on an index or rate, and expected amounts to be paid under residual value guarantees. The lease payments also include the exercise price of a call option if it is reasonably certain that the Company will exercise the option and penalties for termination of the lease if it is reasonably certain that the Company will terminate the lease.

Variable payments that do not depend on an index or a rate are recognised as an expense in the period in which the event giving rise to them occurs.

In calculating the present value of the lease payments, the Company uses the incremental loan rate at the start date of the lease if the implied interest rate is not readily determinable.

After the starting date of the lease, the value of the lease liability increases to reflect the increase in interest and reduces the payments made. In addition, the book value of the lease liability is remeasured if there is a change, such as a change in the lease term, fixed payments or the purchase decision of the underlying asset.

#### *g) Other current debtors*

'Other current debtors' are initially recognised at fair value and are subsequently measured at amortised cost, net of impairment adjustments. Impairment losses of 'Other current debtors' are recorded in accordance with the principles described in the policy in note 1.t. The identified impairment losses are recorded in the income statement and other comprehensive income in 'Provisions and impairment losses' and subsequently reversed on the net income.

#### *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 measured 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 30 September 2019 and 2018, the Company did not have any derivatives.

#### 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 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, in the period ended in 2015, 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 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 onwards 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 period, 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 certain requirements are met.

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

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

Deferred taxes are calculated with the tax rate that is expected to be in 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 period to which they relate, regardless of their date of payment or receipt. Estimated amounts are used when actual amounts are not known.

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

The costs attributable to current period and whose expenses will only occur in future periods are estimated and recorded under the caption 'Other current liabilities' and 'Other non-current liabilities', when it is possible to estimate reliably the amount and the timing of occurrence of the expense. If there is uncertainty regarding both the date of disbursement of funds, and the amount of the obligation, the value is classified as Provisions (note 1.I).

#### 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 recognised 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) 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 Company uses appropriate valuation techniques 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 30 September 2019, Sonaecom, have free reserves distributable amounting approximately EUR 71.7 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the period ended at 30 September 2019.

#### 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:

	2019		2018	
	30 September	Average	30 September	Average
Pounds Sterling	1.1290	1.1331	1.1270	1.1314
American Dollar	0.9184	0.8901	0.8639	0.8377

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.

*Financial assets impairment*

The Company 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 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.

#### 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 30 September 2019 and 2018 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 30 September 2019, the plans granted during the year 2017, 2018 and 2019 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 recognised on the income statement under the caption ‘Staff expenses’.

#### v) Subsequent events

Events occurring after the date of the statement of financial position which provide additional information about conditions prevailing at the time of the statement of financial position (adjusting events) are reflected in the financial statements. Events occurring after the statement of financial position date that provide information on post- statement of financial position conditions (non-adjusting events), when material, are disclosed in the notes to the financial statements.

#### w) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements of the periods ended at 30 September 2019 and 2018 are as follows:

- (i) Useful lives of tangible and intangible assets (notes 1.a and 1.b);
- (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 9).

The 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 Company, 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.

### *Impairment of financial assets*

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 '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.

### *Rights of use*

The Company determines the end of the lease as the non-cancellable part of the lease term, together with any periods covered by an option to extend the lease if it is reasonably certain that it will be exercised, or any periods covered by an option to terminate the lease agreement, if it is reasonably certain that it will not be exercised.

The Company has the option, under some of its lease agreements, to lease its assets for additional periods. Sonaecom evaluates the reasonableness of exercising the option to renew the agreement. That is, the Company considers all the relevant factors that create an economic incentive for the renewal exercise. After the starting date, the Company re-evaluates the termination of the contract if there is a significant event or changes in circumstances that are under control and affect its ability to exercise (or not exercise) the renewal option (e.g. a change in the strategy of the business).

### *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 period ended at 30 September 2019, Sonaecom has no indebtedness. However, as all Sonaecom's borrowings (note 14) are at variable rates, interest rate swaps and other derivatives are used to hedge future changes in cash flow relating to interest payments, when it is considered necessary. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Company agrees with third parties (banks) to exchange, in pre-determined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Company's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions.

In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations. In determining the fair value of hedging operations, the Company uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the statement of financial position date.

Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the valuation.

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge, are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the period.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Company, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined



above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

At 30 September 2019 and 2018, are not contracted any derivatives instruments of hedging of the interest rate changes.

### Liquidity risk

The existence of liquidity in the Company requires the definition of some policies for an efficient and secure management of the liquidity, allowing us to maximise the profitability and to minimise the opportunity costs related with that liquidity.

The liquidity risk management has a threefold objective: (i) Liquidity, i.e., to ensure the permanent access in the most efficient way to obtain sufficient funds to settle current payments in the respective dates of maturity as well as any eventual not forecasted requests for funds, in the deadlines set for this; (ii) Safety, i.e., to minimise the probability of default in any reimbursement of application of funds; and (iii) Financial efficiency, i.e., to ensure that the Company maximises the value / minimise the opportunity cost of holding excess liquidity in the short term.

The main underlying policies correspond to the variety of instruments allowed, the maximum acceptable level of risk, the maximum amount of exposure by counterparty and the maximum periods for investments.

The existing liquidity should be applied to the alternatives and by the order described below:

- (i) Amortisation of short-term debt – after comparing the opportunity cost of amortisation and the opportunity cost related to alternative investments;
- (ii) Consolidated management of liquidity – the existing liquidity in Group companies, should mainly be applied in Group companies, to reduce the use of bank debt at a consolidated level; and
- (iii) Applications in the market.

The applications in the market are limited to eligible counterparties, with ratings previously established by the Board of Directors and limited to certain maximum amounts by counterparty.

The definition of maximum amounts intends to assure that the application of liquidity in excess is made in a prudent way and taking into consideration the best practices in terms of bank relationships.

The maturity of applications should equalise the forecasted payments (or the applications should be easily convertible, in case of asset investments, to allow urgent and not estimated payments), considering a threshold for eventual deviations on the estimates. The threshold depends on the accuracy level of treasury estimates and would be determined by the business. The accuracy of the treasury estimates is an important variable to quantify the amounts and the maturity of the applications in the market.

Taking into account the low value of the liabilities of the company is understood that the liquidity risk is very low.

### Credit risk

The Company's exposure to credit risk is mainly associated with the accounts receivable related to current operational activities, cash investments and other non-current assets supplies.

#### *(i) Cash and cash equivalents*

Sonaecom holds financial assets arising from its relationship with subsidiary and with financial institutions (note 11). 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 Company 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 Company.

#### *(ii) Loans granted to related parties*

There are no impairment losses for Loans granted to related parties.

Loans granted to related parties (note 8) 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) *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. 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 30 September 2019 were determined taking into account these assumptions of IFRS 9.

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 (loans granted) and other third-party debts presented in the financial statements, which are net of impairment, represent the maximum exposure of the Company 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 returns and optimises 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 2019, Sonaecom reported a negative average gearing (accounting) of 20.8%. The average gearing in market values in 2019 was negative in 30.3%. These amounts were restated given the adoption of IFRS 16 and due to the alienation of the Saphety and We Do groups.



## 2. Tangible assets

The changes in tangible assets and in the corresponding accumulated depreciation and impairment losses in the periods ended at 30 September 2019 and 2018 was as follows:

							2019
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Total
<b>Gross assets</b>							
Balance at 31 December 2018	347,208	43,858	22,060	171	248,961	101	662,359
Balance at 30 September 2019	347,208	43,858	22,060	171	248,961	101	662,359
<b>Accumulated depreciation and impairment losses</b>							
Balance at 31 December 2018	343,708	43,858	22,060	171	245,466	101	655,364
Depreciation for the period	371	-	-	-	1,110	-	1,481
Balance at 30 September 2019	344,079	43,858	22,060	171	246,576	101	656,845
Net value	3,129	-	-	-	2,385	-	5,514

							2018
	Buildings and other constructions	Plant and machinery	Vehicles	Tools	Fixtures and fittings	Other tangible assets	Total
<b>Gross assets</b>							
Balance at 31 December 2017	347,208	43,858	22,060	171	247,785	101	661,183
Balance at 30 September 2018	347,208	43,858	22,060	171	247,785	101	661,183
<b>Accumulated depreciation and impairment losses</b>							
Balance at 31 December 2017	341,952	43,858	22,060	171	244,150	101	652,292
Depreciation for the period	1,633	-	-	-	950	-	2,583
Balance at 30 September 2018	343,585	43,858	22,060	171	245,100	101	654,875
Net value	3,623	-	-	-	2,685	-	6,308

## 3. Intangible assets

The changes in intangible assets and in the corresponding accumulated amortisation and impairment losses in the periods ended at 30 September 2019 and 2018 was as follows:

			2019
	Brands patents and other rights	Software	Total
<b>Gross assets</b>			
Balance at 31 December 2018	9,931	195,879	205,810
Balance at 30 September 2019	9,931	195,879	205,810
<b>Accumulated amortisation and impairment losses</b>			
Balance at 31 December 2018	9,896	193,434	203,330
Amortisation for the period	29	521	550
Balance at 30 September 2019	9,925	193,955	203,880
Net value	6	1,924	1,930

			2018
	Brands patents and other rights	Software	Total
<b>Gross assets</b>			
Balance at 31 December 2017	9,857	195,879	205,736
Additions	70	-	70
Balance at 30 September 2018	9,927	195,879	205,806
<b>Accumulated amortisation and impairment losses</b>			
Balance at 31 December 2017	9,811	192,738	202,549
Amortisation for the period	58	521	579
Balance at 30 September 2018	9,869	193,259	203,128
Net value	58	2,620	2,678

## 4. Rights of use

For the periods ended at 30 September 2019 and 2018, the changes occurred in the value of the rights of use, as well as its depreciations and amortisations and accumulated impairment losses, were as detailed below:

		2019
	Vehicles	Total
<b>Gross assets</b>		
Balance at 31 December 2018 (restated)	154,723	154,723
Balance at 30 September 2019	154,723	154,723
<b>Accumulated depreciation and impairment losses</b>		
Balance at 31 December 2018 (restated)	59,443	59,443
Depreciation for the period	21,721	21,721
Balance at 30 September 2019	81,164	81,164
Net value	73,559	73,559

		2018 (restated)
	Vehicles	Total
<b>Gross assets</b>		
Balance at 31 December 2017	50,659	50,659
Additions	104,064	104,064
Balance at 30 September 2018	154,723	154,723
<b>Accumulated depreciation and impairment losses</b>		
Balance at 31 December 2017	30,233	30,233
Depreciation for the period	21,474	21,474
Balance at 30 September 2018	51,707	51,707
Net value	103,016	103,016

## 5. Breakdown of financial instruments

At 30 September 2019 and 2018, the breakdown of financial instruments, according to IFRS 9, was as follows:

				2019
	Assets measured at amortised cost	Total financial assets	Others not covered by IFRS9	Total
<b>Non-current assets</b>				
Other non-current assets (note 8)	10,944,497	10,944,497	163,605,263	174,549,760
	10,944,497	10,944,497	163,605,263	174,549,760
<b>Current assets</b>				
Income tax receivable	-	-	650,600	650,600
Other trade debtors (note 10)	175,760	175,760	61,449	237,209
Other current assets	214,105	214,105	58,951	273,056
Cash and cash equivalents (note 11)	265,741,315	265,741,315	-	265,741,315
	266,131,180	266,131,180	771,000	266,902,180

				2018
	Assets measured at amortised cost	Total financial assets	Others not covered by IFRS9	Total
<b>Non-current assets</b>				
Other non-current assets (note 8)	15,526,544	15,526,544	167,172,762	182,699,306
	15,526,544	15,526,544	167,172,762	182,699,306
<b>Current assets</b>				
Income tax receivable	-	-	812,009	812,009
Other trade debtors (note 10)	993,054	993,054	70,030	1,063,084
Other current assets	248,677	248,677	84,922	333,599
Cash and cash equivalents (note 11)	252,064,848	252,064,848	-	252,064,848
	253,306,579	253,306,579	966,961	254,273,540

				2019
	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
<b>Non-current liabilities</b>				
Non-current lease liabilities (note 16)	50,676	50,676	-	50,676
Other non-current liabilities	-	-	112,368	112,368
	50,676	50,676	112,368	163,044
<b>Current liabilities</b>				
Income tax payable	-	-	21,730	21,730
Other creditors (note 17)	1,038,826	1,038,826	23,965	1,062,791
Current lease liabilities (note 16)	25,103	25,103	-	25,103
Other current liabilities	317,646	317,646	180,114	497,760
	1,381,575	1,381,575	225,809	1,607,384

				2018
	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
<b>Non-current liabilities</b>				
Non-current lease liabilities (note 16) (restated)	75,779	75,779	-	75,779
Other non-current liabilities	-	-	139,027	139,027
	75,779	75,779	139,027	214,806
<b>Current liabilities</b>				
Other creditors (note 17)	1,169,332	1,169,332	31,204	1,200,536
Current lease liabilities (note 16) (restated)	29,287	29,287	-	29,287
Other current liabilities	498,253	498,253	192,148	690,401
	1,696,872	1,696,872	223,352	1,920,224

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 their nature, were considered as financial instruments not covered by IFRS 9. On the other hand, the deferred costs/profits recorded in the captions 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.

## 6. Investments in Group companies

At 30 September 2019 and 2018, this caption included the following investments in Group companies:

Company	2019	2018
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 15)	(44,198,184)	(36,936,277)
Total investments in Group companies	62,320,607	56,350,310

The changes that occurred in investments in this caption during the periods ended at 30 September 2019 and 2018 were as follows:

Company	Balance at 31 December 2018	Additions	Disposals	Balance at 30 September 2019
Sonae IM	52,241,587	-	-	52,241,587
Público	32,537,204	-	-	32,537,204
PCJ	17,690,000	-	-	17,690,000
Sonaeacom SP	4,050,000	-	-	4,050,000
	106,518,791	-	-	106,518,791
Impairment losses (note 15)	(42,211,754)	(2,205,184)	218,754	(44,198,184)
Total investments in Group companies	64,307,037	(2,205,184)	218,754	62,320,607

Company	Balance at 31 December 2017	Additions	Disposals	Balance at 30 September 2018
Sonae IM	52,241,587	-	-	52,241,587
PCJ	15,690,000	-	-	15,690,000
Público	23,305,000	-	-	23,305,000
Sonaeacom Sp	2,050,000	-	-	2,050,000
	87,286,587	-	-	93,286,587
Impairment losses (note 15)	(35,015,000)	(2,000,000)	78,723	(36,936,277)
Total investments in Group companies	52,291,587	(2,000,000)	78,723	56,350,310

In the period ended 30 September 2019 the amount of EUR 2,205,184 of increases corresponds to the impairment of financial investments in Público. The amount of EUR 218,754 of disposals is related to the reversal of impairment in PCJ (note 15).

In the period ended 30 September 2018, the amount of EUR 2,000,000 of increases corresponds to the impairment of financial investments in Público and PCJ and the amount of EUR 73,723 corresponds of the reversal of the impairment in PCJ (note 15).

At 30 September 2019 and 2018, 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)		2019			2018		
Company	Head office	% Holding	Shareholders' Funds	Net Profit / (Loss)	% Holding	Shareholders' Funds	Net Profit / (Loss)
ZOPT (a) (note 7)*	Matosinhos	50%	2,230,160	122,756	50%	2,291,357	129,427
Sonae IM	Maia	100%	99,284	(15,044)	100%	115,274	32,991
PCJ	Maia	100%	4,385	119	100%	1,931	151
Sonaeacom SP	Maia	100%	5,036	401	100%	2,373	97
Público	Maia	100%	1,264	(1,745)	100%	(851)	(2,919)

(a) Consolidated Financial Statements. Amounts of 30 September 2018 have been restated.

\* At 30 September 2019, the market capitalization of NOS amounted to 2,581 million euros.

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 30 September 2019 and 2018, the assumptions used are based on the subsidiaries' various businesses and the growth in the various geographic areas where the subsidiaries operate:

2019	Technologies				Media
Assumptions	Telecommunications	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%-17.0%	10.5%	6.75%-11.25%	7.0%-13.75%	7.0%
Growth rate in perpetuity	2.0%	3.0%	3.0%	1.0%-2.0%	0.01%

2018	Technologies				Media
Assumptions	Telecommunications	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%	9.0%-13.5%	8.5%
Growth rate in perpetuity	1.0%	3.0%	3.0%	1.0%-2.0%	0.01%

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 period ended at 30 September 2019, beyond the amounts registered in the income statement (note 15).

At 30 September 2019 it was presumed that the assumptions used in the impairment tests at 31 December 2018 did not change significantly, and such there would not be any additional impairment.

## 7. Investments in companies jointly controlled

At 30 September 2019 and 2018, this caption included the following investments in companies jointly controlled and was as follows:

Company	2019	2018
ZOPT SGPS S.A. ("ZOPT")	597,666,944	597,666,944

The changes that occurred in this caption during the periods ended at 30 September 2019 and 2018 were as follows:

Company	Balance at 31 December 2018	Additions	Disposals	Transfers	Balance at 30 September 2019
ZOPT	597,666,944	-	-	-	597,666,944

Company	Balance at 31 December 2017	Additions	Disposals	Transfers	Balance at 30 September 2018
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 period at 30 September 2019 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%

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 30 September 2019 amounts to approximately EUR 89 million.

At 30 September 2019 it was understood that the assumptions made in the impairment tests carried out in 2018 did not change significantly.

## 8. Other non-current assets

At 30 September 2019 and 2018, this caption can be decomposed as follows:

	2019	2018
<b>Financial assets</b>		
Medium and long-term loans granted to group companies and joint-ventures:		
Sonae IM	10,660,000	15,310,000
PCJ	-	70,000
	10,660,000	15,380,000
Supplementary capital:		
Zopt	115,000,000	115,000,000
Sonae IM	48,605,263	52,440,283
Público	2,007,796	7,240,000
PCJ	2,850,000	2,850,000
	168,463,059	177,530,283
	179,123,059	192,910,283
Accumulated impairment losses (note 15)	(4,857,796)	(10,357,521)
<b>Others</b>	284,497	216,544
	174,549,760	182,769,306

During the periods ended at 30 September 2019 and 2018, the changes that occurred under the caption 'Medium and long-term loans granted' to Group companies and companies jointly controlled were as follows:

				2019
<b>Company</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Closing balance</b>
Sonae IM	25,875,000		(15,215,000)	10,660,000
	25,875,000	-	(15,215,000)	10,660,000

				2018
<b>Company</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Closing balance</b>
Sonae IM	32,025,000	1,985,000	(18,700,000)	15,310,000
PCJ	70,000	-	-	70,000
	32,095,000	1,985,000	(18,700,000)	15,380,000

In the period ended at 30 September 2019, the amount of EUR 15,215,000 of decreases in Sonae IM corresponds to the loan repayment.

In the period ended at 30 September 2018 the amount of EUR 18,700,00 of decreases in Sonae IM correspond to the loan repayment and the amount of EUR 1,985,000 correspond to the loan granted to Sonae IM.

During the periods ended at 30 September 2019 and 2018, the movements in the caption 'Supplementary Capital' were as follows:

				2019
<b>Company</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Closing balance</b>
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	74,304,228	21,196,976	(46,895,941)	48,605,263
Público	2,007,796	-	-	2,007,796
PCJ	2,850,000	-	-	2,850,000
	194,162,024	21,196,976	(46,895,941)	168,463,059

				2018
<b>Company</b>	<b>Opening balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Closing balance</b>
ZOPT	115,000,000	-	-	115,000,000
Sonae IM	88,536,618	11,716,465	(47,812,800)	52,440,283
Público	7,240,000	-	-	7,240,000
PCJ	2,850,000	-	-	2,850,000
	213,626,618	11,716,465	(47,812,800)	177,530,283

In the period ended at 30 September 2019, the amount of EUR 21,196,976 of increases corresponds to the granting of supplementary capital by Sonaecom to Sonae IM and the amount of EUR 46,895,941 correspond to the reimbursement of supplementary capital by Sonae IM.

In the period ended at 30 September 2018 the amount of EUR 11,716,465 of increases in Sonae IM correspond to the granting of supplementary capital by Sonaecom and the amount of EUR 47,812,800 correspond to the reimbursement of supplementary capital by Sonae IM.

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 periods ended at 30 September 2019 and 2018, the loans granted to group companies and companies jointly controlled earned interest at market rates with an average interest rate of 2.22% and 2.23% 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 6 and 7.

## 9. Deferred taxes

The changes in deferred tax assets for the periods ended at 30 September 2019 and 2018 were as follows:

	2019	2018
Opening balance	117,821	114,706
Record of deferred tax assets	(4,675)	2,696
Closing balance	113,146	117,402

At 30 September 2019 and 2018, 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 30 September 2019, the values of deferred taxes assets not recorded were EUR 1,989,007 (generated in 2014 and available for use up to 2026). In addition, there are impairment losses in amount of EUR 49,558,851 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 periods ended at 30 September 2019 and 2018 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 2019 and 2018 was 22.5%.

The state surcharge was not considered as deferred tax, as it was understood to be unlikely the taxation of temporary differences during the estimated period when the referred rate will be applicable.



The reconciliation between the earnings before tax and the tax recorded for the periods ended at 30 September 2019 and 2018 is as follows:

	2019	2018 (restated)
Earnings before tax	44,714,664	16,301,528
Tax (21%)	(9,390,079)	(3,423,321)
Autonomous taxation surcharge	(9,680)	(6,618)
Tax losses of the period without record	-	(35,883)
Temporary differences from the period without record deferred tax assets	(417,347)	(678,499)
Adjustments of results not tax deductible	9,872,580	4,533,754
Income taxation recorded in the period (note 21)	55,474	389,433

The tax rate used to reconcile the tax expense and the accounting profit was 21% in the years of 2019 and 2018 because it is the standard rate of the corporate income tax in Portugal in 2019 and 2018.

The adjustments to the net results not tax deductible referring to 2019 and 2018 also includes adjustments that do not contribute to taxable income for the period.

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 30 September 2019.

## 10. Other current debtors

At 30 September 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Trade debtors	175,760	993,054
State and other public entities	61,449	74,030
	237,209	1,067,084

At 30 September 2019 and 2018, 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 caption, it is the Board Directors belief that it does not present a credit risk.

At 30 September 2019 and 2018, the caption 'State and other public entities' corresponds to value added tax in the amount of EUR 61,449 and EUR 74,030 respectively.

## 11. Cash and cash equivalents

At 30 September 2019 and 2018, the breakdown of 'Cash and cash equivalents' was as follows:

	2019	2018
Cash	205	893
Bank deposits repayable on demand	257,366,110	240,213,955
Treasury applications	8,375,000	11,850,000
	265,741,315	252,064,848

At 30 September 2019 and 2018, the caption 'Treasury applications' had the following breakdown:

	2019	2018
Sonae IM	7,350,000	10,685,000
Público	1,025,000	1,165,000
	8,375,000	11,850,000

In the period ended at 30 September 2019 and 2018, Sonaecom entered into financial transaction contracts with Sonae, Sonae IM and Público.

As a result of these financial transactions, income was registered (note 22).

The treasury applications immediately available, mentioned above, were paid-off during the periods ended at 30 September 2019 and 2018, with an interest average rate of 0.26% and 0.23%, respectively.

## 12. Share capital

At 30 September 2019 and 2018, 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:

	2019		2018	
	Number of shares	%	Number of shares	%
Sontel BV	194,063,119	62.33%	194,063,119	62.33%
Sonae SGPS	81,022,964	26.02%	81,022,964	26.02%
Shares traded on the Portuguese Stock Exchange ('Free Float')	30,682,940	9.86%	30,682,940	9.86%
Own shares (note 13)	5,571,014	1.79%	5,571,014	1.79%
	311,340,037	100.00%	311,340,037	100.00%

All shares that comprise the share capital of Sonaecom, are authorised, subscribed and paid. All shares have the same rights and each share corresponds to one vote.

## 13. Own shares

During the periods ended at 30 September 2019 and 2018, Sonaecom did not acquired, 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.

## 14. Loans

### Short-term loans and other loans

In the period ended at 30 September 2019, 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 30 September 2019 and 2018, the available credit lines are as follows:

					Maturity
Credit	Limit	Amount outstanding	Amount available	Until 12 months	More than 12 months
2019					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		
2018					
Authorised overdrafts	1,000,000	-	1,000,000	x	
	1,000,000	-	1,000,000		

At 30 September 2019 and 2018 there are no financial instruments of interest rate hedging.

## 15. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the periods ended at 30 September 2019 and 2018 were as follows:

	Opening balance	Increases	Reductions	Closing balance
2019				
Accumulated impairment losses on investments in Group companies (notes 6 and 19)	42,211,754	2,205,184	(218,754)	44,198,184
Accumulated impairment losses on other non-current assets (notes 8 and 19)	4,857,796	-	-	4,857,796
Provisions for other liabilities and charges	349,979	22,784	-	372,763
	47,419,529	2,227,968	(218,754)	49,428,743
2018				
Accumulated impairment losses on investments in Group companies (notes 6 and 19)	35,015,000	2,000,000	(78,723)	36,936,277
Accumulated impairment losses on other non-current assets (notes 8 and 19)	9,046,994	1,310,527	-	10,357,521
Provisions for other liabilities and charges	269,665	96,721	-	366,386
	44,331,659	3,407,248	(78,723)	47,660,184

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 19).

At 30 September 2019 and 2018, the changes in the caption 'Accumulated impairment losses on investments in Group companies' correspond to an increase and a reduction in the impairment of financial investments in Público and PCJ, respectively (nota 6).

## 16. Lease liabilities

The commitments assumed, at 30 September 2019 and 2018, under financial lease agreements are as follows:

	2019		2018 (restated)	
	Leasing payments	Update of the leasing payments	Leasing payments	Update of the leasing payments
2018	-	-	8,523	7,639
2019	6,806	6,196	30,658	27,844
2020	26,065	24,155	26,065	24,155
2021	22,585	21,421	22,585	21,421
2022	22,585	22,131	22,585	22,131
2023	1,882	1,877	1,882	1,877
	79,923	75,779	112,297	105,066
Interest	(4,144)		(7,231)	
	75,779	75,779	105,066	105,066
Short-term		(25,103)		(29,287)
	75,779	50,676	105,066	75,779

## 17. Other creditors

At 30 September 2019 and 2018, this caption was detailed as follows:

	2019	2018
Other creditors	1,038,826	1,169,332
State and other public entities	23,865	31,204
	1,062,691	1,200,536

At 30 September 2019 and 2018, the caption "State and other public entities" were detailed as follows:

	2019	2018
Social security contributions	12,539	16,372
Personal income tax	11,326	14,832
	23,865	31,204

## 18. External supplies and services

At 30 September 2019 and 2018, this caption was detailed as follows:

	2019	2018 (restated)
Specialised work	332,110	289,526
Travel and accommodation	41,607	71,103
Insurance	35,857	38,476
Communications	11,759	24,675
Other external supplies and services	54,283	43,086
	475,616	466,866

## 19. Gains and losses related to investments

At 30 September 2019 and 2018, these captions 'Gains and losses on investments in Group companies and companies jointly controlled' and 'Gains and losses on investments recorded at fair value through profit or loss' were detailed as follows:

	2019	2018
Gains and losses on investments in Group companies and companies jointly controlled		
Losses related to Group companies (notes 6 and 15)	(2,205,184)	(3,310,526)
Gains related to Group companies (notes 6 and 15)	218,754	78,723
Dividends obtained (note 22)	46,991,559	19,755,883
	45,005,129	16,524,080

At 30 September 2019 and 2018, losses on the Group companies include the reinforcement and reversal of impairment losses on investments in Público and PCJ, respectively.

During the period ended at 30 September 2019, the company recognized the amount of EUR 46,991,559, regarding to Zopt dividends (EUR 19,755,883 in 2018) (note 22).

## 20. Financial results

The financial results for the periods ended at 30 September 2019 and 2018 are detailed as follows ((costs)/gains):

	2019	2018 (restated)
Other financial expenses		
Interest expenses	(2,223)	(3,658)
Foreign currency exchange losses	(268)	(1,154)
Other financial expenses	(40,780)	(17,012)
	(43,271)	(21,824)
Other financial income		
Interest income (note 22)	696,512	724,048
Foreign currency exchange gains	451	463
Other financial income	8,919	56,373
	705,882	780,884

## 21. Income Taxation

Income tax recognised during the periods ended at 30 September 2019 and 2018 are detailed as follows ((costs) / gains):

	2019	2018
Current tax	60,149	386,737
Deferred tax assets (note 9)	(4,675)	2,696
Closing balance	55,474	389,433

## 22. Related parties

During the periods ended at 30 September 2019 and 2018, the most significant balances and transactions with related parties were as follows:

	Accounts receivable (note 10)	Accounts payable (note 17)	Treasury applications (note 11)	Other assets	Other liabilities	Balances at 30 September 2019 Loans granted (note 8)
Parent Company	-	-	-	388,360	18,420	-
Companies jointly controlled	13,869	-	-	-	-	-
Others related parties	91,403	167,335	-	81,466	2,032	-
Subsidiaries	71,396	92,917	8,375,000	33,669	-	10,660,000
	176,668	260,251	8,375,000	503,495	20,453	10,660,000

	Accounts receivable (note 10)	Accounts payable (note 17)	Treasury applications (note 11)	Other assets	Other liabilities	Balances at 30 September 2018 (restated) Loans granted (note 8)
Parent Company	-	5,914	-	215,557	79,274	-
Companies jointly controlled	13,869	-	-	-	-	-
Others related parties	847,423	146,899	-	102,183	880	-
Subsidiaries	260,793	72,327	11,850,000	52,666	-	15,380,000
	1,122,085	225,140	11,850,000	370,406	80,154	15,380,000

	Sales and services rendered	Supplies and services received (note 18)	Interest and similar income (note 20)	Transactions at 30 September 2019 Supplementary income
Parent Company	-	43,707	281,938	-
Companies jointly controlled	-	-	-	-
Others related parties	-	108,771	-	-
Subsidiaries	269,306	54,749	412,696	1,542
	269,306	207,228	694,634	1,542

	Sales and services rendered	Supplies and services received (note 18)	Interest and similar income (note 20)	Transactions at 30 September 2018 Supplementary income
Parent Company	-	-	253,870	-
Companies jointly controlled	-	6,775	-	-
Others related parties	-	92,877	-	11,550
Subsidiaries	371,978	-	463,043	1,714
	371,978	99,652	716,913	13,264

During the period ended at 30 September 2019, the company distributed as dividends the amount of EUR 9,074,572 to Sonae (EUR 2,997,850 at 30 September 2018) and EUR 21,735,069 to Sontel BV (EUR 7,180. 335 at 30 September 2018).

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.

## 23. Guarantees provided to third parties

Guarantees provided to third parties at 30 September 2019 and 2018 were as follows:

Beneficiary	Description	2019	2018
Direção de Contribuições e Impostos (Portuguese tax authorities)	Additional tax assessments (Stamp and Income tax)	23,998,745	2,311,861
		23,998,745	2,311,861

In addition to these guarantees sureties were set up for the current fiscal processes. Sonae SGPS became cosigner of Sonaecom surety to the amount of EUR 7,112,129 and Sonaecom became cosigner of Público for the amount of EUR 564,900.

At 30 September 2019, 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.

At 30 September 2019 and 2018, the contingencies for which guarantees, and sureties were considered as remote.

## 24. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the period (EUR 44,770,138 in 2019 and EUR 16,690,961 in 2018) by the average number of shares outstanding during the periods ended at 30 September 2019 and 2018, net of own shares (305,769,023 in 2019 and 2018).

## 25. 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 at 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.

In March 2019, the 2018 plan was assigned to Sonaecom Directors.

The 2015 plan was delivered in March 2019 to Saphety employees and in April 2019 for the remaining employees.

Therefore, the outstanding plans at 30 September 2019 are as follows:

		Vesting period		30 September 2019	
	Share price 30 September 2019	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2016 Plan	0.855	mar/17	mar/20	2	253,607
2017 Plan	0.855	mar/18	mar/21	2	211,450
2018 Plan	0.855	mar/19	mar/22	2	264,629

During the period ended at 30 September 2019, the changes that occurred in the plans can be summarised as follows:

	Sonae SGPS shares	
	Aggregate number of participations	Number of shares
Outstanding at 31 December 2018:		
Unvested	8	708,975
Total	8	708,975
Movements in period:		
Awarded	2	257,038
Vested <sup>(1)</sup>	(4)	(258,524)
Cancelled / corrected / transfers <sup>(2)</sup>	-	22,198
Outstanding at 30 September 2019:		
Unvested	6	729,686
Total	6	729,686

(1) Of the overdue shares 246,407 were delivered in cash

(2) Corrections are made based on the dividend paid and by the exit of the employees during the plan period.

The responsibility for all plans was recognised 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 recognised for the outstanding plans and for the plan delivered in the period ended 30 September 2019 are as follows:

	Value
Costs recognised in previous periods	349,440
Costs recognised in the period	184,545
Costs of plans vested in the period	(241,512)
<b>Total cost of the plans</b>	<b>292,474</b>
Recorded in 'Other current liabilities'	180,106
Recorded in 'Other non-current liabilities'	112,368

These financial statements have been approved by the Board of Directors and authorised for issue at 5 November 2019, however subject to the approval by the Shareholders' General Meeting.

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards (IAS / IFRS) as adopted by the European Union and the format and disclosures required by those Standards, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

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](http://www.sonae.com)

Investor Relations Contacts

[Investor.relations@sonae.com](mailto:Investor.relations@sonae.com)

Tlf: +351 22 013 23 49