

19

ANNUAL REPORT



I MANAGEMENT REPORT

1 SONAECOM GROUP

- 1.1. Group at a glance
- 1.2. Corporate developments in 2019
- 1.3. Disclosure of Non-Financial Information

2 SONAECOM BUSINESS

- 2.1. Business overview in 2019
- 2.2. Telecomunications results in 2019
- 2.3. Technology results in 2019
- 2.4. Media results in 2019
- 2.5. Risk Management

3 CAPITAL MARKETS

- 3.1. Equity Capital Markets in 2019
- 3.2. Share price evolution during 2019
- 3.3. Shareholding structure and own shares

4 SONAECOM INDIVIDUAL RESULTS

- 4.1. Operational data
- 4.2. Financial data
- **5 SUBSEQUENT EVENTS**
- 6 PROPOSAL FOR THE APPLICATION OF RESULTS

APPENDIX

Glossary
Statement of the Board of Directors Article
447and Qualified Shareholdings

II CORPORATE GOVERNANCE

Part I – Shareholding Structure, Organisation and Corporate Governance

Part II – Statement of Compliance

Appendix I

Appendix II

III FINANCIAL STATEMENTS

IV LEGAL CERTIFICATION
OF ACCOUNTS AND
AUDIT REPORT

V REPORT AND OPINION OF THE STATUTORY AUDIT BOARD



MANAGEMENT REPORT

SONAECOM GROUP

1.1. Group at a glance

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

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

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

1.1.1. About Sonaecom

Our mission

Sonaecom is an entrepreneurial growth company that chooses exceptional people to work and unlock their full potential.

Sonaecom relentlessly pursues the creation of innovative products, services and solutions that fulfil the needs of its markets and generate superior economic value.

1.1.2. Our values

Ethics and trust

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

People at the centre of our success

We develop the competencies and capabilities of every Sonaecom employee through fresh challenges, an appetite for change and teamwork.

Supported by an internal culture that promotes meritocracy, we believe these factors are crucial to attracting, retaining and developing people with outstanding talent and potential.

Ambition

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

Innovation

Innovation is the lifeblood of our business. By continuously challenging conventions, we consistently surprise the market.

We believe that failure can also be a source of learning. At the same time, we are aware that it is important to balance mistakes within acceptable risk limits.

Social responsibility

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

Frugality and efficiency

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

Co-operation and independence

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

1.2. Corporate developments in 2019

Shareholders' Annual General Meeting

On 30 April 2019, Sonaecom's shareholders decided, at the company's Annual General Meeting, to approve all the proposals of the agenda, namely:

- 1. Discuss and approve the Company's Annual Report, and the Individual and Consolidated Accounts for 2018;
- 2. Decide on the proposed appropriation of the Net Results for year ended 31 December 2018;
- 3. Assess the management and audit of the Company;
- 4. Ratification of the co-optation of João Pedro Magalhães da Silva Torres Dolores, who started to assume the function of non-executive director, until the expiration of the current mandate, related to the four-year period of 2016-2019, as determined by the Board of Directors on 12 March 2019;
- 5. Approve the increase of the Board of Directors members number, from three to four, for the current mandate (2016-2019);
- 6. Elect Eduardo Humberto dos Santos Piedade, as a non-executive director, until the end of the current mandate (2016-2019);
- 7. Discuss and approve the document setting out the proposed remuneration policy to be applied to the Company's management and auditing bodies and to persons discharging managerial responsibilities, as well as on the plan to grant shares and its respective regulation to be applied by the Shareholders' Remuneration Committee;

- 8. Authorise, for the period of 18 months, the purchase and sale of own shares up to the limit of 10%, as permitted by Portuguese Company Law;
- 9. Authorise, for the period of 18 months, both purchasing or holding of shares of the Company by affiliated companies, under the limits of Portuguese Company Law and the terms of the proposal submitted by the Board of Directors.

Acquisition of several minority stakes:

CB4

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 made in February 2019 and 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.

• Daisy Intelligence

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.

Cellwise

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 round of \$15M led by Deutsche Telekom Capital Partners.

Sixgill

In December, Sonae IM invested in Sixgill which is a market leader in deep and dark web cyber threat intelligence. Sixgill helps Fortune 500 companies, financial institutions, governments, and law enforcement agencies protect their finances, networks and reputations from cyberthreats that lurk in the deep, dark and surface webs. The advanced cyber threat intelligence platform automates all phases of the intelligence cycle — collection, analysis and dissemination of data — providing organizations with unparalleled information and actionable insights to protect their various assets in the ever evolving cyber threatscape. Sixgill raised \$15M in a second round led by Sonae IM and REV Venture Partners with participation by Our Crowd. Previous investors Elron and Terra Venture Partners also participate in the round.

• Investments through Vector I Fund

During the year 2019, Sonae IM, through its fund, together with IFD (Instituição Financeira de Desenvolvimento, SA), and in which it holds a 50.13% stake, invested in assets in the early stage stages: Automaise and Sway.

• Investments through Bright

During 2019, Bright invested in Fyde, a company that developed software that allows secure access to companies' servers, ideal for organizations that have their resources geographically dispersed.

Reinforcement of several minority stakes:

The year 2019 was also marked by the reinforcement of investment in some of Sonae IM's minority interests, such as in Stylesage, Ometria, Visenze, Case on IT, Arctic Wolf, Secucloud, Continuum and Probely.

Changes in participations in Armilar Venture Partners Funds

In addition, during 2019, Sonae IM reinforced its stake in Venture Partners III and I+I Venture Capital Funds.

Sale of majority stakes

In 2019, and aligned with active portfolio management strategy of the Technology area (Sonae IM), the group 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.. This last transaction comprised a fixed component and a deferred and variable component, depending on the performance of the combined business until 31 December 2021.

1.3. Disclosure of Non-Financial Information

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



2.1. Business Overview in 2019

2.1.1. 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 a good y.o.y. growth in consolidated revenues albeit lighter than previous quarter due to slower Cinema and Audiovisuais revenue growth. Presented a solid RGU growth in 4Q19 with mobile showing particularly good growth and TV posting robust quarterly numbers. Showed an EBITDA growth above revenues reflecting cost efficiencies partially driven by transformation programme and a FCF lower due to seasonal working capital movements albeit improving y.o.y..

During 2019, Technology area, besides reinforcing its participation in some portfolio companies, has entered in the capital of seven new companies, three of which in early stage.

Also in 2019, 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..

Consolidated turnover in 2019 reached 132.4 million euros, increasing 21.1%, when compared to 2018, or 3.8%, 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 24.8% y.o.y, or 4.3%, on a comparable basis.

Operating costs amounted to 144.8 million euros, 25.2% above 2018. Personnel costs grew 47.8% reflecting the increase in the average number of employees, driven by the consolidation of Nextel and Excellium. Commercial costs increased 15.1% to 74.6 million euros, mainly driven by the higher cost of goods sold, aligned with the higher level of sales. Other operating costs increased 22.6%, mainly explained by the higher level of Outsourcing costs, also explained by the consolidation of Nextel and Excellium.

Total EBITDA stood at 30.5 million euros, including non-recurrent itens of 11.5 million euros corresponding to the net capital gain generated by Saphety and WeDo's sale net of non-recurrent costs of €2.1 million euros.

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 2018, 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, decreased to 27.9 million euros. Underlying EBITDA stood at negative 7.8 million euros, decreasing 3.2 million euros versus 2018, strongly impacted by the negative contribution of the new consolidated companies.

Sonaecom's EBIT decreased to 20.3 million euros, from 60.0 million in 2018, explained by the lower level of EBITDA and the higher level of depreciations.

Net financial results stood at negative 0.1 million euros in 2019 that compares with positive 0.2 million in the previous year.

Sonaecom's earnings before tax (EBT) decreased from 60.3 million to 20.3 million euros, driven by the lower EBIT and financial results.

Indirect results reached 27.1 million euros, that compare with 15.1 million euros in 2018, impacted by Armilar Venture Funds' portfolio fair value adjustments.

Net results group share stood at 51.6 million euros, below the 68.4 million euros presented in 2018.

Sonaecom's operating CAPEX increased to 10.4 million euros, reaching 7.9% of turnover, 1.1 p.p. above 2018. Excluding the IFRS 16 impact, operating CAPEX would be 4.9 million euros, 1.3 million euros above 2018, also without IFRS 16.

The net cash position stood at 236.5 million euros, increasing 29.7 million euros since December 2018. Excluding IFRS 16 impacts, Net cash position stood at 250.6 million euros, 31.1 million above December 2018, driven by the 47.0 million euros of dividends from ZOPT and the 36.9 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 17.9 million euros.

2.1.2. Sonaecom Consolidated Income Statement

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CONSOLIDATED INCOME STATEMENT	4Q18 ^(R)	4Q19	Δ 19/18	3Q19	q.o.q.	2018 ^(R)	2019	Δ 19/18
Turnover	30.5	29.8	-2.2%	28.1	6.2%	109.3	132.4	21.1%
Service Revenues	10.7	12.3	15.0%	12.7	-3.1%	36.1	49.1	36.0%
Sales	19.8	17.5	-11.5%	15.4	13.8%	73.2	83.3	13.7%
Other Revenues	0.9	0.9	-1.7%	0.6	48.6%	1.7	2.5	45.1%
Operating Costs	32.4	34.0	4.8%	31.1	9.3%	115.7	144.8	25.2%
Personnel Costs	8.8	12.1	36.7%	11.9	1.6%	31.4	46.4	47.8%
Commercial Costs ⁽¹⁾	17.5	14.9	-15.1%	13.2	12.6%	64.8	74.6	15.1%
Other Operating Costs ⁽²⁾	6.1	7.0	15.7%	6.0	17.2%	19.4	23.8	22.6%
EBITDA	1.8	-6.8	-	17.3	-	66.0	30.5	-53.8%
Underlying EBITDA ⁽³⁾	-1.0	-1.2	-12.8%	-2.4	51.4%	-4.6	-7.8	-70.1%
Non recurrent itens ⁽⁴⁾	0.0	-2.1	-	8.5	-	38.3	11.5	-70.1%
Equity method ⁽⁵⁾	2.3	-3.6	-	11.2	-	31.5	27.9	-11.5%
Discontinued Operations ⁽⁶⁾	0.5	0.0	-100.0%	0.0	-97.2%	0.9	-1.0	-
Underlying EBITDA Margin (%)	-3.4%	-3.9%	-0.5рр	-8.6%	4.7pp	-4.2%	-5.9%	-1.7рр
Depreciation & Amortization	2.4	3.9	62.9%	2.1	87.7%	6.0	10.2	70.3%
EBIT	-0.6	-10.8	-	15.3	-	60.0	20.3	-66.1%
Net Financial Results	-0.1	-0.1	19.0%	0.0	-	0.2	-0.1	-
Financial Income	0.7	0.8	11.7%	0.6	30.5%	2.4	2.3	-1.5%
Financial Expenses	0.8	0.9	8.0%	0.6	42.8%	2.2	2.4	11.2%
EBT	-0.7	-10.8	-	15.3	-	60.3	20.3	-66.4%
Tax results	3.0	-0.1	-	0.4	-	-7.0	1.8	
Direct Results	2.2	-10.9	-	15.7	-	53.2	22.0	-58.6%
Indirect Results ⁽⁷⁾	8.3	27.7	-	0.2	-	15.1	27.1	
Net Income	10.5	16.8	-	15.9	-	68.3	49.2	-28.1%
Group Share	10.6	17.6	65.9%	16.5	6.4%	68.4	51.6	-24.6%
Attributable to Non-Controlling Interests	-0.1	-0.8	-	-0.6	-34.3%	-0.1	-2.4	

The provision recorded in 4018 related to the incentive in favour of Armilar, as the funds have exceeded the defined return barrier, was partially reclassified to 2018 and 3018, 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 2018, related with Outsystems 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.

⁽¹⁾ Commercial Costs = CDGS + Mktg & Sales Costs;
(2) Other Operating Costs = Dutsourcing Services + G&A + Provisions + others;
(3) Includes the businesses fully consolidated by Sonaecom;
(4) Includes the susinesses fully consolidated by Sonaecom;
(5) Includes the capital gain in Dutsystems and Saphety and WeDo's sale;
(5) Includes the 50% holding in Unigress, the 50% holding in SIRS, the 50% holding in Big Data, the 50% holding in ZOPT, the 40% holding in Alfaros, the 27.45% holding in Secucloud, the 22.88% holding in Probe.ly and the 22.88% holding in Suricate Solutions;
(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.

2.1.3. Sonaecom Consolidated Balance Sheet

Million euros

CONSOLIDATED BALANCE SHEET	4Q18 ^(R)	4Q19	Δ 19/18	3Q19	q.o.q.	2018 ^(R)	2019	Δ 19/18
Total Net Assets	1,206.3	1,203.0	-0.3%	1,168.3	3.0%	1,206.3	1,203.0	-0.3%
Non Current Assets	897.3	897.4	0.0%	856.2	4.8%	897.3	897.4	0.0%
Tangible and Intangible Assets and Rights of Use	45.9	23.0	-49.8%	22.6	1.8%	45.9	23.0	-49.8%
Goodwill	36.1	14.5	-59.7%	14.5	0.0%	36.1	14.5	-59.7%
Investments	802.0	847.6	5.7%	805.6	5.2%	802.0	847.6	5.7%
Deferred Tax Assets	10.3	4.3	-58.6%	5.5	-22.8%	10.3	4.3	-58.6%
Others	3.0	8.0	166.0%	8.0	0.5%	3.0	8.0	166.0%
Current Assets	309.1	305.6	-1.1%	312.0	-2.1%	309.1	305.6	-1.1%
Trade Debtors	51.0	27.2	-46.6%	17.2	58.1%	51.0	27.2	-46.6%
Liquidity	229.0	255.9	11.7%	271.2	-5.6%	229.0	255.9	11.7%
Others	29.1	22.5	-22.6%	23.6	-4.7%	29.1	22.5	-22.6%
Shareholders' Funds	1,063.6	1,072.5	0.8%	1,063.8	0.8%	1,063.6	1,072.5	0.8%
Group Share	1,063.3	1,073.1	0.9%	1,064.2	0.8%	1,063.3	1,073.1	0.9%
Non-Controlling Interests	0.4	-0.6	-	-0.4	-56.1%	0.4	-0.6	
Total Liabilities	142.7	130.5	-8.5%	104.5	24.9%	142.7	130.5	-8.5%
Non Current Liabilities	58.1	71.7	23.4%	55.5	29.1%	58.1	71.7	23.4%
Bank Loans	3.7	3.3	-10.5%	4.9	-33.2%	3.7	3.3	-10.5%
Provisions for Other Liabilities and Charges	23.6	30.8	30.6%	20.9	47.9%	23.6	30.8	30.6%
Others	30.8	37.6	22.0%	29.8	26.3%	30.8	37.6	22.0%
Current Liabilities	84.6	58.8	-30.5%	48.9	20.1%	84.6	58.8	-30.5%
Loans	5.2	1.5	-70.7%	2.8	-46.5%	5.2	1.5	-70.7%
Trade Creditors	18.9	19.0	0.5%	10.0	91.0%	18.9	19.0	0.5%
Others	60.4	38.2	-36.8%	36.1	5.8%	60.4	38.2	-36.8%
Operating CAPEX ⁽¹⁾	4.0	4.7	19.2%	1.1	_	7.4	10.4	41.7%
Operating CAPEX as % of Turnover	13.0%	15.9%	2.9pp	4.1%	11.9pp	6.7%	7.9%	1.1pp
Total CAPEX	26.1	14.4	-44.9%	8.5	69.8%	44.3	41.1	-7.3%
Underlying EBITDA - Operating CAPEX	-5.0	-5.9	-17.9%	-3.6	-66.5%	-11.9	-18.2	-52.6%
onderiging EDITON - Operating CALEX	-5.0	د.د-	-1/.J/0	ں.د-	-00.5/0	-11.3	-10.2	-J2.U/0
Gross Debt	22.3	19.4	-12.8%	20.4	-4.7%	22.3	19.4	-12.8%
Net Debt	-206.8	-236.5	-14.4%	-250.8	5.7%	-206.8	-236.5	-14.4%

(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 1019 was adjusted due to the review of purchase price allocation of Excellium, according to IFRS3.

2.1.4. Sonaecom Consolidated Free Cash Flow (FCF)

Million euros

LEVERED FREE CASH FLOW	4Q18 (R)	4Q19	Δ 19/18	3Q19	q.o.q.	2018 (R)	2019	Δ 19/18
Underlying EBITDA-Operating CAPEX	-5.0	-5.9	-17.9%	-3.6	-66.5%	-11.9	-18.2	-52.6%
Change in WC	3.6	0.1	-98.2%	0.3	-76.3%	6.8	-3.6	-
Non Cash Items & Other	-3.1	6.5	-	-4.6	-	2.8	3.9	38.5%
Operating Cash Flow	-4.6	0.6	-	-7.8	-	-2.3	-17.9	-
Investments	-15.6	-11.3	28.1%	52.9	-	24.7	36.9	49.6%
Dividends	0.0	0.0	-	11.5	-100.0%	19.8	47.0	137.9%
Financial results	-0.1	-0.1	-77.4%	0.3	-	0.5	0.3	-40.6%
Income taxes	1.8	0.8	-52.3%	0.9	-9.0%	-8.5	2.5	<u> </u>
FCF ⁽¹⁾	-18.5	-9.9	46.4%	57.7	-	34.2	68.8	101.6%

(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.

2.2. Telecommunications Results in 2019

NOS operating revenues were 1,599.2 million euros in 2019, growing 1.5% y.o.y..

EBITDA reached 641,1 million euros, increasing 2.7% when compared to 2018 and representing a 40.1% EBITDA margin.

CAPEX excluding leasings amounted to 374.4 million euros in 2019, an increase of 0.1% y.o.y. As a consequence of EBITDA and CAPEX evolution, EBITDA- CAPEX increased 6.5%.

At the end of 2019, total net debt including leasings and long-term contracts (according to IFRS 16) amounted to 1,347.3 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 2019 results on 21st February 2020, which are available at www.nos.pt. During 2019, NOS share price decreased 9.3% from €5.295 to €4.800, whilst PSI20 increased by 10.2%.

Operational Indicators

Million euros

Operational Indicators ('000)	4Q18 ^(R)	4Q19	Δ 19/18	3Q19	q.o.q.	2018 ^(R)	2019	Δ 19/18
Total RGUs	9,580.4	9,722.7	1.5%	9,653.0	0.7%	9,580.4	9,722.7	1.5%
Convergent + Integrated RGUs	4,482.8	4,704.5	4.9%	4,622.1	1.8%	4,482.8	4,704.5	4.9%

Financial indicators

Million euros

NOS HIGHLIGHTS	4Q18 ^(R)	4Q19	Δ 19/18	3Q19	q.o.q.	2018 ^(R)	2019	Δ 19/18
Operating Revenues	408.9	414.0	1.3%	403.4	2.6%	1,576.2	1599.2	1.5%
EBITDA	132.6	135.7	2.4%	173.4	-21.7%	624.3	641.1	2.7%
EBITDA margin (%)	32.4%	32.8%	0.3рр	43.0%	-10.2pp	39.6%	40.1%	0.5pp
Net Income	12.7	5.4	-57.3%	47.9	-88.7%	137.8	143.5	4.2%
CAPEX excluding Leasings	94.3	99.7	5.7%	92.2	8.1%	373.8	374.4	0.1%
EBITDA-CAPEX excluding Leasings	38.3	36.0	-6.0%	81.2	-55.6%	250.5	266.7	6.5%

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

2.3. Technology Results in 2019

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 40.6% of its revenues outside the Portuguese market with 70.9% out of the total 673 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 2019, 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 6.2% 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, cuber-security and telecommunications.

Minority Stakes (non-exhaustive)

Armilar Venture Funds are the 3 Venture Capital funds in which Sonae IM owns participation units acquired to Novo Banco. With this transaction, concluded in December 2016, Sonae IM reinforced its portfolio with sizeable stakes in leading edge companies such as Outsystems and Feedzai, both consistently presenting meaningful and sustainable levels of growth.

ArcticWolf, a US based campany, is a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response (MDR), which provides a unique combination of technology and services for clients to quickly detect and contain threats. US technology investors Lightspeed Venture Partners and Redpoint were joined by Sonae IM and Knollwood Investment Advisory in the series B round. During 2018, the Company closed a \$45M series C round and, at the end of 2019, the Company launched a \$60M Series D round, which was closed in the beginning of 2020, at a significant higher valuation. Sonae IM participated in both rounds, reinforcing its stake.

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

Ometria is a London based AI powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers. This investment was done by Sonae IM in the Series A round, alongside several strategic investors (including Summit Action, the US VC fund of the Summit Series) and was recently reinforced during series B round.

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.

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.

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.

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.

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.

Sixgill is a market leader in deep and dark web cyber threat intelligence. Sixgill helps Fortune 500 companies, financial institutions, governments, and law enforcement agencies protect their finances, networks and reputations from cyberthreats that lurk in the deep, dark and surface webs. The advanced cyber threat intelligence platform automates all phases of the intelligence cycle — collection, analysis and dissemination of data — providing organizations with unparalleled information and actionable insights to protect their various assets in the ever evolving cyber threatscape. Sixgill raised \$15M in a second round led by Sonae IM and REV Venture Partners with participation by Our Crowd. Previous investors Elron and Terra Venture Partners also participate in the round.

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.

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.

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.

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.

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 1.5 million 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.

Probely, 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.

2.3.1. Financial data

Mil	lion	eu	ros

Tillion cards								
TECHNOLOGY AREA	4Q18 ^(R)	4Q19	Δ 19/18	3Q19	q.o.q.	2018 ^(R)	2019	Δ 19/18
Turnover	26.3	25.5	-3.0%	24.0	6.3%	92.7	115.8	24.8%
Service Revenues	8.7	10.5	20.8%	11.1	-5.5%	28.5	41.9	47.1%
Sales	17.6	15.0	-14.8%	12.9	16.6%	64.3	73.9	15.0%
Other Revenues	0.6	0.6	-5.0%	0.4	55.5%	0.9	1.6	75.2%
Operating Costs	27.0	28.4	5.5%	26.0	9.3%	95.1	124.4	30.9%
Personnel Costs	6.2	9.3	50.1%	9.4	-0.6%	21.4	36.2	68.9%
Commercial Costs ⁽¹⁾	16.6	13.8	-16.7%	12.2	13.4%	61.2	70.9	15.8%
Other Operating Costs ⁽²⁾	4.1	5.3	27.8%	4.4	18.9%	12.5	17.4	39.7%
Underlying EBITDA ⁽³⁾	0.0	-0.2	-	-1.7	85.8%	-1.4	-4.9	-
Underlying EBITDA Margin (%)	-0.1%	-0.9%	-0.8рр	-6.9%	6.0рр	-1.5%	-4.3%	-2.7рр
Operating CAPEX ⁽⁴⁾	3.7	2.8	-22.5%	0.8	-	6.4	6.9	9.1%
Operating CAPEX as % of Turnover	13.9%	11.1%	-2.8рр	3.3%	7.9pp	6.9%	6.0%	-0.9рр
Underlying EBITDA - Operating CAPEX	-3.7	-3.1	16.7%	-2.4	-25.8%	-7.8	-11.9	-52.8%
Total CAPEX	25.8	12.5	-51.7%	8.1	53.9%	43.3	37.6	-13.2%

⁽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 increased 24.8% 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 4.3%.

Operating costs increased 30.9% to 124.4 million euros. Staff costs increased 68.9% driven by the growth in the number of employees, mainly driven by Nextel and Excellium consolidation. Commercial costs increased 15.8% mainly driven by cost of goods sold, aligned with the higher level of sales. Other operating costs increased 39.7%, mainly explained by the higher level of Outsourcing Costs, also explained by the enlarged portfolio.

Underlying EBITDA stood at negative 4.9 million euros versus negative 1.4 million euros presented in 2018, significantly impacted by the consolidation of the new cybersecurity companies.

Underlying EBITDA-operating CAPEX stood at negative 11.9 million euros, decreasing when compared to 2018, mainly explained by the lower EBITDA but also driven by the higher level of Operating CAPEX. Excluding the IFRS 16 impacts, operating CAPEX would have reached 3.9 million euros, 1.0 million euros above 2018, also without IFRS 16.

2.4. Media Results in 2019

During 2019, 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 online advertising translated into an overall 6.4% revenue growth, when compared to 2018 and a positive evolution at EBITDA.

2.5. Risk Management

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

Economic Risks

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

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

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

Financial Risks

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

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

MANAGEMENT REPORT

CAPITAL MARKETS

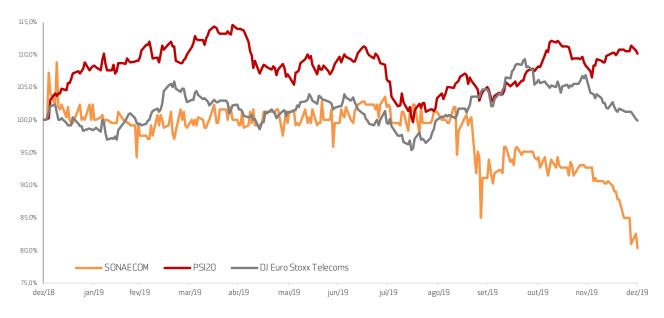
3.1. Equity Capital Markets in 2019

Sonaecom shares have been listed on the Portuguese Stock Exchange – Euronext Lisbon – since June 2000, with the symbol SNC. The table below lists the main statistics relating to Sonaecom's 2019 stock performance.

Sonaecom shares on the stock market during 2019

Stock market	Euronext Lisbon
Ticker	SNC
ISIN	PTSNCOAM0006
Bloomberg code	SNC PL Equity
Reuters code	SNC.LS
Number of shares outstanding	311,340,037
Share capital	230,391,627
Stock price as of last day December (euros)	1.985
Stock price – High (euros)	2.690
Stock price – Low (euros)	1.985
Average daily volume – 2019 (# shares)	12,749
Average daily volume – 2018 (# shares)	23,231
Market capitalisation as of last day December (euros)	618,009,973

Market performance



Graph 1 – Sonaecom's performance vs PSI 20 and DJ Euro Stoxx Telecoms in 2019

At the end of 2019, Sonaecom's shares reached a market price of 1.985 euros per share, 19.6% below the closing price of 2.470 euros per share at 31 December 2018. The share price reached a maximum of 2.690 euros per share on 8 January 2019 and a minimum of 1.985 euros on 31 December 2019.

As far as the Portuguese market is concerned, PSI-20, the principal local stock index, ended 2019 at 5,214.14 points, an increase of 10.2% versus year-end 2018. DJ Euro Stoxx Telecoms, the European Stock Telecommunications index, ended 2019 with no change versus 2018.

Sonaecom's market capitalisation stood at approximately 618 million euros at the end of 2019. The average daily trading volume reached approximately 12,700 shares, a 45.1% decrease compared to 2018 (less 10,500 shares).

3.2. Share price evolution during 2019

Sonaecom's share performance

In 2019, Sonaecom's market share price decreased 19.6% compared to 2018.

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

- 13 March 2019: Information on the decision of the Board of Directors to co-opt a non-executive director;
- 18 March 2019: Sonaecom full-year 2018 consolidated results released;
- 27 March 2019: Information on qualified shareholding of Azvalor Asset Management S.G.I.I.C. S.A;
- 30 April 2019: Shareholders' Annual General Meeting held with release of information on approved decisions;
- 30 April 2019: Information on the approved changes to the Board of Directors and, Shareholders' Annual General Meeting;
- 13 May 2019: Sonaecom first quarter 2019 consolidated results released;
- 14 May 2019: Information on the resolution of the Board of Directors about the extinction of the Executive Committee;
- 14 May 2019: Information about the payment of the dividends for 2018;
- 10 July 2019: Information about the agreement between its subsidiary Sonae IM and Mobileum Inc.;
- 19 July 2019: Information on qualified shareholding of Discerene Group, LP;
- 23 July 2019: Information about the amendment to the agreement of July, 10;
- 26 July 2019: Sonaecom first-half 2019 consolidated results released;
- 14 August 2019: Information about the conclusion of the transaction between its subsidiary Sonae IM and Mobileum Inc.;
- 13 September 2019: Information about gender equality plan;
- 6 November 2019: Sonaecom first nine months 2018 consolidated results released.

3.3. Shareholding structure and own shares

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

Simplified Sonaecom shareholding structure

Shareholder	Number of shares held	% Shareholding as at 31 Dec. 2019
Sonae - SGPS, S.A.	275,086,083	88.36%
Discerene Group, LP	8,694,396	2.79%
Azvalor Asset Management S.G.I.I.C. S.A.	6,340,147	2.04%
Own shares	5,571,014	1.79%
Other	15,648,397	5.03%

Sonae – SGPS, S.A. (Sonae) is Sonaecom's largest shareholder, owning an 88.36% stake in Sonaecom, equivalent to 89.97% of the voting rights. Sonae is a Portuguese multinational retail company, market leader in Portugal in food and specialised retail formats, with two core partnerships: shopping centres and telecoms. At 31 December 2019, the free float stood at approximately 5.03%. The free float is the percentage of shares not held or controlled by shareholders with qualified holdings and excluding own shares.

Sonaecom didn't acquire or sell treasury shares in 2019.

MANAGEMENT REPORT

SONAECOM INDIVIDUAL RESULTS

4. Sonaecom Individual Results in 2019

4.1. Operational data

Sonaecom SGPS's individual results for the years ended 31 December 2019 and 2018 are summarised as follows:

Million euros	2018 ^(R)	2019	Difference	%
Service Revenues	0.5	0.4	(0.1)	-24%
Operating Costs (1)	1.7	1.8	0.1	4%
EBITDA	(1.3)	(1.3)	0.0	0%
EBIT	(1.3)	(1.3)	0.0	1%
Dividend Received	19.8	47.0	27.2	138%
Net Financial Activity	1.0	0.9	(0.1)	-11%
Other Financial Results	(3.0)	(3.9)	(0.9)	-29%
EBT	16.4	42.7	26.3	160%
Net Income	16.9	42.8	25.9	154%

⁽¹⁾ Excludes Amortization, Depreciation and Provisions

On 31 December 2019, the headcount of Sonaecom SGPS includes one director and six employees.

Service revenues

This line totalled 0.4 million euros and it essentially comprises management services provided to its subsidiaries.

Total operational costs

Total operating costs exclude depreciation, amortisation charges and provisions. This line amounted to 1.8 million euros, which compares with 1.7 million euros in 2018.

EBITDA

EBITDA was negative by 1.3 million euros, in line with the previous year.

Dividends received

In 2019, Sonaecom received dividends from ZOPT, amounting to 47.0 million euros (19.8 million euros in 2018).

Net financial activity

The net financial activity (interest income less interest expenses) was positive by 0.9 million euros, which compares with 1.0 million euros in 2018.

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

Other financial results

Other financial results were negative by 3.9 million euros due to an impairment recorded in the financial investments in the amount of 3.8 million euros. In 2018, were negative by 3.0 million euros due to an impairment recorded in the financial investments in the same amount.

Net income

Net results for the year were positive by 42.8 million euros, significantly above 2018, mainly driven by dividends.

The amount of 72,260.84 euros is already reflected in the net income and is planned for a part of the short term variable bonus of executive directors, as a distribution of profit, pursuant to art. 33 n.2 of the Articles of Association as proposed by the Remunerations Committee, which is responsible for the implementation of the remuneration policy approved at the General Meeting held on April 30th, 2019. Additionally, an amount of 107,367.20 euros to be distributed to the employees as a distribution of profit, is also reflected in the net income.

4.2. Financial data

The following table summarises the major cash movements during the year ended at 31 December 2019:

Changes in Sonaecom SGPS Liquidity	Million euros
Sonaecom SGPS stand-alone liquidity as at 31 December 2018	212.7
Cash and Bank	210.8
Treasury Applications	1.9
Bank	-
Subsidiaries	1.9
Changes in Nominal Gross Debt	(0.0)
External Debt	(0)
Treasury applications from subsidiaries	-
Shareholder Loans and Supplementary capital granted	16.0
Dividend paid	(34.2)
Free Cash Flow	42.5
Interest paid	(0.1)
Interest received	1.3
Dividend received	47.0
Operational Free Cash Flow and others	(5.7)
Sonaecom SGPS stand-alone liquidity as at 31 December 2019	236.9
Cash and Bank	0.0
Treasury Applications	236.9
Bank	236.9
Subsidiaries	-

During the year 2019, Sonaecom's stand-alone liquidity increased 24.2 million euros to 236.9 million euros due to the following movements:

- (i) Supplementary capital placed in subsidiaries decreased by 6.3 million euros;
- (ii) Loans granted to subsidiaries decreased 9.6 million euros;
- (iii) FCF was positive by 42.5 million euros (including dividends of 47.0 million from ZOPT);

and despite,

(iv) Payment of dividends amounted to 34.2 million euros.



5. Subsequent events

In February 2020, ZOPT became aware that some of its bank accounts are unavailable, which may have resulted from a seizure request made by the Angolan authorities. The amounts seized are not materially relevant and the balances and shares recorded in the ZOPT accounts with CGD, remain available. Until the date, such apprehension has not yet been judicially notified to ZOPT, so it has not yet been possible to take any action by it, namely for the purpose of eventual pronouncement.

Since its emergence in Europe, at the beginning of 2020, the Board of Directors has followed in detail and with great concern all developments related to the Covid-19 pandemic, following closely the position of the competent international entities, namely the World Health Organization and the European Centre for Disease Prevention and Control, as well as the Portuguese Directorate-General of Health.

Considering the level of existent risk, a self-government model was developed to manage this crisis, in alignment with the various businesses, depending on the level of risk defined at each moment. Prevention/contingency plans were triggered, defined and developed, covering the entire organization, from operations to central structures, and a set of risk mitigation measures were identified.

In this sense and considering the high risk of contagion and spread of the virus, mandatory actions were defined and communicated, as well as recommendations for all employees, such as the prohibition of all trips; advising against realization/participation in congresses, fairs, exhibitions and extended training; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; telework/remote work procedures, ensuring for that purpose – and depending on the criticality identified – the existence of portable computers and internet access for employees, among many others.

So far, the Group's business operations did not feel significant impacts from this situation, but we know that the magnitude and degree of uncertainty that an event of this nature involves will necessarily have negative impacts. At this stage, Sonaecom considers quite challenging to quantify the magnitude of the impacts, but estimates a reduction in Professional Services revenues from companies in the Technology area, a significant reduction in commercial activity, difficulty in reselling technology (either due to a reduction in demand or a drop in supply), negative impacts on some NOS activities – Cinemas and Audiovisuals, Roamings and International traffic, Equipment sales, Revenues from premium sport channels and from mobile data – affecting Sonaecom via ZOPT, and impacts on the value of Sonae IM minority stakes.

The spread of COVID-19, with the consequent drop in oil demand and the price war between Saudi Arabia and Russia, has caused historic falls in the capital market and instability in asset values on all world stock exchanges.

Given the company's capital structure, with a significant amount in cash and bank deposits and a low amount of remunerated debt, no material changes in the Company's liquidity are expected.

The potential impact that this situation may have depends on the level of evolution and contagion of the virus, making projections difficult. However, we will continue to implement all measures deemed appropriate to minimize their impacts, in line with the recommendation of the competent entities and in the best interest of all our stakeholders.

MANAGEMENT REPORT



6. Proposal for the application of results

The Board of Directors proposes that the net profit in the Individual accounts, in the amount of 42,774,663.52 euros be transferred as follows:

- i) 2,138,733.18 euros to legal reserves;
- ii) 25,841,223.07 euros is distributed to shareholders;
- iii) 14,794,707.27 euros is transferred to other reserves.

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

- i) Each share issued will be paid a gross dividend of 0.083 euros;
- ii) The amount corresponding to the shares that belong to the Company itself on the day of the payment of the abovementioned amount (calculated on said unit amount of 0.083 euros per issued share) will not be paid to shareholders, but will instead be maintained in Other Reserves.

MANAGEMENT REPORT

APPENDIX

GLOSSARY

COGS+ Marketing & Sales (Advertising plus Commissions)

Other Operating Costs External Supplies and Services except those referred

above as Marketing & Sales + Provisions + Others

EBITDA Underlying EBITDA + Equity method results (namely

ZOPT net income) + non recurrent items (when

applicable)

Underlying EBITDA Operating Results excluding Amortizations and

Depreciations

EBIT Direct EBT deducted from financial result or EBITDA

deducted from Depreciations and Amortizations

EBT Direct Result before minority results and taxes

Indirect Results Negative Goodwill related to AVP funds, net of

correspondent deferred tax liabilities

CAPEX Gross Investments in tangible and intangible assets and

investments in acquisitions

Operating CAPEX CAPEX excluding Financial Investments

Free Cash Flow (FCF) EBITDA – CAPEX – change in working capital – financial

results - taxes

Gross Debt Bonds + bank loans + other loans + shareholder loans +

financial leases

Net Debt Bonds + bank loans + other loans + shareholder loans +

financial leases – cash, bank deposits, current investments

and other long term financial applications

Statement of the Board of Directors

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

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

The Board of Directors Ângelo Gabriel Ribeirinho Paupério Maria Cláudia Teixeira de Azevedo João Pedro Magalhães da Silva Torres Dolores Eduardo Humberto dos Santos Piedade

Article 447 and Qualified Shareholdings

- Article 447

Board of Directors

		Additions		Reductions		Position at 31.12.2019	Balance at 31 December 2019
	Date	Quantity	Market price €	Quantity	Market Price €		Quantity
Ângelo Gabriel Ribeirinho dos Santos Paupério							
Enxomil - Consultoria e Gestão, S.A. ^{(10) (a)}						Dominant	
Enxomil - Sociedade Imobiliária, SA ^{(11)(a)}						Dominant	
Maria Cláudia Teixeira de Azevedo							
Efanor Investimentos, SGPS, S.A. ⁽¹⁾						Minoritary	
Linhacom, SGPS, S.A. ⁽⁴⁾						Dominant	
Sonae SGPS, S.A. ⁽⁶⁾							508,574
Shares attributed under the Medium Term							
Incentive Plan	02.04.2019	131,256	0.9435				
Eduardo Humberto dos Santos Piedade							
Sonae SGPS, S.A.							-
Shares attributed under the Medium Term							
Incentive Plan	02.04.2019	67,804	0.9435				
Share sale	03.04.2019			67,804	0.9445		
João Pedro Magalhães da Silva Torres Dolores Sonae SGPS, S.A.							-

a) Includes shares held indirectly.

Management

			Additions		Reductions	Position at 31.12.2019	Balance at 31 December 2019
	Date	Quantity	Market price	Quantity	Market price		Quantity
(1) Efanor Investimentos, SGPS, S.A. Sonae - SGPS, S.A. ⁽⁶⁾ Pareuro, BV ⁽²⁾						Dominant	200 100 000
(2) Pareuro, BV Sonae - SGPS, SA. ⁽⁶⁾							849 533 095
(3) Migracom, SGPS, S.A. Imparfin - Investimentos e Participações Financeiras,S.A. ⁽⁵⁾ Sonae - SGPS, S.A. ⁽⁶⁾ Sonae - SGPS, S.A. ⁽⁶⁾	19/12/2019 20/12/2019	160 000 164 185	0.92640 0.92442			Minority	3 198 524
(4) Linhacom,SGPS, S.A. Imparfin - Investimentos e Participações Financeiras,S.A. ⁽⁵⁾ Sonae - SGPS, S.A. ⁽⁶⁾						Minority	189 314
(5) Imparfin- Investimentos e Participações Financeiras, S.A. Sonae - SGPS, S.A. ⁽⁶⁾ Sonae - SGPS, S.A.(6)	30/08/2019 02/09/2019	270 000 233 185	0.82185 0.83252				4 608 465
(6) Sonae - SGPS, S.A. Sonaecom, SGPS, S.A. ⁽⁹⁾ Sonae Investments BV ⁽⁷⁾ Sontel BV ⁽⁸⁾						Dominant Dominant Dominant	
(7) Sonae Investments BV Sontel BV ⁽⁸⁾						Dominant	
(8) Sontel BV Sonaecom, SGPS, S.A. ⁽⁹⁾						Dominant	
(9) Sonaecom, SGPS, S.A. (10) Enxomil - Consultoria e Gestão, S.A.							5 571 014
Sonae - SGPS, S.A. ⁽⁶⁾							2 021 855
(11) Enxomil - Sociedade Imobiliária, SA Sonae - SGPS, S.A. ⁽⁶⁾							662 987

- Qualified Shareholdings

Shareholder	Number of shares	% of Share capital	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, S.A. (1)				
Directly	275,086,083	88.36%	88.36%	89.97%
Sontel BV	194,063,119	62.33%	62.33%	63.47%
Sonae- SGPS, S.A.	81,022,964	26.02%	26.02%	26.50%
Discerene Group, LP	8,694,396	2.79%	2.79%	2.84%
Azvalor Asset Management S.G.I.I.C. S.A.	6,340,147	2.04%	2.04%	2.07%

⁽¹⁾ Sonaecom, SGPS, S.A. is a company indirectly controlled by Efanor Investimentos, SGPS, S.A. ("Efanor"), as Efanor indirectly controls Sonae SGPS, S.A. and Sontel BV. With effects as from 29th November 2017, Efanor ceased to have a controlling shareholder, under the terms of articles 20º and 21º of the Portuguese Securities Code.

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

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



PART I - SHAREHOLDING STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A. Shareholding Structure

I - Share capital structure

1. Capital structure

The share capital of Sonaecom – SGPS, S.A. (hereinafter Sonaecom or the Company) is 230,391,627.38 euros, fully subscribed and paid up and is divided into 311,340,037 registered ordinary shares with a nominal value of 0.74 Euro each.

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

2. Restrictions on share transferability and ownership

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

3. Treasury shares

At 31 December 2019, Sonaecom held 5,571,014 treasury shares, representing 1.789% of its share capital.

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

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

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

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

No shareholders' agreements regarding Sonaecomare known.

6. Shareholders'agreements

No shareholders' agreements regarding Sonaecom are known.

II - Shareholdings and holdings of bonds

7. Qualified shareholdings

In compliance with the Article 8, paragraph 1, subparagraph (b) of the Securities and Exchange Commission Regulation 05/2008, and according to the notifications received by the Company concerning Articles 16 and 248-B of the Portuguese Securities Code, the qualified shareholdings representing at least 2% of the share capital of Sonaecom, SGPS, S.A., indicating the number of shares held and the percentage of voting rights, calculated in accordance with article 20 of the Portuguese Securities Code, at 31 December 2019, are described as follows:

Shareholder	Number of shares	% of Share capital	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, S.A. (1)				
Directly	275 086 083	88.36%	88.36%	89.97%
Sontel BV	194 063 119	62.33%	62.33%	63.47%
Sonae- SGPS, S.A.	81 022 964	26.02%	26.02%	26.50%
Discerene Group, LP	8 694 396	2.79%	2.79%	2.84%
Azvalor Asset Management S.G.I.I.C. S.A.	6 340 147	2.04%	2.04%	2.07%

⁽¹⁾ Sonaecom, SGPS, S.A. is a company indirectly controlled by Efanor Investimentos, SGPS, S.A. ("Efanor"), as Efanor indirectly controls Sonae SGPS, S.A. and Sontel BV. With effects as from 29th November 2017, Efanor ceased to have a controlling shareholder, under the terms of articles 20° and 21° of the Portuguese Securities Code.

This issue is also dealt with in the Management Report.

shareholdings in the company.

The updated information regarding qualified shareholdings is available on http://www.sonae.com/investidores/informacao-sobre-accao/estrutura-accionista/?l=en.

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

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

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

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

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

Business and transactions with holders of qualified shareholdings are part of the usual and regular activity of the subsidiaries that comprise the portfolio of Sonaecom and are carried out under normal market practices and conditions. In addition, when related parties are involved, these transactions are scrutinised and, if significant, approved in advance by the Statutory Audit Board. No significant business or commercial transactions were carried out in 2019 between the Company and owners of qualified

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

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

B. Statutory Governing Bodies and Committees

I - Shareholders' General Meeting

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

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

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

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

Manuel Eugénio Pimentel Cavaleiro Brandão - Chairman Mandate 2016-2019

Maria da Conceição Henriques Fernandes Cabaços - Secretary Mandate 2016-2019

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

b) Exercise of the Voting Rights

12. Possible restrictions on voting rights

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

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

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

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

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

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

There is no statutory limitation on exercising voting rights.

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

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

Any decisions made by the General Shareholders' Meeting in the second occasion it is convened, may be passed regardless of the number of shareholders attending the meeting and the share capital percentage these represent.

The quorum of the General Shareholders' Meeting required to pass its decisions abides by the provisions of the Companies Code.

II - Management and Supervision

a) Composition

15. Identification of the adopted governance model

This company has adopted the monist governance model, whose management structure is committed to the Board of Directors. The Board of Directors is the body in charge of managing the company's business, performing all the administration functions pertaining to the corporate purpose, monitoring risks, executing the organisation's objectives and setting out the Company's strategy.

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

The Board of Directors considers the governance model that was adopted by the Company to be suitable for the proper fulfilment of the duties of each of the corporate bodies, ensuring both their independence and the interface functioning thereof in a balanced manner.

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

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

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

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

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

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

The Board of Directors shall appoint its Chairman.

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

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

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

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

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

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

Qualifications: a balanced diversity of professional qualifications enables the company to have the skills necessary to carry out its activities and the defined strategy, taking into account their complexity. The inclusion of different areas such as engineering, economics, management, law and other areas, promotes the diversity of technical knowledge, which will allow a better understanding of the issues, risks and opportunities inherent to the activity of the company; and

Age: the society does not have a restrictive view of the age limits for the exercise of managing or supervisory functions. The company trusts that age diversity will allow to combine the experience of older members with the perspective of the younger ones, which may result in a more innovative, agile and thoughtful decision—making process.

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

Furthermore, the candidates to be appointed to the management and supervisory bodies should possess an adequate experience in senior offices within companies or similar organisations that enables them to (i) assess, challenge and develop the Company's senior officers; (ii) assess and challenge the group's and its main subsidiaries' corporate strategy; (iii) assess and challenge the Company's operational and financial performance; and (iv) assess the organisation's fulfilment of the Company's values.

Each candidate should in addition make their individual contribution in enabling the board of Directors, as a whole, to gain in-depth and international knowledge of Sonaecom's main business sectors, knowledge of the main markets and geographies where the

business areas operate and knowledge and competencies regarding management techniques and technologies that are key for the success of relevant companies in the business sectors of the Company.

The candidates should furthermore possess the human qualities, purpose clarity, analytical qualities and synthesis and communication skills that are required to address a large number of diversified and complex issues, within a limited time-frame, with the necessary depth to allow for a timely and high-quality decision-making.

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

In addition, the Company has approved in 2019 and maintains in force a Plan for Gender Equality that is applicable to the employees and members of the Group's corporate bodies that is available on http://www.sonae.com/investidores/governo-das-sociedades/plano-para-a-igualdade-de-genero/?l=en

Within both the Board of Directors and the Statutory Audit Board, whose composition is described in paragraph 17 and section III, a) below, the proportion of members representing each gender complies with the provisions of Article 5 of Law 62/2017 of 1 August.

17. Composition of the Board of Directors

Composition

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

In 2019, the composition of the Board of Directors was as follows:

Members	Date of 1st	End of term of	
Members	Appointment	office	
Ângelo Gabriel Ribeirinho dos Santos Paupério	24/04/2007	31/12/2019	
Maria Cláudia Teixeira de Azevedo	05/04/2006	31/12/2019	
João Pedro Magalhães da Silva Torres Dolores	12/03/2019	31/12/2019	
Eduardo Humberto dos Santos Piedade	30/04/2019	31/12/2019	

18. Description of the members of the Board of Directors

Members

Ângelo Gabriel Ribeirinho dos Santos Paupério Chairman of the Board of Directors (Executive)

Maria Cláudia Teixeira de Azevedo Executive Director
João Pedro Magalhães da Silva Torres Dolores Executive Director
Eduardo Humberto dos Santos Piedade Executive Director

Pursuant to the decision, taken by the General Shareholders' Meetingheld on 30 April 2019, of increasing the number of members of the management body from 3 to 4 concerning the mandate then ongoing (2016/2019), the Board of Directors decided on 13 May 2019 to revoke the delegation of the every-day management powers of the Company that had been entrusted to the Executive Committee – that was dissolved – and therefore the management of all corporate matters became the exclusive competence of the Board of Directors, all of its members assuming from that date on the capacity of executive directors.

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

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

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

Maria Cláudia Teixeira de Azevedo, executive member of the Board of Directors, is the sister of Duarte Paulo Teixeira de Azevedo, and both are shareholders and members of the Board of Directors of Efanor Investimentos, SGPS, S.A., a company that (indirectly) holds the control of Sonaecom's share capital. Duarte Paulo Teixeira de Azevedo is also the Chairman of the Board of Directors of Sonae – SGPS, S.A. – a company that holds, as of 31 December 2019, 88.36% of the share capital of Sonaecom, corresponding to 89.97% of the voting rights.

The Chairman of the Board of Directors of Sonaecom, Angelo Gabriel Ribeirinho dos Santos Paupério, is a member of the Board of Directors of Sonae – SGPS, S.A. and of Efanor Investimentos, SGPS, S.A., shareholders of Sonaecom in the terms described above.

- 21. Distribution of competences among the various corporate bodies, committees, and/or company departments, including information about delegation of competence, in particular regarding delegation of the company's daily management
- i) Distribution of competences among the various corporate bodies and respective committees: Sonaecom's corporate structure clearly describes the functions, responsibilities and duties of its bodies.

Sonaecom, SGPS, S.A.

Shareholders' Remmuneration
Commitee

Board of the Shareholders' General
Meeting

Statutory Audit Board

Board and Corporate Governance
Officer

Board of Directors

Statutory External Auditor

Board of Directors

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

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

- a) Appointment of the Chairman of the Board of Directors;
- b) Co-optation of Directors;
- c) Request to convene General Meetings;
- d) Approval of the Annual Report and Accounts;
- e) Provision of collateral and personal or real guarantees by the Company;
- f) Decision to change the registered office or increase the share capital;
- g) Decision on mergers, spin-offs or transformation of the Company;
- h) Approval of the strategic management of the annual business portfolio and the policies thereof;
- i) Approval of the Company's annual budget and the Group's annual business plan and any changes on the same;
- j) Definition of the organisation and coordination of the corporate structure of the Sonaecom Group;
- k) Approval of every issue that should be deemed as strategical as a consequence of its amount, risk or particular features;
- I) Outline of the Human Resources policies that are applicable to top employees (level G3 and above) with the exclusion of areas that are the exclusive competence of the General Shareholders' Meeting or of the Shareholders' Remuneration Committee.

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

The Internal Regulation of the Board of Directors, approved at the Board Meeting held on 3 May 2012 and amended by the resolutions taken on 2 November 2015, 13 March 2017 and 12 December 2019 is available for consultation on the company's website (www.sonaecom.pt) at

The corporate structure is assisted by the following functional structures:

Administrative and Financial Department

Main duties:

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

Planning and Management Control Department

Main duties:

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

Risk Management Department

The Risk Management is ensured not only at corporate level but also at the business level. Thus, each business unit is involved in the functional processes, with the responsibility of implementing internal controls and managing specific risks. In general, the main responsibilities of the Risk Management Department of each one of the businesses involves:

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

Internal Audit Department

Main duties:

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

Legal Department

Main duties:

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

Human Resources Department

Main duties:

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

Investor Relations Department

Main duties:

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

b) Functioning

$22. Location of the \,Regulation of the \,Board of \,Directors$

The Internal Regulation of the Board of Directors is available on the company's website (www.sonaecom.pt) at 12.12.2019/Scom___Regulamento_BoD__vs_EN__12.12.2019/Scom___Regulamento_BoD__vs_EN__12.12.2019.pdf

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

The Sonaecom Board of Directors meets at least four times every year, as specified by the Company's Articles of Association, and whenever the Chairman or two members of the Board of Directors call a meeting. Six meetings of the Board were held in 2019 with a 100% attendance rate, in person, of the directors Ângelo Gabriel Ribeirinho dos Santos Paupério, Maria Cláudia Teixeira de Azevedo, João Pedro Magalhães da Silva Torres Dolores and Eduardo Humberto dos Santos Piedade. The following table displays detailed information about the attendance at meetings:

Meetingdate	Participants		
12 March 2019	Ângelo Paupério		
	Cláudia de Azevedo		
	João Dolores		
18 March 2019	Ângelo Paupério		
	Cláudia de Azevedo		
	João Dolores		
13 May 2019	Ângelo Paupério		
	Cláudia de Azevedo		
	João Dolores		
	Eduardo Piedade		
	Ângelo Paupério		
26 July 2019	Cláudia de Azevedo		
20 July 2015	João Dolores		
	Eduardo Piedade		
	Ângelo Paupério		
05 November 2019	Cláudia de Azevedo		
03 November 2013	João Dolores		
	Eduardo Piedade		
	Ângelo Paupério		
12 December 2019	Cláudia de Azevedo		
12 December 2015	João Dolores		
	Eduardo Piedade		

The minutes of meetings are written down in the minutes book.

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

The Company does not have an Executive Committee, nor does it have any Managing Directors.

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

Without prejudice to the overall and individual performance assessment of the Directors, which is carried out by the Remuneration Committee, the Board of Directors shall annually carry out the evaluation of its performance, having as reference the fulfilment of Company's strategic plan and budget, its risk management, internal functioning and its relations with other Sonaecom's bodies. This evaluation is usually carried out in the Board of Directors' meeting where the discussion of the previous years' accounts takes place.

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

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

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

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

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

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

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

The pre-determined criteria to be used in the assessment of the Directors' performance are the consequence of the application of the Remuneration and Compensation Policy that was approved by the General Shareholders' Meeting following the proposal of the Shareholders' Remuneration Committee of the Company.

In 2019 the Remuneration and Compensation Policy was approved by the General Shareholders' Meeting held on 30 April and is available on the following websites:

http://other.static.sonae.com/2019/04/06/7_SCOM_Proposal7_ENG/7_SCOM_Proposal7_ENG.pdf?download=1 http://other.static.sonae.com/2019/04/06/7.1 SCOM Proposal4Annex ENG/7.1 SCOM Proposal4Annex ENG.pdf?download=1

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

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

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

c) Board of Directors' committees and managing directors

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

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

The company has a Corporate Governance Officer, who reports to the Board of Directors, through the Chairman and this solution is deemed as materially equivalent to the existence of an internal committee, specialised in corporate governance matters.

The main duties of the Corporate Governance Officer are:

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

The main duties of the Corporate Governance Officer listed above have as their main purpose to allow the Corporate Governance Officer to evaluate the adopted corporate governance structure and practices, to verify the effectiveness thereof and to propose to the relevant bodies any improvement measures to be taken.

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

The Company does not have an Executive Committee nor does it have any Managing Directors.

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

The Board of Directors believes that in view of the adopted governance model, which takes into account (and it is considered appropriate to) the current shareholding structure (with a small free-float) and size of the Company, as well as the composition of the Board itself, it is not justified to maintain any specialized committee within the Board of Directors.

The company has a Corporate Governance Officer, with the functions and responsibilities disclosed in section 27 of this Report and this solution is, in view of the current context of the Company, deemed as materially equivalent to the existence of an internal committee, specialised in corporate governance matters.

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

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

III - Audit

a) Composition

30. Identification of the supervisory bodies

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

31. Composition

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

In 2019, the members of Statutory Audit Board, elected for the mandates referred below, were:

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

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

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

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

33. Professional qualifications

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

b) Functioning

34. Regulation and annual activity report

The operating regulation of the Statutory Audit Board can be consulted in the Sonaecom website (www.sonaecom.pt), at <a href="http://other.static.sonae.com/2020/03/31/Regulamento_Conselho_Fiscal_12_2019_EN_/Regulamen

The annual report and statements of the Statutory Audit Board are published in each financial year, together with the annual accounts documents prepared by the Board of Directors, available at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (regarding 2019 documents, in the tab R&A 2019/Chapter IV).

35. Meetings of the Statutory Audit Board

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

The Statutory Audit Board meets at least once a quarter. In 2019, the Statutory Audit Board held nine meetings with a 100% attendance rate.

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

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

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

c) Powers and duties

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

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

To that end, at the first meeting held in each financial year, the Statutory Audit Board schedules a work plan that includes supervision the External Auditor's activity in matters concerning: (i) the External Auditor's annual activity plan; (ii) monitoring the audit work, reviewing the financial statements and discussing the respective conclusions; (iii) supervising the External Auditor's independence; (iv) the decision to authorise the provision of services other than audit services, in compliance with the Recommendation from IPCG (VII.2.1.iv) and Law no. 140/2015, of 7 September; and (v) assessing the annual activity carried out by the External Auditor concerning the compliance with the IPCG Recommendation VII.2.3.

In assessing the criteria that backed the contracting of services, other than audit services, from the External Auditor, the Statutory Audit Board verifies the presence of the following safeguards:

- contracting additional services, other than audit services, does not affect the independence of the External Auditor;
- services other than audit services represent an adequate proportion of all services rendered;
- services other than audit services not prohibited (according to the legislation currently in force) shall be provided with high levels of quality, autonomy and independence in relation to the services carried out as part of the audit process;
- the quality system applied by the External Auditor (internal control), in accordance with the information provided by this body, monitors the risks of loss of independence or possible conflicts of interest with the Company and ensures the quality of the services that are provided in compliance with ethical and independence standards.

38. Other functions of the Statutory Audit Board

38.1 Statutory Audit Board

The Statutory Audit Board, while performing its statutory and legally assigned functions, including the ones set out in article 420 of the Portuguese Companies Code, has the following main duties, among others:

- a) To supervise the Company's management, in accordance with corporate governance best practises and with full respect for the competencies thereof;
- b) To ensure compliance with the Law and the Company's Articles of Association;

- c) To prepare the annual report on the supervisory work performed, addressed to the shareholders, that should include the description of the supervisory work performed and possible constraints detected, and issue an opinion on the management report, accounts and other proposals submitted by the Board of Directors, in which it should express its agreement or not, with the management report and the annual accounts;
- d) To convene the Shareholders' General Meeting, should the Chairman of the General Meeting fail to do this when required to do so:
- e) To confirm whether the disclosed corporate governance report includes the information listed in article 245-A of the Portuguese Securities Code;
- f) To assess the effectiveness of the risk management system, internal control system and internal audit system;
- g) To receive communications of irregularities presented by the company's shareholders, employees or others;
- h) To appoint and hire services from experts to help one or more members in the exercise of their duties. The hiring and fees of these experts should take into consideration the complexity of the matters involved and the financial position of the company, to supervise the process of preparation and disclosure of financial information by the management body, including notably the adequacy of the accounting policies, estimations, judgements, relevant disclosures and the consistent application thereof throughout the financial years in a duly documented and communicated manner;
- i) To select the Statutory External Auditor, represent the Company before the external auditor and the Statutory External Auditor and propose to the Shareholders' General Meeting its appointment and removal and also to approve its remuneration and assess its performance making sure that the Company provides the Statutory External Auditor with the necessary conditions for carrying out its duties, to intermediate between the latter and the company, and making sure it is the main recipient of the external auditor's reports, with full respect for the duties and competencies of the management body in this matter;
- j) To supervise the accounts audit concerning the Company's financial documents;
- k) To evaluate the independence of the Statutory External Audit;
- I) To give its prior approval to the audit services and additional services to be provided by the external auditor or by any other person that maintains a participation relationship with the latter or is part of the same network, and to approve its remuneration, ensuring that those services are legally permitted, do not surpass any reasonable limit and does not hinder the independence of the external auditor;
- m) To evaluate the independence of the internal auditor, notably concerning limitations to its organisational independence and lack of resources in the course of the internal audit activity;
- n) To issue a specific opinion and justification to support the possible decision of not rotating the external auditor, taking into account its independence conditions in such a circumstance as well as the advantages and costs associated with its substitution;
- o) To supervise the internal audit activity;
- p) To issue a prior opinion on business transactions (higher than 10 million euros) with qualified shareholders, or entities with whom they are in any relationship set out in article 20 of the Portuguese Securities Code;
- q) To comply with all other attributions for eseen by the Law of by the Articles of Association.

In order to duly perform its duties, the Statutory Audit Board establishes a calendarized activity plan, in the first meeting of each year, where it should be included:

A - Monitorisation of the Company's activity, notably concerning:

- Assessment of the functioning of the internal control and risk management system;
- Supervision of the financial documents and disclosure of financial information;
- Issuing opinions and recommendations.

$B-Supervision\ of\ the\ Internal\ Audit\ and\ Risk\ Management\ activity\ with\ the\ following\ scope:$

Annual activity plan;

Receiving the regular reports on the developed activity;

Assessment of the results and conclusions reached:

Assessment of the existence of possible irregularities and analysis of irregularity reports that are conveyed to it; Issuing any relevant instructions.

C – Information regarding irregularities

The Statutory Audit Board is the recipient of irregularity reports, in accordance with Article 420, 1, paragraph j) of the Companies Code, that are addressed directly to it or that are remitted to a different body.

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

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

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

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

The Regulation of the Statutory Audit Board is available on the company's website (www.sonaecom.pt), at pdf

38.2 Statutory External Auditor

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

- a) Check the consistency of all the books, accounting records and supporting documents;
- b) Whenever it deems convenient and through such means as it deems appropriate, verify the accuracy of cash and amounts of assets or securities of any type belonging to the Company or received by the Company by way of guarantee, deposit or for any other purpose;
- c) Check the accuracy of the financial statements and express its opinion on them in the Legal Certification of Accounts and in the Audit Report;
- d) Verify that the accounting policies and valuation criteria adopted by the Company result in the correct valuation of the assets and results:
- e) Perform any necessary examinations and tests for the audit and legal certification of accounts and perform all procedures stipulated by law,
- f) Verify the enforcement of remuneration policies and systems and the effectiveness and functioning of the internal control mechanisms, reporting any deficiencies to the Statutory Audit Board, under the terms of and within the scope and limits of its legal and procedural powers;
- g) Cooperate with the supervisory body, providing immediate information on any irregularities relevant to the performance of the functions of the supervisory body it may have detected, as well as any difficulties encountered in the exercise of its duties;
- h) Verify whether the Corporate Governance Report includes the elements referred to in article 245-A of the Securities Code. Since 1 January 2016, the activity and services of the Statutory External Auditor are regulated by the new Estatuto da Ordem dos Revisores Oficiais de Contas, approved by Law no 140/2015, of 7 September.

IV - Statutory External Auditor

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

The Statutory External Auditor of Sonaecom is PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda., registered at OROC under the no. 183 and at the Portuguese Securities Market Commission under the no. 20161485, represented by Hermínio António Paulos Afonso or by António Joaquim Brochado Correia integrating the mandate of 2016/2019. The substitute Statutory External Auditor is Joaquim Miguel de Azevedo Barroso (Statutory External Auditor no. 1426, registered at the Portuguese Securities Market Commission under the no. 20161036).

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

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

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

PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, LDA. performs the duties of Statutory External Auditor. A company belonging to the same network rendered tax consulting services under the supervision of the Statutory Audit Board.

V -External Auditor

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

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

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

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

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

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

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

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

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

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

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

The remuneration paid to the Statutory External Auditor and to the External Auditor, PWC – Price Waterhouse Coopers & Associados, Sociedade de Revisores Oficiais de Contas, Lda. in 2019 and 2018, under proposal of the Statutory Audit Board, and to other individuals and entities of the same company network, supported by the Company and/or by corporate entities in a control relation with the latter, are as follows, analysed by type of service:

	2019		2018	
	Values in €	%	Values in €	%
For the company *				
Statutory audit review	21,450	15%	30,036	14%
Otherservices	-	-	-	-
By entities inclued in the group				
Statutory audit review	119,750	84%	186,622	86%
Otherservices	1,575	1%	1,000	0%
Total				
Audit services	141,200	99%	216,658	100%
Otherservices	1,575	1%	1,000	0%
Total	142,775	100%	217,658	100%

^{*}Includes individual and consolidated accounts

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

In addition, the following safeguards were observed:

- a) the acquisition of services other than auditing services did not affect the External Auditor's independence;
- b) services other than auditing services, when duly framed, are not prohibited services according to paragraph 8 of Article 77 of Law140/2015;
- c) services other than audit services represented an adequate proportion of all services rendered;
- d) tax consulting services and the other services, when existing, are provided by experts other than those who were involved in the audit process;
- e) the fees paid by Sonaecom group to the PWC group represented less than 1% of PWC's total annual billing in Portugal;
- f) the auditors' internal control system, according to the provided information, monitors the potential loss of independence risks, or of any conflicts of interest with Sonaecom and ensures the quality and the rules of ethics and independence.

The Statutory External Auditor has remitted to the Statutory Audit Board, in accordance with paragraph 6 of Article 24 of Law no 148/2015, of 9 September, which approved the legal framework for the auditing supervision ("Regime Jurídico da Supervisão de Auditoria"), an "Independence Declaration" where it describes the services rendered by it and by other entities, as well as the safeguard measures applied, which were assessed by the Statutory Audit Board.

C. INTERNAL ORGANISATION

I – Articles of Association

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

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

II - Reporting Irregularities

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

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

This Code of Conduct, which should guide the actions of its employees when exercising their functions, is available at http://www.sonae.com/investidores/governo-das-sociedades/codigo-de-etica-e-conduta/?l=en

Regarding the mechanisms for detecting and preventing irregularities, these are described in the Regulation of the Company's Statutory Audit Board.

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

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

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

III - Internal control and risk management

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

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

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

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

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

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

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

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

52. Existence of other functional areas with risk control competences

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

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

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

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

Economic risks

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

Economic influences

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

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

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

In the case of Público, the exposure to a segment that is going through a period of financial crisis and changing of reading trends has been forcing constant restructuring and adaptation. With the need to ensure sustainability without compromising its role as an independent information source in Portugal, Público has been focusing on meeting the growing demands in the digital world and reducing its operating costs structure.

Inovretail, as all other minority shareholdings in the Technology area, including those that are quite incipient, act in the technological market with high potential for growth and international expansion, thereby mitigating its operational risk

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

Technological innovation

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

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

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

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

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

Competition

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

However, S21sec is, since June 2018, with integration of Nextel, the most relevant "pure player" (a company that specialises exclusively in the cybersecurity sector) in the Iberian Peninsula, both in terms of revenues and number of cybersecurity specialists. Also, with S21sec and Excellium, Sonaecom's Technology area became one of the most relevant groups in cybersecurity services in Europe, with more than 500 employees and present in 13 locations of 6 countries.

Business portfolio

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

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

Excellium, despite its current focus on the financial segment of Luxembourg, expects to expand to other segments, in addition to the geographical expansion in Belgium.

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

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

The Technologyarea, with its minority shareholdings, explores different activities and is the only technological link with the retail, telecomand cybersecurity segments.

Business interruption and catastrophic losses (Business Continuity Management)

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

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

Confidentiality, integrity and availability (Information Security Management)

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

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

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

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

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

Finally, regarding the cybersecurity risk, several actions were undertaken, most importantly the renewal of the rating service Bitsight and the development of information and training sessions mainly focused on phishing campaigns.

Product-Service failure (Professional Liability)

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

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

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

Financial risks

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

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

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

Legal, statutory and regulatory risks

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

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

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

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

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

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

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

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

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

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

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

Sonaecomacknowledges that, as with other listed companies with similar activities, it is potentially exposed to risks related to the financial and accounting reporting processes, in addition to other financial risks, as detailed above. Sonaecom's attitude concerning financial risk management is conservative and prudent, and these principles have been maintained during 2019.

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

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

- I. The process of disclosing financial information is documented, the risks and key controls are identified, the criteria for its preparation and disclosure are duly established and approved, and they are periodically reviewed;
- II. There are three main types of controls: high-level controls (entity level controls), information systems' controls (IT level controls) and process controls (process level controls). Those include a set of procedures related to the execution, supervision, monitoring and process improvement, with the main purpose of preparing the company's financial reporting;
- III. The accounting principles used, which are disclosed throughout the notes to the financial statements (see chapter III, section 1.2, note 1 in the Report and Accounts), constitute one of the fundamental pillars of the control system;
- IV. The plans, procedures and records of the Group, provide a reasonable assurance that transactions are executed solely with the general or specific authorisation of management and that those transactions are recorded to ensure that financial statements comply with the generally accepted accounting principles. This also ensures that the company keeps updated records regarding assets, that the access to said assets rely on management authorisation and that whenever differences occur checking against existing assets, appropriate measures are taken;
- V. During the process of preparing and reviewing financial information, a schedule is first established and shared with the different areas involved, and all documents are reviewed in detail. This includes a review of the principles followed, verifying the accuracy of the provided information, and the consistency with the principles and policies defined and followed in previous periods;
- VI. The Group's financial statements are prepared and reviewed by the Administrative and Finance Department, under the supervision of the Group's Board of Directors. The Management Report and the Corporate Governance Report are both prepared by the Investor Relations Department, with the input and further review by several business and support are as and with the support and the supervision of the Director of Corporate Governance and the Legal Department. The set of documents that constitute the annual report are sent for review and approval by the Sonaecom Statutory Audit Board and the Board of Directors. After approval, the documents are sent to the Statutory External Auditor, which issues its Legal Certification of Accounts and the Audit Report.

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

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

IV - Investor Support

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

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

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

In addition to the Investor Relations Department, all disclosed information is available on the webpage of the Portuguese Securities Commission ("Comissão do Mercado de Valores Mobiliários": www.cmvm.pt) and the Company's webpage http://www.sonae.com/investidores/comunicados/?l=en. On http://www.sonae.com/investidores/?l=en you may find the information required by Article 3 of the CMVM Regulation no. 4/2013, as well as general information on Sonaecom, in addition to other relevant information, as recommended by the IPCG Corporate Governance Code 2018, notably:

- Quarterly, half-year and annual results concerning the last five years;
- Management Reports;
- Corporate Governance Reports;
- Internal Regulations of the management and auditing bodies;
- Contacts of the Investor Relations Department and of the Representative for Relation with the Market;
- Description of Sonaecom's stock price performance in the Portuguese Stock Market;
- Information concerning the Company's General Shareholders' Meetings;

Annual Investor Calendar on General Shareholders' Meetings and annual, half-year and quarterly disclosure events. Any interested party may contact the Investor Relations Department using the following contact details:

Tel: (+351)22 0132349

Fax: (+351) 22 011 8561

Email: investor.relations@sonaecom.pt

Address: Lugar do Espido - Via Norte - 4471-909 Maia

Website: www.sonaecom.pt

57. Representative for capital market relations

By resolution of the Board of Directors taken on 12 March 2019, the director João Pedro Magalhães da Silva Torres Dolores was appointed as representative for the relations with the capital market and the Portuguese Securities Commission.

Contacts:

Tel: (+351) 22 013 2349

Fax: (+351) 22 011 8561

Email: market.relations@sonae.pt Address: Lugar do Espido – Via Norte – 4471-909 Maia

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

During 2019, the Investor Relations Department received a normal number of information requests, considering the size of the company in the capital markets. These information requests were submitted either by e-mail or post, or by phone. The average response time, without prejudice to the complexity of the matter, did not exceed 2 working days.

V - Website

59. Address

Company's website: www.sonaecom.pt

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Remuneration

I - Power to establish

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

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

II - Remuneration committee

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

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

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

When establishing the remuneration policy, the Remuneration Committee resorts to benchmark studies on remuneration practices annually disclosed by the internationally renowned consultants *Hay Group* and *Korn Ferry*, and also by companies that issued stocks that are listed in Euronext Lisbon in order to ensure that the statutory governing bodies' remuneration policy to be submitted to the approval of the Shareholders' Annual General Meeting fulfils comparable market standards. In the course of its activity during 2019, the Shareholders' Remuneration Committee did not hire any consultancy services.

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

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

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

During 2019, the Remuneration Committee held two meetings with a 100% attendance rate.

III - Remuneration Structure

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

Sonaecom's remuneration policy is structured in order to find a balance between the performance of Executive Directors in relation to goals established for them, and the Company's positioning in the market and comparable situations. Proposals regarding the remuneration of members of the Statutory Governing Bodies are elaborated taking into account (i) overall market

comparisons, (ii) practises of similar companies, including other segments of the Group with comparable situations and (iii) individual responsibility and performance assessment.

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

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

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

As part of the Company's principles of corporate governance, guidelines regarding remuneration policy have been established and reflected in the Remuneration and Compensation Policy, currently in operation (based upon the assumption that initiative, competence and commitment are the key drivers of a good performance - one that is aligned with the Company's medium and long-term interest in view of its sustainability), approved in the Shareholders' General Meeting held on 30 April 2019 and available for consultation at the website

 $\label{lem:http://other.static.sonae.com/2019/05/03/InformationResolutions} $$AGM_Sonae.com_30_04_2019_ENG/InformationResolutions. $$AGM_Sonae.com_30_04_2019_ENG.pdf?download=1$$$

Remuneration policy features:

Competitiveness:

When establishing the Remuneration and Compensation Policy applicable to the members of the Company's statutory bodies, the main goal is to acquire high-performing talented people that may provide a relevant and material contribution for the sustainability of the Company's businesses.

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

The median market value for the fixed remuneration and the third quartile for the variable remuneration of top managers in Europe is used to determine the figures for the overall market. The companies that make up the pool of comparable companies, are those that issued stocks that are listed in Euronext Lisbon.

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

Guidance to performance:

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

Alignment with the interests of shareholders:

Part of the variable remuneration of Executive Directors is paid in the form of shares and deferred for a period of 3 years, whose amount is conditional upon the stock price performance.

Given that there is a link between the Company's share prices and its performance, the remuneration paid will be impacted by the manner in which the Executive Director has contributed towards this result. Hence, the interests of directors are aligned with those of shareholders and with medium term performance.

Transparency:

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

Reasonability:

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

The Shareholders' General Meeting, held on 30 April 2019, continuing the policy until then pursued consistently, by approving the Remuneration and Compensation Policy in force, has maintained the following principles:

- · no compensation payments to Board Directors or members of Statutory Governing Bodies related to the cessation of their duties, whether their resignation occurs according to their original mandate or whether it is anticipated for whatever reason, without prejudice to the obligation of the Company to comply with any relevant legislation in force in this area;
- · non-existence of any specific system of benefits, in particular relating to retirement, in favour of members of the management and supervisory bodies;
- . for the application of the Remuneration and Compensation Policy, holding offices in companies in a control or group relationship is taken into account;
- in order to ensure the effectiveness and transparency of the principles underlying the Remuneration and Compensation Policy, the executive directors shall not enter into any agreements with the Company or any third parties that might cause the risk of the variable remuneration they are entitled to, to be mitigated.

Sonaecom reviews its remuneration policy annually as part of its risk management process, in order to ensure that it is entirely consistent with its desired risk profile. During 2019, no problems relating to payment practice were found that posed significant risks to the Company.

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

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

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

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

70, 71, 72 and 73. Information regarding how remuneration is structured to align the interests of management body members with the company's long-term interests, as well as how it is based on performance evaluation and lack of incentives to take on excessive risk. Reference, if applicable, to the variable remuneration policy and how performance evaluation can potentially affect this component. Deferred payment of the variable remuneration component, specifying the deferral period. Criteria underpinning the attribution of variable remuneration in shares, as well as the Executive Directors' retention of these shares in the event of any contracts related to them, specifically hedging or risk transfer contracts, the respective limit, and their relationship with the total annual remuneration.

The Remuneration and Compensation Policy applicable to statutory governing bodies complies with European guidelines, national legislation and the IPCG Corporate Governance Code issued in 2018 in accordance with the Protocol entered into between IPCG and Securities Market Commission (CMVM) on 13 October 2017 which created a self-regulation model for the corporate governance recommendation framework thereby revoking the CMVM Corporate Governance Code (2013) and driving the implementation of a single code, authored by IPCG, who is competent to interpret and apply it and also to annually assess the quality of the corporate governance structures and practises of listed companies. The Policy

is based on the presumption that initiative, competence and commitment are the essential foundations for good performance and must be aligned with the company's medium and long-term interests, with the aim of sustainability.

The content of the performance indicators, on which the variable remuneration component depends, and its specific role in determining actual remuneration, ensures that the Executive Directors are aligned with the defined strategic objectives and the compliance with the legal standards that govern the company's activities.

Therefore, for each financial year, individual performances and contributions to collective success are assessed and the results will necessarily influence allocation of the fixed and variable component of each member's remuneration plan.

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

Above and beyond the fixed remuneration, Executive Directors are also entitled to a variable remuneration, in accordance with the company's Remuneration Policy. The variable remuneration is divided into two equal parts:

- (i) Short Term Variable Bonus (STVB): awarded in the first half following the year to which it relates (after gauging the profits for the period) and linked to the performance in the prior year. It aims to guide and compensate the Executive Directors for achieving predefined objectives.
- (ii) Medium Term Variable Bonus (MTVB) or (MTIP) is deferred for 3 years depending on the amount awarded and market share price, so as to link remuneration to long-term performance and provide alignment with the interests of shareholders (in accordance with the Share Award Plan, described in greater detail in chapter IV of this Report).

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

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

The amount of each bonus is between 0% and 140% of the previously defined bonus objective. The variable remuneration is paid in cash, but the Remunerations Committee may decide it should be paid, within the same period, in shares.

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

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

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

Variable remuneration is awarded annually, according to the results of the previous year, and is then integrated into the MTVB plan. Payment of this component of variable remuneration is dependent on the director continuing to work with the Company for a period of three years after its award, as well as the overall continuing success of the company during this period, measured in accordance with the objectives set by the Remuneration Committee every three years.

If, subsequently to being awarded the right to this kind of remuneration and before exercising this rights, dividends are distributed, changes are made in the nominal value of shares or the company's share capital is changed, the number of shares on the plan will be adjusted to the number of shares that, considering the above modifications, are equivalent to the number of initial shares. This maintains an alignment with the total shareholder return. At the vesting date, shares are only delivered if the criterion for continuing positive performance of the company, mentioned above, is met. Payment is made by delivering shares at a discount that can vary between 90% and 100%, although Sonaecom retains an option to pay an equivalent value in cash.

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

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

The Company did not establish any variable remuneration in options.

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

The main parameters and reasoning concerning the variable remuneration system are disclosed in the remuneration policy approved in the Shareholders General Meeting held on 30 April 2019, which is available for consultation at the Company's website www.sonaecom.prt, at:

http://other.static.sonae.com/2019/05/03/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionsAGM_Sonaecom_30_04_2019_ENG/InformationResolutionSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_30_04_2019_ENG/InformationSAGM_Sonaecom_

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

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

IV - Disclosure of remuneration

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

The remuneration for each Sonaecom director, awarded by the Company, subsidiaries and group companies during the year 2019 and 2018, is summarized in the charts below.

				2019				2018
Amounts in euros	Fixed Remuneration	Short Term Variable Bonus	Medium Term Variable Bonus/MTIP	Total	Fixed Remuneration	Short Term Variable Bonus	Medium Term Variable Bonus/MTIP	Total
Individual breakdown								
Executive Directors								
Ângelo Gabriel Ribeirinho dos Santos Paupério (CEO)	183 900	136 400	136 400	456 700	183 900	145 600	145 600	475 100
Maria Cláudia Teixeira de Azevedo (Note 1)	41 200	32 300	32 300	105 800	146 100	99 100	99 100	344 300
Eduardo Humberto dos Santos Piedade (Note 2)	-	-	-	-	-	-	-	-
João Pedro Magalhães da Silva Torres Dolores (Note 3)	-	-	-		-	-	-	-
	225 100	168 700	168 700	562 500	330 000	244 700	244 700	819 400
Non-Executive Directors								
António Bernardo Aranha Gama Lobo Xavier (Note 4)	-	-	-	-	60 000	-	-	60 000
Total	225 100	168 700	168 700	562 500	390 000	244 700	244 700	879 400

Note 1: Maria Cláudia Teixeira de Azevedo was elected as CEO of Sonae SGPS on 2019 04.30, and was no longer remunerated at Sonaecom from that date. Her remuneration in the table above is only for 4 months, January to April 2019.

Note 2: Eduardo Humberto dos Santos Piedade was elected at the AGM on 2019.04.30. He is not remunerated at Sonaecom

Note 3. João Pedro Magalhães da Silva Torres Dolores was co-opted to the Board on 2019.03.12. This was ratified at the AGM on 2019.04.30. He is not remunerated at Sonaecom

Note 4: António Bernardo Aranha Gama Lobo Xavier left his NED role on 31 January 2019 and received no remuneration in 2019 due to offset of prior year adjustments

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

Directors' participation in MTIP

Executive Directors	Plan (Performance Year)	Award Date	Vesting Date	Value Vested and Paid in 2019*	Open Plans Value at Awared Date*	Value of Plans at the Date of Transfer to Other Companies on 30 April 2019	Open Plans Value at 31 December 2019 *
Ângelo Gabriel Ribeirinho dos Santos Paupério (Chair & CEO)	2015	Mar/16	Mar/19	150,215			
, ,	2016	Mar/17	Mar/20		136,200		155,508
	2017	Mar/18	Mar/21		142,100		125,572
	2018	Mar/19	Mar/22		145,600		146,084
	Total			150,215	423,900		427,164
Maria Claúdia Teixeira de Azevedo	2015	Mar/16	Mar/19	82,270			
	2016	Mar/17	Mar/20		69,200	(82,223)	-
	2017	Mar/18	Mar/21		79,400	(73,018)	-
	2018	Mar/19	Mar/22	_	99,100	(103,472)	-
	Total		·	82,270	247,700	(258,713)	-
Total				232,485***	671,600	(258,713)	427,164

^{*} Values in Euros

 $^{^{\}star\star}$ Calculated using the closing price of last trading day in 2019 (31-Dec-19).

^{***} The total value of plans that vested during 2019 was Euro 232,485 $\,$

Remuneration earned by Directors in other controlled or group companies

		2019)		2018			
Amounts in euros	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total remuneration	Fixed Remuneration	Annual Performance Bonus	Medium Term Incentive Plan	Total remuneration
Nome								
Ângelo Gabriel Ribeirinho dos Santos Paupério	246,373	75,300	75,300	396,973	310,300	224,600	224,600	759,500
Maria Cláudia Teixeira de Azevedo (Note 1)	438,947	248,200	248,200	935,347	11,250	-	-	11,250
Eduardo Humberto dos Santos Piedade (Note 2)	99,093	44,700	44,700	188,493	-	-	-	-
João Pedro Magalhães da Silva Torres Dolores (Note 3)	227,185	108,800	108,800	444,785	_	-	-	-

Note 1: Maria Clàudia Teixeira de Azevedo was elected as CEO of Sonae SGPS on 2019 04.30, and was no longer remunerated at Sonaecom from that date. Her remuneration in the table above is for the full year of 2019.

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

No compensation was paid or is currently owed to former Executive Directors in relation to loss of office during 2019.

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

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

The remuneration of the members of the Statutory Audit Board is made up of fixed annual fees, based on the Company's financial situation and market practice, and does not include any variable remuneration. Thus, the Chairman of the Statutory Audit Board earned 9,900 euros in 2019 and 2018 and the other members earned, in the same period, 7,900 euros. The substitute members of the Statutory Audit Board did not receive any remuneration.

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

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

V - Agreements with remuneration implications

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

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

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

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

Note 2: Eduardo Humberto dos Santos Piedade was elected at the AGM on 2019.04.30. His remuneration in the table above is from 2019.05.01

Note 3: João Pedro Magalhães da Silva Torres Dolores was co-opted to the Board on 2019.03.12. This was ratified at the AGM on 2019.04.30. His remuneration in the table above is from mid-March 2019

The values for 2018 were restated considering amounts paid by another company of the group.

VI - Share attribution plans or stock options

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

Medium Term Variable Bonus – MTVB

Framework

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

General features of the Medium Term Incentive Plan

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

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

Eligibility

All Executive Directors of Sonaecomare eligible to be awarded an MTVB.

Definition of the MTVB reference value

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

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

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

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

Duration of the plan

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

Vesting of the MTVB

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

Share Retention Policy

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

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

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

Conditions of exercising the right

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

87. Option rights granted to acquire shares ("stock options") where the beneficiaries are the company's employees There are no stock options attributed to acquire shares.

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

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

E. Transactions with related parties

I - Mechanisms and control procedures

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

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

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

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

As stated in section 10 above, there were not, during 2019, any significant relations, of a commercial nature or otherwise, between qualified shareholders and the Company. The executed transactions, without any significant relevance, fall within the Company's scope of activity, were executed on arm's length conditions and side-by-side with other equivalent transactions executed with national and international parties, in terms that conform to the preceding framework of Sonaecom's practice and under the supervision of the Statutory Audit Board, as described in section 92 below. The Company did not execute any transaction with any member of the management or supervisory bodies during 2019.

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

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

II - Business related elements

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

Information on transactions with related parties, in accordance with IAS 24, can be found in note 37 of the 2019 Consolidated Financial Statements' Appendix.

PART II - ASSESSMENT OF CORPORATE GOVERNANCE

1. Identification of the adopted Corporate Governance Code

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

Regarding the structure, this Corporate Governance Report follows the model foreseen in Appendix I to CMVM Regulation no. 4/2013, of 1 August, in accordance with CMVM Circular of 11 January 2019.

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

This Report should be read as an integral part of the Management Report and the Individual and Consolidated Financial Statements for the year 2019.

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

All of the rules and regulations mentioned in the Report are publicly available at www.cgov.pt and www.cgov.pt and www.cam.cgov.pt and <a hr

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

2. Analysis of compliance with the adopted Corporate Governance Code

The governance model adopted by Sonaecom enabled the Board of Directors to operate normally, and none of the other statutory governing bodies have reported any constraints to their normal functioning.

The Statutory Audit Board exercised its supervisory function, having received appropriate support from the Board of Directors to this end, via regular provision of information.

The Statutory External Auditor monitored the company's activities and conducted the examinations and verifications deemed necessary to review and legally certify the accounts, interacting with the Statutory Audit Board, within the framework of their competences and responsibilities and with full cooperation from the Board of Directors.

The Board of Directors has been carrying out its duties and cooperating with the Statutory Audit Board and the Statutory External Auditor, when so requested, in a transparent and rigorous manner and in compliance with its Regulation and best corporate governance practices.

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

Below is a list of the recommendations included in the Corporate Governance Code approved and adopted in 2018 by the Portuguese Institute of Corporate Governance and the analysis of the compliance with the aforementioned recommendations by Sonaecomat 31 December 2019.

CHAPTER I — GENERAL PROVISIONS

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

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

RECOMMENDATION ADOPTED - Sections 56 to 58, Part I.

The Company possesses within its organisational structure the departments with specific competencies regarding drafting, assessment and timely disclosure of information to its statutory bodies, shareholders, investors and other stakeholders, financial analysts and the general market.

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

In addition, the Company has an investor support office with permanent contact with the market, whose duties are listed under paragraph 56 of this Report, which responds to investors' requests in a timely manner, keeping a record of these requests and of the treatment they have been given. This department ensures the symmetry of information available to the market and the fair treatment of all shareholders, investors and other stakeholders, upon the immediate drafting and disclosure of privileged information; it makes sure that the regular financial disclosure duties are complied with and it actively and timely assesses the information publicly disclosed by the market research analysts that follow the Company (when they exist) and it corrects inaccurate or out-of-date information disclosed by those professionals. However, Sonaecom is currently not followed by any of those market research analysts.

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

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

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

- I.2. Diversity in the composition and functioning of the company's governing bodies
- I.2.1. Companies should establish standards and requirements regarding the profile of new members of their governing bodies, which are suitable according to the roles to be carried out. Besides individual attributes (such as competence, independence, integrity, availability, and experience), these profiles should take into consideration general diversity requirements, with particular attention to gender diversity, which may contribute to a better performance of the governing body and to the balance of its composition.

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

The Company, in compliance with the provisions of paragraphs 1 - r) and 2 of article 245-A of the Securities Code, adopted a Diversity Policy for the Management and Supervisory Bodies, the description of which is included in Section 16 of Part I of this Report. This policy seeks, on the one hand, to ensure a significant and differentiated representation of gender, origins, qualifications and professional experience, as a way of ensuring an adequate composition of the interests of all its stakeholders and, on the other hand, allowing an enhanced balance in its composition, taking into account, not only the nature and complexity of the activities carried out by the Company, but also the context in which it operates.

In this sense, the Company undertakes to develop all efforts to ensure that, in the selection of the members of these corporate bodies, there are imperative criteria to ensure that they meet a greater breadth and diversity of knowledge, skills, experience and values. These criteria focus mainly on: (i) gender diversity; ii) the professional qualification along with the necessary renewal of the composition of the governing bodies, in order to ensure a compatibility between seniority and the diversification of career paths, avoiding group thinking; iii) the plurality of knowledge and iv) not considering the age as an obstacle and without a restrictive view on the limits of such age, for exercising corporate functions.

Furthermore, the candidates to be appointed to the management and supervisory bodies should possess an adequate experience in senior offices within companies or similar organisations that enables them to (i) assess, challenge and develop the Company's senior officers; (ii) assess and challenge the group's and its main subsidiaries' corporate strategy; (iii) assess and challenge the Company's operational and financial performance; and (iv) assess the organisation's fulfilment of the Company's values.

Each candidate should in addition make their individual contribution in enabling the board of Directors, as a whole, to gain in-depth and international knowledge of Sonaecom's main business sectors, knowledge of the main markets and geographies where the business areas operate and knowledge and competencies regarding management techniques and technologies that are key for the success of relevant companies in the business sectors of the Company.

The candidates should furthermore possess the human qualities, purpose clarity, analytical qualities and synthesis and communication skills that are required to address a large number of diversified and complex issues, within a limited time-frame, with the necessary depth to allow for a timely and high-quality decision-making.

I.2.2. The company's managing and supervisory boards, as well as their committees, should have internal regulations - namely regulating the performance of their duties, their chairmanship, periodicity of meetings, their functioning and the duties of their members -, and detailed minutes of the meetings of each of these bodies should be carried out.

RECOMMENDATION ADOPTED – Sections 22, 27, 29 and 34, Part I.

Both the Board of Directors and the Statutory Audit Board of the Company have adopted the respective Internal Regulations, establishing their powers, chairmanship, periodicity of meetings, functioning and framework of duties of its members. Regarding the Company's Executive Committee this matter is included in the Internal Regulation of the Board of Directors.

Detailed minutes of all meetings are drafted and written down.

I.2.3. The internal regulations of the governing bodies — the managing body, the supervisory body and their respective committees—should be disclosed, in full, on the company's website.

RECOMMENDATION ADOPTED - Sections 22, 27, 34 and 61, Part I.

The Board of Directors has adopted the Regulation which is available on the Company's website (in Portuguese and English version) and which includes the regulation regarding the functioning of the Executive Committee. This Regulation can be found in:

http://other.static.sonae.com/2020/03/31/Scom Regulamento BoD vs EN 12.12.2019/Scom Regulamento

BoD vs EN 12.12.2019.pdf

The Company's Statutory Audit Board has adopted the Regulation that is available on the Company's website (in Portuguese and English version) and can be consulted at:

http://other.static.sonae.com/2020/03/31/Regulamento_Conselho_Fiscal_12_2019__EN_/Regulamento_Conselho_Fiscal_12_2019_EN_pdf

I.2.4. The composition, the number of annual meetings of the managing and supervisory bodies, as well as of their committees, should be disclosed on the company's website.

RECOMMENDATION ADOPTED - Sections 23, 35 and 67, Part I.

The composition of the management and supervisory bodies and of their internal committees, where applicable, as well as the number of their annual meetings, is available in Portuguese and English versions on the Company's website.

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

RECOMMENDATION ADOPTED - Sections 38 and 49, Part I.

The Regulation of the Statutory Audit Board determines its competences regarding the mechanisms of detection and prevention of irregularities, and it is its duty to verify the existence thereof in accordance with the applicable legal provisions notable regarding confidentiality, information dealing and the inexistence of retaliation on the whistle-blowers. The Irregularities Communication Policy, implement by the Company, is included in the Code of Conduct and is available on the Company's website -http://www.sonae.com/investidores/governo-das-sociedades/codigo-de-etica-e-conduta/?l=en. Such policy applies to all companies of SonaecomGroup.

The Statutory Audit Board receives the irregularity reports from shareholders, employees or third parties. It should afterwards put them on record and promote the necessary swift investigation by the Board of Directors and/or by the internal and/or external audit, and then report on the conclusions reached.

I.3. Relationships between the company bodies

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

RECOMMENDATION ADOPTED – Sections 22,34 and 61, Part I. Vide Section I 1

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

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

Vide Section I.1.1.

I.4. Conflicts of interest

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

RECOMMENDATION ADOPTED - Section 49, Part I.

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

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

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

RECOMMENDATION ADOPTED-Section 49, Part I.

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

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

I.5. Related party transactions

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

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

The Board of Directors shall, in compliance with its Regulation, following the previous and binding opinion of the auditing body, determine the threshold above which any transaction with a related party should be previously cleared by the Statutory Audit Board. This threshold was set out, in view of the Company's size and businesses, to be 10 million euros. The Company has

therefore approved and maintains an internal procedure in order to obtain a formal opinion from the Statutory Audit Board, prior to the Board of Directors approving any transactions with owners of qualified shareholdings or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, if their value exceeds 10 million euros. In addition, all transactions with related parties in excess of 1 million euro are also submitted to quarterly reports to the Statutory Audit Board. The carrying-out of any transactions with owners of qualified shareholdings or with entities related in any way with them, under the terms of article 20 of the Portuguese Securities Code, if their value exceeds 10 million euros, demands therefore a two-step control: first, on the part of the management body and, second, on the part of the auditing body, whose formal previous opinion is a condition for the entering into of those transactions.

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

RECOMMENDATION ADOPTED - Sections 89 to 91, Part I.

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

CHAPTER II — SHAREHOLDERS AND GENERAL MEETINGS

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

RECOMMENDATION ADOPTED - Section 12, Part I.

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

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

RECOMMENDATION ADOPTED - Section 14, Part I.

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

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

RECOMMENDATION ADOPTED - Section 12, Part I.

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

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

In addition, the Company makes available on its website, from the publication of the notice of each General Meeting, document models intended to facilitate access to information necessary for shareholders to issue the communications required to ensure

their presence in the Meeting. The Company also provides an e-mail address for the clarification of any doubts and to receive all communications regarding the participation in the General Meeting.

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

RECOMMENDATION ADOPTED AND EXPLAINED - Section 12, Part I.

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

If fact, it should be noted that, although the Company provides for the necessary conditions for the exercise of voting rights through postal votes, including by electronic means (the latter since 2009), these voting mechanisms were never used by shareholders.

In addition, the Investor Support area, which is responsible, among others, for the management of the relationship between Sonaecom and its current and potential investors, remains in permanent contact (within the scope of its duties, as described in paragraph 56 of Chapter IV of the Corporate Governance Report) with potential investors and minority shareholders and has not thus far received any feedback or request that could lead to the conclusion that the implementation of means in order for the shareholders to be able to digitally participate in general meetings would have as an effect an increase in the attendance rate of shareholders in general meetings.

Furthermore, given the small free-float, the number of shareholders attending the last General Meetings was also small (despite the high percentage of the share capital represented) and none of them has ever stated any preference towards the digital participation in General Meetings.

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

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

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

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

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

RECOMMENDATION ADOPTED - Sections 4 and 84. Part I.

The Company has not adopted any measures to this effect.

CHAPTER III — NON-EXECUTIVE MANAGEMENT, MONITORING AND SUPERVISION

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

RECOMMENDATION NOT APPLICABLE.

The Board of Directors of the Company does not have any independent director, as the Company believes that, given its current size, its shareholder structure and the low dispersion of the share capital, such is not justified. Therefore, the appointment of a lead independent director or a lead non-executive director is also unjustified.

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

RECOMMENDATION ADOPTED AND EXPLAINED-Section 18. Part I.

Pursuant to the decision, taken by the General Shareholders' Meetingheld on 30 April 2019, of increasing the number of members of the management body from 3 to 4, the Board of Directors decided on 13 May 2019 to revoke the delegation of the every-day management powers of the Company that had been entrusted to the Executive Committee—that was dissolved—and therefore the management of all corporate matters became the exclusive competence of the Board of Directors, all of its members assuming from that date on the capacity of executive directors—a solution that the Board deems appropriate given the size of the Company, the complexity of the risks of its activity and its shareholding structure, as well as the reduced dispersion of its share capital.

The Statutory Audit Board is composed of three members, one being the Chairman – this composition is appropriate given the size of the Company and the complexity of the risks of its activity and is also sufficient in order to effectively performing its duties. The Board of Directors believes that, given the current size of the Company, there is no justification for the existence of any specific committee for financial matters (the adopted corporate governance model does not include a specific committee for financial matters).

III.3. In any case, the number of non-executive directors should be higher than the number of executive directors. RECOMMENDATION NOT ADOPTED.

In view of its current size, its shareholder structure and the reduced dispersion of the share capital, the Company considers that there is no justification for the existence of a board of directors with a large number of members. Currently, the Board of Directors is composed by a total number of 4 (four) members, who are jointly in charge of the management of all corporate matters, all of its members assuming from that date on the capacity of executive directors.

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

- (i) having carried out functions in any of the company's bodies for more than twelve years, either on a consecutive or non-consecutive basis;
- (ii) having been a prior staff member of the company or of a company which is considered to be in a controlling or group relationship with the company in the last three years;
- (iii) having, in the last three years, provided services or established a significant business relationship with the company or a company which is considered to be in a controlling or group relationship, either directly or as a shareholder, director, manager or officer of the legal person;
- (iv) having been a beneficiary of remuneration paid by the company or by a company which is considered to be in a controlling or group relationship other than the remuneration resulting from the exercise of a director's duties;
- (v) having lived in a non-marital partnership or having been the spouse, relative or any first degree next of kin up to and including the third degree of collateral affinity of company directors or of natural persons who are direct or indirect holders of qualifying holdings, or
- (vi) having been a qualified holder or representative of a shareholder of qualifying holding. RECOMMENDATION NOT ADOPTED.

The Board of Directors decided on 13 May 2019 to revoke the delegation of the every-day management powers of the Company that had been entrusted to the Executive Committee – that was dissolved – and therefore the management of all corporate matters became the exclusive competence of the Board of Directors, all of its members assuming from that date on the capacity of executive directors. The Company does not have any non-executive directors – a solution that the Board deems appropriate given the size of the Company, the complexity of the risks of its activity and its shareholding structure, as well as the reduced dispersion of its share capital.

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

RECOMMENDATION NOT APPLICABLE.

The Company does not have any Director in such situation.

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

RECOMMENDATION ADOPTED - Sections 21 and 27. Part I.

The Board of Directors decided on 13 May 2019 to revoke the delegation of the every-day management powers of the Company that had been entrusted to the Executive Committee – that was dissolved – and therefore the management of all corporate matters became the exclusive competence of the Board of Directors, all of its members assuming from that date on the capacity of executive directors. The Company does not therefore have any non-executive directors.

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

The powers of the Board of Directors that may not be delegated are described in this Report and follow the rules of this recommendation.

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

RECOMMENDATION NOT APPLICABLE.

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

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

RECOMMENDATION ADOPTED - Section 38, Part I.

The Regulation of the Statutory Audit Board, from which the respective competences arise - beyond those assigned by law – is available on the Company's website (www.sonaecom.pt), at

http://other.static.sonae.com/2020/03/31/Regulamento_Conselho_Fiscal_12_2019__EN_/Regulamento_Conselho_Fiscal_12_2019_EN_.pdf .

In accordance with Article 6, paragraph 2, c) of the Regulation mentioned above, the members of the Statutory Audit Board should, besides their general and individual monitoring duties, monitor, assess and issue an opinion regarding the strategic guidelines and the risk management policy established by the Board of Directors.

The Statutory Audit Board monitors and evaluates the internal control and risk management system defined by the management, and proposes the optimisation measures it deems necessary and reports on such system in its statements and annual report that is disclosed together with the remainder of the financial documents, available on http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en

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

RECOMMENDATION ADOPTED - Sections 27 and 29, Part I.

Given the current size of the Company and the limited complexity of its structure (it has a reference shareholding of about 89% of the share capital) and the small free-float (currently more than 9% of the share capital) the Board of Directors believes that there

is no justification for the existence of any internal specialised commission, notably concerning the remuneration and assessment of the performance of the Directors or nomination matters. The Company believes that the governance structure adopted is appropriate given the size of the Company and the complexity of the risks of its activity and is also sufficient in order to effectively performing its duties, notably in what concerns remuneration and performance assessment, which is a responsibility of the Shareholders Remuneration Committee, that is composed by members who are independent from the Board of Directors. In addition, the identification of potential candidates with the right profile to take on leading or director roles may be conducted by the Shareholders Remuneration Committee, that can on its part hire the necessary or convenient consultancy services in order to better fulfil its duties, and may also prepare general information concerning any contingency plans and talent management in general.

Regarding corporate governance matters, the Company maintains a Governance Manager who reports hierarchically to the Board of Directors and whose main responsibilities are to evaluate the structure and practices of governance adopted, verify its effectiveness and propose to the competent bodies the measures to be implemented in order to achieve its enhancement. Its main duties are described in the Corporate Governance Report (paragraph 27, p. 14) and it is part of the organic administrative structure of the Company, side by side with other departments that support the activity of the management body. In this manner it is deemed as materially equivalent to the existence of an internal committee, mostly composed by members of the statutory bodies, specialised in corporate governance matters.

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

RECOMMENDATION ADOPTED - Sections 50 to 55, Part I.

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

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

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

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

One of the powers attributed to the Audit Board is to assess the operating conditions of the risk management system, the internal control system and the internal audit system, and to monitor their effectiveness. The Statutory Audit Board has full autonomy to propose any adjustments deemed necessary and gives opinion on such systems in its annual report and opinion, made available along with the financial statements and other accounting documents at

http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en(R&A2019 tab/Chapter V).

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

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

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

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

The Regulation of the Statutory Audit Board is available on the Company's website (www.sonaecom.pt), at http://other.static.sonae.com/2020/03/31/Regulamento Conselho Fiscal 12 2019 EN , Regulamento Conselho Fiscal 12 2019 EN .pdf .

CHAPTER IV — EXECUTIVE MANAGEMENT

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

RECOMMENDATION NOT APPLICABLE.

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

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

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

The Company does not currently possess an Executive Committee. In compliance with the terms of the Board of Directors' Regulation, it may delegate in an Executive Committee the every-day management of the Company as it sees fit, establishing howit should operate and how it should exercise the delegated powers, with the following exceptions:

- a) Appointment of the Chairman of the Board of Directors;
- b) Co-optation of Directors;
- c) Request to convene General Meetings;
- d) Approval of the Annual Report and Accounts;
- e) Provision of collateral and personal or real guarantees by the Company;
- f) Decision to change the registered office or increase the share capital;
- g) Decision on mergers, spin-offs or transformation of the Company;
- h) Approval of the strategic management of the annual business portfolio and the policies thereof;
- i) Approval of the Company's annual budget and the Group's annual business plan and any changes on the same;
- j) Definition of the organisation and coordination of the corporate structure the Sonaecom Group;
- k) Approval of every issue that should be deemed as strategical as a consequence of its amount, risk or particular features:
- Definition of the Human Resources policies that are applicable to top employees (level G3 and above) with the exclusion of areas that are the exclusive competence of the General Shareholders' Meeting or of the Shareholders' Remuneration Committee.

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

The Board of Directors establishes the goals concerning risk-taking and ensures its continuous monitoring (as per paragraphs 21, 50-55 and 69.3 of this Report).

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

RECOMMENDATION ADOPTED.

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

The Statutory Audit Board assesses the effectiveness of those risk management systems by proposing the optimization measures it deems necessary and gives opinion on them in its annual report and statements, made available together with the other accounting documents at http://www.sonae.com/investidores/informacao-financeira/relatorios/?l=en (R&A 2019 tab/Chapter V).

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

CHAPTER V — EVALUATION OF PERFORMANCE, REMUNERATION AND APPOINTMENTS

V.1 Annual evaluation of performance

V.1.1. The managing body should annually evaluate its performance as well as the performance of its committees and delegated directors, taking into account the accomplishment of the company's strategic plans and budget plans, the risk management, the internal functioning and the contribution of each member of the body to these objectives, as well as the relationship with the company's other bodies and committees.

RECOMMENDATION ADOPTED.

The assessment of the performance of the members of the management body is conducted in accordance with the principles, valuation and rules set out in the Remuneration and Compensation Policy that is proposed by the Shareholders' Remuneration Committee and approved by the Annual General Shareholders' Meeting.

The Shareholders' Remuneration Committee, appointed by the General Shareholders' Meeting, is responsible for the approval of the individual remuneration of the members of the Board of Directors and the other statutory bodies, thereby representing the shareholders in accordance with the Remuneration Policy approved by the General Shareholders' Meeting.

The Board of Directors, in accordance with its Regulation, annually evaluates its performance, which is subsequently submitted to the Shareholders' General Meeting for consideration under the terms of the law, taking into account the accomplishment of the Company's strategic plan and budget, its risk management, internal functioning and its relations with other Sonaecom bodies. At its meeting of 10 March 2020, the Board of Directors conducted this self-assessment.

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

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

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

The Statutory Audit Board exercised the competences described in section 38.1 of this Corporate Governance Report, monitoring the management, the risk management and performing other responsibilities assigned to this statutory body, including those arising from the principles of interaction between the supervisory and management bodies, aiming to avoid conflict of interest situations, in compliance with the Regulation of the Statutory Audit Board, in accordance with the corporate governance best practises and with full respect for its duties and for the strategic plan of the Company.

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

V.2 Remuneration

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

RECOMMENDATION ADOPTED-Sections 66 to 68, Part I.

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

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

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

RECOMMENDATION ADOPTED - Sections 69 to 75, Part I.

The Company's remuneration policy has the features foreseen in Sections 69 to 75 of Part I of this Report and which are in line with this recommendation.

The Remuneration Committee, appointed in the General Meeting and representing the shareholders, is the responsible corporate body for evaluating the performance and approval of the remunerations of the members of the Board of Directors and other corporate bodies, according with the Remuneration Policy approved by the shareholders at the General Meeting.

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

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

RECOMMENDATION ADOPTED.

The remuneration policy proposed to the Shareholders in the Annual General Meeting held on of 30 April 2019 – available at http://other.static.sonae.com/2019/04/06/7_SCOM_Proposal7_ENG/7_SCOM_Proposal4Annex_ENG.pdf?download=1, and includes all the legal requisites together with those required by this recommendation.

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

RECOMMENDATION NOT APPLICABLE.

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

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

RECOMMENDATION ADOPTED.

The Shareholders' Remuneration Committee agrees with this Recommendation and appoints, out of its members, the one that should represent it at the General Shareholders' Meeting.

The Chairman of the Shareholders' Remuneration Committee, Duarte Paulo Teixeira de Azevedo, attended the Annual General Shareholders' Meetingheld on 30 April 2019.

V.2.6. Within the company's budgetary limitations, the remuneration committee should be able to decide, freely, on the hiring, by the company, of necessary or convenient consulting services to carry out the committee's duties. The remuneration committee should ensure that the services are provided independently and that the respective providers do not provide other services to the company, or to others in controlling or group relationship, without the express authorization of the committee. RECOMMENDATION ADOPTED—Section 67, Part I.

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

The Remuneration Committee, when hiring consultants to support the performance of its duties, always focuses on choosing consultants of recognized competence and international presence and must make sure that the selected specialists possess the independence necessary to fulfil the purpose for which they are hired and especially that such independence is not hindered by the provision of material services to the Company or any related parties. The independence of these hired consultants is ensured either by the autonomy before the Board of Directors, the Company and the Group, either because they have no connection with the Board of Directors, or because of their wide experience and recognition in the market.

V.3 Directors' Remuneration

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

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

A significant part of the remuneration of Sonaecom's executive directors is determined by the success of the Company. The variable component of remuneration is structured in such a way as to establish a link between the sums awarded and the level of performance, both at individual and group level. If predefined objectives are not achieved, measured through KPIs applicable to the business and to the individual performance, the value of short and medium term incentives will be partially or totally reduced. Sonaecom reviews its remuneration policy annually as part of its risk management process, in order to ensure that it is entirely consistent with its desired risk profile. During 2019, no problems relating to payment practice were found that posed significant risks to the Company.

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

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

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

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

The remuneration policy presented to the General Shareholders' Meeting on 30 April 2019 is available on http://other.static.sonae.com/2019/04/06/7_SCOM_Proposal7_ENG/7_SCOM_Proposal4Annex_ENG.pdf?download=1 and on http://other.static.sonae.com/2019/04/06/7.1_SCOM_Proposal4Annex_ENG.pdf?download=1

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

RECOMMENDATION ADOPTED - Sections 71 to 73 and 86. Part I.

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

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

The remuneration policy presented to the General Shareholders' Meeting on 30 April 2019 is available on http://other.static.sonae.com/2019/04/06/7_SCOM_Proposal7_ENG/7_SCOM_Proposal4Annex_ENG.pdf?download=1 and on http://other.static.sonae.com/2019/04/06/7_SCOM_Proposal4Annex_ENG.pdf?download=1 and on http://other.static.sonae.com/2019/04/06/7_SCOM_Proposal4Annex_ENG.pdf?download=1 and on http://other.static.sonae.com/2019/04/06/71_SCOM_Proposal4Annex_ENG.pdf?download=1

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

RECOMMENDATION NOT APPLICABLE.

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

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

RECOMMENDATION ADOPTED.

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

The remuneration policy presented to the General Shareholders' Meeting on 30 April 2019 is available on http://other.static.sonae.com/2019/04/06/7_SCOM_Proposal7_ENG/7_SCOM_Proposal4Annex_ENG.pdf?download=1 and on http://other.static.sonae.com/2019/04/06/7.1_SCOM_Proposal4Annex_ENG.pdf?download=1

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

RECOMMENDATION ADOPTED.

The Shareholders' General Meeting, held on 30 April 2019, continuing the policy until then pursued consistently, by approving the Remuneration and Compensation Policy in force, has maintained the principle of not attributing compensation to Directors or members of other statutory governing bodies associated with the loss of office, whether this termination occurs according to their original mandate or whether it is anticipated for whatever reason, without prejudice to the obligation of the Company to comply with any applicable legislation in force.

V.4. Appointments

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

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

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

These proposals are accompanied by the *curricula vitae* of the proposed members, considering the shareholders - both the ones indicating the candidates and those who vote the proposal - and also the Company, that it becomes clear from the *curriculum vitae* the adequacy of the profile, skills, *curriculum* and experience to the role to be performed by such candidates.

In addition, the presentation of the proposals accompanied by the respective *curricula vitae* enables any shareholder to assess their suitability to comply with the requirements defined in the Diversity Policy approved by the Company.

Therefore, the Company considers that the appointment of members to the governing bodies for the current mandate was in compliance with the principles of these instruments.

The proposals presented at the General Shareholders' Meeting on 30 April 2019 mention the adequacy of the profile of the candidates for the offices they hold, by reference to their curricula vitae.

V.4.2. The overview and support to the appointment of members of senior management should be attributed to a nomination committee, unless this is not justified by the company's size.

RECOMMENDATION NOT APPLICABLE - Sections 27, 29 and 67, Part I.

The Company does not have a nomination committee for the reasons listed in sections 27,29 and 67 of Part I of this Report. Given the current size of the Company and the limited complexity of its structure (it has a reference shareholding of about 89% of the share capital) and the small free-float (currently more than 9% of the share capital) the Board of Directors believes that there is no justification for the existence of any internal specialised commission, notably concerning the remuneration and assessment of the performance of the Directors or nomination matters. The Company believes that the governance structure adopted is appropriate given the size of the Company and the complexity of the risks of its activity and is also sufficient in order to effectively performing its duties, notably in what concerns remuneration and performance assessment, which is a responsibility of the Shareholders Remuneration Committee, that is composed by members who are independent from the Board of Directors. In addition, the identification of potential candidates with the right profile to take on leading or director roles may be conducted by the Shareholders Remuneration Committee, that can on its part hire the necessary or convenient consultancy services in order to better fulfil its duties, and may also prepare general information concerning any contingency plans and talent management in general.

V.4.3. This nomination committee includes a majority of non-executive, independent members.

RECOMMENDATION NOT APPLICABLE – Sections 27, 29 and 67, Part I.

The Company does not have a nomination committee for the reasons listed in sections 27,29 and 67 of Part I of this Report.

V.4.4. The nomination committee should make its terms of reference available, and should foster, to the extent of its powers, transparent selection processes that include effective mechanisms of identification of potential candidates, and that those chosen for proposal are those who present a higher degree of merit, who are best suited to the demands of the functions to be carried out, and who will best promote, within the organisation, a suitable diversity, including gender diversity.

RECOMMENDATION NOT APPLICABLE.

The Company does not have a nomination committee for the reasons listed in sections 27,29 and 67 of Part I of this Report.

The identification of potential candidates with a profile for the performance of management functions (in particular when the Board of Directors decides to co-opt a Board member) is carried out by the Remuneration Committee. To this end, the Remuneration Committee may freely hire the necessary or convenient consultancy services for the exercise of its functions, as well as for providing oversight of succession planning, contingency planning and talent management in general for Board members and other persons discharging managerial responsibilities, through transparent selection processes, including effective mechanisms for identifying potential candidates having regard to the requirements of the function, merit and appropriate diversity to Company, in particular considering gender.

CHAPTER VI — RISK MANAGEMENT

VI.1. The managing body should debate and approve the company's strategic plan and risk policy, which should include a definition of the levels of risk considered acceptable.

RECOMMENDATION ADOPTED - Sections 51 to 54, Part I.

The competences of the management body are in compliance with the rules set out in this recommendation.

VI.2. Based on its risk policy, the company should establish a system of risk management, identifying (i) the main risks it is subject to in carrying out its activity; (ii) the probability of occurrence of those risks and their respective impact; (iii) the devices and measures to adopt towards their mitigation; (iv) the monitoring procedures, aiming at their accompaniment; and (v) the procedure for control, periodic evaluation and adjustment of the system.

RECOMMENDATION ADOPTED - Sections 50 to 55, Part I.

The Company complies with the rules foreseen in this recommendation. Internal risk management systems, with the adequate components, were put in place by the Board of Directors.

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

RECOMMENDATION ADOPTED-Sections 38.1 and 50 to 55 of this Report.

The Board of Directors has put in place a permanent system to assess the performance of the risk management system which is adequate to enable the adaptation to new circumstances or contingencies. After following the procedures described in Recommendation III.11, the Statutory Audit Board has not proposed any change to the risk framework.

CHAPTER VII — FINANCIAL STATEMENTS AND ACCOUNTING

VII.1 Financial information

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

RECOMMENDATION ADOPTED - Section 38, Part I.

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

VII.2 Statutory Audit of Accounts and Supervision

- VII.2.1. Through the use of internal regulations, the supervisory body should define:
 - (i) the criteria and the process of selection of the statutory auditor;
 - (ii) the methodology of communication between the company and the statutory auditor;
 - (iii) the monitoring procedures destined to ensure the independence of the statutory auditor;
 - (iv) the services, besides those of accounting, which may not be provided by the statutory auditor.

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

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

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

RECOMMENDATION ADOPTED - Section 38, Part I.

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

http://other.static.sonae.com/2020/03/31/Regulamento Conselho Fiscal 12 2019 EN /Regulamento Conselho Fiscal 12 2019 EN .pdf

The Statutory Audit Board is competent to propose to the Shareholders' General Meeting the appointment and dismissal of the Statutory External Auditor, as well as its remuneration, to supervise the activity and independence of the Statutory External Auditor and the External Auditor, making sure the Company will make available the necessary conditions for the rendering of the ir services, to be the first recipient of their reports, interacting with it directly in the framework of its duties and provisions set out in website: the Statutory Audit Board's Regulation available on the Company's http://other.static.sonae.com/2020/03/31/Regulamento Conselho Fiscal 12 2019 EN /Regulamento Conselho Fiscal 12 2019 EN .pdf

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

RECOMMENDATION ADOPTED - Section 38, Part I.

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

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

RECOMMENDATION ADOPTED - Section 38.2, Part I.

The Statutory External Auditor verifies the effectiveness and functioning of the internal control mechanisms and reports any deficiencies to the supervisory body. Concerning the 2019 financial year, the Statutory External Auditor of the Company has reported on its activity in its annual audit report, available on the Company's website at http://www.sonae.com/investidores/informacao-financeira/relatorios?l=en.

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

RECOMMENDATION ADOPTED - Section 38. Part I.

The Statutory External Auditor agrees with this Recommendation.

The Statutory Audit Board is competent to supervise the activity of the Statutory External Auditor and should be the first recipient of its reports, interacting with it directly in the framework of its duties and provisions set out in the Statutory Audit Board's Regulation available on Sonaecom's website: www.sonaecom.pt.

APPENDIX I

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

- Board of Directors:

Ângelo Gabriel Ribeirinho dos Santos Paupério

CEO of Sonaecom, SGPS, S.A.

Birth date

14 September 1959

Educational qualifications

Degree in Civil Engineering - University of Porto

MBA by Porto Business School

Professional experience

Co-CEO of Sonae - SGPS, S.A.

Member of the Board of Directors of Sonae Investimentos, SGPS, S.A.

Chairman of the Board of Directors of MDS, SGPS, S.A.

Member of the Board of Directors of Sonae Sierra, SGPS, S.A.

Vice President of Sonae MC - Modelo Continente, SGPS, S.A.

Member of the Board of Directors of ZOPT, SGPS, S.A.

Member of the Board of Directors of NOS, SGPS, S.A.

Guest professor of Porto Business School

Member of High Council of Universidade Católica Portuguesa

Member of High Council of Porto Business School

Chairman of the Board of Directors of APGEI - Associação Portuguesa de Gestão e Engenharia Industrial

Offices held in companies in which Sonaecom is a shareholder

 $Chairman\ of\ the\ Board\ of\ Directors\ of\ SONAE\ INVESTMENT\ MANAGEMENT\ -\ SOFTWARE\ AND\ TECHNOLOGY,\ SGPS,\ S.A.$

Member of the Board of Directors of ZOPT, SGPS, S.A.

Chairman of the Board of Directors of Público - Comunicação Social, S.A.

Member of the Board of Directors of NOS, SGPS, S.A. (since 27 January 2020 - Chairman of the Board of Directors)

Chairman of the Remuneration Committee of NOS, SGPS, S.A.

Offices held in other entities

Non-Executive Member of the Board of Directors of Sonae, SGPS, S.A.

Member of the Board of Directors of Efanor Investimentos, SGPS, SA

Chairman of the Board of Directors of Sonae Holdings, SA (previously Sonaecenter, Serviços SA)

Chairman of the Board of Directors of MODELO CONTINENTE, SGPS, S.A.

Chairman of the Board of Directors of Sonae MC, SGPS, S.A.

Non-Executive Member of the Board of Directors of Sonae Sierra, SGPS, S.A.

Vice President of Iberian Sports Retail Group, S.L.

Non-Executive Member of the Board of Directors of Sonae Capital SGPS, S.A.

Member of the Board of Directors of Sonae FS, S.A.

Member of the Board of Directors of Love Letters - Galeria de Arte, S.A.

Chairman of the Board of Directors of Enxomil - Consultoria e Gestão, S.A.

Chairman of the Board of Directors of Enxomil - Sociedade Imobiliária, S.A.

Member of the Board of Directors of Fundação Manuel Cargaleiro

Maria Cláudia Teixeira de Azevedo

Executive Member of the Board of Directors of Sonaecom, SGPS, S.A.

Birth date

13 january 1970

Educational qualifications

Degree in Management - Catholic University of Porto

MBA by INSEAD

Professional experience

 $Member\ of\ the\ Board\ of\ Directors\ of\ Efanor\ Investimentos,\ SGPS,\ S.A.$

 $\label{thm:conditional} \textbf{Executive Director of SONAE INVESTMENT MANAGEMENT-SOFTWARE AND TECHNOLOGY, SGPS, S.A. \\$

 $Chairman\ of\ the\ Executive\ Board\ of\ Sonae\ Capital,\ SGPS,\ S.A.$

 $Member of the \ Board of \ Directors \ of \ ZOPT, SGPS, S.A.$

Offices held in companies in which Sonaecom is a shareholder
Member of the Board of Directors of ZOPT, SGPS, S.A.
Member of the Board of Directors of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Member of the Board of Directors of Público - Comunicação Social, S.A.
Member of the Board of Directors of NOS, SGPS, S.A.
Offices held in other entities
Member of the Board of Directors and CEO of SONAE, SGPS, S.A.
Member of the Board of Directors of Efanor - Serviços de Apoio à Gestão, S.A.
Member of the Board of Directors of Efanor - Investimentos, SGPS, S.A.
Member of the Board of Directors of Sonae Capital, SGPS, SA
Member of the Board of Directors of Sonae MC - SGPS, SA
Member of the Board of Directors of Sonae Holdings, SA
Member of the Board of Directors of Sonae Sierra, SGPS, S.A.
Member of the Board of Directors of Sonae FS, SA
Member of the Board of Directors of IMPARFIN - Investimentos e Participações Financeiras, S.A.
Chairman of the Board of Directors of Linhacom, SGPS, S.A.
Director of SEKIWI, SGPS, S.A.
Chairman of the Board of Directors of Praça Foz - Sociedade Imobiliária, S.A.
Member of the Board of Directors of VISTAS DA FOZ - SOCIEDADE IMOBILIÁRIA S.A.
Member of the Board of Directors of SETIMANALE - SGPS S.A.
Member of the Board of Directors of BA - BUSINESS ANGELS, SGPS S.A.
Member of the Board of Directors of BA - CAPITAL, SGPS S.A.
Member of the Board of Directors of Casa Agrícola de Ambrães, S.A.
Member of the Board of Directors of Realejo – Sociedade Imobiliária, S.A.

Member of the Board of Directors and of Executive Commitee of Fundação Belmiro de Azevedo

Inão Pedro Magalhães da Silva Torres Dolores

Executive Member of the Board of Directors of Sonaecom, SGPS, S.A.

Birth date

21 December 1980

Educational qualifications

MBA - London Business School, London (United Kingdom)

Certificate in Business Management - New York University, New York City (United States)

Degree in Economics - FEP - Faculdade de Economia (University of Porto), Porto (Portugal)

Professional experience

07/2016 - 12/2018 - Strategy Professor - Executive MBA Porto Business School, Porto (Portugal)

09/2015 - 10/2018 - Head of Group Strategy, Planning and Control Sonae - SGPS, S.A., Porto (Portugal)

04/2014 - 09/2015 - Head of Corporate Strategy Sonae - SGPS, S.A., Porto (Portugal)

01/2013 - 04/2014 - Head of Business Unit Cloud Portugal Telecom, Lisbon (Portugal)

02/2011 - 01/2013 - Manager - Innovation Management Portugal Telecom, Lisbon (Portugal)

10/2009 - 01/2011 - Associate McKinsey & Company, Lisbon (Portugal)

04/2005 – 07/2007 - Business Analyst McKinsey & Company, Lisbon (Portugal)

10/2003 ~ 12/2004 - Brand Manager JW Burmester, S.A., Nova lo rque (Estados Unidos da América)

Offices held in companies in which Sonaecom is a shareholder

Member of the Board of Directors of NOS - SGPS, S.A

Offices held in other entities

Executive Board Member of Sonae-SGPS,SA

Executive Board Member of Sontel BV

Executive Board Member of Sonae Investments BV

 $\label{lem:executive Board Member of Sonae Holdings, SA (previously Sonaecenter-Serviços, SA) Executive \\$

Board Member of Sonae Corporate, SA $\,$

Non-Executive Board Member of Sonae MC, SGPS, SA

Non-Executive Board Member of SFS - Financial Services, IME, SA

Non-Executive Board Member of Sonae Sierra, SGPS, SA

Non-Executive Board Member of Sonae FS, SA

Eduardo Santos Piedade
Executive Member of the Board of Directors of Sonaecom SGPS SA
Birth date
03 April 1978
Educational qualifications
Degree in Business Administration, Faculdade de Economia da Universidade do Porto
MBA Degree with distinction – Concentration in Strategy, London Business School.
Professional experience
Chairman of the Board of Directors of WE DO CONSULTING - SISTEMAS DE INFORMAÇÃO, S.A.
Chairman of the Board of Directors of WE DO TECHNOLOGIES AMERICAS, INC
Chairman of the Board of Directors of WE DO TECHNOLOGIES EGYPT LLC
Chairman of the Board of Directors of WE DO TECHNOLOGIES LIMITED (UK)
Chairman of the Board of Directors of WE DO TECHNOLOGIES ESPAÑA - SISTEMAS DE INFORMACIÓN S.L.
Chairman of the Board of Directors of WE DO TECHNOLOGIES MÉXICO S.DE R.L. DE C.V.
Chairman of the Board of Directors of Saphety Level – Trusted Services, S.A.
Gerente General - Saphety – Transacciones Eletrónicas S.A.S.
Secretary to the Board of Directors and Executive Committee Head of Investment Management, Portugal - Sonae - SGPS, S.A.
Member of the Board of Directors of Tlantic B.V.
Member of the Board of Directors of Maxmat
Member of the Board of Directors of GeoStar
Strategic Planning Manager, Portugal - Sonae – SGPS, S.A.

Mergers & Acquisitions Manager, Portugal / Brazil - MODELO CONTINENTE - SONAE's sub-holding for the Retail Sector

 $Corporate\ Strategy\ Senior\ Analyst, Portugal-MODELO\ CONTINENTE-SONAE's\ sub-holding\ for\ the\ Retail\ Sector$

 $Controller-Brazilian\ Division, Portugal\ /\ Brazil-MODELO\ CONTINENTE-SONAE's\ sub-holding\ for\ the\ Retail\ Sector$

106

Offices held in companies in which Sonaecom is a shareholder
Executive Board Member of SONAECOM, SGPS, S.A.
CEO of SONAE INVESTMENT MANAGEMENT - SOFTWARE AND TECHNOLOGY, SGPS, S.A.
Chairman of the Board of Directors of INOVRETAIL, S.A.
Chairman of the Board of Directors of INOVRETAIL ESPAÑA, S.L.
Chairman of the Board of Directors of SONAECOM – SERVIÇOS PARTILHADOS, S.A.
Chairman of the Board of Directors of BRIGHT DEVELOPMENT STUDIO, S.A.
Chairman of the Board of Directors of SONAECOM CYBER SECURITY AND INTELLIGENCE SERVICES, SGPS, S.A.
Chairman of the Board of Directors of S21SEC PORTUGAL - CYBER SECURITY SERVICES, S.A.
Chairman of the Board of Directors of GRUPO S21 SEC GESTION, S.A.
Chairman of the Board of Directors of S21 SEC INFORMATION SECURITY LABS, S.U.L.
Chairman of the Board of Directors of S21 SEC, S.A. DE C.V.
Chairman of the Board of Directors of MXTEL, S.A.
Chairman of the Board of Directors of DIGITMARKET – SISTEMAS DE INFORMAÇÃO, S.A.
Chairman of the Board of Directors of PRAESIDIUM SERVICES LIMITED
Member of the Board of Directors of Style Sage, Inc.
Member of the Board of Directors of CIValue Systems Ltd
Chairman of the Board of Directors of EXCELLIUM, GROUP, S.A.
Member of the Board of Directors of EXCELLIUM, SERVICES, S.A.
Member of the Board of Directors of Visenze, Pte LTD
Member of the Board of Directors of OMETRIA, LTD.
Board Observer of NEXTAIL Labs Inc.
Member of the Board of Directors of Daisy Intelligence Corporation
Member of the Board of Directors of - Context-based 4 Casting (C-B4) LTD

- Statutory Audit Board

João Manuel Gonçalves Bastos

Birth date

23 April 1958

Educational qualifications

1981 Degree in Economics at Faculdade de Economia da Universidade do Porto

Professional experience

1981-1984	Teacher of Macroeconomics at Faculdade de Economia da Universidade do Porto
1982-1984	Commercial department in Crédit Lyonnais
1984-1986	Development and Planning department in Sonae Group
1986-1987	Assistant of the Board in Focor Group
1987-1998	CFO and member of the Board of several participated companies in Figest Group
1998 – 2007	Senior Manager and member of the Board of several participated companies in Sonae Group

Offices held in other entities

Shareholder and President of the Board of Arcádia Group

President of the Statutory Audit Committee of Irmãos Vila Nova, SP

President of the Statutory Audit Committee of Modelo – Distribuição de Materiais de Construção S.A,

Maria José Martins Lourenço da Fonseca

Birth date

4 September 1957

Educational qua	lifications				
1984	Degree in Economics at Faculdade de Economia da Universidade do Porto - Doutor António José Sarmento Prize				
1987	Post graduate Program in European Studies at the European Studies Center, Universidade Católica Portuguesa				
1992	Participation in the Young Managers Programme at European Institute of Business Administration, Fontainebleau.				
2002	Master in Business and Administration at Faculdade de Economia da Universidade do Porto				
2015	PhD in Business and Administration at Faculdade de Economia da Universidade do Porto				
Professional experience					
2008-2009	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) in the field of professional formation				
Since 2008	Consulting activity through the Centro de Estudos de Gestão e Economia Aplicada (CEGEA) of Católica Porto Business School (Universidade Católica Portuguesa)				
2015	Member of the Selection Board for the Oral Test for External Auditor (ROC)				
2015-2019	Cooperation with the Portuguese Institute of Statutory Auditors (OROC) as trainer for the External Auditor Preparatory Course				
Offices held in other entities					
President of the Statutory Audit Committee of Sonae SGPS, S.A.					

Member of the Statutory Audit Committee of Sonae MC SGPS, S.A.

Member of the Statutory Audit Committee of Ibersol SGPS, S.A.

President of the Statutory Audit Committee of SDSR - Sports Division SR, S.A.

President of the Statutory Audit Committee of AEGE - Associação para a Escola de Gestão Empresarial

Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)

Óscar José Alçada da Quinta								
Birth date	Birth date							
1 December 195	1 December 1957							
Educational qua	Educational qualifications							
1982	Degree in Economics at Faculdade de Economia da Universidade do Porto							
1990	Statutory auditor							
Professional ex	Professional experience							
1982-1986	Administrative and financial responsibilities in the area of textile companies, construction and office equipment							
Since 1986	Provision of services related to external audit for Statutory Auditors and for companies in the previous activities							
1990-1992	Independent Statutory Auditor							
Since 1992	Statutory Auditor and Partner of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC							
Offices held in c	Offices held in other entities							
Member of the Board of Directors of Óscar Quinta, Canedo da Mota & Pires Fernandes, SROC								
Member of the Fiscal Council of Caetano-Baviera - Comércio de Automóveis, S.A.								
Member of the I	Member of the Fiscal Council of BA GLASS I - Serviços de Gestão e Investimentos, SA							

Member of the Fiscal Council of Sonae Arauco Portugal S.A.

Member of the Fiscal Council of Sonae Indústria, SGPS, S.A.

APPENDIX II

Curricula Vitae of the members of the Remuneration Committee

Duarte Paulo Teixeira de Azevedo

Member of Remuneration Committee of Sonaecom, SGPS, S.A.

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31 December 1965

31 December 1303	31 December 1303						
Academic Curriculur	m						
1986	Degree in Chemical Engineering - École Polytechnique Féderále de Lausanne						
1989	MBA - Porto Business School						
Executive Education	1						
1994	Executive Retailing Program - Babson College						
1996	Strategic Uses of Information Technology Program - Stanford Business School						
2002	Breakthrough Program for Senior Executives - IMD Lausanne						
2008	Proteus Programme - London Business School						
2012	Corporate Level Strategy - Harvard Business School						
Professional Experie	nce – Sonae Group						
1988-1990	Manager and Analyst of Projeto Novos Investimentos in Sonae Tecnologias de Informação, S.A.						
1990-1993	Manager of Projeto de Desenvolvimento Organizativo and Comercial Director in Portugal in New Business in Sonae Indústria						
1993-1996	Director of Planning and Strategic Control and Organizational Development in Sonae Investimentos - SGPS, S.A. (currently Sonae - SGPS, S.A.)						
1996-1998	Executive Director of Modelo Continente Hipermercados, SA (Merchandising, IT e Marketing)						
1998-2000	Chairman of the Executive Committee of Optimus - Telecomunicações, S.A. (Operador Móvel)						
2000- Abril 2007	Executive Director of Sonae - SGPS, S.A.						
2002-2007	Chairman of the Executive Committee of Sonaecom, SGPS, S.A.						
2002-2007	Chairman of the General Board of Público - Comunicação Social, S.A.						
2003-2007	Chairman of the General Board of Glunz, AG						
2004-2007	Chairman of the Board of Directors of Tableros de Fibras, S.A. (Tafisa)						
2007-2014	Chairman of the Board of Directors of Sonaecom, SGPS, S.A.						
2007- Abril 2015	Chairman of the Executive Committee of Sonae - SGPS, S.A.						
2007- Março 2015	Vice President of the Board of Directors of Sonae Indústria, SGPS, S.A.						

2007 - 2019	Chairman of the Board of Directors of Sonae Sierra, SGPS, S.A.
2007-2018	Chairman of the Board of Directors of Sonae Investimentos, SGPS, SA (atualmente Sonae MC, SGPS, SA)
2008-2014	Chairman of the Board of Directors of MDS, SGPS, S.A.
2009-2013	Chairman of the Board of Directors of Sonaegest, Sociedade Gestora de Fundos de Investimentos
2010-2013	Chairman of the Board of Directors of Sonae RP - Retail Properties
2010-2016	Chairman of the Board of Directors of Sonae - Sprecialized Retail , SGPS, S.A.
2010- 2019	Chairman of the Board of Directors of Sonae MC – Modelo Continente, SGPS, SA (atualmente Modelo Continente, SGPS, SA)
2013-2018	Chairman of the Board of Directors of Sonae Center Serviços II, SA (atualmente Sonae MC, Serviços Partilhados, SA)
2015-2019	Chairman of the Board of Directors and Co-CEO of Sonae - SGPS, SA
2018-2019	Chairman of the Board of Directors of Sonae Corporate, SA
Offices held in othe	rentities
Since April 2019	Chairman of the Board of Directors of Sonae - SGPS, S.A.
Since March 2015	Chairman of the Board of Directors of Sonae Indústria, SGPS, S.A.
Since March 2015	Chairman of the Board of Directors of Sonae Capital, SGPS, S.A.
Since May 2016	Chairman of the Board of Directors of Sonae Arauco, S.A.
Since July 1990	Member of the Board of Directors of Imparfin, SGPS, S.A.
Since December 20	11(Member of the Board of Directors of Efanor Investimentos, SGPS, S.A.
Since December 20	11(Member of the Board of Directors of Migracom, SGPS, S.A.
Since 2018	Member of the Board of Directors of EFANOR - Serviços de Apoio à Gestão, S.A.
Since 2018	Chairman of the Board of Directors of Sonae Corporate, S.A.
Since 2018	Manager Partner of Okuk, Lda
Since 2018	Member of the Board of Directors of BA Glass I – Serviços de Gestão e Investimentos, SA

Other Entities	
2001-2002	Chairman of Apritel - Associação dos Operadores de Telecomunicações
2001-2008	Member of the General Council of Porto Business School
2004-2011	Member of the General Council of IPCG – Instituto Português de Corporate Governance
2006-2013	Member of the Board of Founders of Fundação Casa da Música
2008-2009	Member of the General Council of AEP - Associação Empresarial de Portugal
2009-2014	Member of the Board of Trustees of AEP - Associação Empresarial de Portugal
2009-2015	Chairman of the Board of Trustees of Universidade do Porto
2012-2015	Member of the Board of COTEC
2012-2017	Member of the Board of Trustees of Fundação Belmiro de Azevedo
Since 2015	Member of Consejo Iberoamericano para La Productividad y la Competitividad
Since 2008	Member of ERT - European Round Table of Industrialists
Since 2013	Membrer of International Advisory Board of Allianz SE
Since 2019	Member of the Board of Directors and of Executive Commitee of Fundação Belmiro de Azevedo

Francisco de La Fuente Sánchez

Member of Remuneration Committee of Sonaecom, SGPS, S.A.

Birth date

2 January 1942

Educational qualifications

1965 Degree in Electrical Engineering - Technical University

Professional Experience

2005-2012	Member of Advisory Council of Fórum para a Competitividade
2007-2012	Guest vowel of Conselho Nacional da Água
2007-2012	Vice-president and Non-Executive Chairman of Directors of EFACEC Capital
2007-2013	Chairman of the General Board of PROFORUM
2007-2013	Chairman of Conselho Nacional do Colégio de Engenharia Eletrotécnica da Ordem dos Engenheiros
2010-2015	Chairman of the General Meeting of Iberwind - Desenvolvimento e Projetos. S.A.
2009-2016	Member co-opted of the Conselho de Escola do Instituto Superior Técnico
2012-2016	Chairman of Direction of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico
Since 2002	Member of the Board of Trustees of Fundação Luso-Espanhola
Since 2004	Member of the Board of Trustees of Fundação Luso-Brasileira
Since 2005	Member of Employers of Fundação Hidroelétrica del Cantábrico
2005-2009	Chairman of Fundação EDP
2003-2006	Chairman of Board of Directors of EDP - Energias de Portugal
Since 2017	Coopted member of General Counsel of Universidade de Lisboa

Offices held in other entities

Non-Executive Director of Sonae Capital S.G.P.S., S.A.

Member of Remuneration Committee of Sonae, SGPS, S.A.

Coopted member of General Counsil of Universidade de Lisboa

 $Chairman\ of\ the\ General\ Meeting\ of\ APEDS\ -\ Associação\ Portugues a\ de\ Engenheiros\ para\ o\ Desenvolvimento\ Social$

Chairman of the General Meeting of AAAIST - Associação de Antigos Alunos do Instituto Superior Técnico

President of honor of Hidroelétrica del Cantábrico, S.A.

Member of Employers of Fundação Hidroelétrica del Cantábrico

Member of the Board of Trustees of Fundação Luso-Brasileira

Member of the Board of Trustees of Fundação Luso-Espanhola



1. Financial Information

1.1. Sonaecom consolidated financial statements

Consolidated statement of financial position

For the years ended at 31 December 2019 and 2018 (restated – note 1.ad)

(Amounts expressed in Euro)	Notes	December 2019	December 2018 (restated)
Assets			(Testateu)
Non-current assets			
Tangible assets	1.c, 1.h and 5	2.140.056	3,381,652
Intangible assets	1.d, 1.e, 1x and 6	10.467.620	29,375,733
Rights of use	1.h and 7	10,403,459	13,123,631
Goodwill	1f.1x and 8	14.520.952	36,059,618
Investments in associated companies and joint ventures	1.b and 9	789,256,422	773,937,338
Financial assets at fair value through other comprehensive income	1.g, 4 and 10	58,367,022	28,101,682
Deferred tax assets	1.p and 11	4,251,266	10,275,910
Other non-current assets	1.g, 1.r, 1.y, 4, 12 and 37	8,003,913	3,009,241
Total non-current assets	1g, 11, 1g, 4, 12 and 37	897,410,710	897,264,805
Current assets	 	037,410,710	037,204,003
Inventories	1 i and 13	240,361	369.870
Trade debtors	1.g, 1.j, 4, 14, 23 and 37	27,227,731	50,960,546
Other current debtors	1.g, 1, 4, 15, 23 and 37	8,289,211	8,591,931
Income tax receivable	1, 4, 15, 25 and 57 1, 4 and 28	1,717,566	3,043,207
Other current assets	1.g, 1.r, 1.x, 4, 16 and 37	12,238,902	17,051,088
Cash and cash equivalents	1.g, 1.k, 4, 10 and 37 1.g, 1.k, 4, 17 and 37	255,877,001	229,040,867
Total current assets	1g, 1k, 4, 17 and 37	305,590,772	309,057,509
Total assets		1,203,001,482	1,206,322,314
Shareholders' funds and liabilities		1,203,001,462	1,200,322,314
Shareholders' funds			
Share capital	18	230,391,627	230,391,627
Own shares	1v and 19	(7,686,952)	(7,686,952)
Reserves	1.v anu 15	(7,666,952) 798.881.018	772,168,077
Consolidated net income/(loss) for the year	Lu	7 50,861,016 51,562,881	68,397,035
consolidated fiet income/(ioss/for the geal		1,073,148,574	1,063,269,787
Non-controlling interests		(636,155)	379.186
Total Shareholders' funds		1,072,512,419	1,063,648,973
Liabilities		1,072,512,419	1,005,040,575
Non-current liabilities			
			7.677.001
Non-current loans net of short term position	1 g, 1 l, 1 m, 1 q, 4 and 21.a	3,289,931	3,677,091
Non-current lease liabilities	1.g, 1.h, 4 and 22	11,156,725	9,522,942
Provisions for other liabilities and charges	1o, 1t and 23	30,848,948	23,615,649
Deferred tax liabilities	1.p and 11	22,277,675	14,640,939
Other non-current liabilities	1.g, 1.r, 1.y, 4, 24, 37 and 41	4,150,043	6,644,240
Total non-current liabilities		71,723,322	58,100,861
Current liabilities			5 300 04 5
Current loans and other loans	1g, 1l, 1.m, 1q, 4 and 21.b	1,525,122	5,209,946
Trade creditors	1.g, 4, 25 and 37	19,041,965	18,941,483
Current lease liabilities	1.g, 1.h, 4 and 26	3,448,361	3,850,740
Other creditors	1.g, 4, 27 and 37	11,935,197	14,440,263
Income tax payable	1.p, 4 and 28	90,458	310,220
Other current liabilities	1.g, 1q, 1r, 1y, 4, 29, 37, 39 and 41	22,724,638	41,819,828
Total current liabilities		58,765,741	84,572,480
Total Liabilities		130,489,063	142,673,341
Total Shareholders' funds and liabilities		1,203,001,482	1,206,322,314

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

The Certified Accountant

The Board of Directors

Consolidated income statement by nature

For the years ended at 31 December 2019 and 2018 (restated – note 1.ad)

(Amounts expressed in Euro)	Notes	December 2019	September to December 2019 (not audited)	December 2018 (restated)	September to December 2018 (not audited and restated)
Sales	1.s, 30 and 37	83,256,879	17,535,197	73,195,865	19,808,287
Services rendered	1.s, 30 and 37	49,141,618	12,262,609	36,127,891	10,665,521
Other operating revenues	1.q, 23, 31 and 37	2,446,082	885,880	1,743,750	901,477
		134,844,579	30,683,686	111,067,506	31,375,285
Cost of sales	1.i and 13	(71,800,735)	(14,217,962)	(62,663,733)	(17,011,402)
External supplies and services	1.h, 32 and 37	(25,651,248)	(7,233,046)	(20,768,816)	(6,027,644)
Staffexpenses	1.q, 1.y, 42, 43 and 45	(46,361,557)	(12,072,576)	(31,371,382)	(8,834,469)
Depreciation and amortisation	1.c, 1.d, 1.f, 1.h, 5, 6 and 7	(10,185,528)	(3,924,223)	(5,980,978)	(2,408,383)
Provisions	1j, 1.o, 1.x and 23	(112,070)	(56,233)	(354,227)	(218,076)
Impairment losses	1j, 1.o, 1.x and 23	(404,428)	(244,091)	(220,773)	(185,151)
Other operating costs	33	(420,758)	(135,040)	(275,026)	(138,544)
		(154,936,324)	(37,883,172)	(121,634,935)	(34,823,669)
Gains and losses in associated companies and joint ventures	1.b, 9 and 35	62,851,437	32,127,045	89,221,722	12,949,556
Other financial expenses	1h, 1m, 1w, 1x, 21, 34 and 37	(2,410,473)	(896,404)	(2,168,537)	(829,806)
Other financial income	1.w, 21, 34 and 37	2,346,847	815,662	2,382,210	730,156
Current income / (loss)		42,696,066	24,846,817	78,867,966	9,401,522
Income taxation	1.p, 11 and 36	(6,108,175)	(7,916,855)	(11,395,534)	564,651
Consolidated net income/(loss) for the year of continued operations		36,587,891	16,929,962	67,472,432	9,966,173
Consolidated net income/(loss) for the year of discontinued operations	40	12,568,216	-	863,639	497,442
Consolidated net income/(loss) for the year		49,156,107	16,929,962	68,336,071	10,463,615
Attributed to:					
Shareholders of parent company	41	51,562,881	17,686,270	68,397,035	10,545,862
Non-controlling interests	20	(2,641,804)	(756,308)	(100,937)	(91,407)
Non-controlling interests (discontinued operations)	20,40	235,030	-	39,973	9,160
Earnings per share					
Including discontinued operations					
Basic	41	0.17	0.06	0.22	0.03
Diluted	41	0.17	0.06	0.22	0,04
Excluding discontinued operations					
Basic	41	0.13	0.06	0.22	0.03
Diluted	41	0.13	0.06	0.22	0.03

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

The Certified Accountant

The Board of Directors

Consolidated statement of comprehensive income

For the years ended at 31 December 2019 and 2018 (restated – note 1.ad)

(Amounts expressed in Euro)	Notes	December 2019	September to December 2019 (not audited)	December 2018 (restated)	September to December 2018 (not audited and restated)
Consolidated net income / (loss) for the year		49,156,107	16,929,962	68,336,071	10,463,615
Components of other consolidated comprehensive income, net of tax, that will be reclassified					
subsequently to profit or loss:					
Changes in reserves resulting from the application of equity method	9	(8,302,631)	(5,552,977)	(29,418,578)	(7,182,667)
Changes in currency translation reserve and other	1.w	(169,588)	12,404	(293,305)	(246,035)
Changes in currency translation reserve and other of the discontinued operations	1.w	639,005	=	156,475	580,805
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	(1,679,466)	21,546	(785,643)	(3)
Changes in fair value of financial assets at fair value through other comprehensive income	10	2,213,554	2,213,554	2,385,907	2,385,907
Consolidated comprehensive income for the year		41,217,976	13,624,489	40,224,452	5,420,817
Attributed to:					
Shareholders of parent company		43,624,750	13,741,792	40,285,416	5,967,057
Non-controlling interests		(2,406,774)	(756,308)	(60,964)	(82,247)

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

The Certified Accountant

The Board of Directors



Consolidated statement of changes in equity

For the years ended at 31 December 2019 and 2018 (restated-note 1.ad)

•	-		•								
									Non-controlling		
		Share capital	Own shares			Reserves of			interests	Net income /	
(Amounts expressed in Euro)	Notes	(note 18)	(note 19)	Share premium	Legal reserves	own shares	Other reserves	Total reserves	(note 20)	(loss)	Tota
2019											
Balance at 31 December 2018		230,391,627	(7,686,952)	775,290,377	17,701,887	7,686,952	(28,511,139)	772,168,077	379,186	68,397,035	1,063,648,973
Appropriation of the consolidated net result of 2018											
Transfers to other reserves		-	-	-	843,305	_	67,553,730	68,397,035	-	(68,397,035)	
Dividend Distribution	37	-	-	-	-	_	(34,246,131)	(34,246,131)	(110,000)		(34,356,131)
Increase in share capital in subsidiaries		-	-	-	-	_	-		1,559,859	-	1,559,859
Consolidated comprehensive income for the year ended at 31 December 2019		-	-	-	-	_	(7,313,899)	(7,313,899)	(2,406,774)	51,562,881	41,842,208
Otherchanges		-	-	-	-	_	(124,064)	(124,064)	(58,426)	-	(182,490)
Balance at 31 December 2019		230,391,627	(7,686,952)	775,290,377	18,545,192	7,686,952	(2,641,503)	798,881,018	(636,155)	51,562,881	1,072,512,419
									Non-controlling		
		Share capital	Own shares			Reserves of			interests	Net income /	
(Amounts expressed in Euro)	Notes	(note 18)	(note 19)	Share premium	Legal reserves	own shares	Other reserves	Total reserves	(note 20)	(loss)	Total
2018											
Balance at 31 December 2017		230,391,627	(7,686,952)	775,290,377	16,913,362	7,686,952	(15,108,859)	784,781,832	1,625,044	22,765,966	1,031,877,517
Impact of the application of IFRS 16 (restated)		-	-	-	-	-	(357,899)	(357,899)	(7,584)	44,185	(321,298)
Consolidated comprehensive income for the year ended at 31 December 2018		-	=	-	-	-	(12,631,190)	(12,631,190)	=	1,130,612	(11,500,578)
(restated)											
Appropriation of the consolidated net result of 2017 (restated) Transfer to other reserves IFRS 16 (restated)							1174.797	1.174.797		(1177, 707)	
Balance at 01 January 2018 (restated)		230,391,627	(7,686,952)	775,290,377	16.913.362	7,686,952	(26,923,151)	772,967,540	1,617,460	(1,174,797) 22,765,966	1,020,055,641
Appropriation of the consolidated net result of 2017		230,331,027	(7,000,552)	//3,230,3//	10,515,502	7,000,552	(20,525,151)	//2,30/,340	1,017,400	22,700,500	1,020,055,041
Transfer to other reserves		_	_	_	788.525	_	21.977.441	22.765.966	_	(22,765,966)	_
Dividend Distribution	37	_	_	_	. 00,323	_	(11,313,454)	(11,313,454)	(585,000)	(22,703,300)	(11,898,454
Percentage change in subsidiaries		_	_	_	_	_	3,902,725	3,902,725	(3,902,725)	_	(==,050,151)
Consolidated comprehensive income for the year ended at 31 December 2018		-	-	-	-	-	(16,454,566)	(16,454,566)	(41,022)	69,986,049	53,490,461
Capital increase in subsidiaries		-	-	-	-	-	-	-	2,053,149		2,053,149
Impact of the application of IFRS 15		-	-	-	=	=	(317,170)	(317,170)	(42,108)	=	(359,278)
Impact of the application of IFRS 16 (restated)		-	-	-	-	-	(64,482)	(64,482)	(64,375)	(1,589,014)	(1,717,871)
Impact of the fair value adjustements in Goodwill (restated)		-	-	-	-	-	681,518	681,518	1,181,833	-	1,863,351
Other changes			-	-	-			-	161,974		161,974
Balance at 31 December 2018 (restated)		230.391.627	(7,686,952)	775.290.377	17,701,887	7.686.952	(28,511,139)	772.168.077	379.186	68.397.035	1.063.648.973

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

The Certified Accountant

The Board of Directors

Consolidated cash flow statement

For the years ended at 31 December 2019 and 2018 (restated – note 1.ad)

(Amounts expressed in Euro)	Notes		December 2019		December 2018 (restated)
Operating activities					
Receipts from trade debtors		168,389,882		169,469,125	
Payments to trade creditors		(108,558,431)		(101,531,751)	
Payments to employees		(69,037,417)		(67,751,097)	
Cash flows generated by operations		(9,205,966)		186,277	
(Payments) / receipts relating to income taxes		(2,892,533)		(4,601,912)	
Other receipts / (payments) relating to operating activities		(1,873,730)		2,057,003	
Cash flows from operating activities (1)			(13,972,229)		(2,358,632)
Investment activities					
Receipts from:					
Financial investmens		68,743,221		16,480,788	
Tangible assets	5	35,308		6,217	
Intangible assets	6	8,687		24,376	
Dividends	37	46,991,788		19,756,226	
Loans granted		-		-	
Interest and similar income		1,162,554		191,682	
Others	9	-		41,343,720	
Payments of:					
Financial investmens	10	(30,186,866)		(29,455,979)	
Tangible assets	5	(1,601,616)		(647,627)	
Intangible assets	6	(1,825,312)		(1,551,890)	
Variation in loans granted		(365,793)		=	
Cash flows from investment activities (2)			82,961,971		46,147,513
Financing activities Receipts from:			•		
Capital increases, supplementary capital and share premium	20	1,559,859		2,053,149	
Others	20	1,559,855		1,503,670	
Payments of:			·	1,00,070	
Leasing	22	(4,571,108)		(5,546,534)	
Bank commissions, interest and similar expenses	22	(4,571,108) (816,399)		(375,457)	
Dividends	37	, ,		(11,898,454)	
Variation Loans obtained	٠,٠	(34,356,131)		(11,030,434)	
Loans obtained	21	(7 / 00 17 ()		(2.007.770)	
	21	(3,490,136)	(/.1 C77 015)	(2,967,378)	(17,231,004)
Cash flows from financing activities (3) Net cash flows (4)=(1)+(2)+(3)			(41,673,915)		26,557,877
			27,315,827		(30,980)
Effect of the foreign exchanges Cash and cash equivalents at the beginning of the year	17		8,854		(30,980) 202,025,379
, , , , ,	17 17		228,552,276		202,025,379
Cash and cash equivalents at the end of the year	1/		255,876,957		220,552,276

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

The Certified Accountant

The Board of Directors

Notes to the consolidated cash flow statement

For the years ended at 31 December 2019 and 2018

1. Description of non-monetary financing activities

	Notes	December 2019	December 2018
a) Bank credit obtained and not used	21	3,115,631	1,057,109
b) Purchase of companies through the issue of shares		Not applicable	Not applicable
c) Conversion of companies loans into shares		Not applicable	Not applicable

2. Acquisition or sale of subsidiaries or other businesses

	Notes	December 2019	December 2018
a) Amounts received of acquisitions			
Sold of participation on Saphety	3.c	8.323.097	-
Sold of participation on Wedo	3.c	60.420.126	
Sold of 0,10% of participation on Digitmarket	3.c	-	3.422
Return of capital investedon Fundo Armilar II	9	-	16.477.366
		68.743.223	16.480.788
b) Amounts paid of acquisitions / capital increase		Ò	
Sixgill	3.a and 10	5.415.162	-
Cellwize	3.a and 10	5.357.593	-
CB-4	3.a and 10	4.368.720	
Ometria	3.a and 10	4.404.318	800.882
Artic Wolf	3.a and 10	3.609.512	2.302.130
Daisy Intelligence	3.a and 10	2.406.623	-
Visenze	3.a and 10	875.427	4.384.811
Armilar III	3.a and 9	656.507	652.756
Case on IT	3.a and 10	650.744	2.280.000
Convertible loan Style Sage	3.a and 12	644.058	-
Convertible loan Secucloud	3.a and 12	569.615	551.475
Fyde	3.a and 10	443.687	-
Excellium	3.a	-	5.374.398
Reblaze	3.a	-	2.352.437
Nextel	3.a	-	2.940.588
Nextail	3.a	-	2.300.000
ciValue	3.a	-	1.970.097
Jscrambler	3.a	-	1.250.000
Style Sage	3.a	-	812.414
White Fantasy	3.a	-	640.804
Others	3.a	784.900	843.187
		30.186.866	29.455.979
c) Amounts received of dividends			
ZOPT	9 and 37	46.991.559	19.755.883
CAIXA BANK		229	343
		46.991.788	19.756.226
d) Amounts paid of dividends			
Sontel BV, Sonae SGPS and other minority interests	37 and 41	34.246.131	11.313.454
Aitec and BPI		110.000	585.000
		34.356.131	11.898.454

The amount of receipts from financial investments regarding the sale of participations on Saphety and WeDo include the amount of 'Cash and cash equivalents' on the date of sale of these companies groups (note 3.c).

3. Cash flow breakdown by activity

Activity	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Net cash flows
2019				
Media	(1,580,467)	(515,653)	(464,779)	(2,560,899)
Information Systems	(9,728,149)	36,244,281	(5,927,255)	20,588,877
Holding	(2,663,613)	47,233,343	(35,281,881)	9,287,849
	(13,972,229)	82,961,971	(41,673,915)	27,315,827
Activity	Cash flow from	Cash flow from	Cash flow from	Net cash flows
Activity	operatingactivities	investment activities	financing activities	Neccasirilows
2018				
Media	(2,998,206)	(377,076)	(389,922)	(3,765,204)
Information Systems	4,470,863	26,901,440	(5,270,528)	26,101,775
Holding	(3,831,289)	19,623,149	(11,570,554)	4,221,306
	(2,358,632)	46,147,513	(17,231,004)	26,557,877

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

The Certified Accountant

The Board of Directors

1.2. Notes to the consolidated financial statements of Sonaecom

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

- 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 SONAECOM, SGPS, S.A..

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

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

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

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

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 forward.

The Group operates in Portugal and has subsidiaries (from the information systems consultancy 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 a going concern basis, based on the accounting records of the companies included in the consolidation through full consolidation method (note 2) in accordance with the International Financial Reporting Standards (IFRS) as adopted and effective in the European Union on 1 January 2019 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 year ended at 31 December 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 treatment

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

as a result of the year.

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

Amendments to IFRS 9 - Prepayment features 1-Jan-19 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.

recorded in 'Other Comprehensive Income', and can not be recognised



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.

Annual Improvements to IFRS Standards 2015-2017 Cycle

1-Jan-19

Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2018 cycle for annual improvements to IFRSs. This cycle afects 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.

Following the new interpretation on IAS 12 - Income taxes, the Group reassessed all its contingencies and tax disputes, taking into account the provisions of IFRIC 23, resulting in no changes to the estimates previously made by management.

The following standards, interpretations, amendments and revisions, whose application is mandatory in future financial years, were, as of the date of approval of these financial statements, approved (endorsed) by the European Union:

Standard / Interpretation	Effective date
	(annual periods
	beginning on or
	after)

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 or after)

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.

The Group has not yet implemented any of these standards in the financial statements for the year ended on 31 December 2019.

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)

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.

Amendments to IFRS 9, IAS 39 and IFRS 7: 1-jan-20 Interest Rate Benchmark Reform

This amendment constitutes a review regarding pre-substitution issues in the context of the IBOR reform, modifying the existing requirements in IFRSs for accounting of hedging instruments. The changes were designed to support the provision of useful financial information by companies during the period of uncertainty resulting from the gradual elimination of interest rate benchmarks, such as IBORs. The amendments modify some specific hedge accounting requirements to undermine the potential effects of the uncertainty caused by the IBOR reform. In addition, the changes require companies to provide additional information to investors about their hedge relationships, which are directly affected by these uncertainties.



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.

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Group for the year ended at 31 December 2019. Their application is not yet mandatory.

The accounting policies and measurement criteria adopted by the Group at 31 December 2019 are comparable with those used in the preparation of 31 December 2018 restated financial statements.

Main accounting policies

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

a) Investments in Group companies

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

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

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

The fully consolidated companies are listed in note 2.

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

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

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

b) Investments in associated companies and joint ventures 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

The investments in joint ventures 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.

method.

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 joint ventures 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 joint ventures 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).

The amortisation 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.

Expenditures with internally-generated intangible assets, namely research expenditures, are recognised in the profit and loss statement when incurred. Development expenditures can only be recognised as an intangible asset if the Group demonstrates the ability to complete the project and is able use it or sell it.

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

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

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

	Years of useful life
Brands and patents	1 - 15
Customers' portfolios	3
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.

All brands and / or patents held by the Group have a defined useful life.

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 joint ventures" (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 that a sales transaction generate a loss of control, should be derecognised assets and liabilities of the entity and any interest retained in the entity sold should be remeasured at fair value and any gain or loss calculated on the sale is recorded in profit and loss.

The Goodwill amount is not amortised, being tested annually or whenever there are impairment indices, to verify if there are

any impairment losses to be recognised. The recoverable amount is determined based on the business plans used by Sonaecom's management. Goodwill impairment losses of the year are recorded in the profit and loss statement of the year under the caption 'Depreciation and amortisation'.

Goodwill impairment losses can not be reversed.

Goodwill, if negative, is recognised as income on the acquisition date after reconfirmation of the fair value of identifiable assets, liabilities and contingent liabilities.

g) Financial instruments

Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, financial assets measured at amortised cost, financial assets at fair value through other comprehensive income. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

Changes to the classification of financial assets can only be made when the business model is changed, except for financial assets at fair value through other comprehensive income, as equity instruments, which can never be reclassified to another category.

(i) Financial assets measured at amortised cost

Financial assets measured at amortised cost are those that are part of a business model with the purpose to hold financial assets in order to receive contractual cashflows, although these contractual cash flows can only be capital repayments and interest payments of capital in debt.

(ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income: this category may include financial assets that qualify as debt instruments (contractual obligation to deliver cash flows) or equity instruments (residual interest in an entity);

- a. Regarding 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.

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.

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 1.i), trade creditors and other creditors. These liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost at the effective interest rate.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are canceled or expire.

At 31 December 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 and plus restoration costs, if any.

Whenever the Group incurs an obligation to dismantle and remove a leased asset, restore the location in which it is located, or restore the underlying asset to the condition required by the lease terms and conditions, a provision is recognised, in accordance with terms of IAS 37. Expenses are included in the respective right of use.

Leasing incentives (eg, rental grace periods) are recognised as elements for measuring the right of use and liabilities of the lease.

Variable income that does not depend on an index or rate is recognised as expenses in the year in which they are determined or payment is made.

The rights of use are depreciated according to the lease term, using the straight-line method, or according to the estimated useful life of the asset under right of use, when it is longer than the lease period and management intends to exercise the purchase option.

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.

Payments for non-lease components are not recognised as lease liabilities.

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.

With respect to the lessor, a lease is classified as a finance lease if it transfers substantially all the risks and rewards inherent in ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards inherent in ownership of an underlying asset.

Whether a lease is financial or operational depends on the substance of the transaction and not the form of the contract. Examples of situations that, individually or together, would normally lead to a lease being classified as a finance lease include the following:

- a) The lease transfers ownership of the underlying asset to the lessee at the end of the lease term;
- b) The lessee has the option to purchase the underlying asset at a price that is expected to be sufficiently below fair value at the date the option becomes exercisable so that, at the start date, it is reasonably certain that the option will be exercised:
- c) The lease term refers to most of the economic life of the underlying asset, even if the security is not transferred;
- At the start date, the present value of the lease payments amounts to at least substantially the entire fair value of the underlying asset;
- e) The underlying asset is so specialised in nature that only the lessee can use it without major changes;
- f) If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- Gains or losses arising from the fluctuation of the residual's fair value add to the lessee (for example, in the form of a rent rebate that equals most of the proceeds from sales at the end of the lease); and
- h) The lessee has the ability to extend the lease for a secondary period with an income substantially lower than the market rent.

i) Inventories

Inventories are stated at their acquisition cost, net of any impairment losses, which reflects their estimated net realisable value.

The main nature of the Group's inventories corresponds essentially to paper for newspapers printing and hardware.

In calculating the cost of sales, the Group adopts the weighted average costing method.

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 'Impairment losses', and are subsequently reversed by profit or loss.

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 joint ventures 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.

I) 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.

When adopting hedge accounting, management documents, on the initial date of the hedge relationship, the economic relationship between the hedging instruments and the hedged instruments, including the condition of the hedge instruments whether or not they compensate for changes in the cash flows of the instruments covered, in accordance with the Risk Management objectives and strategy defined for contracting coverage transactions.

The cash flow hedges used by the Group are related to:

- (i) Interest rate swaps to hedge the interest rate risk on loans obtained. The amount of the loans, interest maturities and repayment plans for the loans underlying the interest rate swaps are in all respects identical to the conditions laid down for the contracted loans.
- (ii) Forward's exchange rate for hedging foreign exchange risk, particularly from receipts from customers of subsidiary We Do Consulting. The values and time periods involved are identical to the amounts invoiced and their maturities.

Transactions that qualify as hedging instruments in relation to cash flow hedges are recorded in the statement of financial position at fair value and, to the extent that they are considered effective hedges, changes in the fair value of the instruments are initially recorded as equity and subsequently reclassified to the financial costs caption.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

At 31 December 2019 the Group had not contracted foreign exchange forwards.

o) Provisions and contingencies

'Provisions' are recognised when, and only when, the Group has a present obligation (either legal or implicit) resulting from a past event, the resolution of which is likely to involve the disbursement of funds by an amount that can be reasonably estimated.

Provisions are reviewed at the balance sheet date and adjusted to reflect the best estimate at that date.

Provisions for restructurings are only registered if the Group has a detailed plan and if that plan has already been communicated to the parties involved.

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes, if the possibility of a cash outflow affecting future economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but are disclosed in the notes when future economic benefits are likely to occur.

p) Income tax

'Income tax' expense represents the sum of the current tax payable and deferred tax. Income tax is recognised in accordance with IAS 12 – 'Income Taxes'.

Sonaecom was covered, since January 2008, by the special regime for the taxation of groups of companies, under which, the provision for income tax is determined on the basis of the estimated taxable income of all the companies covered by that regime. However in accordance with such rules since 31 December 2015, the Sonaecom Group, no longer has an independent group of companies covered by the special regime for taxation as tarted to integrate the special regime for taxation of groups of Sonae SGPS companies.

Therefore, since 1 January 2015, Sonaecom is under the special regime for the taxation of groups of companies, from which Sonae, SGPS is the dominant company. As of the 2018 financial year, tax losses generated by companies dominated within the Group are partially offset by the Group's dominant entity. Regarding the tax losses generated by the dominated companies not compensated for the year, they will be compensated as the Group recovers, taking into account its future taxable profits, with the amount to be recorded recorded in non-current assets in an account receivable from the Group. Each company records the income tax in its individual accounts, with the calculated tax recorded against the item of group companies. The special regime for the taxation of groups of companies encompasses all companies directly or indirectly participated, even though through companies resident in another Member State of the European Union or the European Economic Area, provided that, in the latter case, there is an obligation for administrative cooperation, in at least 75% of the capital, provided that such participation grants you more than 50% of the voting rights, provided that certain requirements are met. The subsidiaries Digitmarket and S21Sec Portugal do not form part of the Tax Group (RETGS), since the indirect participation of Sonae SGPS 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.

In accordance with IAS 12, the Group presents deferred tax assets and liabilities at net value, whenever:

- (i) the company in question has the legally exercisable right to offset current tax assets and current tax liabilities;
- (ii) deferred tax assets and liabilities relate to income taxes levied by the same tax authority and on the same taxable entity or on different taxable entities that intend to settle current tax liabilities and assets on a net basis, or realize the assets and settle liabilities simultaneously, in future periods when deferred taxes are expected to be settled or recovered.

'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 tax liabilities are recognised on all taxable temporary differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets or liabilities, which do not result from a concentration of business activities, and which at the date of the transaction do not affect the accounting or tax result. When the temporary differences result from the simultaneous initial recognition of an asset against a liability, which do not affect the accounting or tax result, as in the case of the initial recognition of a lease and a provision for dismantling or restoration, the company recognizes the respective deferred tax assets and liabilities.

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 1.0).

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 fivestep model established by IFRS 15:

- (i) Identification of the contract with the trade debtor;
- (ii) Identification of performance obligations;
- (iii) Determination of the price of the transaction;
- (iv) Allocation of transaction price to performance obligations; and
- (v) Recognition of revenue.

Thus, at the beginning of each contract, the Group evaluates the promised goods or services and identifies, as a performance obligation, every promise to transfer to the customer any distinct good or service (alone or together). These promises in client agreements may be express or implied, provided such promises create a valid expectation in the client that the entity will transfer a good or service to the customer, based on the entity's published policies, specific statements or business practices.

To determine the amount of revenue, the Group evaluates for each transaction its performance obligations to its customers, the price of the transaction to be affected by each performance obligation identified in the transaction, and the existence of variable price conditions that may lead to future success to the value of the recorded revenue, and for which the Group makes its best estimate. To determine and allocate the transaction price to each performance obligation, the Group uses the stand-alone prices of the products and services promised at the date of conclusion of the contract with the customer.

Revenue is recorded in the income statement when the control over the product or service is transferred to the customer, that is, at the moment when the customer becomes able to manage the use of the product or service and obtain all the benefits economic conditions associated with it.

The specialisation of revenue is presented as "Assets of customer contracts - Billing to customers" or "Customer contract liabilities - Prepaid billing to customers", under Other current assets and Other current liabilities in the Statement of Financial Position.

Incremental costs for obtaining a contract (which would have been avoided if the Group had not obtained the contract) are capitalised, to the extent that the associated contract has a duration of more than 12 months and there is an expectation of recovering its value in the scope of the contract margin. Likewise, the costs of complying with a contract are recorded as assets, provided that: i) directly related to a contract, or to an anticipated contract that is specifically identified; ii) generate

or improve resources to be used to satisfy performance obligations in the future; and iii) recovery is expected.

Sale of goods

Revenue from the sale of assets is recognised in the income statement when the following conditions are met:

- (i) the risks and significant advantages of ownership of the asset have been transferred by the enterprise to the buyer;
- (ii) effective control of the assets sold becomes the buyer and the company ceases to have continuous management involvement to a degree generally associated with ownership;
- (iii) the amount of income can be reasonably quantified;
- (iv) the economic benefits associated with the transaction are likely to flow to the enterprise; and
- (v) the costs incurred with the transaction, or to be incurred, can reasonably be measured.

The main natures of sales revenue of the companies in which Sonaecom participates are as follows:

- Revenue from sales of newspapers: recognised in the period in which newspapers are sold and made available to distributors in the total value of sales of newspapers and associated products.
- (ii) Revenues from sales of hardware and software related to third-party products: refers to the supply of hardware and software solutions or both through the selection of thirdparty products, the revenue of which is fully recognised when the equipment is delivered (after the completion of the implementation services, in the applicable cases), when all the significant risks and benefits are transferred to the client.

Services rendered

The main types of revenue from services rendered by companies in which Sonaecom participates are essentially as follows:

- (i) Advertising revenues: essentially include advertising for Jornal Publico. These revenues are recognised when each advertising campaign is carried out;
- (ii) Revenue from IT audit contracts: according to IFRS 15, the recognition of revenue from audits must be made "overthe-time" when the benefits of the performance obligation are transferred to the client, or that is, according to the milestones for delivering reports to the client;
- (iii) Revenue from maintenance services: revenue associated with the maintenance of computer services provided or sold to the customer, recognized on a monthly basis "over the time" since the customer simultaneously receives and consumes the benefits resulting from the company's performance that it provides the service.;

- (iv) services provided or sold to the customer, recognised on a monthly basis "over the time" since the customer simultaneously receives and consumes the benefits resulting from the company's performance that it provides the service;
- (v) Revenue from consultancy services: the revenue from services provided in consultancy projects is recognised, in each year, according to the performance obligation to which they refer, depending on the percentage of completion of the same. In other words, with respect to each performance obligation, the Group recognizes revenue over-the-time by measuring progress towards full compliance with such performance obligation; and
- (vi) Revenue from Software as a Service (SaaS): revenue from SaaS service is recognised monthly over-the-time during the contract period. Revenue from the implementation of Software as a Service (SaaS) contracts in some cases must be recognised together with the SaaS service as a single performance obligation on a monthly basis for the term of the contract. In some of the SaaS contracts, the Software implementation services do not constitute a separate performance obligation, but rather a performance obligation combined with the SaaS service. In these cases, the implementation and initial configuration activities mainly consist of administrative tasks necessary to perform the main SaaS service, but which do not provide an incremental benefit to the customer in isolation. Thus, in these contracts, by analyzing the period and type of implementation carried out in each contract, the Group identifies whether it is facing one or two performance obligations (implementation and SaaS). In the case of a single performance obligation, it recognizes the revenue from that single performance obligation on a monthly over-the-time basis for the period of the contract.

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 liabilitie at the measurement date, under current market conditions. The measurement of fair value is based on the assumption that the transaction to sell the asset or transfer the liability may occur:

- (i) In the main asset and liability market, or
- (ii) If the main asset and liability does not exist, in the market in which an orderly transaction would take place for the asset or liability

The Group uses valuation techniques appropriate to the circumstances and for which there is sufficient data to measure fair value, maximising the use of observable relevant data and minimizing the use of unobservable data.

All assets and liabilities measured at fair value or for which disclosure is mandatory are classified according to a fair value hierarchy, which alocates the data to be used in the fair value measurement, into three levels detailed below:

Level 1 - unadjusted quoted prices for identical assets and liabilities in active markets, which the entity can access at the measurement date;

Level 2 - Valuation techniques that use inputs that although are not quoted are directly or indirectly observable;

Level 3 - Valuation techniques that use inputs not based on observable market data, ie, based on unobservable data.

The measurement of fair value is classified fully at the lowest level of the input that is significant for the measurement as a whole.

u) Reserves Legal reserve

The portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a 'Legal reserve', until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Group, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Share premiums

The share premiums relate to premiums generated in the issuing of capital or in capital increases. According to Portuguese Commercial law, share premiums follow the same requirements of 'Legal reserves', i.e., they are not distributable, except in case of liquidation, but they can be used to absorb losses, after all the other reserves are exhausted or to increase share capital.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and deducted in equity, being unavailable for distribution, while own shares are held.

Other reserves

This caption is essentially related to the results carried over from previous years, also including accumulated exchange differences in the negative amount of approximately Euro 57,133.



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 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
	31 December	Average	31 December	Average
American Dollar	0.8902	0.8934	0.8734	0.8475
Australian Dollar	0.6252	0.6211	0.6165	0.6330
Canadian Dollar	0.6850	0.6733	0.6408	0.6538
Singapore dollar	0.6618	0.6549	0.6414	0.6280
Swiss Franc	0.9213	0.8990	0.8874	0.8661
Egyptian Pound	0.0556	0.0505	0.0487	0.0477
Pounds Sterling	1.1754	1.1405	1.1179	1.1304
Mozambique Metical	0.0145	0.0143	0.0142	0.0141
Nigerian Naira	0.0025	0.0025	0.0024	0.0024
Colombian Peso	0.0003	0.0003	0.0003	0.0003
Mexican Peso	0.0471	0.0464	0.0445	0.0441
South African Rand	0.0634	0.0619	0.0608	0.0642
Brazilian Real	0.2215	0.2268	0.2250	0.2329
Malaysian Ringgit	0.2176	0.2157	0.2113	0.2100

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 'Impairment losses', in relation to the other assets.

Non-financial assets impairment

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

Impairment tests are performed for assets with defined useful lives and investments in associated whenever there is evidence that their book value is higher than the recoverable value.

The recoverable amount is the greater of the net selling price and the value in use. Net selling price is the amount obtainable upon the sale of an asset in a transaction within the capability of the parties involved, less the costs directly related to the sale. The value in use is the present value of the estimated future cash flows expected to result from the continued use of the asset and of its sale at the end of its useful life.

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

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

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

Financial assets impairment

The Group assesses at each reporting date the existence of impairment in financial assets at amortised cost. The expected loss results from the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The objective of this impairment policy is to recognize expected credit losses over the duration of financial instruments that

have undergone significant credit risk increases since initial recognition, assessed on an individual or collective basis, taking into account all reasonable and sustainable information, including prospects. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures the provision for losses related to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months .

With regard to the amounts under 'Trade debtors', 'Other debtors' and 'Customer contract assets', impairment losses is calculated based on the expected credit loss, the calculation are of which results from the application of expected loss rates based on payments received in the context of sales and services rendered, over a period of 48 months before 31 December 2019, and historical credit losses.

At 31 December 2019, the following expected credit loss rates were considered by business segment:

	Tecnologies	Media
Not due	0%-0,90%	0% -2,19%
1 to 60 days	0%-1,33%	0% -3,37%
60 to 90 days	0%-7,43%	0% -56,57%
90 to 180 diays	0%-14,11%	0% -31,70%
180 to 360 days	0%-39,18%	0% -49,50%
More than 360 days	0%-100%	0% -100%

Regarding accounts receivable from related entities, which are not considered as part of the financial investment in these entities, credit impairment is assessed according to the following criteria: i) if the balance receivable is immediately due, ii) if the balance has a low risk, or (iii) if it has a maturity of less than 12 months. In cases where the amount receivable is immediately payable and the related entity is able to pay, the probability of default is close to 0% and therefore the impairment is considered equal to zero. In cases where the receivable balance is not immediately due, the related entity's credit risk is assessed and if it is "low" or if the maturity is less than 12 months, then the Group only assesses the probability of a default occurring for the cash flows that mature in the next 12 months

For all other situations and nature of receivables, the Group applies the general approach of the impairment model, evaluating at each reporting date whether there has been a significant increase in credit risk since the date of the initial recognition of the asset. If there is no increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to expected losses within a period of 12 months. If there has been an increase in credit risk, the Group calculates an impairment corresponding to the amount equivalent to

expected losses for all contractual flows until the maturity of the asset.

The Group prospectively estimates the estimated credit losses associated with assets at amortised cost. The methodology of impairment applied depends on whether or not there has been a significant increase in credit risk.

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.

For plans settled in cash, the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the vesting period that has 'elapsed' up to the respective accounting date. The liability is quantified based on the fair value of the shares as of each statement of financial position date. When the liability is covered by a hedging contract, recognition is made in the same way as described above, but with the liability being quantified based on the contractually fixed amount.

Equity-settled plans to be liquidated through the delivery of shares of Sonae are recorded as if they were settled in cash, which means that the estimated liability is recorded under the balance sheet captions 'Other non-current liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

At 31 December 2019, the plans atributed 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) Dividends distribution

The distribution of dividends to the Group's shareholders is recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by its shareholders.

aa) 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 postbalance sheet conditions (non-adjusting events), when material, are disclosed in the notes to the consolidated financial statements.

ab) Judgements and estimates

The most significant accounting estimates reflected in the consolidated financial statements of the years ended at 31 December 2019 and 2018 are as follows:

- (i) Useful lives of tangible and intangible assets (note 1.c, 1.d e 1.h);
- (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 (note 23);
- (iv) Recognition provisions and analysis of contingent liabilities (note 23);
- (v) Recoverability of deferred tax assets (note 11);
- (vi) Recognition of contract revenue (note 30); and
- (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. The sensitivity analysis of the variation of the assumptions in the impairment calculation is reflected in note 8.

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).

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. 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 rent or lease its assets for additional periods. At the beginning of the lease, Sonaecom assesses the reasonableness of exercising the option to renew the contract after the initial period. That is, it considers all the relevant factors that create an economic incentive for the exercise of the renewal. After the start date, the Group reevaluates the end 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 option to renew (for example, a change in strategy of business).

Based on the characteristics of the negotiated lease contracts, management assesses on the date of the negotiation of the contract whether it qualifies as a lease or a service contract.

Tax impacts of IFRS 16 application

Considering the accounting impacts that result from the application of IFRS 16 - Leases, for a lessee, with the recognition of an asset under the right of use not typified in the tax law and the registration of a lease liability that is only taxally accepted for the payment of rents , management proceeded to

recognise the respective deferred tax asset (on the lease liability) and the deferred tax liability (on the asset under direct use), on the initial and subsequent recognition date of the lease agreements. If the Tax Administration communicates a different understanding regarding the tax framework of the application of IFRS 16 or changes the tax law, the recognised deferred taxes may have to be revised / changed.

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.

The remaining judgments and estimates are described in the corresponding notes, when applicable.

ac) 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 and 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 a procedure is not possible, the Group adopts derivative financial hedging instruments (note 1.n).

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

The amount of assets and liabilities (in Euro) belonging to the Group and recorded in a different currency is as follows:

	Assets			Liabilities
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Australian Dollar	-	(1,751)	-	5,086
Brazilian Real	856	9,402,301	-	6,720,234
Canadian Dollar	199	168,440	-	-
Swiss Franc	-	31,171	-	788
Colombian Peso	-	1,864,294	-	834,746
Egyptian Pound	-	226,847	-	3,128
Pounds Sterling	112,851	1,190,826	648,548	1,898,992
Mexican Peso	711,665	2,706,226	10,615,256	9,677,407
Malaysian Ringgit	-	500,595	-	1,323,432
Mozambique Metical	16,073	7,908	-	-
Nigerian Naira	· -	134,583	-	-
Singapore dollar	-	=	-	(528)
American Dollar	2,075,894	32,731,332	333,455	27,213,867
South African Rand	10,772	-	-	6,536

The Group's sensitivity to the variations of the exchange rate is as follows (increases/(decreases)):

			2019		2018
	Change in				
	exchange		Shareholders'		Shareholders'
	rates	Income	funds	Income	funds
Australian Dollar	5%	-	-	(342)	-
Brazilian Real	5%	43	-	(93,357)	227,460
Canadian Dollar	5%	10	-	8,422	-
Swiss Franc	5%	-	-	1,519	-
Colombian Peso	5%	-	-	37,504	13,974
Egyptian Pound	5%	-	-	11,186	-
Pounds Sterling	5%	2,984	(29,768)	59,729	(95,137)
Kuwaiti Dinar	5%	-		(1,667)	-
Mexican Peso	5%	(101,793)	(393,387)	24,352	(372,911)
Malaysian Ringgit	5%		` -	(3,579)	(37,563)
Mozambique Metical	5%	804	-	395	-
Nigerian Naira	5%	-	-	6,729	-
American Dollar	5%	87,122	-	1,332,149	(1,056,275)
South African Rand	5%	539	-	(327)	
		(10,291)	(423,155)	1,382,733	(1,320,452)

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 facilitu/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 21) are at variable rates, interest rate are used swaps and other derivatives, when it is deemed necessary, to hedge future changes in cash flow relating to interest payments. Interest rate swaps have the financial effect of converting the respective borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with third parties (banks) to exchange, in predetermined periods, the difference between the amount of interest calculated at the fixed contract rate and the floating rate at the time of re-fixing, by reference to the respective agreed notional amounts.

The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, being the Group's policy, when contracting such instruments, to give preference to financial institutions that form part of its financing transactions. In order to select the counterparty for occasional operations, Sonaecom requests proposals and indicative prices from a representative number of banks in order to ensure adequate competitiveness of these operations.

In determining the fair value of hedging operations, the Group uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates prevailing at the balance sheet date.

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

The fair value of the derivatives contracted, that are not considered as fair value hedges or the ones that are considered not sufficiently effective for cash flow hedge (in accordance

with the provisions established in IAS 39), are recognised under statement financial position and changes in the fair value of such derivatives are recognised directly in the profit and loss statement for the year.

Comparative quotes from financial institutions, for specific or similar instruments, are used as an evaluation benchmark.

The fair value of the contracted derivatives, which do not qualify as fair value hedging or which are not considered sufficiently effective in hedging cash flows, is recognised in the statement of financial position, with changes in their fair value being recognised directly in the statement of operations. exercise results.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Group, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

At 31 December 2019, there are not any 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.

Investment using the market is limited to contracting operations with eligible counterparties, that is, that comply with certain rating ratings previously defined by the Board of Directors, and limited to certain maximum amounts per counterparty.

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

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

The amount related to loans obtained, suppliers and other debts to third parties and other financial liabilities, represents 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 (note 12).

(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 48 months (4 years) before 31 December 2019, and the corresponding historical credit losses verified during this period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle outstanding amounts.

As such, the impairment losses at 31 December 2019 was determined taking into account these assumptions of IFRS 9, as detailed (note 14).

141

Considering the aforementioned policies, the Board of Directors does not foresee the possibility of any occurrence of any material breach of contractual obligations.

The amounts related to cash and cash equivalents, other non current assets (supplies) and other third party debts presented in the financial statements, which are net of impairment, represent the maximum exposure of the Group to credit risk.

Capital risk

Sonaecom's capital structure, determined by the ratio of equity and net debt, is managed in a way that ensures the continuity and development of its operating activities, maximises shareholder's returns and optimises the cost of financing.

Risks, opportunities and necessary adjustment measures in order to achieve the referred objectives are periodically monotirised by Sonaecom.

In December 2019, Sonaecom presented an average accounting gearing, obtained by the ratio of the average net debt of the year by the average of the equity of the year, negative of 21.9%. Average gearing in market values in 2019 was negative by 32.9%. The reported amounts were restated due to the sale of the Saphety and We Do groups. In addition, the debt values considered for the calculation do not include the lease contracts registered under IFRS 16.

ad) Restatement of consolidated financial statements

Disclosure of IFRS 16 impacts

IFRS 16 was endorsed in October 2017 and should be applied for years beginning on or after 1 January 2019. This standard establishes the form of recognition, presentation and disclosure of lease contracts, defining a single recognition model.

Transition

The new standard will replace all requirements, principles for recognition, measurement, presentation and disclosure of lease contracts prescribed in International Standards, in particular in IAS 17 - Leases, starting to define the new accounting record for leases, both from the perspective of the lessor, whether from the lessee's perspective, introducing a new accounting regime for the lessee, which determines the registration of a right of use on the assets under lease and a lease liability relating to rents payable, for all lease contracts.

Sonaecom applied IFRS 16 using the full retrospective approach and, therefore, the information in the 2018 financial statements was restated, as if this standard had been applied since the beginning of the lease contracts, that is, the accounting policy is in accordance with IFRS 16, from 1 January 2018.

IFRS 16 establishes that lesses account for all leases based on a single model of recognition in the balance sheet in a similar way to the treatment that IAS 17 establishes for finance leases.

The standard allows two exceptions to this model: (1) low-value leases and (2) short-term leases (i.e., with a lease period of less than 12 months). The Group did not adopt these exceptions.

In the case of contracts that constitute, or contain, a lease, entities shall account for each component of the lease contained in the contract as a lease, separately from other components of the contract that are not leases, unless the entity applies the practical expedient provided for in the standard. The Group adopted this practical expedient.

On the beginning of the lease, the lessee recognizes the liability related to the lease payments (lease liability) and the asset that represents the right to use the underlying asset during the lease period (right to use).

The lesses will have to recognize separately the cost of interest on the lease liability and the depreciation of the right to use.

The accounting by the lessor remains substantially unchanged compared to the current treatment of IAS 17. The lessor continues to classify all leases using the same principles as IAS 17 and distinguishing between two types of leases: operating and financial.

The impacts of IFRS 16 adoption on the consolidated statement of financial position and consolidated statement of income by nature are presented in the tables below with restatements at 31 December 2017 and 31 December 2018.

The total amount of the Rights of use at 01 January 2018 and December 2018 can be detailed as follows:

(Amounts expressed in Euro)	01 January 2018 (restated)	December 2018 (restated)
Rights of use	7,571,296	13,123,631
Land, Buildings and other constructions	3,346,366	6,387,427
Equipment	1,118,926	1,642,315
Transport equipment	2,976,612	4,895,433
Software	129,392	198,456

The impacts of IFRS 16 adoption on the consolidated statement of cash flows correspond to the reclassification of payments to suppliers to payments relating to amortization of lease contracts, in the amount of Euro 5.14 million.

The impacts of IFRS 16 adoption on the consolidated statements of comprehensive income refer to the impact on reserves through the application of the full equivalence method of ZOPT through the complete restatement of IFRS 16, in the amount of Euro 11.5 million.

Additionally, the IFRS 16 adoption implied the recording of deferred taxes related to Assets - Right to Use and Liabilities for leasing, whose registration is made by the net.

Disclosure of the impacts of the alienation of the Saphety Group

In the year ended at 31 December 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 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 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 year ended at 31 December 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 alienation of the We Do Group

In the year ended at 31 December 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.), We Do Technologies Americas, Inc (100% owned by Cape Technologies Limited), We Do Technologies BV (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.A.), We Do Technologies (UK) Limited (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.) and by Tecnológica Telecomunicações, LTDA. (99,99% owned by Wedo do Brasil Soluções Informáticas, Ltda) 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 year ended at 31 December 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 year ended at 31 December 2018 can be summarised 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)
BALANCE SHEET						
Non-current assets						
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	-	(1,253,002)	=	=	36,059,618
Investments in associated companies and companies jointly controlled Current assets	787,033,203	(13,087,763)	(8,102)	-	-	773,937,338
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	-	1,955	-	-	229,040,867
Shareholders' funds						
Reserves	783,365,333	(11,878,774)	681,518	-	-	772,168,077
Non-controlling interests	(730,688)	(71,959)	1,181,833	-	-	379,186
Non-current liabilities						
Non-current lease liabilities	158,447	9,364,495	-	-	-	9,522,942
Deferred tax Liabilities	13,930,732	-	710,207	-	-	14,640,939
Other non-current liabilities	6,863,944	-	(219,704)	-	-	6,644,240
Current liabilities						
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	-	56,400	-	-	14,440,263
Other current liabilities	40,261,700	-	1,558,128	-	-	41,819,828
STATEMENT OF COMPREHENSIVE INCOME						
Total Revenues	171,788,260	570,593	-	(7,952,559)	(53,338,788)	111,067,506
External supplies and services	(42,779,676)	1,447,260	-	3,176,635	17,386,965	(20,768,816)
Other operating costs	(126,627,632)	-	-	3,107,447	28,635,044	(94,885,141)
Depreciation and amortisation	(11,088,290)	(1,915,360)	-	899,197	6,123,475	(5,980,978)
Other financial expenses	(4,362,799)	(148,190)	-	77,689	2,264,764	(2,168,537)
Other financial income	4,373,827	3,696	-	99,820	(2,095,133)	2,382,210
Gains and losses in associated companies and companies jointly controlled	90,808,907	(1,587,185)	-	-	-	89,221,722
Income taxation	(12,167,568)	-	-	287,540	484,494	(11,395,534)
Net income/(loss) for the year of continued operations	69,945,027	(1,629,186)	-	(304,231)	(539,179)	67,472,432
Net income/(loss) for the year of discontinued operations	-	20,230	-	304,231	539,179	863,639
Non-controlling interests	(41,022)	(19,014)	-	(39,566)	(1,335)	(100,937)
Non-controlling interests (discontinued operations)	-	(928)	-	39,566	1,335	39,973

The impacts of restating the consolidated accounts in accordance with the amendments to IFRS 16 for the year ended at 31 December 2017 can be detailed as follows:

(Amounts expressed in Euro)	December 2017 (restated)	IFRS 16	01 January 2018 (restated)
BALANCE SHEET			
Non-current assets			
Tangible assets	3,211,795	(353,468)	2,858,327
Intangible assets	25,019,894	(129,392)	24,890,502
Rights of use	-	7,571,296	7,571,296
Investments in associated companies and companies jointly controlled	771,735,367	(11,500,578)	760,234,789
Current assets			
Other current debtors	2,942,113	140,528	3,082,641
Shareholders' funds			
Reserves	784,781,832	(12,414,592)	772,367,240
Non-controlling interests	1,625,044	(7,584)	1,617,460
Non-current liabilities			
Non-current lease liabilities	-	4,180,854	4,180,854
Current lease liabilities	-	3,369,407	3,369,407
STATEMENT OF COMPREHENSIVE INCOME			
External supplies and services	(37,524,704)	3,331,898	(34,192,806)
Depreciation and amortisation	(9,407,071)	(2,998,586)	(12,405,657)
Other financial expenses	(5,665,134)	(290,481)	(5,955,615)
Gains and losses in associated companies and companies jointly controlled	35,779,065	556,115	36,335,180
Net income/(loss) for the year of continued operations	22,904,211	598,946	23,503,157
Non-controlling interests	138,245	(1,354)	136,891

$2. \ Companies \ included \ in \ the \ consolidation$

Group companies included in the consolidation through full consolidation method, their head offices, main activities, shareholders and percentage of share capital held at 31 December 2019 and 2018, are as follows:

					2019		2018
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct	Effective*	Direct	Effective
Parent company SONAECOM, S.G.P.S., S.A. ('Sonaecom')	Maia	Management of chareholdings					
Subsidiaries	Maia	Management of shareholdings.		· <u>-</u>			
Bright Developement Studio, S.A. ('Bright')	Lisbon	Research, development and commercialization of projects and service solutions in the area of information technology, communications and retail, and consulting activities for business and management.	Sonae IM	100%	100%	100%	100%
Bright Ventures Capital, SCR, S.A.	Lisbon	Realization of investment in venture capital, management of venture capital funds and investment in venture capital fund units.	Bright	100%	100%	100%	100%
Cape Technologies Limited ('Cape Technologies') (f)	Dublin	Rendering of consultancy services in the area of information systems.	We Do	Alienate	ed	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')	Contern	Excellium assist enterprises to perform business and risk assessments, define security policies and procedures, respond to security incidents and deliver computer forensics services.	Sonae IM	59.20%	59.20%	59.20%	59.20%
Excellium Services, S.A. ('Excellium Services')	Contern	Provide services within the IT and cibersecurity domain mainly to Luxembourgish institutions, banks and insurance companies.	Sonae IM	59.20%	59.20%	59.20%	59.20%
Excellium Services Belgium, S.A. ('Excellium Services Belgium')	Wavre	Provide services within the IT and cibersecurity domain mainly to Belgium institutions, banks and insurance companies.	Sonae IM	59.20%	59.20%	59.20%	59.20%
Excellium Factory SARL ('Excellium Factory')	Raouad- Ariana	Vehicle for the Excellium product development in Africa.	Sonae IM	80%	47.36%	80.00%	47.36%
Inovretail, S.A.	Oporto	Industry and coméricio 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 España')	Madrid	Industry and coméricio 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%	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) (a)	Bilbao	Rendering of engineering and IT consulting services specializing in information security and management of telecommunications services.	S21 Sec Gestion	Merged with 9 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.	S21 Sec Gestion	99.93%	80.90%	99.93%	80.90%
PCJ - Público, Comunicação e Jornalismo, S.A. ('PCJ')	Maia	Editing, composition and publication of periodical and non- periodical material and the exploration of radio and TV stations and studios.	Sonaecom	100%	100%	100%	100%
Praesidium Services Limited ('Praesidium Services')	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.('S21Sec 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%
S21Sec Brasil, Ltda ('S21Sec Brasil') (b)	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	Discontin	ued	99,99% 0,01%	80.90%
S21 Sec Gestion, S.A. ('S21 Sec Gestion')	Guipuzcoa	Consulting advisory, audit and maintenance of all types of facilities and advanced communications services and security systems. Purchase and installation of advanced communications and security systems produced by others.	Sonaecom CSI	80.90%	80.90%	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	99,9996%	80.90%	99,9996%	80.90%
JET JCC, J.M. UC CY (JET JCC, J.M. UC CY)	MEXICO CITY	comparer consulting services	S21 Sec Labs	0,0004%	55.5670	0,0004%	00.30%

						ntage of share	
Company (Commercial brand)	Head office	Main activity	Shareholder	Direct Eff	2019 ective*	Direct	2018 Effective*
Saphety Level – Trusted Services, S.A. ('Saphety') (c)	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') (c)	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 Colômbia') (c)	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') (d)	Oporto	Research, design and development of products and services in the field of information technologies, as well as investment and training related to the development of new business information systems.	Bright	-	-	99.01%	99.01%
Tecnológica Telecomunicações, LTDA. ('Tecnológica') (f)	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') (f)	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') (f)	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)	Delaware	Rendering of consultancy services in the area of information systems.	We Do	Alienated		100%	100%
We Do Technologies Australia PTY Limited ('We Do Austrália') (e)	Sydney	Rendering of consultancy services in the area of information systems.	Cape Technologies	Discontinue	d	100%	100%
We Do Technologies BV ('We Do BV') (f)	Amsterdam	Management of shareholdings.	We Do	Alienated		100%	100%
We Do Technologies BV – Malaysian Branch ('We Do Malásia') (f)	Kuala Lumpur	Rendering of consultancy services in the area of information systems.	We Do BV	Alienated		100%	100%
We Do Chile ('We Do Chile') (f)	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') (f)	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') (f)	Madrid	Rendering of consultancy services in the area of information systems.	We Do	Alienated		100%	100%
We Do Technologies (UK) Limited ('We Do UK') (f)	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 México') (f)	Mexico City	Rendering of consultancy services in the area of information systems.	We Do We Do BV	Alienated		0.001% 99.999%	100%
* Songerom offective participation							

^{*} Sonaecom effective participation

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'.

⁽a) In May 2019, with reference to 1 January 2019, Nextel merged into S21Sec Gestion.
(b) In June 2019, the liquidation process of the subsidiary S21 Sec Brasil was completed.
(c) On 21 March 2019, Sonae IM alongside with AITEC and BPI sold their participation in the Saphety Group (note 3.c).
(d) In November 2019, a capital increase was made at Taikai, which Sonae IM did not subscribe to, resulting in the dilution of its participation and consequent loss of control and significant influence in the company. The investment in this company at 31 December 2019 is now recorded in Investments at fair value through other comprehensive income.

⁽e) In March 2019 the process of dissolving the subsidiary We Do Australia was completed.

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



3. Changes in the Group

During the years ended at 31 December 2019 and 2018, the following changes occurred in the composition of the Group:

a) Acquisitions

Shareholder	Subsidiary	Date
2019		
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização ('Armilar I+I') (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	CB-4, 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	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III') - increase (note 9)	Apr-19 Nov-19
Sonae IM	Cellwize 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
Sonae IM	ArcticWolf Networks, Inc ('ArcticWolf') (note 10)	Dec-19
Sonae IM	Sixgill Ltd. ('Sixgill') (note 10)	Dec-19

Shareholder	Subsidiary	Date
2018		
Bright	Food Orchestrator, Lda ('Food Orchestrator') (note 10)	Jan-18
Bright	EGI Factory, S.L ('EGI Factory') (note 10)	Jun-18
Bright	Beamy, S.A.S. ('Beamy') ((note 10)	Aug-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
Fundo Bright Vector I	RK.AI - Serviços de processamento de imagens e análise de dados, Lda ('RK.AI') (note 10)	Jul-18
Fundo Bright Vector I	Whitefantasy, Lda ('Whitefantasy') (note 10)	Dec-18
S21 Sec Gestión	Nextel, S.A. ('Nextel') (note 8)	Jun-18
S21 Sec Gestión	Mxtel, S.A. de CV ('Mxtel') (note 8)	Jun-18
Sonae IM	Jscrambler, S.A. ('Jscrambler') (note 10)	Feb-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
Sonae IM	Reblaze Technologies, Ltd. ('Reblaze') (note 10)	Jul-18
Sonae IM	ciValue Systems, Ltd. ('ciValue') (note 10)	Aug-18
Sonae IM	ArcticWolf Networks, Inc ('ArcticWolf') (note 10)	Oct-18
Sonae IM	Fundo de Capital de Risco Armilar Venture Partners III ('Armilar III') - increase (note 9)	Nov-18 Dec-18
Sonae IM	Ometria, Ltd. ('Ometria') (note 10)	Nov-18
Sonae IM	ViSenze Pte, Ltd ('ViSenze') (note 10)	Nov-18
Sonaecom CSI	Excellium Group, S.A. ('Excellium') (note 8)	Dec-18
Sonaecom CSI	Excellium Services, S.A. ('Excellium Services') (note 8)	Dec-18
Sonaecom CSI	Excellium Services Belgium, S.A. ('Excellium Services Belgium') (note 8)	Dec-18
Sonaecom CSI	Excellium Factory SARL ('Excellium Factory') (note 8)	Dec-18
Sonaecom CSI	Suricate Solutions, S.A. ('Suricate Solutions') (notes 8 and 9)	Dec-18
Sonaecom CSI	Alfaros SARL ('Alfaros') (notes 8 and 9)	Dec-18
Sonaecom CSI	Suricate Solutions CI SARL (Suricate Solutions CI') (notes 8 and 9)	Dec-18
Sonaecom CSI	Suricate Solutions SN SARL ('Suricate Solutions SN') (notes 8 and 9)	Dec-18

b) Dissolutions

Shareholder	Subsidiary	Date
2019		
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	We Do Egypt	Jul-19
We Do	We Do España	Jul-19
We Do	We Do UK	Jul-19
We Do	We Do Mexico	Jul-19
We Do BV	WE DO MEXICO	ını-Ta
We Do Brasil	Tecnológica	Jul-19
We Do	Cape Technologies	Jul-19

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

Effects of the alienation of subsidiaries in the consolidated financial statements

In March 2019, the companies that are part of the Saphety Group were alienated by the amount of Euro 8,580,809 (includes the amount of Euro 2,723,878 related to loans) 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		(257,712)
		(8,218,856)
Acquired liabilities		
Loans obtained		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
Amount received		8,580,809
Goodwill	<u> </u>	4,933,947

The net result of discontinued operations is detailed in note 40.

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 (includes the amount of Euro 11,140,000 related to loans) 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	17	(1,605,190)
		(123,692,172)
Acquired liabilities		
Loans obtained		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 decurring from 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 approximately Euro 3.4 million of sale commissions and the amount of circa Euro 1.7 million (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 40).

We Do's sales contract also includes a contingent amount receivable depending on the group's performance in terms of EBITDA and Revenue, which, based on the best estimate as of today, is not recorded as a consideration to be received.

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 31 December 2019.

d) Constitutions

Buyer	Subsidiary	Date
2018		
Bright	Taikai	Aug-18
Inovretail	Inovretail Espanha	Oct-18

4. Breakdown of financial instruments

At 31 December 2019 and 2018, the breakdown of financial instruments is as follows:

At 31 December 2019 and 2018, the breakdor	vii ui iiilalicialii	istruments is a	S TUIIUWS.			
						2019
		Circurate la contrata de feir				
	Financial assets	Financial assets at fair value through other	Financial assets at fair			
	measured at amortised	comprehensive	value through profit or	Total financial	Others not covered by	
	cost	income	loss	assets	IFRS 9	Tota
Non-current assets						
Financial assets at fair value through other comprehensive income (note 10)	-	58,367,022	-	58,367,022	-	58,367,02
Other non-current assets (note 12)	7,928,137	-	75,776	8,003,913	<u> </u>	8,003,91
Current assets	7,928,137	58,367,022	75,776	66,370,935		66,370,93
Trade debtors (note 14)	27,227,731			27,227,731		27,227,73
Other current debtors (note 15)	7,521,876			7,521,876	767,335	8,289,21
Other current assets (note 16)	6,864,609	_	_	6,864,609	5,374,293	12,238,90
Cash and cash equivalents (note 17)	255,877,001	-	-	255,877,001		255,877,00
	297,491,217	-	-	297,491,217	6,141,628	303,632,845
						2018
		Financial assets at fair				
	Financial assets	value through other	Financial assets at fair			
	measured at amortised	comprehensive	value through profit or	Total financial	Others not covered by	
	cost	income	loss	assets	IFRS 9	Tota
Non-current assets		20404.502		20404502		2040450
Financial assets at fair value through other comprehensive income (note 10)	2.020.550	28,101,682	- 00.501	28,101,682	-	28,101,682
Other non-current assets (note 12)	2,920,650	28,101,682	88,591	3,009,241 31,110,923		3,009,243 31,110,923
Current assets	2,920,650	20,101,002	88,591	31,110,923		31,110,923
Trade debtors (note 14)	50,960,546	_	_	50,960,546	_	50,960,546
	7,679,203	-	-	7,679,203	912,728	8,591,93
				11,655,314	5,395,774	17,051,088
	11,655,314	-				
Other current debtors (note 15)	11,655,314 229,040,867	- -		229,040,867	-,,	229,040,867
Other current debtors (note 15) Other current assets (note 16)		-			6,308,502	229,040,867 305,644,432
Other current debtors (note 15) Other current assets (note 16)	229,040,867	<u></u>		229,040,867		305,644,432
Other current debtors (note 15) Other current assets (note 16)	229,040,867	-	<u>:</u>	229,040,867		305,644,432
Other current debtors (note 15) Other current assets (note 16)	229,040,867		-	229,040,867		305,644,432
Other current debtors (note 15) Other current assets (note 16)	229,040,867	-	Liabilities recorded at	229,040,867		305,644,432
Other current debtors (note 15) Other current assets (note 16)	229,040,867	-	Liabilities recorded at amortised cost	229,040,867 299,335,930	6,308,502	305,644,432 2019
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities	229,040,867	-	amortised cost	229,040,867 299,335,930 Total financial liabilities	6,308,502 Others not covered	305,644,432 2019 Tota
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21)	229,040,867	-	amortised cost 3,289,931	229,040,867 299,335,930 Total financial liabilities 3,289,931	6,308,502 Others not covered	305,644,432 2019 Tota 3,289,93:
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22)	229,040,867		amortised cost 3,289,931 11,156,725	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725	0thers not covered by IFRS 9	305,644,432 2019 Tota 3,289,931 11,156,725
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21)	229,040,867	-	amortised cost 3,289,931 11,156,725 3,993,093	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093	Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24)	229,040,867	-	amortised cost 3,289,931 11,156,725	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725	0thers not covered by IFRS 9	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities	229,040,867	-	amortised cost 3,289,931 11,156,725 3,993,093 18,439,749	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749	Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,93: 11,156,725 4,150,043 18,596,699
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21)	229,040,867	-	3,289,931 11,156,725 3,993,093 18,439,749	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749	Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,93 11,156,72! 4,150,04: 18,596,699
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current lease so liabilities (note 24) Current loans and other loans (note 21) Trade creditors (note 25)	229,040,867	-	3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965	Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,933 11,156,729 4,150,043 18,596,699 1,525,122 19,041,969
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21)	229,040,867	-	amortised cost 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361	Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,933 11,156,725 4,150,042 18,596,699 1,525,122 19,041,966 3,448,366
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current liabilities Current lease and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27)	229,040,867	-	3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,655 3,448,361 7,422,786	0thers not covered by IFRS 9 156,950 156,950	305,644,432 2019 Tota 3,289,93: 11,156,729 4,150,042 18,596,699 1,525,122 19,041,969 3,448,361 11,935,197
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27)	229,040,867	-	amortised cost 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361	Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,93: 11,156,725 4,150,043 18,596,699 1,525,122 19,041,966 3,448,36: 11,935,197 22,724,636
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26)	229,040,867	-	3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057	305,644,432 2019 Tota 3,289,931
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current liabilities Current lease and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27)	229,040,867	-	3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043 18,596,695 1,525,122 19,041,965 3,448,361 11,935,197 22,724,638 58,675,283
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current liabilities Current lease and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27)	229,040,867		3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043 18,596,695 1,525,122 19,041,965 3,448,361 11,935,197 22,724,638 58,675,283
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current liabilities Current lease and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27)	229,040,867		3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043 18,596,695 1,525,122 19,041,965 3,448,361 11,935,197 22,724,638 58,675,283
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27) Other current liabilities (note 29)	229,040,867		3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043 18,596,695 1,525,122 19,041,965 3,448,361 11,935,197 22,724,638 58,675,283 2018 (restated)
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27) Other current liabilities (note 29)	229,040,867	-	3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815	6,308,502 Others not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered	305,644,432 2019 Tota 3,289,933 11,156,729 4,150,043 18,596,699 1,525,122 19,041,969 3,448,36 11,935,197 22,724,638 58,675,283
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27) Other current liabilities (note 29)	229,040,867	-	3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Liabilities recorded at amortised cost 3,677,091	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Total financial liabilities 3,677,091	6,308,502 Others not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered	305,644,432 2019 Total 3,289,93 11,156,729 4,150,043 18,596,699 1,525,122 19,041,969 3,448,36 11,935,197 22,724,634 58,675,283 2018 (restated Total
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other current liabilities (note 27) Other current liabilities (note 29) Non-current liabilities (note 29)	229,040,867		3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Liabilities recorded at amortised cost 3,677,091 9,522,942	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Total financial liabilities 3,677,091 9,522,942	6,308,502 Others not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,93: 11,156,729 4,150,043 18,596,699 1,525,122 19,041,956 3,448,36: 11,935,199 22,724,638 58,675,283 Constitution of the control of the contr
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other current liabilities (note 27) Other current liabilities (note 29) Non-current liabilities (note 29)	229,040,867		amortised cost 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Liabilities recorded at amortised cost 3,677,091 9,522,942 6,423,554	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Total financial liabilities 3,677,091 9,522,942 6,423,554	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,93; 11,156,725 4,150,042 18,596,699 1,525,122 19,041,965 3,448,36; 11,935,197 22,724,636 Crestated Tota 3,677,099 9,522,944 6,644,240
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Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other current liabilities (note 27) Other current liabilities (note 29) Non-current liabilities Non-current liabilities (note 22) Other non-current liabilities (note 22) Other non-current liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current liabilities Current loans and other loans (note 21)	229,040,867		3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Liabilities recorded at amortised cost 3,677,091 9,522,942 6,423,554 19,623,587	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Total financial liabilities 3,677,091 9,522,942 6,423,554 19,623,587	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,93 11,156,729 4,150,043 18,596,699 1,525,122 19,041,966 3,448,36 11,935,191 22,724,636 58,675,283 2018 (restated Tota 3,677,091 9,522,942 6,644,246 19,844,273
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current lease liabilities (note 24) Current lease liabilities (note 25) Current lease liabilities (note 26) Other creditors (note 27) Other current liabilities (note 29) Non-current liabilities (note 29) Non-current lease liabilities (note 29) Current lease liabilities (note 29) Current lease liabilities (note 29) Current lease liabilities (note 22) Other non-current lease liabilities (note 22) Other non-current liabilities (note 22) Trade creditors (note 25)	229,040,867		amortised cost 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Liabilities recorded at amortised cost 3,677,091 9,522,942 6,423,554 19,623,587	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Total financial liabilities 3,677,091 9,522,942 6,423,554 19,623,587 5,209,946 18,941,483	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,33: 11,156,725 4,150,043 18,596,699 1,525,122 19,041,965 3,448,36: 11,935,197 22,724,636 58,675,283 Custated Tota 3,677,09: 9,522,942 6,544,244 19,844,273 5,209,946 18,941,483
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27) Other current liabilities (note 29) Non-current liabilities (note 29) Non-current liabilities Current liabilities (note 22) Other non-current liabilities (note 22) Other non-current liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21)	229,040,867		3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Liabilities recorded at amortised cost 3,677,091 9,522,942 6,423,554 19,623,587 5,209,946 18,941,483 3,850,740	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Total financial liabilities 3,677,091 9,522,942 6,423,554 19,623,587	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043 18,596,699 1,525,122 19,041,965 3,448,361 11,935,197 22,724,638
Other current debtors (note 15) Other current assets (note 16) Cash and cash equivalents (note 17) Non-current liabilities Non-current loans net of short term position (note 21) Non-current lease liabilities (note 22) Other non-current liabilities (note 24) Current liabilities Current loans and other loans (note 21) Trade creditors (note 25) Current lease liabilities (note 26) Other creditors (note 27) Other current liabilities (note 29) Non-current liabilities (note 29) Non-current lease liabilities (note 24) Current lease liabilities (note 24) Current liabilities Current liabilities Current liabilities Current liabilities Current lease liabilities (note 24) Current lease liabilities (note 25) Current lease liabilities (note 25) Current lease liabilities (note 26)	229,040,867		amortised cost 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Liabilities recorded at amortised cost 3,677,091 9,522,942 6,423,554 19,623,587	229,040,867 299,335,930 Total financial liabilities 3,289,931 11,156,725 3,993,093 18,439,749 1,525,122 19,041,965 3,448,361 7,422,786 12,573,581 44,011,815 Total financial liabilities 3,677,091 9,522,942 6,423,554 19,623,554 19,623,557 5,209,946 18,941,483 3,850,740	0thers not covered by IFRS 9 156,950 156,950 4,512,411 10,151,057 14,663,468 Others not covered by IFRS 9	305,644,432 2019 Tota 3,289,931 11,156,725 4,150,043 18,596,699 1,525,122 19,041,965 3,448,361 11,935,197 22,724,638 58,675,283 2016 (restated) Tota 3,677,091 9,522,942 6,644,240 19,844,273 5,209,946 18,941,483 3,850,744

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/liabilitie were considered non-financial instruments.

The Board of Directors believes that, the fair value of the breakdown of financial instruments recorded at amortised cost or registered at the present value of the payments does not differ significantly from their book value. This decision is based in the contractual terms of each financial instrument. In addition, other financial assets and other current financial liabilities correspond to assets and liabilities measured at amortised cost that will be satisfied in the short term. Additionally, investments held for sale correspond mostly to transactions of the year.

5. Tangible assets

The changes in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2019 and 2018 was as follows:

							2019
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2018 (restated)	4,267,550	11,684,617	385,569	9,757,931	485,832	342,710	26,924,209
Additions	215,192	164,671	-	237,701	516	346,500	964,580
Disposals	-	(40,936)	-	(507,122)	(945)	-	(549,003)
Effect of currency translation	1,340	3,503	-	31,166	46	49	36,104
Transfers and write-offs	226,492	(211,377)	(11,920)	513,822	7,322	(626,231)	(101,892)
Discontinued operations (note 3.c)	(2,129,537)	(547,361)	-	(2,874,706)	(33,652)	(3,239)	(5,588,495)
Balance at 31 December 2019	2,581,037	11,053,117	373,649	7,158,792	459,119	59,789	21,685,503
Accumulated depreciation and impairment losses						<u> </u>	
Balance at 31 December 2018 (restated)	2,865,417	11,129,031	354,938	8,802,551	390,620	-	23,542,557
Depreciation for the year	88,626	66,627	11,660	552,023	10,133	-	729,069
Depreciation for the year for discontinued operations (note 40)	72,805	15,147	-	68,942	1,272	-	158,166
Disposals	-	(30,876)	-	(486,339)	(614)	-	(517,829)
Effect of currency translation	(1,668)	2,683	-	25,425	5	-	26,445
Transfers and write-offs	19,313	(3,282)	(11,920)	(29,215)	34	-	(25,070)
Discontinued operations (note 3.c)	(1,254,657)	(492,533)	· · ·	(2,590,126)	(30,575)	-	(4,367,891)
Balance at 31 December 2019	1,789,836	10,686,797	354,678	6,343,261	370,875	-	19,545,447
Net value	791,201	366,320	18,971	815,531	88,244	59,789	2,140,056

							2018 (restated)
	Land, Buildings and other constructions	Plant and machinery	Vehicles	Fixtures and fittings	Other tangible assets	Work in progress	Total
Gross assets							
Balance at 31 December 2017 (restated)	4,261,366	10,087,256	27,398	8,988,019	453,821	227,465	24,045,325
Changes in consolidation perimeter (3.a)	11,537	1,425,401	379,224	379,284	24,272	176,115	2,395,833
Additions	22,803	88,894	-	170,455	5,811	360,249	648,212
Disposals	-	(442)	-	(136,609)	-	-	(137,051)
Effect of currency translation	(32,239)	7,127	907	20,459	(58)	10	(3,794)
Transfers and write-offs	4,083	76,381	(21,960)	336,322	1,986	(421,128)	(24,316)
Balance at 31 December 2018 (restated)	4,267,550	11,684,617	385,569	9,757,931	485,832	342,710	26,924,209
Accumulated depreciation and impairment losses							
Balance at 31 December 2017 (restated)	2,606,886	9,881,649	27,398	8,311,678	372,871	=	21,200,482
Changes in consolidation perimeter (3.a)	907	1,148,947	340,123	294,477	11,448	=	1,795,902
Depreciation for the year	151,842	67,320	5,814	213,818	4,194	-	442,988
Depreciation for the year for discontinued operations (note 40)	135,025	25,768	-	112,995	2,169	-	275,957
Disposals	-	(442)	-	(136,064)	-	-	(136,506)
Effect of currency translation	(29,215)	5,776	907	25,818	(62)	-	3,224
Transfers and write-offs	(28)	13	(19,304)	(20,171)			(39,490)
Balance at 31 December 2018 (restated)	2,865,417	11,129,031	354,938	8,802,551	390,620	-	23,542,557
Net value	1,402,133	555,586	30,631	955,380	95,212	342,710	3,381,652

Depreciation, amortisation and impairment losses for the year ended at 31 December 2019 and 2018 can be detailed as follows:

	2019	2018 (restated)
Tangible assets	729,069	442,988
Intangible assets (note 6)	6,428,254	3,541,659
Right of Usel (note 7)	3,028,205	1,996,331
	10,185,528	5,980,978

At 31 December 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 31 December 2019 and 2018 can be decomposed as follows:

	2019	2018
Information systems / IT equipment	32,064	274,959
Other projects in progress	27,727	67,751
	59,789	342,710

During the year ended at 31 December 2019 and 2018, there are no commitments to third parties relating to investments to be made.

6. Intangible assets

In the years ended at 31 December 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
Gross assets							
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	25,158	901,511	-	819,680	73,513	3,957,249	5,777,111
Effect of currency translation	154,550	(76,872)	-	-	196,316	-	273,994
Transfers and write-offs	5,365	(2,211,565)	72,566	(508,271)	6,311,497	(6,311,497)	(2,641,905)
Discontinued operations (note 3.c)	(10,758,208)	(7,070,758)	(183,898)	(132,810)	(42,037,925)	(1,176,836)	(61,360,435)
Balance at 31 December 2019	7,624,052	12,214,311	10,243	681,071	40,960,169	1,354,235	62,844,081
Accumulated amortisation and impairment losses							
Balance at 31 December 2018 (restated)	12,045,087	18,468,935	89,568	-	60,815,993	-	91,419,583
Amortisation for the year	2,232,636	2,060,248	18,796	-	2,116,574	-	6,428,254
Amortisation for the year for discontinued operations (note 40)	1,678	102,808	67,443	-	2,796,339	-	2,968,268
Effect of currency translation	151,636	(69,761)	-	-	158,506	-	240,381
Transfers and write-offs	(25,641)	(2,866,842)	(18,796)	-	-	-	(2,911,279)
Discontinued operations (note 3.c)	(10,694,713)	(6,555,586)	(109,266)		(28,409,181)		(45,768,746)
Balance at 31 December 2019	3,710,683	11,139,803	47,745	-	37,478,230	-	52,376,461
Net value	3,913,369	1,074,509	(37,502)	681,071	3,481,938	1,354,235	10,467,620
							2018
							(restated)

							(restated)
						Internally generated	
	Brands and patents			Intangible assets in	Internally generated	assets - Intangible	
	and other rights	Software	Other intangible assets	progress	assets - Software	assets in progress	Total
Gross assets							
Balance at 31 December 2017 (restated)	11,433,736	17,155,260	-	140,852	70,061,829	5,314,343	104,106,020
Changes in consolidation perimeter (3.a)	6,494,114	2,740,031	-	52,348	-	-	9,286,493
Additions	18,012	220,069	121,575	1,104,140	36,567	5,568,117	7,068,480
Disposals	-	(30,696)	-	-	-	-	(30,696)
Effect of currency translation	286,294	(154,448)	-	(8,671)	307,959	13,273	444,407
Transfers and write-offs	(34,969)	741,779	-	(786,198)	6,010,413	(6,010,413)	(79,388)
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
Accumulated amortisation and impairment losses							
Balance at 31 December 2017 (restated)	11,130,078	16,248,484	-	-	51,836,956	-	79,215,518
Changes in consolidation perimeter (3.a)	-	1,802,336	-	-	-	-	1,802,336
Amortisation and impairment for the year (note 5)	534,612	254,132	52,066	-	2,700,849	-	3,541,659
Amortisation for the year for discontinued operations (note 40)	110,718	280,792	-	-	6,094,966	-	6,486,476
Effect of currency translation	297,478	(84,878)	-	-	183,222	-	395,822
Disposals	-	(7,650)	-	-	-	-	(7,650)
Transfers and write-offs	(27,799)	(24,281)	37,502	-	-	-	(14,578)
Balance at 31 December 2018 (restated)	12,045,087	18,468,935	89,568	-	60,815,993		91,419,583
Net value	6,152,100	2,203,060	32,007	502,471	15,600,775	4,885,320	29,375,733

At 31 December 2019, the additions related with intangible assets in progress include about Euro 2.9 million of capitalisations of personnel costs related to own work (note 43), mainly related to IT software development and to the LDM product.

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.

The sensitivity analysis made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the amounts to be recovered, so not material additional impairments were recorded.

7. Rights of use

For the years ended at 31 December 2019 and 2018, the changes occurred in the value of the rights of use, as well as its depreciations and accumulated impairment losses, were as detailed below:

					2019
	Land, Buildings				
	and other				
	constructions	Equipament	Vehicles	Software	Total
Grossassets					
Balance at 31 December 2018 (restated)	9,493,279	3,003,142	8,782,862	584,843	21,864,126
Additions	8,202,143	211,344	1,459,009	136,256	10,008,752
Effect of currency translation	18,796	9,187	4,026	16,942	48,951
Transfers and write-offs	(861,393)	(18,305)	(794,648)	-	(1,674,346)
Discontinued units (note 3.c)	(6,644,077)	(1,622,731)	(4,601,927)	(345,738)	(13,214,473)
Balance at 31 December 2019	10,208,748	1,582,637	4,849,322	392,303	17,033,010
Accumulated amortisation, depreciation and impairment losses					
Balance at 31 December 2018 (restated)	3,105,852	1,360,827	3,887,429	386,387	8,740,495
Amortisation and depreciation for the year (note 5)	1,566,263	303,146	1,054,932	103,864	3,028,205
Amortisation and depreciation for the year for discontinued operations (note 40)	549,529	163,338	495,279	26,427	1,234,573
Effect of currency translation	7,229	8,695	1,823	16,255	34,002
Transfers and write-offs	(530,676)	(18,396)	(630,672)	-	(1,179,744)
Discontinued operations (note 3.c)	(1,634,268)	(853,890)	(2,397,980)	(341,842)	(5,227,980)
Balance at 31 December 2019	3,063,929	963,720	2,410,811	191,091	6,629,551
Net value	7,144,819	618,917	2,438,511	201,212	10,403,459

					2018
					(restated)
	Land, Buildings				
	and other				
	constructions	Equipament	Vehicles	Software	Total
Gross assets					
Balance at 31 December 2017 (restated)	8,127,164	1,937,722	6,165,397	305,553	16,535,836
Changes in consolidation perimeter (3.a)	1,947,452	600,949	2,351,590	256,047	5,156,038
Additions	3,834,838	622,436	1,916,939	-	6,374,213
Effect of currency translation	(34,510)	439	(27,426)	23,243	(38,254)
Balance at 31 December 2018 (restated)	9,493,279	3,003,142	8,782,862	584,843	21,864,126
Accumulated amortisation, depreciation and impairment losses					
Balance at 31 December 2017 (restated)	4,780,798	818,796	3,188,785	176,161	8,964,540
Changes in consolidation perimeter (3.a)	848,227	121,385	928,153	87,227	1,984,992
Amortisation and depreciation for the period (note 5)	1,295,482	192,422	508,427	-	1,996,331
Amortisation and depreciation for the period for discontinued operations (note 40)	564,138	386,419	903,450	154,373	2,008,380
Effect of currency translation	(1,128)	209	(17,748)	(31,374)	(50,041)
Balance at 31 December 2018 (restated)	3,105,852	1,360,827	3,887,429	386,387	8,740,495
Net value	6,387,427	1,642,315	4,895,433	198,456	13,123,631

The cash flows generated by finance leases are disclosed in note 17.

In the year ended at 31 December 2019, the group has recorded as profit the amount of Euro 4,124,135 related to financial subleases, as defined in IFRS 16.

There are no restrictions or covenants imposed by the lease.

8 Goodwill

For the years ended at 31 December 2019 and 2018, the movements occurred in 'Goodwil'I were as follows:

	2019	2018 (restated)
Opening balance	36,059,618	23,351,829
Acquisition of Nextel	-	1,641,824
Acquisition of Excellium	-	10,821,314
Sale of We Do (note 3.c)	(21,617,111)	0
Other movements of the year	78,445	244,651
Closing balance	14,520,952	36,059,618

For the years ended at 31 December 2019 and 2018, the caption 'Other movements of the year' includes the effect of the exchange rate 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.ad, 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:

		Nextel and Mxtel				
(Amounts expressed in Euro)	Notes	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, included in 'Brands and patents and other rights'.

As is usual in business combinations, also in the case of the acquisition of these two subsidiaries, it was not 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 year ended at 31 December 2019, the contribution of the company Mxtel to the net profit attributable to shareholders of Sonaecom was positive of Euro 54,012. In the case of Nextel, it was not possible to determine its contribution for the period ended at 31 December 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	Nextel and Mxtel
(Amounts expressed in Euro)	Contribution at	Contribution at	Contribution at
(Amounts expressed in Edio)	30 April 2019 (*)	31 December 2019	31 December 2018
Total Revenues	3,690,536	209,552	9,211,758
Costs and losses			
Cost of sales	(1,678,986)	(61,618)	(5,440,160)
External supplies and services	(209,364)	(30,626)	(662,348)
Staff expenses	(1,822,974)	(31,234)	(2,750,197)
Depreciations and amortisations	(385,842)	(2,138)	(454,780)
Other operating costs	(6,379)	(14,928)	(4,911)
	(413,009)	69,008	(100,638)
Financial results	(40,791)	(13,118)	(81,623)
Net income for the period before non-controlling interests	(453,800)	55,890	(182,261)
Net income attributed to non-controlling interests	44,875	(1,878)	(32,013)
Net income attributed to shareholders of parent company	(408,925)	54,012	(214,274)

^(*) 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 31 December 2019, excluding the goodwill generated as a result of the acquisition of investments in these companies, are as follows:

	Nextel	Mxtel	Nextel and Mxtel
(Amounts expressed in Euro)	Contribution at 30 April 2019 (*)	Contribution at 31 December 2019	Contribution at 31 December 2018 (restated)
Assets			,
Tangible assets	141,009	13,007	172,922
Intangible assets	1,895,327	=	2,173,850
Rights of use	164,987	=	218,352
Deferred tax assets	2,245,472	=	2,245,472
Trade debtors	1,655,285	169,916	4,940,194
Other current debtors	892,179	813	1,104,663
Cash and cash equivalents	344,009	39,356	481,705
Otherassets	2,254,073	=	2,469,200
Total assets	9,592,341	223,092	13,806,358
Liabilities			
Non-current liabilities	1,269,730	=	1,304,169
Current liabilities	4,634,948	54,682	9,987,007
Total liabilities	5,904,678	54,682	11,291,176
Net assets	3,687,663	168,410	2,515,182

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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., Alfaros SARL, Suricate Solutions CI SARL, Suricate Solutions SN SARL.

As described in note 2, Sonaecom shares of the Excellium Group amount to 59.20% and the book value of non-controlling interests presented in note 20.

As a result of these acquisitions, the Group initially recognised a provisory Goodwill amount of Euro 10,821,314, which can be detailed as follows:

			Excellium Group	
(Amounts expressed in Euro)	Notes	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	3,966,682	5,047,335
Investments in associated companies and companies jointly controlled	9	34,893	(8,102)	26,791
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	1,955	2,127,557
		8,917,715	5,231,538	14,149,253
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	56,400	659,612
Other current liabilities		1,076,044	1,558,128	2,634,172
Deferred tax liabilities			710,207	710,207
		7,247,325	2,334,888	9,582,213
Total net assets		1,670,390	2,896,650	4,567,040
Total net assets acquired (59,2%)		988,871	1,714,817	2,703,688
Inicial acquisition estimated price				13,973,716
Adjustments to estimated price				(236,918)
Financial update				(211,796)
Goodwill				10,821,314

In the year ended at 31 December 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 2,334,888, respectively, which includes the recognition of the customer portfolio in the amount of Euro 3,945,593, included in 'Brands and patents and other rights', and the adjustment of the total net assets acquired by the Group (59.2%) to Euro 2,896,650. The acquisition price was adjusted in line with the deferred amount payable by Euro 236,918. The effects of fair value adjustments were restated at 31 December 2018 as provided in IFRS 3 Business Combinations.

As it is usual in business combinations, also in the case of the acquisition of these eight subsidiaries, it was not 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 6,236,798) payable over 2 years, depending on the company's performance in the revenue level (note 24 and 29).

In the year ended at 31 December 2019, the contribution of the Excellium Group to the net profit attributable to shareholders of Sonaecom was negative of Euro 2,064,914. The respective contributions and the consolidated net result of the Excellium Group at 31 December 2018 are as follows:

	Excellium Group	Excellium Group
(Amounts expressed in Euro)	Contribution at	Contribution at
(Amounts expressed in Edio)	31 December 2019	31 December 2018
TotalRevenues	14,813,734	13,679,937
Costs and losses		
Cost of sales	(2,378,035)	(3,366,982)
External supplies and services	(4,739,514)	(3,669,895)
Staff expenses	(8,427,331)	(6,870,654)
Depreciations and amortisations	(2,857,762)	(700,291)
Provisions and impairment losses	(10,426)	(31,291)
Other operating costs	(41,589)	(53,185)
	(3,640,923)	(1,012,361)
Financial results	(176,100)	(107,161)
Income tax	231,386	(5,350)
Net income for the year before non-controlling interests	(3,585,638)	(1,124,872)
Net income attributed to non-controlling interests	1,520,724	1,010
Net income attributed to shareholders of parent company	(2,064,914)	(1,123,862)

The contributions to Sonaecom's consolidated financial position at 31 December 2019 and 2018, excluding the goodwill generated as a result of the acquisition of investments in these companies, are as follows:

	Excellium Group	Excellium Group
(Amounts oursessed in Func)	Contribution at	Contribution at
(Amounts expressed in Euro)	31 December 2019	31 December 2018
Assets		
Tangible assets	850,988	951,534
Intangible assets	3,959,071	1,080,653
Rights of use	1,584,381	2,200,917
Goodwill	150,000	150,000
Trade debtors	2,315,011	2,754,330
Other current debtors	75,124	90,115
Cash and cash equivalents	831,350	2,125,602
<u>Other assets</u>	3,871,815	1,765,885
_Total assets	13,637,740	11,119,036
Liabilities		
Non-current liabilities	3,122,711	2,541,784
Current liabilities	8,161,445	7,015,779
<u>Total liabilities</u>	11,284,156	9,557,563
Net assets	2,353,584	1,561,473

At 31 December 2019 and 2018, the caption had the following composition by business area were the companies are included:

2019		Technologies	
	Telecomunications	Retail	Cybersecurity
Goodwill		- 1,165,721	13,355,231
2018		Technologies	
	Telecomunications	Retail	Cybersecurity
Goodwill	21,538,666	1,165,721	13,355,231

Goodwill impairment is tested annually. Impairment tests were performed on intangible assets, including Goodwill, which were to determine the recoverable amount using the discounted cash flow method. The measurement of the existence or not of impairment of the main amounts of interests in group companies recorded in the accompanying financial statements is made taking into account the cash generating units, based on the last business plans approved by the Group's Board of Directors made on an annual basis unless there are indications of impairment, which are prepared using cash flows projected for periods of 5 years. In the years ended at 31 December 2019 and 2018, no impairment of Goodwill was recorded or reversed.

At 31 December 2019 and 2018, the assumptions used are based on the group's various businesses and the growth in the various geographic areas where the group operates:

2019		Media		
Assumptions	Retail	Cybersecurity	Others	Meura
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use
Discount rate	7.25%	7%-11.07%	7.25%	7.25%
Growth rate in perpetuity	3%	3%	2%	0.00%

2018		Technologies							
Assumptions	Telecomunications	Retail	Cybersecurity	Others	Media				
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%	7.0%				
Growth rate in perpetuity	2%	3%	3%	1%-2%	0.00%				

The average growth rate considered for the 5-year turnover was 18% for the Technology sector. For the Media sector, the average growth rate of turnover considered was around 2.4%.

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 7% and 7.25% and in Latin America rates is used 11.07%.

The analysis of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended at 31 December 2019. For the sensitivity analysis made, required in the IAS 36 - Impairment of Assets, varying the discount rate by 0.5 pp in the media sector and in the technology sector by varying the discount rate by 0.5 pp and 0, 5 pp in the perpetuity growth rate, would not lead to material changes in the recovery amounts, and therefore there would not be any additional material impairment.

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 31 December 2019 and 2018, are as follows:

				Value in profit and loss statement			
		31 Decemb	er 2019	31 Decemb	er 2018	71 D b 2010	31 December 2018
	Head Office	Direct	Total	Direct	Total	31 December 2019	31 December 2016
ZOPT, SGPS, S.A. ('ZOPT') (a)	Oporto	50.00%	50.00%	50.00%	50.00%	28,474,695	32,486,815
Unipress – Centro Gráfico, Lda. ('Unipress')	Vila Nova de Gaia	50.00%	50.00%	50.00%	50.00%	36,461	53,169
SIRS - Sociedade Independente de Radiodifusão Sonora, S.A. ('Rádio Nova')	Oporto	50.00%	50.00%	50.00%	50.00%	91,885	31,039
Intelligent Big Data, S.L. ('Big Data') (b)	Gipuzcoa	50.00%	50.00%	50.00%	50.00%	(135)	(448)
Fundo de Capital de Risco Armilar Venture Partners II (Armilar II)	Lisboa	50.74%	50.74%	50.74%	50.74%	33,528,966	55,152,602
Fundo de Capital de Risco Armilar Venture Partners III (Armilar III) (c)	Lisboa	42.80%	42.80%	42.70%	42.70%	1,761,762	(1,566,263)
Fundo de Capital de Risco Armilar Venture Partners Inovação e Internacionalização (Armilar I+I) (d)	Lisboa	38.25%	38.25%	37.54%	37.54%	(297,522)	4,145,310
Secucloud Network GmbH ('Secucloud')	Hamburg	27.45%	27.45%	27.45%	27.45%	(671,726)	(985,336)
Probe.ly	Lisbon	21.21%	21.21%	21.21%	21.21%	(84,103)	(95,166)
Suricate Solutions	Luxembourg	20.00%	11.84%	20.00%	11.84%	12,727	-
Alfaros SAR	Tunisia	40.00%	23.68%	40.00%	23.68%	(1,573)	-
Total (note 35)						62,851,437	89,221,722
(A) I I d a c Cd b	Call I allow a						

⁽a) Includes the incorporation of the results of the subsidiaries in proportion to the capital held.

As a result of the legislation of the Venture Capital Funds, Sonaecom does not control them, since the company does not have control over its management entity.

During the years ended at 31 December 2019 and 2018, the changes occurred in investments in associated companies and joint ventures, were as follows:

			31 December 2019		31 December 2018	
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment
Investments in associated companies and joint ventures Balance at 1 Januarų (reported) Impact IFRS 16 - erserves Impact IFRS 16 - Effect on gains and losses (note 35)	681,371,228 -	92,566,110 -	773,937,338	679,091,048 (12,631,190) 1,130,612	92,644,319	771,735,367 (12,631,190) 1,130,612
Balance at 1 January (restated) Transfers Equity method	681,371,228	92,566,110	773,937,338	667,590,470 78,209	92,644,319 (78,209)	760,234,789 -
Effect on gains and losses (note 35) Effect on reserves Dividends (note 37) Return of invested capital	71,686,742 (9,982,096) (47,042,069)	- - -	71,686,742 (9,982,096) (47,042,069)	110,909,102 (18,711,745) (19,799,186) (16,477,366)	- - -	110,909,102 (18,711,745) (19,799,186) (16,477,366)
Others Total investment in associated companies and companies jointly controlled net of impairment losses	696,690,312	92,566,110	789,256,422	(41,343,720) 681,371,228	92,566,110	(41,343,720) 773,937,338
Registered in Provisions for other liabilities and charges Balance at 1 January Increases	(20,206,599)	-	(20,206,599) -	(106,404) -	-	(106,404)
Effect on gains and losses (note 23 and 35)	(8,835,305) (29,044,828)	-	(8,835,305) (29,044,828)	(20,100,195)		(20,100,195) (20,206,599)
Total investment in associated companies and companies jointly controlled net of impairment losses and provisions	667,645,484	92,566,110	760,211,594	661,164,629	92,566,110	753,730,739

⁽b) Company directly owned by S21 Sec Gestion

⁽c) In April 2019 and November 2019 a capital increase of Euro 89,819 and Euro 206,295 respectively was subscribed, resulting in a variation of the effective participation of 0.1%

⁽d) In January 2019 a capital increase of Euro 360,393 euros respectively was subscribed, resulting in a variation of the effective participation of 0.71%

In the year ended at 31 December 2019, there was an increase of Euro 656,507 due to capital increases in Armilar III and Armilar I + I. In January 2019, a capital increase in the Armilar I + I Fund of Euro 360,393 was made, which resulted in a 0.71% increase in capital, resulting in a final capital participation of 38.25%. In April 2019 and November 2019, capital increases were made in the Armilar III Fund in the amount of Euro 89,819 and Euro 206,295, respectively, which resulted in a 0.1% increase in capital, resulting in a final capital participation of 42.80%.

During the year of 2018, there was an increase of Euro 712,649 due essentially to the capital increase in the Armilar III Fund in the amount of Euro 652,756, resulting in a final stake of 42.70%. In addition, the variation can also be explained by the capital increase in Probely in the amount of Euro 25,000 and the entry of associated companies (Euro 17,179 in Suricate Solutions and Euro 17,715 in Alfaros) held by the subsidiary Excellium Group in the scope of the acquisition occurred in end of 2018 (note 3.a).

In the year ended at 31 December 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.

In the year ended at 31 December 2018, the subsidiary Sonae IM sold the entire stake (35%) of the venture capital company Armilar I.

The variation in Provisions for other risks and charges in the amount of Euro 8,835,305 includes the amount of Euro 8,912,428 referring to a contractual commission (incentive scheme) to be paid to the management of the Funds because they have surpassed the return barrier contractually and the provision relating to the result of Radio Nova and Big Data in the amount of negative Euro 77,123. This amount related to the Funds was recorded against 'Gains and losses in associated and jointly controlled companies', to be deducted in proportion to the net results of the Funds (note 23).

During the year ended at 31 December 2019 and 2018, Sonaecom received the amount of Euro 46,991,559 and Euro 19,755,883, 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 31 December 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:

			31 December 2019	31 December			
	Ownership value	Goodwill	Total investment	Ownership value	Goodwill	Total investment	
Investments in companies jointly controlled							
Zopt	554,696,744	87,527,500	642,224,244	583,193,978	87,527,500	670,721,478	
Unipress	480,317	321,700	802,017	494,366	321,700	816,066	
SIRS	14,626		14,626	-		-	
	555,191,687	87,849,200	643,040,887	583,688,344	87,849,200	671,537,544	
Investments in associated companies							
Armilar II	94,176,915	-	94,176,915	52,118,375	-	52,118,375	
Armilar III	32,707,854	-	32,707,854	30,288,972	-	30,288,972	
Armilar I+I	17,056,946	-	17,056,946	16,972,226	-	16,972,226	
Secucloud	(2,359,638)	4,419,742	2,060,104	(1,687,912)	4,419,742	2,731,830	
Probe.ly	(119,672)	297,168	177,496	(35,569)	297,168	261,599	
Suricate Solutions	4,942	-	4,942	9,613	-	9,613	
Alfaros SARL	31,278		31,278	17,179		17,179	
	141,498,625	4,716,910	146,215,535	97,682,884	4,716,910	102,399,794	
Total	696,690,312	92,566,110	789,256,422	681,371,228	92,566,110	773,937,338	

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

(Amounts expressed in thounsand Euro)								2019
						Operational		Comprehensive
Entity	% holding	Asset	Liability	Equity	Revenue	results	Net result	income
ZOPT*	50.00%	4,324,203	2,127,741	2,196,462	1,599,231	184,994	112,749	80,916
Unipress	50.00%	1,667	707	960	2,528	325	73	73
SIRS	50.00%	592	563	29	1,409	260	184	184
Big Data	50.00%	0	5	(5)	-	(0)	(0)	(0)
Armilar II	50.74%	223,293	37,962	185,332	103,105	82,599	82,607	82,607
Armilar III	42.70%	87,102	10,410	76,691	12,996	5,266	5,285	5,285
Armilar I+I	37.54%	56,980	12,401	44,580	158	(1,127)	(1,110)	(1,110)
Secucloud	27.45%	3,599	6,114	(2,515)	2,415	(1,359)	(2,493)	(2,493)
Probe.ly	21.21%	316	42	274	205	(275)	(364)	(364)
Suricate Solutions	20.00%	232	86	146	196	64	64	64
Alfaros SARL	40.00%	43	36	7	20	14	(4)	(4)

^{*}The consolidated accounts audited of Group ZOPT, prepared in accordance with the International Financial Report Statements ('IFRS') as adopted by the European Union.

The value of the shareholder funds includes non-controlling interests in amount of Euro 1,055 million and on 31 December 2019 the NOS' market capitalization amount to Euro 2,473 million.

Amounts expressed in thounsand Euro) 201								
						Operational		Comprehensive
Entity	% holding	Asset	Liability	Equity	Revenue	results	Netresult	income
ZOPT (restated)*	50.00%	4,360,571	2,062,605	2,297,966	1,576,161	186,990	126,084	32,501
Unipress	50.00%	1,962	973	989	2,598	223	106	106
SIRS	50.00%	529	678	(149)	1,199	100	62	62
Big Data	50.00%	1	5	(5)	-	(1)	(1)	(1)
Armilar II	50.74%	121,340	18,616	102,725	150,566	129,488	129,530	129,530
Armilar III	42.70%	82,443	11,446	70,997	20,354	10,835	11,034	11,034
Armilar I+I	37.54%	58,079	12,389	45,690	26,141	20,066	20,087	20,087
Secucloud	27.45%	3,579	3,646	(67)	2,327	(2,546)	(3,428)	(3,428)
Probe.ly	21.21%	430	310	120	45	(286)	(375)	(375)
Suricate Solutions	20.00%	180	121	59	196	55	33	33
Alfaros SARL	40.00%	69	43	27	25	11	12	12

^{*}The consolidated accounts audited of Group ZOPT, prepared in accordance with the International Financial Report Statements ('IFRS') as adopted by the European Union.

Regarding the financial holdings in the Armilar II, Armilar II and Armilar I + I Venture Capital Fund, these refer to investment entities that measure their investment portfolios at fair value. The portfolios held by these entities are classified in the corresponding fair value hierarchy defined in IFRS 13 - Fair Value, as shown in the table below:

(Amounts expressed in thounsand Euro)			2019
Fair value hierarchy	Armilar II	Armilar III	Armilar I+I
Level 2	329	-	-
Level 3	222,207	86,132	56,975

Level 1 valuation techniques are based on prices, identified with quotations in active markets and officially quoted.

Level 3 valuation techniques are essentially supported by:

- (i) The business plans of the subsidiaries, in which discount rates ranging from 5% and 20% were used, revenue growth rates over the projection period (CAGR) ranging between 10% and 45% and where the terminal value was estimated by a mix of multiples applied mainly on Revenue and EBITDA. It should be noted that the implied appreciation of the investments held by the Fund results from a set of sensitivities applied to the original parameters of the Business Plans made available by the management of the Subsidiaries; and
- (ii) Market Multiples in similar transactions applied to Revenues in an interval of 1.0x to 18.1x for the sector of Information Technology and for the sector of Clean Technology, respectively.

The value of the shareholder funds includes non-controlling interests in amount of Euro 1,104 million and on 31 December 2018 the NOS' market capitalization amount to Euro 2,728 million.

Armilar II Fund holds a participation in Information Technology that can be framed as a level 3 share with an accounting value of approximately Euro 221 million (Euro 118 million in 2018), which was valued using market multiples, namely using the most relevant metrics for this type of companies, Revenues and ARR (Annual Recurring Revenue) which had a very sharp growth, in this subsidiary. Armilar III and Armilar I+I Funds include a level 3 share with an accounting value of approximately Euro 40 milion and 52 milion, respectively (no change compared to 2018). In this case, the valuation was made based on the last transaction in a non-active market, dated from the beginning of 2019. It should be noted that the holdings previously described were classified at level 2 of fair value in 2018 since their valuations were based on transactions occurred in June and December respectively of the same year. Armilar III also includes a participation in the amount of approximately Euro 31 million (Euro 19 million in 2018) classified at level 3 whose business plan foresees a 36% revenue growth rate and a discount rate of 5.73%, and it should also be noted that its valuation is perfectly matched to that which would be obtained if the valuation methodology adopted was the use of market multiples.

Regarding the area of telecommunications (Zopt), the assessment of whether or not the impairment is determinated taking into account several information, as business plans approved by the Board of Directors of NOS for five years, which implied average growth rate of operating margin amounts to 2.4% and its associated, and the average rating of external reviewers (researches).

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	6.1%
Growth rate in perpetuity	1.7%

For other business sectors, the assessment of whether or not impairment to the goodwill value 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 years ended at 31 December 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 31 December 2019 and 2018 can be resumed as follows:

Condensed consolidated balance sheets

(Amounts expressed in thousands of Euro)	December 2019	December 2018 (restated)
Assets		
Tangible assets	1,069,277	1,063,631
Intangible assets	2,154,260	2,173,982
Rights of use	218,383	200,483
Deferred tax assets	90,043	104,044
Other non-current assets	238,255	288,170
Non-current assets	3,770,218	3,830,310
Trade debtors	361,712	382,100
Cash and cash equivalents	12,960	2,319
Other current assets	179,313	145,842
Current assets	553,985	530,261
Total asseis	4,324,203	4,360,571
Liabilities		
Loans	1,216,847	1,014,364
Provisions for other liabilities and charges	129,823	164,146
Other non-current liabilities	38,526	43,023
Non-current liabilities	1,385,196	1,221,533
Loans	143,281	283,061
Trade creditors	259,515	254,963
Other current liabilities	339,749	303,048
Current liabilities	742,545	841,072
Total liabilities	2,127,741	2,062,605
Shareholders' funds excluding non-controlling interests	1,140,645	1,193,809
Non-controlling interests	1,055,817	1,104,157
Total Shareholders' funds	2,196,462	2,297,966
Total Shareholders' funds and liabilities	4,324,203	4,360,571

Condensed consolidated statements of income by nature

(Amounts expressed in thousands of Euro)	December 2019	December 2018
(Airibulità explesaeu il tilousalius di Euro)	December 2013	(restated)
Total revenue	1,599,231	1,576,161
Costs and losses		
Direct costs and External supplies and services	(636,873)	(631,617)
Depreciation, amortisation and impairment losses	(438,663)	(442,317)
Other operating costs	(338,701)	(315,237)
	(1,414,237)	(1,389,171)
Gains/ (losses) in associated companies	(20,297)	(7,110)
Financial results	(24,765)	(31,234)
Income taxation	(27,183)	(22,562)
Consolidated net income/(loss) for the year	112,749	126,084
Consolidated net income/(loss) for the year attributed to non-controlling interests	53,840	60,367
Attributed to shareholders of parent company	58,909	65,717

The value on the income statement related to Zopt results from net income of NOS, the net income of Zopt and the impact on results of the process of allocating the fair value to the assets and liabilities acquired by Zopt.

The consolidated financial statements of Zopt have a significant exposure to the African market, particularly through financial holdings that Group holds in associated companies operating in the Angolan and Mozambican markets, which are engaged in providing satellite and fiber television services. The net book value of the associates in the financial statements of Zopt at 31 December 2019 amounts to approximately Euro 53 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 equity method purposes) in accordance with IAS 29 - Financial Reporting in Hyperinflationary Economies.

Until September 2019, the effect of hyperinflation was adjusted, according to the variation of the kwanza, however, in the last quarter of 2019, the Angolan economy was no longer considered a hyperinflationary economy. IAS 29 - Financial Reporting in Hyperinflationary Economies provides that "when an economy ceases to be hyperinflationary, the company should treat the amounts expressed in the current unit of measurement at the end of the previous reporting period, as the basis for the carrying amounts in its statements subsequent financial statements ". In this way, the adjustments / revaluations, carried out until the end of the classification as a hyperinflationary economy, are treated as a cost considered / ("deemed cost") and recognised in the same proportion as the assets that gave rise to it.

Regarding the financial participation in Finstar and ZAP Media (consolidated Finstar) taking into account the recent patrimony seizure to Mrs. Isabel dos Santos, in the specific case of the shares held by her in Finstar and ZAP Media, increasing the risk / indications of the existence of impairment in these investments, it is no longer feasible to carry out the impairment test of these investments through business plans in accordance with the discounted cash flows, it being considered more reasonable to carry out the impairment tests on the impairment tests based on the multiple (Exit price with discount). Accordingly, the Group carried out an impairment test, in a scenario of disposal of financial participation (level 2 of the fair value hierarchy of IFRS 13).

In the analysis, the ZOPT Group determined the implicit multiple of Finstar and ZAP Media's Enterprise Value / EBITDA through the average:

- (i) multiples of transactions carried out in the telecommunications segment in Africa from 2015 to 2020:
- (ii) the market multiples of companies listed in the telecommunications segment in Africa
- (iii) the multiple of a transaction carried out in the telecommunications segment in Angola in February 2020.

In addition, a 25% discount was applied against the average calculated for the multiples identified above, in order to reinforce the loss of appreciation in a sale scenario with the constraints described above. The impairment test carried out, based on the assumptions identified above, resulted in an impairment loss of Euro 24 million in ZAP's investment in the financial statements of ZOPT. If the discount varied positively and negatively by 5 pp, the valuation made would not support the total value of the investment in ZAP, varying between -5.65% and 5.25%.

In addition to impairment tests based on multiples, and as a counter test to the impairment analysis above, the group carried out additional impairment tests to the financial investments in Finstar (holder of interests in Angola) and in Mstar (Mozambique), which are expressed in the currencies of those countries, Kwanzas and Meticais, respectively, considering business plans (internal valuation using the discounted cash flow method, compared with valuation estimates by research analysts), which are more conservative as a result of the constraints described above, approved by the NOS Executive Committee, for a 5 years period, which include average revenue growth rates for that period of 11.6% (Angola) and 5.7% (Mozambique). These revenue growth rates reflect: (i) the best estimate for the growth of the customer base, reflecting an expectation of attracting new customers and estimates of churn rates, considered prudent, and (ii) an annual growth of prices that corresponds over the period from 2020 to 2024, between 50% to 75% of the inflation rate, in line with the price increases considered in previous periods.

The business plans consider yet a growth rate in perpetuity of 6.0% (Angola) and 5.5% (Mozambique) and a discount rate ('WACC') in perpetuity of 14.7% (Angola) and 16.7% (Mozambique). The discount rate, over the period 2020 to 2024 ranged from a maximum of 24.9% to a minimum of 14.7% (in 2024), for Angola, and from a maximum of 19.5% to a minimum of 16.7% (2024) 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.

In addition, it must be taken into account that the current economic conditions of uncertainty in those markets, namely in the foreign exchange market, the limitation of foreign exchange transfers and the legal constraints on holdings, particularly in Angola, introduce an additional degree of variability to the assumptions, which it may significantly impact the estimates considered, namely, in terms of the rate of inflation and the capacity to reflect, in price increases, the referred rate.

It is the understanding of the Board of Directors that there is no additional impairment loss to be recorded.

The Board of Directors of ZOPT is certain that the recent patrimony seizure to Mrs. Isabel dos Santos, in the specific case of the shares held by her in Finstar and ZAP Media (where she holds 70% of the capital), does not change the control profile, in this case joint control as defined in IFRS 11, it is not expected to have relevant consequences for the operational management of companies, in addition to restrictions on the distribution of dividends in these companies.

In February 2020, ZOPT became aware that some of its bank accounts are unavailable, which may have resulted from requests for international judicial cooperation issued by the Angolan State in the context of ongoing proceedings in Angola and in which it is targeted, among others, Mrs. Isabel dos Santos. The amounts seized are not materially relevant and the balances and shares (of NOS) recorded in ZOPT's accounts with CGD ('Caixa Geral de Depósitos'), remain available. Until this date, such seizure has not yet been judicially notified to ZOPT, so it has not yet been possible to take any action by it, namely for the purpose of eventual pronouncement.

Zopt Group provision's

The processes described below are provisioned in the consolidated accounts of Zopt, given the level of risk identified.

1. Future credits transferred

For the financial year ended at 31 December 2010, NOS SA was notified of the Report of Tax Inspection, when it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euros, with respect to initial price of future credits transferred to securitization, is inappropriate. Given the principle of periodisation of taxable income, NOS SA was subsequently notified of the improper deduction of the amount of 20 million euros in the calculation of taxable income between 2009 and 2013. Given that the increase made in 2008 was not accepted due to not complying with Article 18 of the CIRC, also in the years following, the deduction corresponding to credits generated in that year, will eliminate the calculation of taxable income, to meet the annual amortisation hired as part of the operation (20 million per year for 5 years). NOS SA challenged the decisions regarding the 2009 to 2013 fiscal year and will appeal for the judicial review in due time the decision regarding the 2008 to 2013 fiscal year. Regarding the year 2008, the Administrative and Fiscal Court of Porto has already decided unfavourably, in March 2014. The company has appealed.

2. Supplementary Capital

The fiscal authorities believe that NOS SA has broken the principle of full competition under the terms of (1) of Article 58 of the Corporate Tax Code (CIRC) – currently Article 63 –, by granting supplementary capital to its subsidiary NOS Towering, without having been remunerated at a market interest rate. In consequence, it has been notified, with regard to the years 2004, 2005, 2006 and 2007 of corrections to the determination of its taxable income in the total amount of 20.5 million euros. NOS SA contested the decision with regard to all the above-mentioned years. As for the year 2004, the Court has decided favourably. This decision is concluded (favourably), originating a reversal of provisions, in 2016, in the amount of 1.3 million euros plus interest. As for the years 2006 and 2007, the Porto Fiscal and Administrative Court has already decided unfavourably. Relating to the year 2005, the Court decided favourably, having been concretised 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):

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 September 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the government, i.e. without a formal contest procedure led by the government for that effect, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in September 2014, condemned the Portuguese State to pay a fine of 3 million euros for illegally designating MEO. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared

between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has being requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with law, the compensation fund can be activated to compensate the net costs of the electronic communications universal service, relative to the period before the designation of the provider by tender, whenever, cumulatively (i) there are net costs, considered excessive, the amount of which is approved by ANACOM, following an audit to their preliminary calculation and support documents, which are provided by the universal service provider, and (ii) the universal service provider requester the Government compensation for the net costs approved under the terms previously mentioned.

In 2013, ANACOM deliberated to approve the final results of the CLSU audit presented by MEO, relative to the period from 2007 to 2009, in a total amount of 66.8 million euros, a decision that was contested by the Company. 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 contested by NOS and for which a bail was presented by NOS SGPS (Note 42) 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 Acores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes. The guarantees that have been accepted by ANACOM.

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and September 2014, for an 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 must 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 totalling close to 2.4 million euros. In December 2017, the settlement notes relating to NOS, SA, NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to Universal Service (not designated through a tender procedure) flagrantly violate the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS has judicially challenged either the approval of audit results of the net cost of universal service related to the precompetitive period, and the liquidation of each extraordinary contribution, once the Board of Directors is convinced it will be successful in challenges already undertaken.

Legal actions and contingent assets and liabilities of Zopt Group

Legal actions with regulators

NOS SA, NOS Acores 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, 2018 and 2019) 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 settlements of the year 2019 will be impugned until the final of first semester of 2020.

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, 2018: 10,303 thousand euros and 2019: 10,169 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, 2018: 111 thousand euros and 2019: 107 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, 2017: 187 thousand euros, 2018: 205 thousand euros and 2019: 195 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 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 latter, due to judicial proceedings against the latter (including these appeals of the activity rate) and ii) that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

Four sentences on the matter were given, i.e. in December 2012, in September 2017, in April 2018 and in May 2018, respectively, within the scope of the contestation of the annual rate of 2009, 2010 (NOS Comunicações) and 2012 (Ex-ZON and also Ex-Optimus). The first judgment ruled in favour of the respective contestation, only based on lack of prior hearing, but ordered ANACOM to pay interest. ANACOM submitted an appeal concerning that decision, but the Court of Appeal declined it by decision in July 2013. The three remain decisions judge also, in turn, ruled in favour of the respective contestations, but, this time for fundamental reasons, annulled the contested act by unlawfulness with the legal consequences, namely imposing the refund of the tax that was paid but still not refunded to NOS and ordering ANACOM to pay compensatory interest. These decisions were the subject of an appeal from ANACOM to the Tribunal Central Administrativo – Sul (Central Administrative Court – South), where it is 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 2017 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 28.8 million euros, added interest, and charges. These settlement notes, which totally were contested, are the respective lawsuits in progress.

Based on the advice obtained from the process representatives and tax consultants, the Board of Directors maintains the belief in a favourable outcome, which is why these proceedings are maintained in court. However, in accordance with the principle of prudence, an assessment of the group's level of exposure to these proceedings is made periodically, in the light of the evolution of case law, and consequently the provisions recorded for this purpose are adjusted. The Group provided the bank guarantees demanded by the tax authorities, in connection with these proceedings.

- 6. Actions by MEO against NOS S.A., NOS Madeira and NOS Açores and by NOS S.A. against MEO
- In 2011, MEO brought against NOS SA, in the Judicial Court of Lisbon, a claim for the compensation of 10.3 million of Euros, as compensation for alleged unauthorized portability of NOS SA in the period between March 2009 and July 2011. NOS SA presented its defence and reply, and the Court ordered an expert opinion, which was, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor, but of mere delay in sending the documentation 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 with the decision and did not appeal against the part of the sentence that acquitted the NOS of the requests for compensation that it formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which it gave reason to the claims of NOS, in the sense that interests should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice (SCJ), that appeal which found that the facts established by the Court of First Instance and confirmed by the Court of Appeal were insufficient to resolve on the substance of the case. Consequently, the SCJ ordered that the court under appeal should amplify the facts. The case was transferred to the Court of Appeal and from the latter to the Court of First Instance for the extension of the facts in the terms intended by the STJ.
- MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and September 2013 and May 2016) and three to NOS Madeira (March and September 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests. MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, realizing only part of these, in the case of NOS SA, in the amount of 26 million euros (from August 2011 to May 2014), in the case of NOS Açores, in the amount of 195 thousand euros and NOS Madeira, amounting to 817 thousand euros.
 - At the beginning of July 2018, NOS, SA was notified of the filing by MEO of a lawsuit concerning portability compensations in which MEO claims from NOS the right, in this respect, to approximately 26.8 million euros intending to proceed with the special judicial notification sent to the NOS in July 2015, as mentioned above. NOS challenged the lawsuit during the month of October 2018 and, in September 2019, a judgement was handed down by the Court of First Instance, which upheld the prescription exception invoked by NOS SA, absolving it from the request made by MEO. MEO appealed against this decision to the Court of Appeal, so the deadline for NOS to lodge its administrative infractions is ongoing.
- In 2011, NOS SA, in turn, brought a claim for damages of 22.4 million euros against MEO, in the Lisbon Judicial Court, for damages suffered by NOS SA, resulting from the violation of the Portability Regulation by part of MEO, more specifically, of the large number of unjustified refusals of portability requests by MEO in the period between February 2008 and February 2011. The court unofficially ordered the carrying out of expert evidence of a technical nature, having already been notified to the parties the expert report and submitted by the parties the respective complaints / requests for clarification to the Honorable Experts and answered the latter. At the same time, NOS requested and accepted by the Court to carry out an economic-financial survey, and the expert report was completed in June 2018. MEO argued the nullity of the expert report, and NOS submitted a response. The Court issued an order, rejecting the invoked nullity of the expert report for lack of legal basis, and notifying the parties that had requested the appearance of the experts at the final hearing to clarify which points, in their view, were not clear in the expert report. MEO reiterated the request for the experts to appear at the final hearing to provide clarifications, while NOS, in turn, waived their presence.

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. The action's value has been fixed at EUR 60,000. By order of October 2018, the Local Civil Court declared itself incompetent to hear the case, whereas the Central Civil Court of the same Court had jurisdiction to hear the case. Referring the case to the Central Court, a prior hearing was scheduled for October 8, 2019, which was then cancelled due to the judge declaring himself unable to hear the case. The Board of Directors 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 Group's financial statements. Further terms of the proceedings are awaited.

8. Interconnection tariffs

At 31 December 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 with MEO, the result was totally favourable to NOS S.A., having already become final.

9. Contractual penalties

The general conditions that affect the agreement and termination of this contract between NOS and its clients, establish that if the products and services provided by the client can no longer be used prior to the end of the binding period, the client is obliged to pay damages immediately.

Until December 31st, 2014, the revenue from penalties, in the face of the inherent uncertainties, was only recognised at the time of receipt, and on 31 December 2019, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 47,789 thousand euros. During the financial year ended on 31 December 2019, receipts in the amount of 1,028 thousand euros of the issued invoice as of 31 December 2014 were recognised as revenues.

From 1 January 2015, revenue from penalties is recognised taking into account an estimated collectability rate taking into account the Group's collection history. The penalties invoiced are recorded as accounts receivable and the uncollectible calculated values of these amounts are recorded as impairment by deducting the revenue recognised at the time of invoicing.

Board of Directors of Sonaecom believes that the processes described above that may result in contingencies affecting the accounts of the Zopt group are duly provisioned, taking into account the degree of risk, in the consolidated accounts of Sonaecom.

b) Other commitments Zopt Group

In December 2015, NOS signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, SA of television rights of home matches of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract began in 2016/2017 sports season, had an initial duration of three years, and might be renewed by decision of either party up to a total of 10 sports seasons, with the overall financial consideration reaching the amount of 400 million euros, divided into progressive annual amounts.

Also in December 2015, NOS signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting and Communication Platforms, S.A. which includes the following rights:

- 1) TV broadcasting rights and multimedia home games of Sporting SAD;
- 2) The right to explore the static and virtual advertising at Stadium José Alvalade;
- 3) The right of transmission and distribution of Sporting TV Channel;
- 4) The right to be its main sponsor.

The contract will last 10 seasons, 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, 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	2019/20	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 providing their commercial offers under a shared network at the beginning of 2018.

The agreement covers the reciprocal sharing of dark fibre in approximately 2.6 million of homes in which each of the entities shares with the other one an equivalent investment value, in other words, they share similar goods. It is assumed that both companies retain full autonomy, independence, and confidentiality concerning the design of the commercial offers, the management of the customers' database and the choice of technological solutions they might decide to implement, that did not originate any impact on the consolidated financial statements (according to IAS 16, this exchange of similar non-monetary assets will be presented on a net basis).

The partnership has also been extended to mobile infrastructure sharing where it is agreed a minimum sharing of 200 mobile towers.

10. Investments at fair value through other comprehensive income

At 31 December 2019 and 2018, this caption was composed as follows:

	2019	2018
Arctic wolf	12,101,193	7,751,174
Ometria	8,095,987	2,228,029
Sixgill	5,415,162	-
Cellwize	5,357,593	-
ViSenze	5,260,238	4,384,811
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	1,848,578
Jscrambler	1,250,000	1,250,000
Whitefantasy	640,804	640,804
Fyde	443,687	-
Others	1,625,158	1,095,751
	58,367,022	28,101,682

At 31 December 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 designetd as investments at fair value trough other comprehensive income. For investments with a maturity of less than a year the acquision costs were considered as a reasonable approximation of their fair value. For investments with a maturity greater than a year the subsequent changes in fair value are presented through other consolidated comprehensive income.

In 2019, the change in investments at fair value through other comprehensive income was as follows:

	2019	2018
Opening balance	28,101,682	5,475,963
Acquisitions / Capital increases	28,051,786	20,239,812
Fair value	2,213,554	2,385,907
Closing balance	58,367,022	28,101,682

The movements occurred in 2019 and 2018 in other comprehensive income were as follows:

	2019	2018
Gains/ (losses) recognised in other comprehensive income	2,213,554	2,385,907
Total	2,213,554	2,385,907

The investments described above are valued at fair value, and classified at level 3 of the corresponding fair value hierarchy defined in IFRS 13 - Fair Value. Of the total value of financial assets at fair value through comprehensive income, approximately Euro 29 million corresponds to subsidiaries valued based on the last transaction in a non-active market during the year 2019. The acquisitions in the year of new subsidiaries corresponds to Euro 18.4 million and, approximately Euro 11.2 million correspond to participations valued based on the last transaction which, despite having occurred more than a year ago, still represents the best estimate of the company's fair value. It should be noted that these values are perfectly compatible with those that would be obtained if the valuation methodology adopted was the use of market multiples.

Arctic Wolf

Arctic Wolf, a US based company, is a global pioneer in the SOC-as-a-Service market with cutting-edge managed detection and response (MOR), which provides a unique combination of technology and services for clients to quickly detect and contain threats. American technology investors Lightspeed Venture Partners and Redpoint joined Sonae IM and Knollwood Investment Advisory in the Series B financing round. During 2018, the company closed in USD 45 million Series C financing round and at the end of 2019, launched a new USD 60 million Series D round, which ended in the beginning of 2020 with a significantly higher appreciation. Sonae IM participated in both rounds, reinforcing its participation.

Ometria

Ometria is an English based company 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 made by Sonae IM in 2017 in a Series A financing round, together with several strategic investors (including Summit Action, the Summit Series VC fund) and was reinforced in 2019 during a Series B financing round.

Sixgil

In December 2019, Sonae IM invested in Sixgill which is a leader in the cybersecurity intelligence market in the deep and dark web. Sixgill helps Fortune 500 companies, financial institutions, governments and law enforcement authorities to protect their finances, their networks and their reputation for cyber attacks that exist on deep, dark and surface webs. Its advanced technology platform manages to automate all phases of the intelligence cycle - data collection, analysis and dissemination - providing organizations with unique and actionable information to protect their assets from various cyber threat scenarios, which are constantly evolving. The USD 15 million financing round was led by Sonae IM and REV Venture Partners, with the participation of Our Crowd, with previous investors, Elron and Terra Venture Partners, also participating in the investment round.

Cellwize

Cellwize provides network orchestration and automation solutions for global telecom operators, located in Israel. Cellwize, through a virtualised service orchestration platform, offers modular solutions for agile adoption of capabilities for 'zero-touch' automation on the network. Supports network operations, especially due to the increase in network density and complexity, driven by the adoption of 5G. ISonae IM invested in a USD 15 million lled by Deutsche Telekom Capital Partners.

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. 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 a retention opportunity, generating additional revenue. In November 2018, Sonae IM co-led a USD 20 million Series C financing round with Gobi Partners that will allow the artificial intelligence company to further invest in penetration among smartphone manufacturers, as well as consumer applications and social communication.

CB4

CB4 provides a patented artificial intelligence software solution for traditional retailers to identify and correct critical in-store operational problems. The investment was made in February 2019, as part of a USD 16 million Series B financing round led by Octopus Ventures and with the participation of Sonae IM. Existing investors Sequoia Capital and Pereg Ventures also participated in the round.

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. Medux measures the customer experience in markets that together serve more than 600 million users worldwide. The company launched a Series B investment round with Sonae IM.

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. In 2019, Sonae IM, together with Framework Venture Partners, invested in a Series A financing round of CAD 10 million (about Euro 7 million).

Reblaze

The company provides propriety security technologies in a unified platform, shielding assets from threats found on the Internet. In 2018, the company launched a Series A investment round, led by Sonae IM together with JAL Ventures and Data Point Capital.

Nextail

This company developed a cloud-based platform that combines artificial intelligence and prescriptive analytics to upgrade retailers' inventory management processes and store operations. In 2018, the company launched a USD 10.0 million Series A investment round, led by London and Amsterdam-based venture capital firm KEEN Venture Partners LLP ("KEEN"), together with Sonae IM and the current investor Nauta Capital. The new funding is being used to accelerate product development and double the size of the team as it grows internationally.

ciValue

ciValue is a disruptive provider of cloud-based Precision Marketing and Supplier Advertising Platforms for Retailers. In 2018, Sonae IM, together with Nielsen, led a USD 6 million Series A investment round.

Style Sage

The company is a strategic analytics SaaS platform that helps fashion, home and beaty retailers and brands with critical pre, in and post season decisions globally. Stylesage daily extracts product data from websites of e-commerce competitors around the world. Then, with innovative technology in machine learning and visual recognition, Stylesage treats, organizes and analyzes the huge amounts of data collected in a cloud-based dashboard that allows brands and retailers to make informed and targeted decisions in areas such as line planning, price optimization and global expansion.

Jsrambler

The main activity of the company is develop a security solution to protect Web and Mobile Aplications (Javascript code). In 2018, the company launched a Series A investment round in the amount of USD 2.3 million, which was led by Sonae IM, with Portugal Ventures as a co-investor.

Whitefantasy

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

Fude

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

11. Deferred taxes

Deferred tax assets at 31 December 2019 and 2018, amounted to Euro 4,251,266 and Euro 10,275,910 respectively, and arose, mainly, from tax losses carried forward, from tax benefits, from differences between the accounting and tax amount of some fixed assets and from others temporary differences.

The balance of deferred tax assets by nature at 31 December 2019 and 2018 is as follows:

	2019	2018
Tax losses	1,075,830	4,497,094
Tax provisions not accepted and other temporary differences	336,903	1,925,020
Tax benefits	2,838,533	3,853,796
	4,251,266	10,275,910

The movements in deferred tax assets in the years ended at 31 December 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 year	60,546	-
Record / (reverse) of deferred tax assets related to tax losses from previous years	(107,003)	146,144
Record / (reverse) / use of tax benefits	(646,511)	737,042
Record / (reverse) of tax provisions not accepted and other temporary differences for the year	209,075	(8,841)
Record / (reverse) of temporary differences from the previous years	<u>-</u>	(10,304)
	(483,893)	864,041
Impact on results of the discontinued operations		
Record of deferred tax assets related to tax losses of the year	-	87,339
Record / (reverse) of deferred tax assets related to tax losses from previous years	-	(50,281)
Record / (reverse) / use of tax benefits	750,183	94,500
Record / (reverse) of tax provisions not accepted and other temporary differences for the year	(178,269)	(452,917)
Record / (reverse) of temporary differences fromthe previous years	(5,056)	(66,996)
	566,858	(388,355)
Impact on reserves:		
Exchange variations	106,050	126,388
Effect of application of IFRS 15	-	104,307
	106,050	230,695
Other without impact on results:		
Alienation of companies (note 3.c)	(6,213,659)	
Tax losses	(3,479,497)	-
Tax provisions not accepted and other temporary differences	(1,615,228)	-
Tax benefits	(1,118,934)	-
Changes in the consolidation perimeter (note 8)	-	2,245,472
	(6,213,659)	2,245,472
Chatachalana	/ 251 255	10 275 010
Closing balance	4,251,266	10,275,910

At 31 December 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 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.

The rate used at 31 December 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 was used the rate in force in each country: Mexico 30% and Spain 25%,.

In accordance with the tax returns and other information prepared by the companies that have registered deferred tax assets, the detail of such deferred tax assets, by nature, at 31 December 2019 was as follows:

							2019
Nature	Companies included in the tax group	Digitmarket	S21 Sec Portugal	S21Sec 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	-		54,927	-	45,833	100,760	100,760
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	-		-	-	52,065	52,065	52,065
Tax losses	-		99,686	866,229	109,915	1,075,830	1,075,830
Tax provisions not accepted and other temporary differences	233,158	67,354	36,391	-	-	103,745	336,903
Tax benefits	385,540	126,000	81,521	2,245,472	-	2,452,993	2,838,533
Total	618,698	193,354	217,598	3,111,701	109,915	3,632,568	4,251,266

At 31 December 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	8,924,036	9,599,230
Temporary differences (provisions not accepted for tax purposes and other temporary diferences)	22,465,163	24,141,408
Others	18,043,482	16,041,000
	49,432,681	49,781,638

At 31 Decembe 2019 and 2018, the caption "Temporary differences" includes deferred taxes related to impairment of financial investments that cannot be recorded because the subsidiary's sale or liquidation is not considered at the probable date

At 31 December 2019, the caption 'Others' includes research and development tax credits in the amount of Euro 16,043,232 (Euro 15,295,485 in 2018) and deferred tax related to the Conventional Remuneration of Capital in the amount of Euro 2,000,250 (Euro 630,000).

At 31 December 2019 and 2018, tax losses for which deferred tax assets were not recognised have the following due dates:

Due date	2019	2018
2019	-	37,808
2020	123,687	130,297
2021	189,339	393,701
2022	428,644	318,343
2023	81,107	186,529
2024	83,586	78,923
2025	189,491	183,753
2026	854,930	770,132
2027	466,767	371,476
2028	363,048	245,591
2029	762,410	893,736
2030	=	50,704
2033	64,260	-
2034	82,607	-
2035	299,583	-
2037	=	596,688
Unlimited	4,934,577	5,266,015
	8,924,036	9,599,230

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 changes that occurred in deferred tax liabilities in the years ended at 31 december 2019 and 2018 were as follows:

	2019	2018 (restated)
Opening balance	(14,640,939)	(10,243,448)
Temporary differences between accounting and tax result (restated)	(7,636,736)	(4,397,491)
Sub-total effect on results (note 36)	(7,636,736)	(4,397,491)
Closing balance	(22,277,675)	(14,640,939)

In the year ended at 31 December 2019 and 2018, deferred tax liabilities arose from the application of the equity method above to the participation in the capital stock of Armilar II, Armilar III and Armilar I+I, as well as the customer portfolio generated in the purchase of the Excellium subsidiary (notes 8 and 36).

The reconciliation between the earnings before taxes and the taxes recorded for the years ended on 31 December 2019 and 2018 is as follows:

	2019	2018 (restated)
Earnings before tax	42,696,066	78,867,966
Income tax rate (21%)	(8,966,174)	(16,562,273)
Autonomous taxation and surchage	(154,510)	(2,758,034)
Tax provision	(54,904)	(27,497)
Accounting adjustments not accepted	(581,260)	344,000
Temporary differences and tax losses of the year without record of deferred tax assets	(1,750,504)	(46,088)
Utilization of tax losses and tax benefits without record of deferred tax assets in previous years	943,120	129,253
Deffered tax assets of temporary differences of previous years	-	(10,304)
Effect of the existence of different tax rates from those in force in Portugal	442,402	25,278
Effect of the untaxed equity method	5,296,036	6,993,328
Consolidation adjustments	(528,867)	(799,352)
Deffered tax assets from tax losses of previous years	(107,003)	146,144
Record/(reverse) of deffered tax assets related to tax benefits	(646,511)	1,170,011
Income taxation recorded in the year (note 36)	(6,108,175)	(11,395,534)

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 Company's lawyers and Tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the consolidated financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, on 31 December 2019.

12. Other non-current assets

At 31 December 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Convertible loans	2,521,352	891,475
Others	5,482,561	2,117,766
	8,003,913	3,009,241

In the year ended at 31 December 2019, the caption 'Convertible Loans' essentially includes loans convertible to Secucloud, included in note 9 and, Style Sage, Case on IT, Continuum and Probely, included in note 10.

In the year ended at 31 December 2019 and 2018, the caption 'Other' includes the amount of debt acquired by Sonae IM to Armilar in the scope of the acquisition of Armilar II and Armilar III associates, in the amount of Euro 1,274,358 as well as the amount receivable from subleases under IFRS 16 in the amount of Euro 3,125,237. In the year ended at 31 December 2019 and 2018 also includes the amount receivable from Sonae under the policy of the Special Regime of Group Taxation in the amount of Euro 147,450 in 2019 and 154,759 in 2018.

Armilar's debt has no defined maturity, being limited only to the fund's maturity.

The amount to be received from subleases at 31 December 2019 was as follows:

		2019
	l ::kl	Present value of lease
2019	Lease receivables	receivables
2020	717,760	719,148
2021	659,760	565,284
2022	659,760	584,614
2023	659,760	604,619
2024	659,760	625,321
2025	659,760	646,745
2026 and next years	100,839	98,654
	4,117,399	3,844,385
Interests	(1,392,786)	
	2,724,613	3,844,385
Short-term asset (note 15)	-	(719,148)
	2,724,613	3,125,237

13. Inventories

At 31 December 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Raw materials	280,916	302,444
Goods	9,445	107,426
	290,361	409,870
Accumulated impairment losses on inventories (note 23)	(50,000)	(40,000)
	240,361	369,870

The cost of goods sold in the years ended at 31 December 2019 and 2018 amounted to Euro 71,800,735 and Euro 62,663,733 respectively and was determined as follows:

	2019	2018
Opening inventories	409,870	272,706
Purchases	69,910,415	62,676,479
Increase of accumulated impairment losses on inventories (note 23)	10,000	-
Inventory adjustments	1,760,811	124,418
Closing inventories	(290,361)	(409,870)
	71,800,735	62,663,733

The accumulated impairment losses on inventories reflect the difference between the acquisition cost and the market net realisable value of the inventory, as well as the estimate of impairment losses due to low stock turnover, obsolescence and deterioration. The accumulated impairment losses are registered in the caption 'Cost of sales' (note 1.i).

14. Trade debtors

At 31 December 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Trade debtors:		
Information Systems	25,319,832	48,445,260
Multimedia and others	1,907,899	2,515,286
	27,227,731	50,960,546
Doubtful debtors	2,645,458	5,058,766
	29,873,189	56,019,312
Impairment losses in accounts receivable (note 23)		
Information Systems	(1,055,456)	(3,437,963)
Multimedia and others	(1,590,002)	(1,620,803)
	(2,645,458)	(5,058,766)
	27,227,731	50,960,546

At 31 December 2019 and 2018, the impairment amount is calculated based on the expected credit loss, the calculation of which results from the application of expected loss rates based on the payments received in the scope of sales and services rendered, over a period of 48 months, before 31 December 2019, and of historical credit losses.

For the impairment calculation we find that there is a set of amounts for which there is no credit risk and as such the expected credit loss is nil, namely collaterals, balances with other entities of the group and VAT amounts. At 31 December 2019, the expected loss rates of accounts receivable were considered in the calculation of the impairment of contractual assets ('Customer contract assets - Billing to customers'), considering that they are assets with similar risk characteristics. These amounts are net of each client's respective contractual liabilities.

At 31 December 2019, the ageing of the customer balances and expected credit loss rates can be detailed as follows:

						More than 360 days	
	Not due	1 to 60 days	60 to 90 days	90 to 180 days			Total
Expected credit loss rates	0% - 2,19%	0% - 3,37%	0% - 56,57%	0% - 31,70%	0% - 49,50%	0% - 100%	
Trade debtors	22,014,881	4,080,038	248,496	576,374	1,690,759	1,262,641	29,873,189
Other current debtors (note 15)	256,665	127,258	17,894	15,115	57,274	186,073	660,279
Customer contract assets - Billing to customers (note 16)	6,126,311	-					6,126,311
Accumulated impairment losses on 'Trade debtors'	83,064	30,770	30,770	118,785	39,467	2,342,602	2,645,458
Accumulated impairment losses on 'Other current debtors"		11,472	_		_	29,017	40,490

15. Other current debtors

At 31 December 2019 and 2018, the caption 'Other current debtors' can be detailed follows:

	2019	2018
State and other public entities	624,804	576,675
Advances to suppliers	142,531	336,053
Other debtors	7,562,366	7,738,542
Accumulated impairment losses in accounts receivable (note 23)	(40,490)	(59,339)
	8,289,211	8,591,931

In 2019, the caption 'Other debtors' includes the amount of Euro 1,236,129 (Euro 3,036,385 in 2018) related to incentives, Euro 4,437,719 (Euro 3,094,043 in 2018) related to amounts to receive from companies that are included in the Special Regime for Taxation of Groups and Euro 509,095 (Euro 549,020 in 2018) related to collaterals.

The impairment analysis, relatively to 'Other debtors' in the amount of Euro 660,279 in 2019 (note 14) and Euro 1,001,870 in 2018, was carried out based on the expected credit loss rates. The impairment analysis, regarding the amounts of subsidies, collateral and accounts receivable from group companies, applied the general approach of the impairment model, assessing at each reporting date whether there was a significant increase in credit risk since the date initial recognition of the asset.

At 31 December 2019 and 2018 the caption 'State and other public entities' can be detailed as follows:

	2019	2018
Value-added tax	607,131	364,965
Withheld Taxes (IRRF, INSS ans several contributions)	-	165,496
Other taxes	17,673	46,214
	624,804	576,675

16. Other current assets

At 31 December 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Customer contract assets - Billing to customers (note 30)	6,126,311	10,679,400
Specialised work paid in advance	5,131,100	4,613,288
Other costs paid in advance	242,684	560,214
Prepaid rents	509	222,272
Other accrued income	400,709	343,211
Other current assets	25,105	351,560
Rappel discounts to receive	312,484	281,143
	12,238,902	17,051,088

The item 'Specialised works paid in advance' in the amount of Euro 4,378,122, essentially refers to billing for the provision of services from suppliers whose corresponding cost has not yet been recognised.

The analysis of the expected credit loss, regarding the caption 'Customer contract assets - -Billing to customers', was executed based on the accounts receivable loss rates, considering that they are assets with similar risk characteristics. For this analysis, the net amounts of the respective contractual liabilities of each customer were considered (note 14).

17. Cash and cash equivalents

At 31 December 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Cash in hand	20,589	23,050
Bank deposits repayable on demand	255,851,712	229,013,117
Treasury applications (note 37)	4,700	4,700
Cash and cash equivalents	255,877,001	229,040,867
Bank overdrafts (note 21)	(44)	(488,591)
	255,876,957	228,552,276

In years ended at 31 December 2019 and 2018, Sonaecom lead into financial transaction contracts with Sonae, SGPS from which the latter obtained the financial income referred to in note 37.

The above mentioned treasury applications were paid and, during the year ended at 31 December 2019, the applicable interest tax rate was 0.151% (0.194% in 2018).

The euro balances of bank deposits immediately available in currencies other than the euro are as follows:

	2019	2018
Bank deposits in foreign currency		
American dollar	116,552	38,313
SterlingPound	42,791	24,559
Egyptian Pound	-	186,731

At 31 December 2019 the reconciliation of liabilities whose flows affect financing activities is as follows:

	31.12.2018 (reexpresso)	Cash Flows	Financial update	Changes in consolidation perimeter (note 3.c)		31.12.2019
Long-term borrowing (note 21)	3,677,091	(1,081,067)	37,748	(153,125)	809,284	3,289,931
Short-term borrowing (note 21)	5,209,946	(2,897,616)	25,056	(238)	(812,024)	1,525,122
Lease liabilities (note 22)	13,373,682	(4,210,268)		-	5,441,672	14,605,086
Total liabilities from financiag activities	22,260,719	(8,188,951)	62,803	(153,363)	5,438,932	19,420,140

In the 'Leases' account, the amount included in the 'Others' column refers to increases in contract write-offs under IFRS 16.

18. Share capital

At 31 December 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 19)	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.

Under Portuguese law, the amount of distributable reserves is determined in accordance with the individual financial statements of the Group, presented in accordance with the IFRS standards. Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, at 31 December 2019, Sonaecom have free reserves distributable amounting approximately Euro 69.8 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 31 December 2019.

19. Own shares

During the year ended at 31 December 2019, Sonaecom did not acquire, sold or delivered own actions, whereby the amount held to date, is of 5,571,014 own shares representing 1.79% of its share capital, at an average price of Euro 1.3798.

As mentioned in note 18, the company must keep a reserve in the book value of the treasury shares as long as it holds them.

20. Non-controlling interests

Non-controlling interests at 31 December 2019 and 2018 are detailed as follows:

2019				Movement during the year					
	%hold	Shareholders' funds	Net Result	Bookvalue of non-controlling interests 2018	Proportion of the atribuible net result	Proportion of the atribuible net result (discontinued units (note 40))	Others	Book value of non- controlling interests 2019	
Digitmarket Saphety (b) Saphety Colômbia (b)	25.00% - -	5,305,494 - -	1,431,533 - -	452,524 603,296 (102,299)	368,621 - -	8,270 11,203	502,564 (611,566) 91,096	1,323,709 - -	
Saphety Brasil (b) Wedo Brasil (c) Tecnológica (c) Bright Vector I	- - - 49.87%	- - - 3,708,803	- - - (98,639)	(103,063) 6,929 (2,524) 935,983	- - (48,657)	220,982 2,751 (8,176)	(117,919) (9,680) 10,700 962,196	1,849,522	
Taikai S21 Sec Portugal	19.10%	3,158,794	(203,215)	(34) 77,753	34 (66,802)	- - -	(8,060)	- 2,891	
S2ISec Gestion (a) S2ISec Labs S2ISec, S.A. de CV	19.10% 19.10% 19.10%	(300,275) 207,172 (4,323,731)	(7,941,202) (61,067) (528,044)	(2,704,108) (191,087) (153,879)	(1,332,543) 42,279 (114,218)	- - -	7,236 4,444 (14,662)	(4,029,415) (144,364) (282,759)	
S21 Sec Brasil (d) Mxtel Excellium Group	19.03% 40.80%	(1,213,687) 75,827	- 68,926 (2,644,676)	10,392 (269,446) 1,818,749	28,330 1,878 (1,520,726)	- - -	(38,722) 1,943 611,863	(265,625) 909,886	
N. I. I				379,186	(2,641,804)	235,030	1,391,433	(636,155)	

a) Includes minority interests of Nextel, merged into S21 Sec Gestion in May 2019, with retroactive effects to January 2019.

d) In June 2019, the liquidation process of the subsidiary S21 Sec Brasil was concluded with retroactive effect to January 2019

2018 (restated)				Movement during the year				
							Book value of	
				Book value of	Proportion of the		non-	
		Shareholders'		non-controlling	atribuible net		controlling	
	%hold	funds	Net Result	interests 2017	result	Others	interests 2018	
Digitmarket	25.00%	4,318,554	885,629	270,756	267,265	(85,497)	452,524	
Saphety	13.01%	4,051,354	198,604	597,555	49,169	(43,428)	603,296	
Saphety Colômbia	13.01%	279,473	(326,995)	(74,810)	(29,413)	1,924	(102,299)	
Saphety Brasil	13.02%	(733,778)	29,422	(118,667)	18,882	(3,278)	(103,063)	
Wedo Brasil	0.09%	5,190,531	1,524,251	6,109	1,348	(528)	6,929	
Tecnológica	0.10%	92,445	(13,433)	(2,504)	(14)	(6)	(2,524)	
Bright Vector I	49.87%	1,877,974	(20,232)	946,605	(10,622)	-	935,983	
Taikai	0.99%	171,536	(3,465)	-	(34)	-	(34)	
S21Sec Portugal	19.10%	5,369,690	481,233	-	76,261	1,492	77,753	
S21Sec Gestión	19.10%	5,202,840	(3,966,552)	-	(523,597)	(1,765,638)	(2,289,235)	
S21 Sec Labs	19.10%	(81,236)	(202,702)	-	12,595	(203,682)	(191,087)	
S21 Sec, S.A. de CV	19.10%	(3,570,190)	(222,643)	-	(36,682)	(117,197)	(153,879)	
S21 Sec Brasil	19.10%	52	(9,958)	-	735	9,657	10,392	
Nextel	19.10%	1,336,429	(228,761)	-	139,470	(554,342)	(414,872)	
Mxtel	19.03%	1,211,188	(97,601)	-	(26,327)	(243,119)	(269,446)	
Excellium Group	40.80%	(1,669,986)		-		1,818,749	1,818,749	
				1,625,044	(60,964)	(1,184,893)	379,186	

In the year ended at 31 December 2019, the amount reflected in the 'Others' column at Digitmarket corresponds to the replacement of a balance with Saphety due to the exit of this company from the Group's perimeter. The values of the companies of the Saphety and We Do groups correspond to the exit from the consolidation perimeter for the year ended at 31 December 2019. In the company Bright Vector I corresponds essentially to the capital increase carried out by the Capital and Quase Capital Fund (FC&QC), in the amount of Euro 947,500. At last, in the Excellium Group, the variation in the 'Others' item essentially refers to the capital increase in the company.

In the year ended at 31 December 2019, the amount of dividends paid to the Non-controlling interests of Digitmarket was Euro 110,000 (Euro 584,000 in 2018).

b) At 21 March 2019, Sonae IM, together with AITEC and BPI, sold 100% of Saphety's shares (note 3.c).

c) At 13 August 2019, Sonae IM sold 100% of the shares it held in We Do (note 3.c), effective at 31 July 31 2019.

In June 2019, the liquidation process of the subsidiary S21 Sec Brasil was completed.

In November 2019, there was a capital increase in Taikai, which resulted in the dilution of Sonae IM's participation, which in turn led to the loss of control and significant influence in the company of the latter, and the investment in this company started to be registered at 31 December 2019 as Investments at fair value through other comprehensive income.

In the year ended at 31 December 2018, the amount reflected in 'Others' in the companies S21Sec Portugal, S21Sec Gestión, S21Sec Labs, S21Sec S.A. de C.V., S21Sec Brasil, Nextel and Mxtel is related to the subscription of 19.10% in S21Sec Gestión capital by Nexthold, S.L. In the Excellium Group the amount of the item refers to the entry in the perimeter of this group.

The percentage of interests (note 2) and the right to vote are equivalent.

21. Loans

At 31 December 2018 and 2017, the caption loans had the following breakdown:

a) Medium and long-term loans

						Amount outstanding
Company	Issue denomination	Limit	Maturity	Type of reimbursement	2019	2018
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	-	26,128
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	-	23,484
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	-	19,433
S21 Sec Gestion*	Bank loan	-	Jun-20	Parcel	-	62,500
S21 Sec Gestion*	Bank loan	-	Apr-20	Parcel	-	50,594
S21 Sec Gestion*	Bank loan	-	Apr-21	Parcel	27,705	109,911
S21 Sec Gestion*	Bank loan	-	May-23	Parcel	125,000	175,000
Excellium Services	Bank loan	-	Sep-22	Parcel	537,664	839,410
Excellium Services	Credit facility	-	Jun-21	Parcel	884,325	-
					1,574,694	1,306,460
Nextel*	Reimbursable grants	-	Jul-21	Parcel	-	738,273
S21 Sec Gestion*	Reimbursable grants	-	Jun-25	Parcel	1,417,428	782,245
S21 Sec Labs	Reimbursable grants	-	Jun-24	Parcel	289,809	696,988
					1,707,237	2,217,506
Saphety	Minority Shareholder loans	-	-	-	-	152,122
	Interests incurred but not due yet	_	_	-	8,000	1,003
					3,289,931	3,677,091

^{*}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 31 December 2019 was 1.79%.

b) Short-term loans

						Amount outstanding
				Type of		
Company	Issue denomination	Limit	Maturity	reimbursement	2019	2018
S21 Sec Gestion*	Bank loan	-	Nov-19	Parcel	-	50,000
S21 Sec Gestion*	Bank loan	-	Dec-19	Parcel	-	79,313
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	19,433	80,862
S21 Sec Gestion*	Bank loan	-	May-20	Parcel	23,484	99,997
S21 Sec Gestion*	Bank loan	-	Mar-20	Parcel	26,121	102,986
S21 Sec Gestion*	Bank loan	-	Nov-20	Parcel	50,000	125,000
S21 Sec Gestion*	Bank loan	-	Dec-20	Parcel	50,563	76,818
S21 Sec Gestion*	Bank loan	-	Apr-20	Parcel	62,500	100,350
S21 Sec Gestion*	Bank loan	-	Dec-20	Parcel	82,207	158,314
Excellium Services	Bank loan	-	Jun-20	Parcel	302,107	295,431
					616,415	1,169,071
Excellium Services	Overdraft facilities	1,000,000	Dec-19	Parcel	-	966,735
Excellium Services	Overdraft facilities	1,000,000	Dec-19	Parcel		987,565
					-	1,954,300
Nextel*	Reimbursable grants	-	Dec-19	-	-	738,622
S21 Sec Gestion*	Reimbursable grants	-	Dec-20	-	500,020	424,844
S21 Sec Labs	Reimbursable grants		Dec-20	_	392,021	407,186
					892,041	1,570,652
Others	Bank overdrafts (note 17)	-	_	-	44	488,591
Others	Interests incurred but not due yet	_	_	-	16,622	27,332
	•				1,525,122	5,209,946

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

Grants

At 31 December 2019 the Group had grants obtained from dependent entities of the Vasco 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	892,041
2020	502,010
2021	373,304
2022	373,304 238,266
2020 2021 2022 2023 and onwards	593,657
	2.599.278

These subsidies bear interest at rates between 0% and 4%.

Given the nature of debts, there are no financial covenants.

Bank credit lines

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 Gestion 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 one credit line, in the amount of Euro 2.5 millions.

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

At 31 December 2019 and 2018, the available bank credit lines of the Group were as follows:

						Maturity
			Amount			More than 12
Company	Credit	Limit	outstanding	Amount available	Until 12 months	months
2019	C. Carc	Limit	ou es carraing	7 HTTO GITTE GVGHGOIC	01101122 1110110115	mondis
Sonaecom	Authorised overdrafts	1,000,000	_	1,000,000	x	
S21Sec Gestion*	Authorised overdrafts	500,000	44	499,956	X	
Excellium Services	Credit facility	2,500,000	884,325	1,615,675	X	
S21Sec Gestion*	Bank loan	-	19,433		X	
S21 Sec Gestion*	Bank loan	-	23,484	-	x	
S21 Sec Gestion*	Bank loan	-	26,121	-	x	
S21 Sec Gestion*	Bank loan	-	50,563	-	x	
S21 Sec Gestion*	Bank loan	-	62,500	-	x	
S21 Sec Gestion*	Bank loan	-	109,911	-		X
S21 Sec Gestion*	Bank loan	-	175,001	-		X
Excellium Services	Bank loan		839,771			X
		4,000,000	2,191,153	3,115,631		
2018						
Sonaecom	Authorised overdrafts	1,000,000	-	1,000,000	X	
Nextel	Authorised overdrafts	500,000	488,591	11,409	X	
Excellium Services	Overdraft facilities	1,000,000	966,735	33,265	X	
Excellium Services	Overdraft facilities	1,000,000	987,565	12,435	X	
Nextel	Bank loan	-	158,110	-	X	
Nextel	Bank loan	-	100,350	-	Χ	Х
Nextel	Bank loan	-	129,114	-		X
Nextel	Bank loan	-	96,252	-		Х
Nextel	Bank loan	-	187,500	-		Х
Nextel	Bank loan	-	102,797	-		Х
Nextel	Bank loan	-	150,561	-		X
Nextel	Bank loan	-	191,006	-		Χ
Nextel	Bank loan	-	225,000	-		Х
Excellium Services	Bank loan		1,134,841			X
	contracted by Novtol margadinta C210	3,500,000	4,918,422	1,057,109		

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

Based on the debt exposed to variable rates at the end of 2019 and 2018 and considering the applications and bank balances at the same date, if market interest rates had rises (fallen), in average, 25bp during the year 2019, the interest paid that year would have decreased (increased) in an amount of approximately Euro 12,000 (Euro 22,000 in 2018 (restated)), respectively.

At 31 December 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 31 December 2019 and 2018, debts to credit institutions (nominal values) related to medium and long-term loans had the following repayment plan:

	Between 12 and			
	24 months	36 months	48 months	60 months
2019				
Other loans				
Reimbursements	1,269,334	280,360	25,000	-
Interests	8,993	2,255	118	-
	1,278,327	282,615	25,118	-
2018				
Other loans				
Reimbursements	615,768	385,331	280,361	25,000
Interests	17,896	8,993	2,255	118
	633,664	394,324	282,616	25,118

22. Non-current lease liabilities

At 31 December 2019 and 2018, this caption was composed by of accounts payable to tangible and intangible assets suppliers related to lease contracts.

At 31 December 2019 and 2018, the payment of these amounts was due as follows:

	2019			2018 (restated)
		Present value of lease		Present value of lease
	Lease payments	payments	Lease payments	payments
2019	-	-	4,234,234	3,855,120
2020	3,841,975	3,448,361	3,319,462	3,049,326
2021	2,934,745	2,626,044	2,373,499	2,189,496
2022	2,350,487	2,115,920	1,459,818	1,333,140
2023	1,853,626	1,677,473	850,493	757,462
2024	1,641,527	1,516,641	629,508	558,552
2025	1,502,535	1,425,156	583,644	531,907
2026	606,480	562,960	433,644	399,175
2027	606,480	580,920	433,644	414,441
2028 and next years	660,017	651,611	289,096	285,063
	15,997,872	14,605,086	14,607,042	13,373,682
Interests	(1,392,786)	-	(1,233,360)	-
	14,605,086	14,605,086	13,373,682	13,373,682
Short-term liability (note 26)	-	(3,448,361)	-	(3,850,740)
	14,605,086	11,156,725	13,373,682	9,522,942

Based on the debt relating to lease liabilities exposed to variable rates at the end of 2019 and 2018 and considering the applications and bank balances at the same date, if market interest rates had rises (fallen), in average, 25bp during the year 2019, the interest paid that year would have decreased (increased) in an amount of approximately Euro 37,000 (Euro 33,000 in 2018 (restated)), respectively.

23. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2019 and 2018 were as follows:

	Opening balance	Increases	Decreases	Utilisations and Transfers	Discontinued units (Note 3.c)	Closingbalance
Accumulated impairment losses on trade debtors (note 14) Accumulated impairment losses on other current debtors (note 15) Accumulated impairment losses on inventories Provisions for other liabilities and charges	5,058,766 59,339 40,000 23,615,649 28,773,754	495,275 11,472 10,000 10,314,674 10,831,421	(186,599) (259) - (1,061,232) (1,248,090)	(108,259) (25,845) - (332,473) (466,577)	(2,613,724) (4,217) - (1,687,670) (4,305,611)	2,645,459 40,490 50,000 30,848,948 33,584,897
2018	20,773,731	10,031,121	(1,11,030)	(100,577)	(1,505,011)	33,30 1,037
Accumulated impairment losses on trade debtors (note 14)	4,156,097	893,390	(21,345)	30,623	-	5,058,766
Accumulated impairment losses on other current debtors (note 15)	131,419	6,975	-	(79,055)	-	59,339
Accumulated impairment losses on inventories	40,000	-	-	-	-	40,000
Provisions for other liabilities and charges	3,603,145	21,182,040	(706,125)	(463,411)		23,615,649
	7,930,661	22,082,405	(727,470)	(511,843)		28,773,754

Reinforcements and reductions values of the accumulated impairment losses on receivable accounts and provisions for liabilities and charges, at 31 December 2019 and 2018, are detailed as follows:

		2019		2018 (restated)
Provisions for other liabilities and charges	Increases	Decreases	Increases	Decreases
Recorded in the income statement, under the caption 'Income Tax ' (note 36)	54,904	-	65,628	(38,131)
Recorded in balance sheet, under the caption Taxes and Other current debtors	-	-	-	-
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)	213	-	633	-
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 9)	135	(77,258)	448	(31,039)
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 (note 9)	8,912,428	-	20,130,786	-
Recorded in the income statement 'Staff expenses' related to the provisions for severance payments	1,127,150	-	13,042	(16,601)
Other increases and decreases - recorded in 'Provisions' (increases) and in 'Other operating costs' (decreases)	112,070	(150,167)	354,227	(36,655)
Total continuing operations	10,206,900	(227,425)	20,564,764	(122,426)
Recorded in the income statement, under the caption 'Income Tax ' - Discontinued units	65,811	(727,582)	440,290	(456,249)
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 1c) - Discontinued units	102	(3,464)	1,533	-
Recorded in the income statement 'Staff expenses' related to the provisions for severance payments (note 43)	_	-	173,090	(102,386)
Other increases and decreases - recorded in 'Provisions and impairment losses' (increases) and in 'Other operating costs' (decreases) - Discontinued units	41,861	(102,761)	2,363	(25,064)
Total Discontinued units	107,774	(833,807)	617,276	(583,699)
Total increases/(decreases) of provisions for other liabilities and charges	10,314,674	(1,061,232)	21,182,040	(706,125)
Accumulated impairment losses on accounts receivables	Increases	Decreases	Increases	Decreases
Continuing units - registered in the line 'Impairment losses' (increases) and in 'Other operating costs' (decreases)	404,428	(36,858)	220,773	(21,345)
Discontinued units (note 40)	102,319	(150,000)	679,592	-
Total increases/(decreases) of accumulated impairment losses on accounts receivables	506,747	(186,858)	900,365	(21,345)
Total recorded in the income statement in 'Provisions' (increases) and in 'Other operating revenue' (decreases)	112,070	(150,167)	354,227	(36,655)
Total recorded in the income statement in 'Impairment losses' (increases) and in 'Other operating revenue' (decreases)	404,428	(36,858)	220,773	(21,345)
Total recorded in the income statement in 'Provisions' (increases) and in 'Other operating revenue' (decreases) - Discontinued units (note 40)	41,861	(102,761)	2,363	(25,064)
Total recorded in the income statement in 'Impairment losses' (increases) and in 'Other operating revenue' (decreases) - Discontinued units (note 40)	102,319	(150,000)	679,592	-

At 31 December 2019 and 2018, the breakdown of the provisions for other liabilities and charges is as follows:

	2019	2018
Several contingencies	434,596	2,630,405
Legal processes in progress	130,206	273,577
Dismantlement	5,711	55,635
Other responsibilities (note 9)	30,278,435	20,656,032
	30,848,948	23,615,649

At 31 December 2019 and 2018, the value of provisions for the dismantling 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 responsabilities, given the uncertainty of such proceedings, the Board of Directors is unable to estimate, with reliability, the moment when such provisions will be used and therefore no financial actualisation was carried out.

In the caption 'Other responsabilities' are included provisions for restructuring an amount of Euro 1,127,149 associated with severance payment (Euro 49,380 in 2018) and at 31 December 2019 is also included Euro 29,043,214 (Euro 20,130,786 in 2018) related to the incentive in favour of Armilar, as the funds have exceeded the defined return barrier.

The Board of Directors expects that, with the exception of provisions for indemnities, the remaining provisions will essentially originate cash flows for more than 12 months.

24. Other non-current liabilities

At 31 December 2019 and 2018, the caption 'Other non-current liabilities' is as follows:

	2019	2018
Medium Term Incentive Plan (note 42)	156,950	220,686
Others	3,993,093	6,423,554
	4,150,043	6,644,240

In 2019 and 2018, the 'Others' caption includes the medium and long-term phased price payable by Excellium net of financial update in the amount of Euro 3,592,105 and Euro 6,025,002, respectively, which was measured using the amortised cost method (note 8).

25. Trade creditors

At 31 December 2019 and 2018, this caption had the following composition and maturity plans:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2019				
Suppliers – current account	15,208,479	15,208,479	-	-
Intangible and tangible assets suppliers	292,106	292,106	-	-
Suppliers – invoices pending approval	3,541,380	3,541,380	-	-
	19,041,965	19,041,965	-	-
2018				
Suppliers – current account	17,145,871	17,145,871	-	-
Intangible and tangible assets suppliers	326,386	326,386	-	-
Suppliers – invoices pending approval	1,469,226	1,469,226	-	
	18,941,483	18,941,483	=	-

At 31 December 2019 and 2018, this caption included balances payable to suppliers resulting from the Group's operations and the acquisition of intangible and tangible assets. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

26. Current lease liabilities.

At 31 December 2019, this caption 'Current lease liabilities' includes the amount of Euro 3,448,361 (Euro 3,850,740 in 2018) related to the short term portion of lease contracts (note 22).

27. Other creditors

At 31 December 2019 and 2018, this caption can be decomposed as follows:

	2019	2018
State and other public entities	4,512,411	5,156,634
Other creditors	7,422,786	9,283,629
	11,935,197	14,440,263

The liability to other creditors matures as follows:

	Total	Till 90 days	From 90 to 180 days	More than 180 days
2019				
Other creditors	7,422,786	7,422,786	-	-
2018				
Other creditors	9,283,629	9,283,629	-	-

In the year ended at 31 December 2019 and 2018, the amount of 'Other creditors' refers primarily to the amount of tax payable to Sonae SGPS resulting from the distribution of capital of the Armilar II Fund following the last Outsystems financing round in the amount of Euro 7,015,628 (tax amount of Euro 11,151,754 net of the withholding tax amount of Euro 4,136,126) (note 36). The remaining Euro 407,158 (Euro 2,264,444 in 2018) refers to various creditors, including balances with Sonae SGPS.

The liability to other creditors does not incorporate any interest. The Board of Directors believes that the difference between the fair value of these balances and its book value is not significant.

At 31 December 2019 and 2018, the caption 'State and other public entities' can be detailed as follow:

	2019	2018
Value-added tax	2,895,920	2,736,921
Social security contributions	1,147,057	1,226,612
Personal Income Tax (IRS)	437,177	941,709
Withheld Taxes (IRRF, INSS ans several contributions)	-	135,742
Othertaxes	32,257	48,499
	4,512,411	5,156,634

28. Income tax

a) Income tax receivable

At 31 December 2019 and 2018, this caption is detailed up as follows:

	2019	2018
Special account payment	1,233,388	1,496,264
Payments on account	214,004	542,221
Corporate income tax	270,174	1,004,722
	1,717,566	3,043,207

b) Income tax payable

At 31 December 2019 and 2018, this caption was only constituted by corporate income tax of Euro 90,458 and Euro 310,220, respectively, related to companies not included in the Special Regime for Taxation of Groups.

29. Other current liabilities

At 31 December 2019 and 2018, this caption is detailed up as follows:

Costs: Personnel costs Medium Term Incentive Plans (note 42) Specialised works Other costs 5,403,4 184,1 1,286,0 2,690,0	47 1,304,514
Medium Term Incentive Plans (note 42) Specialised works 184,1 1,286,0	47 1,304,514
Specialised works 1,286,0	
7	1 206 773
Other costs 2,690,0	<u>1,000,773</u>
	1,395,084
Advertising and promotion 549,1	48 522,064
Tangible and intangible assets 126,2	36 302,135
Rents 140,6	48 204,393
Rappel discounts (annual quantity discounts) 12,3	98 6,951
Other external suppliers and services 2,181,4	81 3,889,078
12,573,5	81 22,852,795
Deferred income:	
Customer contract liabilities - Advance billing to customers (note 30) 7,819,0	81 14,545,711
Other customer advance payments 935,1	1,642,645
Other deferred income 1,396,8	2,778,677
10,151,0	18,967,033
22,724,6	38 41,819,828

The variations in the 'Personnel costs' and 'Deferred income' mainly refer to units discontinued in 2019 in the amount of Euro 8,150,886 and Euro 8,249,749, respectively (note 3.c).

The caption 'Other costs' refers essentially to the current amount of Earn Out payable relating to the acquisition of Excellium subsidiary (Euro 2,100,633).

In the year ended at 31 December 2019 and 2018, the caption 'Customer contract liabilities - Advance billing to customers' can be detailed as follows:

	2019	2018
Technologies:	·	
Telecomunications	-	8,249,749
Cybersecurity	7,420,836	5,571,348
Others	398,245	724,614
Total 'Liabilities from customer contracts - Advance billing to customers'	7,819,081	14,545,711

The amount of revenue recognised in the year that was recorded in the balance of 'Liabilities from customers contracts - Advance billing to customers' at the beginning of each year is detailed as follows:

	2019	2018
Effect on results:		
Technologies:		
Cybersecurity	3,046,570	1,894,602
Others	223,993	144,544
Total revenue 'Liabilities from customer contracts - Advance billing to customers' from continued units	3,270,563	2,039,146
Total revenue 'Liabilities from customer contracts - Advance billing to customers' from discontinued units	5,486,682	4,873,613
Total revenue 'Liabilities from customer contracts - Advance billing to customers'	8,757,245	6,912,759

30. Sales and services rendered

At 31 December 2019 and 2018, the caption 'Sales and services rendered' was composed as follows:

	2019	2018
Information Systems	115,290,819	94,252,383
Multimedia and others	17,107,678	15,071,373
	132,398,497	109,323,756

The results related to projects carried out by the area of technologies are recognised based on the percentage of completion of the projects as determined in note 1.s.

At 31 December 2019 and 2018, projects in progress can be summarised as follows:

	2019	2018 (restated)
Number of projects in progress	624	629
Total costs recognised in the year	33,743,992	25,695,588
Total revenues recognised in the year	43,529,572	38,283,238
Total Liabilities from customer contracts - Advance billing to customers (note 29)	7,819,081	14,545,711
Total Customer contract assets - Billing due to customers (note 16)	6,126,311	10,679,400

Bank guarantees were provided for "Good execution of work to be performed" (note 38).

The detail of unrecognised revenue related to performance obligations of contracts with customers not satisfied in the year ended at 31 December 2019, by type of contract and according to its duration, is as follows:

	Contract with customer duration					
	2020 2021 2022 >2022 Tota					
Technologies:						
Cybersecurity	4,956,505	3,480,383	1,508,176	962,834	10,907,898	
Others	26,880	26,880	-	_	53,760	
Total revenue from contracts with customers	4,983,385 3,507,263 1,508,176 962,834				10,961,658	

31. Other operating revenues

At 31 December 2019 and 2018, the caption 'Other operating revenues' can be detailed as follows:

	2019	2018 (restated)
Supplementary income	707,025	289,241
Reversal of provisions (note 23)	187,025	58,000
Incentives	1,220,851	1,127,940
Others	331,181	268,569
	2,446,082	1,743,750

The caption 'Incentives' includes the amount of Euro 986,038 (Euro 696,243 in 2018) related to operating incentives and the amount of Euro 234,814 (Euro 431,698 in 2018) related to investment incentives (note 15 and 29).

32. External supplies and services

'External supplies and services' for the years ended at 31 December 2019 and 2018 had the following composition:

	2019	2018 (restated)
Subcontracts	10,749,225	9,282,206
Specialised works	5,295,310	4,152,725
Advertising and promotion	2,611,126	2,022,516
Travelling costs	1,938,465	1,539,734
Fees	915,495	922,585
Communications	739,454	557,877
Rents	715,082	583,604
Maintenance and repairs	658,167	423,350
Fuel	491,007	215,487
Energy	226,540	242,020
Commissions	223,181	151,208
Security	88,878	81,369
Others	999,318	594,135
	25,651,248	20,768,816

The variation in the "Subcontracts" item follows the evolution of the Group's activity.

At 31 December 2019, the caption 'Specialised works' includes approximately Euro 1.9 million of consultancy services (Euro 1.1 million in 2018) and approximately Euro 950 thousand of computer services (Euro 551 thousand in 2018).

33. Other operating costs

At 31 December 2019 and 2018, the caption 'Other operating costs' composed as follows:

	2019	2018 (restated)
Taxes	147,957	118,563
Others	272,801	156,463
	420,758	275,026

34. Financial results

Net financial results for the years ended at 31 December 2019 and 2018 were detailed as follows ((costs) / gains):

	2019	2018 (restated)
Financial expenses:		
Interest expenses:		
Bank loans	(88,486)	(29,875)
Leasing	(503,975)	(154,021)
Other interests	(207,973)	(108,479)
Foreign exchange losses	(1,360,502)	(1,642,505)
Other financial expenses	(249,537)	(233,657)
	(2,410,473)	(2,168,537)
Financial income:		
Interest income from financial assets measured at amortised cost	731,937	835,643
Foreign exchange gains	1,515,371	1,471,955
Others financial gains	99,539	74,612
	2,346,847	2,382,210

During the years ended at 31 December 2019 and 2018, the caption 'Financial income: Interest income' includes, mainly, interests earned on treasury applications (note 17 and 37).

The variation in the item 'Leasing interest' is mainly due to the new contracts started in late 2018 and beginning of 2019.

35. Gains and losses on Investments

Gains and losses on investments for the years ended at 31 December 2019 and 2018 are as follows ((expenses) / revenues):

	2019	2018
Financial results of associates and jointly controlled companies:		
Gains and losses related with the aplication of the equity method (note 9)	62,851,437	89,221,722
	62,851,437	89,221,722

The 2019 value is deducted from the Euro 8,912,428 (Euro 20,100,195) regarding the provision constituted to cover the payment to be made to the managers of the Armilar funds (note 23).

36. Income taxation

Income taxes recognised during the years ended at 31 December 2019 and 2018 were as follows ((costs) / gains):

	2019	2018 (restated)
Current tax	2,067,358	(7,834,587)
Tax provision net of reduction (note 23)	(54,904)	(27,497)
Deferred tax assets (note 11)	(483,893)	864,041
Deferred tax liabilities (note 11)	(7,636,736)	(4,397,491)
	(6,108,175)	(11,395,534)

In the year ended at 31 December 2018, the amount of the tax is mainly due to the tax associated with the distribution of capital of the Armilar II Fund following the last round of Outsystems financing in the amount of Euro 11,151,754 (note 27).

37. Related parties

During the years ended at 31 December 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, which are listed in the appendix to this report, during the years ended at 31 December 2019 and 2018 were as follows:

						Balanco	es at 31 December 2019
	Accounts receivable	Accounts payable	Other assets	Other liabilities	Treasury applications	Loans Obtained	
	(note 14 and 15)	(note 25 and 27)	(note 12 and 16)	(note 24 and 29)	(note 17)	(note 21)	Loansgranted
Parent company (Sonae SGPS)	3,867,823	5,514,807	147,481	24,964	-	-	-
Companies jointly controlled	919,485	453,276	12,709	170,937	4,700	-	-
Associated companies	-	-	2,627,367	-	-	-	-
Other related parties	4,234,668	119,044	1,397,419	59,159	-		365,854
	9,021,976	6,087,126	4,184,976	255,060	4,700		365,854

						Balanco	es at 31 December 2018
	Accounts receivable	Accounts payable	Other assets	Other liabilities	Treasury applications	Loans Obtained	
	(note 14 and 15)	(note 25 and 27)	(note 12 and 16)	(note 24 and 29)	(note 17)	(note 21)	Loansgranted
Parent company (Sonae SGPS)	3,133,662	6,950,154	154,760	107,433	-	-	-
Companies jointly controlled	3,371,505	751,185	339,357	4,300,342	4,700	-	-
Associated companies	-	-	1,976,799	-	-	-	-
Other related parties	4,435,569	591,229	428,269	1,842,659	-	153,125	-
	10,940,736	8,292,568	2,899,185	6,250,434	4,700	153,125	-

	Transactions at 31 December 2019					
	Sales and services	Supplies and services	Interest and similar	Interest and similar	Supplementary	
	rendered	received	income	expense	income	
	(note 30)	(note 32)	(note 34)	(note 34)	(note 31)	
Parent company (Sonae SGPS)	9,281	110,371	333,406	-	-	
Companies jointly controlled	8,359,106	847,604	167	-	167,333	
Associated companies	8,801	552	44,828	-	-	
Other related parties	18,421,272	741,127	44,733	9,212	47,366	
	26,798,460	1,699,653	423,134	9,212	214,699	

	Transactions at 31 December 2018 (restated)				
	Sales and services	Supplies and services	Interest and similar	Interest and similar	Supplementary
	rendered	received	income	expense	income
	(note 30)	(note 32)	(note 34)	(note 34)	(note 31)
Parent company (Sonae SGPS)	(20,780)	-	356,887	-	-
Companies jointly controlled	7,379,415	1,469,663	169	-	118,167
Associated companies	(143)	276	10,414	-	-
Other related parties	17,050,720	596,458	13,479		105,548
	24,409,211	2,066,398	380,949	-	223,715

The amounts of the item "Sales and services rendered" in the line "Other related parties" and "jointly controlled companies" refer essentially to sales and services rendered resulting from the operational activity of Sonaecom companies with companies of the Sonae SGPS group and of Grupo NOS, respectively.

During the year ended at 31 December 2019, Sonaecom distributed dividends in the amount of Euro 9,074,572 to Sonae SGPS (Euro 2,997,850 at 31 December 2018) and Euro 21,735,069 to Sontel BV (Euro 7,180,335 at 31 December 2018). In 2019, each share issued corresponded to a gross dividend of Euro 0.19 (Euro 0.27 in 2018).

During the year ended at 31 December 2019 and 2018, the company recognised the amount of Euro 46,991,559 and Euro 19,755,883, respectively, referring to dividends of Zopt (note 9).

The transactions between Group companies were eliminated in consolidation, and therefore are not disclosed in this note. All of these transactions were carried out at market prices.

Accounts receivable and payable to related companies will be settled in cash and are not covered by guarantees. During the years ended at 31 December 31 2019 and 2018, no impairment losses were recognised in accounts receivable from related entities.

The Board of Directors were assessed as a related part of the company. The remuneration attributed to "key personnel" is disclosed in note 43.

38. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 2019 and 2018 were as follows:

Company	Beneficiary	Description	2019	2018 (restated)
S21Sec Gestion	Administrador de Infraestructuras Ferroviarias; AENA; AMB, Área Metropolitana de Barcelona; 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; Correos Express Paqueteía; Diputación Foral de Gipuzkoa; Dirección General de Izfe; Dirección General Osakidetza; Euskal Irrati Telebista; Euskaltel S.A.; Eusko Jaurlaritzaren Informatika Elkartea; Eusko Legebiltzarra; Eusko Trenbideak; Euskotren; Fabrica Nacional de la Moneda y Timbre; Generalitat Valenciana; Gobierno Vasco; Instituto de Mayores y Servicios Sociales; Instituto Nacional de Ciberseguridad de España; IZFE; Metro de Madrid, S.A.; Ministerio de Energía, Turismo y Agenda Digital; National Intelligence Centre; Osakidetza; Parlamento Vasco; Red Nacional de los Ferrocarriles Españoles; Repsol; Solred S.A.; SPRI - Agencia vasca de desarrollo empresarial; Universidad del Pais Vasco	Completion of work to be done	1,951,761	1,150,893
Inovretail, S21 Sec Gestion and S21 Sec Labs	Agencia para o Desenvolvimento e Coesao, I.P.; Centro para Desarrollo Tecnológico Industrial; Ingenieria de Sistemas para la Defensa de España; Ministerio de Economia y Competitividad; Ministerio de Industria; Ministerio de Industria, Energia y Turismo	Grants	1,542,602	1,626,459
Sonaecom	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		643,293	554,467
			28,136,400	5,643,681

During the year of 2019, two bank guarantees were issued by Sonaecom, in the amount of Euro 20,434,870, in favor of the Tax Authority for the replacement of sureties provided by Sonae to Sonaecom, related to ongoing tax proceedings.

Regarding the value of the guarantees, at 31 December 2019, Sonae SGPS consisted of Sonaecom SGPS surety to the amount of Euro 7,677,029 and Sonaecom do Público up to the amount of Euro 564,900.

At 31 December 2019 and 2018, the contingencies for which guarantees and sureties are considered as remote.

At 31 December 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.

39. Information by business segment

During the years ended on 31 December 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).

The segment 'Holding activities' includes the operations of the Group companies that have as their main activity the management of shareholdings.

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

Inter-segment transactions during the years ended on 31 December 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 31 December 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	1	Holding Activities		Subtotal	Elimin	ations and others		Total
	December 2019	December 2018 (restated)										
Revenues:												
Sales and services rendered (restated)	16,037,425	15,070,530	115,779,139	92,745,576	379,542	496,953	132,196,106	108,313,059	202,391	1,010,697	132,398,497	109,323,756
Other operating revenues (restated)	631,707	740,581	1,644,599	938,913	152,386	65,449	2,473,200	1,896,684	123,049	(139,527)	2,446,082	1,743,750
Total revenues	16,669,132	15,811,111	117,423,738	93,684,489	531,928	562,402	134,624,798	110,058,002	325,440	871,170	134,844,579	111,067,506
Depreciation and amortisation (restated)	(1,942,445)	(1,173,388)	(7,794,404)	(4,360,582)	(25,205)	(33,059)	(9,762,054)	(5,567,029)	(423,474)	(413,949)	(10,185,528)	(5,980,978)
Provisions and impairment losses (restated)	(76,883)	(252,077)	(439,614)	(223,562)	-	(93,720)	(516,497)	(569,359)	-	(5,641)	(516,497)	(575,000)
Net operating income / (loss) for the segment	(4,075,574)	(4,041,697)	(14,820,319)	(5,763,580)	(1,296,639)	(1,306,624)	(20,192,532)	(11,111,901)	100,787	544,472	(20,091,745)	(10,567,429)
Interest income (restated)	4,313	43,403	255,993	461,982	854,810	991,780	1,115,116	1,497,165	(383,179)	(661,522)	731,937	835,643
Interest expenses (restated)	(34,450)	(47,188)	(1,086,029)	(888,018)	(1,923)	(36,539)	(1,122,402)	(971,745)	321,968	679,369	(800,434)	(292,376)
Gains and losses in associated companies and joint ventures (restated)	128,346	84,208	34,248,396	56,650,699	28,474,695	34,382,511	62,851,437	91,117,418	-	(1,895,696)	62,851,437	89,221,722
Other financial results (restated)	(17,434)	(4,256)	68,249	(347,897)	(3,862,285)	(2,984,121)	(3,811,470)	(3,336,274)	3,816,341	3,006,680	4,871	(329,594)
Income taxation (restated)	523,488	988,848	(6,709,430)	(13,202,793)	89,142	445,037	(6,096,800)	(11,768,908)	(11,375)	373,374	(6,108,175)	(11,395,534)
Consolidated net income/(loss) for the period (restated)	(3,471,311)	(2,976,682)	11,956,860	36,910,393	24,257,800	31,492,044	32,743,349	65,425,755	3,844,542	2,046,677	36,587,891	67,472,432
Consolidated net income/(loss) for the period of discontinued operations	-	=	(783,482)	863,639	-	=	(783,482)	863,639	13,351,698	=	12,568,216	863,639
Attributable to:												
Shareholders of parent company (restated)	(3,471,311)	(2,976,682)	13,596,024	37,834,986	24,239,750	31,492,044	34,364,463	66,350,348	17,198,417	2,046,687	51,562,881	68,397,035
Non-controlling interests (restated)	-	-	(2,422,647)	(60,953)	18,050	-	(2,404,597)	(60,953)	(2,177)	(11)	(2,406,774)	(60,964)
Assets:												
Tangible, intangible assets, rights of use and goodwill (restated)	1,085,100	2,425,330	33,439,077	89,112,488	99,182	104,754	34,623,359	91,642,572	2,908,728	(9,701,938)	37,532,087	81,940,634
Inventories	230,916	262,443	9,445	107,427	-	-	240,361	369,870	-	-	240,361	369,870
Investments in associated companies and joint ventures (restated)	781,401	780,825	146,215,537	102,407,896	642,224,244	670,721,481	789,221,182	773,910,202	35,240	27,136	789,256,422	773,937,338
Financial assets at fair value through other comprehensive income (restated)	30,242	30,242	58,319,075	28,053,735	59,632,613	59,449,241	117,981,930	87,533,218	(59,614,908)	(59,431,536)	58,367,022	28,101,682
Other non-current assets and deferred tax assets (restated)	155.743	388.176	8,652,419	12.386.832	89.366.779	105.375.508	98.174.941	118.150.516	(85,919,762)	(104,865,365)	12.255.179	13.285.151
Other current assets of the segment (restated)	10,261,294	8,302,598	47,853,751	82,687,201	238,142,387	214,026,576	296,257,432	305,016,375	9,092,979	3,671,264	305,350,411	308,687,639
Liabilities:												
Liabilities of the segment (restated)	7,704,711	9,036,311	102,200,346	137,486,765	(2,412,829)	(2,656,481)	107,492,228	112,449,845	22,996,835	30,223,496	130,489,063	142,673,341
CAPEX	1,018,268	782,963	36,799,029	44,413,506	44,594,647	42,170,336	82,411,943	87,366,805	(42,112,904)	(42,374,946)	40,299,039	44,991,858

During the years ended at 31 December 2019 and 2018, the inter-segments sales and services were as follows:

	Media	Information Systems	Holding Activities
2019			
Multimedia	-	174,532	-
Information Systems	35,000	-	121,778
Holding Activities	-	2,709	-
External trade debtors	16,002,425	115,601,898	257,764
	16,037,425	115,779,139	379,542
2018			
Multimedia	-	256,862	-
Information Systems	149	-	363,459
Holding Activities	-	3,416	-
External trade debtors	15,070,381	92,485,298	133,494
	15,070,530	92,745,576	496,953

During the years ended at 31 December 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% and 99%, respectively, of revenue.

During the years ended at 31 December 2019, for the Technologies segment, also the Portuguese market is dominant, accounting for 92.1% of revenue (51% in 2018) followed by the Spanish market, representing 22.01% of revenue (15.7% in 2018).

During the years ended at 31 December 2019 and 2018, inter-segment sales and services by geographic market can be detailed as follows:

	Med	ia	Information	ı systems	Holdingad	tivities
Country	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19	Dec-18
Portugal	15,693,480	14,834,873	65,195,266	61,258,379	379,542	467,786
Spain	36,893	18,318	26,702,970	23,037,320	-	29,167
Brazil	171	1,424	91,582	7,968	-	-
United States of America	32,763	1,313	2,619,926	110,556	-	-
South America	=	580	383,880	213,450	=	-
Angola	=	-	215,060	438,527	=	-
Germany	=	743	245,438	327,834	=	-
Malaysia	-	-	-	6,517	-	-
United Kingdom	18,247	8,876	548,627	309,163	=	-
Sweden	=	-	-	703,757	=	-
Mexico	-	-	1,832,231	1,805,284	-	-
Luxembourg	67,637	72,012	14,030,740	97,813	=	-
Turkey	=	-	-	(0)	=	-
Malta	-	-	(2,140)	42,527	-	-
Egypt	-	-	72,053	84,968	-	-
Rest of the world	4,944	6,463	597,783	594,631	=	-
Other countries in Europe	183,290	125,928	3,245,722	3,706,883	-	-
Total	16,037,425	15,070,530	115,779,139	92,745,576	379,542	496,953

During the years ended at 31 December 2019 and 2018, non-current inter-segment assets by geographic market may be broken down as follows:

	Med	ia	Techno	ologies	Holdingac	tivities
Country	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19	Dec-18
Portugal	1,201,789	2,498,506	10,655,964	70,916,531	89,398,488	105,362,441
United States of America	-	-	-	3,757,295	-	-
Spain	-	-	9,681,264	11,300,989	-	-
Luxembourg	-	-	17,420,137	4,424,904	-	-
Brazil	-	-	-	588,973	-	-
Mexico	-	-	198,428	520,477	-	-
United Kingdom	-	-	-	954	-	-
Egypt	-	-	-	157,759	-	-
Colombia	-	-	-	140,166	-	-
Netherlands	-	-	-	3,363	-	-
Ireland	-	-	-	1,778	-	-
Australia	-	-	-	543	-	-
Total	1,201,789	2,498,506	37,955,792	91,813,731	89,398,488	105,362,441

The consolidated financial statements of NOS at 31 December 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 of Euro)	December 2019	December 2018 (restated)
Assets		
Tangible assets	1,034,813	1,026,355
Intangible assets	1,014,066	1,019,256
Rights of use	200,483	218,383
Deferred tax assets	80,428	94,404
Other non-current assets	204,552	170,286
Non-current assets	2,534,342	2,528,684
Trade debtors	361,712	382,100
Cash and cash equivalents	12,819	2,182
Other current assets	179,303	145,834
Current assets	553,834	530,116
Totalassets	3,088,176	3,058,800
Liabilities		
Loans	1,201,064	1,014,364
Provisions for other liabilities and charges	94,959	128,815
Other non-current liabilities	21,537	21,054
Non-current liabilities	1,317,560	1,164,233
Loans	159,063	283,061
Trade creditors	259,499	254,950
Other current liabilities	339,731	302,945
Current liabilities	758,293	840,956
Total liabilities	2,075,853	2,005,189
Shareholders' funds excluding non-controlling interests	1,005,281	1,046,315
Non-controlling interests	7,042	7,296
Total Shareholders' funds	1,012,323	1,053,611
Total Shareholders' funds and liabilities	3,088,176	3,058,800

Condensed consolidated statements of income by nature

(Amounts expressed in of Euro)	December 2019	December 2018 (restated)
Total revenue	1,599,230	1,576,161
Costs and losses		
Direct costs and External supplies and services	(636,921)	(631,672)
Depreciation, amortisation	(421,318)	(421,434)
Other operating costs	(339,160)	(321,171)
	(1,397,399)	(1,374,277)
Gains/ (losses) in associated companies	(1,022)	(6,441)
Financial results	(24,768)	(30,691)
Income taxation	(32,796)	(27,479)
Consolidated net income/(loss) for the year	143,245	137,273
Consolidated net income/(loss) for the year attributed to non-controlling interests	(251)	(497)
Attributed to shareholders of parent company	143,496	137,770

40. Discontinued units

Saphety Group

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

(Amounts expressed in Euro)	March 2019	December 2018 (restated)
Services rendered	2,067,305	7,860,292
Other operating revenues		92,266
	2,067,305	7,952,558
Cost of sales	-	67,366
External supplies and services	(554,167)	(2,837,946)
Staff expenses	(779,237)	(3,075,719)
Depreciation and amortisation	(417,135)	(1,212,226)
Provisions	-	-
Impairment losses	-	(50,679)
Other operating costs	(11,452)	(48,416)
	(1,761,991)	(7,157,620)
Other financial expenses	(9,481)	(110,480)
Other financial income	(31,759)	(99,820)
Current income / (loss)	264,074	584,638
Income taxation	(67,484)	(287,540)
Consolidated net income/(loss) for the period of discontinued operations	196,590	297,098
Gain/ (loss) resulting from the alienation	5,148,926	
Attributed to:		
Non-controlling interests (discontinued operations)	(240,455)	(38,638)
Cash flows from operating activities (1)	284,035	1,025,286
Cash flows from investment activities (2)	492,613	(117,513)
Cash flows from financing activities (3)	(100,375)	(34,077)
Net cash flows (4)=(1)+(2)+(3)	676,273	873,696

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	December 2018
((restated)
Services rendered	34,814,480	52,474,924
Other operating revenues	797,781	863,864
	35,612,261	53,338,788
Cost of sales	-	332,000
External supplies and services	(14,339,841)	(15,792,020)
Staff expenses	(17,391,448)	(28,221,638)
Depreciation and amortisation	(3,943,872)	(7,558,587)
Provisions	(41,861)	(628,913)
Impairment losses	(102,319)	(2,363)
Other operating costs	(86,427)	(114,130)
	(35,905,767)	(51,985,651)
Other financial expenses	(2,478,336)	(2,397,235)
Other financial income	2,053,898	2,095,133
Current income / (loss)	(717,943)	1,051,035
Income taxation	(583,534)	(484,494)
Consolidated net income/(loss) for the period of discontinued operations	(1,301,477)	566,541
Gain/ (loss) resulting from the alienation	8,524,177	-
Attributed to:		
Non-controlling interests (discontinued operations)	5,425	(1,335)
Cash flows from operating activities (1)	1,992,914	9,253,978
Cash flows from investment activities (2)	999,653	(673,490)
Cash flows from financing activities (3)	(1,133,719)	(328,310)
Net cash flows (4)=(1)+(2)+(3)	1,858,848	8,252,178
100 (2) (1) (1) (2)·(2)	1,000,040	0,232,170

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.

41 Earnings per share

Earnings per share for the year ended at 31 December 2019 and 2018 were calculated as follows:

	2019	2018 (restated)
Including discontinued operations		
Consolidated net income/(loss) for the year attributed to shareholders of parent company	51,562,881	68,397,035
Average number of shares outstanding, net of own shares	305,769,023	305,769,023
Basic earning per share	0.17	0.22
Diluted earning per share	0.17	0.22
Excluding discontinued operations		
Consolidated net income/(loss) for the year attributed to shareholders of parent company	39,229,695	67,573,369
Average number of shares outstanding, net of own shares	305,769,023	305,769,023
Basic earning per share	0.13	0.22
Diluted earning per share	0.13	0.22

In the years presented, there were no dilutive effects with an impact on net earnings per share, so this is equal to the basic earnings per share.

The basic and diluted dividend per share of Euro 0.11 in 2019 and Euro 0.037 in 2018 are calculated by dividing the dividend amount distributed (Euro 34,246,131 in 2019 and Euro 11,313,454 in 2018) by the average number of shares existing during the years ended at 31 December 2019 and 2018, less own shares (305,769,023 in 2019 and 2018).

42. 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 31 December 2019 are as follows:

			Vesting period		31 dezembro 2019
	Share price 31 December 2019	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares					
2016 Plan	0.910	mar/17	mar/20	3	217,159
2017 Plan	0.910	mar/18	mar/21	3	189,759
2017 Plan	0.910	mar/19	mar/22	3	257,116

During the year ended at 31 December 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:		
Unvested		2,309,348
Total	173	2,309,348
Movements in the year.		
Award	5	377,525
Vested	(161)	(1,725,175)
Cancelled / corrected / transfers ⁽¹⁾	(8)	(297,664)
Outstanding at 31 December 2019:		
Unvested	9	664,034
Total	9	664,034

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

The responsibility of the plans was recognised under the caption 'Other current liabilities' and 'Other non-current liabilities'.

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

Share plans costs are recognised in the accounts over the year between the award and the vesting date of those shares. The costs recognised for the open plans and for the plans vested in previous years and in the year ended on 31 December 2019, were as follows:

	Value
Costs recognised in previous years	1,473,290
Costs recognised in the year (note 43)	528,385
Costs recognised in the year- discontinued units	218,322
Costs of plans vested in the year	(1,620,187)
Costs recognised in the year of transferred plans	(258,713)
Total cost of the plans	341,097
Recorded in 'Other current liabilities' (note 29)	184,147
Recorded in 'Other non-current liabilities (note 24)	156,950

43. Staff expenses

For the years ended at 31 December 2019 and 2018, the caption 'Staff expenses' was as follows:

	2019	2018 (restated)
Remuneration	37,665,180	26,374,315
Charges on remuneration	8,190,996	5,936,977
Medium Term Incentive Plans (note 42)	528,385	158,189
Works for own company (note 6)	(2,860,324)	(2,113,130)
Others	2,837,320	1,015,031
	46,361,557	31,371,382

During the years 2019 and 2018, the remunerations paid to Directors and other members of key management in functions (7 managers in 2019 and 6 managers in 2018) were as follows:

	2019	2018 (restated)
Short-term employee benefits	1,079,613	1,010,631
Share-based payments	248,410	244,700
Other medium and long term benefits	36,908	
	1,364,931	1,255,331

The amounts included in the line of Benefits of short-term employees include Fixed Remuneration and the Performance Premium, the latter calculated on an accrual basis. The value of Share-based Payments for 2018 and 2017 corresponds to the value of the medium-term incentive plan to be awarded in 2019 and relative to the performance of 2018 (and attributed in 2018 relative to the performance of 2017, to the value of 2018), whose shares, or the corresponding cash value, will be delivered in March 2022 and March 2021, respectively, and for which the expense is recorded during the period from 2019 to 2022 (2018 to 2021 for the value of 2018). Corporate Governance Report includes more detailed information on Sonaecom's compensation policy.

In the years ended at 31 December 2019 and 2018 the members of the Board of Directors of Sonaecom were considered key personnel of management body.

44. Fees of Statutory Auditor

During the years ended at 31 December 2019, the Group paid as fees to ROC, PriceWaterhouseCoopers SROC the amount of Euro 142,775 (Euro 217,658 in 2018).

The details of the services provided during the year in 2019 are as follows:

		Sonaecom	Other com		
	PwC SROC	Other companies in the network	PWI SRIII	Other companies in the network	
Statutory audit	21,450	-	93,016	26,734	141,200
Tax advice				1,575	1,575
Total	21,450		93,016	26,734	142,775

The amount of the item "Other services" refers to the service associated with the Bright Interim Balance Sheet.

45. Average number of employees

During the years ended at 31 December 2019 and 2018 (restated by the sale of the Saphety and Wedo groups), the average number of employees serving the companies included in the consolidation was 973 and 690, respectively. At 31 December 2019, the number of workers amounted to 948.

46. Subsquent events

In February 2020, ZOPT became aware that some of its bank accounts are unavailable, which may have resulted from an arrest order made by the Angolan authorities. The amounts seized are not materially relevant and the balances and shares recorded in the ZOPT accounts with CGD ('Caixa Geral de Depósitos'), remain available. To date, such seizure has not yet been legally notified to ZOPT, so it has not yet been possible to take any action by it, namely for the purposes of possible pronunciation.

Since its emergence in Europe, at the beginning of 2020, the Board of Directors has followed in detail and with great concern all developments related to the Covid-19 pandemic, following closely the position of the competent international entities, namely the World Organization da Saúde and the European Center for Disease Prevention and Control, as well as the Portuguese Directorate-General for Health.

Considering the level of risk that exists, a specific government model was developed to manage this crisis, in line with the various businesses, depending on the level of risk defined at each moment. Prevention / contingency plans were triggered, defined or developed, covering the entire organization, from operations to central structures and a set of risk mitigation measures were identified. In this sense and considering the high risk of contagion and spread of the virus, mandatory actions were defined and communicated, as well as recommendations for all employees, such as the prohibition of all trips; advising against holding / participating in congresses, fairs, exhibitions and extended training; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; teleworking / remote work procedures, ensuring for that purpose - and according to the identified criticality - the existence of portable computers and internet access for employees, among many others.

So far, the group's business operations have not experienced any significant impacts resulting from this situation, but we know that the magnitude and degree of uncertainty that an event of this nature involves will necessarily have negative impacts. At this stage, Sonaecom considers it quite challenging to quantify the magnitude of the impacts, but estimates a reduction in Professional Services revenues from companies in the Technology area, a significant reduction in commercial activity, difficulty in reselling technology (either due to reduced demand or a drop in supply), negative impacts on some NOS activities - Cinemas and Audiovisuals, Roamings and

International traffic, Equipment sales, Premium sports channel revenues and mobile data revenues - affecting Sonaecom via ZOPT, and impacts on the value of Sonae IM minority interests.

The spread of COVID-19, with the consequent drop in oil demand and the price war between Saudi Arabia and Russia, has caused historic falls in the capital market and instability in the value of assets on all world exchanges.

In view of the Company's capital structure, with a significant amount in cash and bank deposits and a low amount of interest-bearing debt, no material changes in the Company's liquidity are expected.

The potential impact that this situation may have depends on the level of evolution and contagion of the virus, making projections difficult. However, we will continue to implement all measures that are deemed appropriate to minimize their impacts, in line with the recommendation of the competent entities and in the best interest of all our stakeholders.

These financial consolidated presentations have been approved by the Executive Board and authorised to be issued on 10 March 2020, however, subject to approval by the Shareholders' General Meeting.

1.3. Sonaecom separate financial statements

Separate statement of financial position

For the years ended at 31 December 2019 and 2018 (restated – note 1)

Assets Inamplie assets Inamplie assets 1.0. am. am. am. am. am. am. am. am. am. am	(Amounts expressed in Euro)	Notes	December 2019	December 2018 (restated)
Tangible assets 1 and 2 1,061 6,994 Intangible assets 1 band 3 1,750 2,480 Ingles for use 1 band 4 2,370 55,280 Investments in subsidiaries 1 c and 6 66,478,789 64,307,037 Companies jointly controlled 1 c and 6 66,478,789 64,307,037 Companies jointly controlled 1 c and 6 66,478,789 597,566,944 Other non-current assets 1 mand 9 7,975,66,944 597,566,944 Other control assets 1 mand 9 67,473 117,82 Total ono-current assets 1 mand 9 67,473 117,82 Income tax receivable 1 m,5 and 10 788,383 650,600 Other current assets 1 e,1 b,5 13 and 28 253,086 450,783 Cash and cash equivalents 1 e,1 b,5 13 and 28 236,903,100 212,722,888 Total current assets 1 e,1 b,5 13 and 28 236,903,100 212,722,888 Total current assets 1 e,1 b,5 13 and 28 236,903,100 212,722,888 Total current assets 1 e,1 b,5 13 and 28 236,903,100 212,722,888 Total assets 1 e,2 b,5 23,916,627 </td <td>Assets</td> <td></td> <td></td> <td></td>	Assets			
Intamgible assets 1 band 3 1,750 2,480 1,880 1,980	Non-current assets			
Rights of use 1 f and 4 92,370 95,280 Investments in subsidiaries 1 c and 6 66,478,689 64,307,073 Companies jointly controlled 1 c and 7 595,666,944 597,666,944 Other non-current assets 1 c, le, ln, 5, 8 and 28 197,453,129 215,399,819 Defered tax assets 1 m and 9 67,473 11,722 Total non-current assets 1 m 5 and 10 788,383 65,000 Other current debtors 1 m, 5 and 10 788,383 65,000 Other current assets 1 e, ln, 5, 12 and 28 253,086 450,783 Other current assets 1 e, ln, 5, 12 and 28 253,086 450,783 Other current assets 1 e, ln, 5, 12 and 28 286,051 193,376 Other current assets 1 e, ln, 5, 12 and 28 286,051 193,376 Other current assets 1 e, ln, 5, 13 and 28 286,051 193,376 Other current assets 1 e, ln, 5, 13 and 28 286,051 193,377 Total assets 1 e, ln, 5, 13 and 28 286,051 193,975 Total assets	Tangible assets	1.a and 2	5,061	6,994
Presentments in subsidiaries 1c and 6 66,478,789 54,307,037 Companies jointly controlled 1d and 7 597,666,944 597,666,948 59	Intangible assets	1.b and 3	1,750	2,480
Companies jointly controlled 1d and 7 lc, le, ln, 5, 8 and 28 logy, 455, 129 logy, 325, 399, 881 597, 666, 944 logy, 325, 399, 881 Deferred tax assets 1 mand 9 for, 473 logy, 325, 399, 881 Total non-current assets 861, 765, 516 logy, 375, 544, 477 Current assets 1 m, 5 and 10 logy, 325, 325, 396, 340, 378 Income tax receivable 1 m, 5 and 10 logy, 51, 1 and 28 logy, 325, 306, 340, 378 Other current assets 1 e, ln, 5, 12 and 28 logy, 331, 385 logy, 325, 325, 325, 325, 325, 325, 325, 325	Rights of use	1.f and 4	92,370	95,280
Other non-current assets 1c, 1e, 1n, 5, 8 and 28 197,453,129 215,399,81 Deferred tax assets 1 m and 9 67,473 117,821 Total non-current assets 86,765,516 877,596,447 Current assets 1 m, 5 and 10 788,333 650,600 Other current debtors 1 e, 1n, 5, 12 and 28 88,615 93,378 Cash and cash equivalents 1 e, 1n, 5, 13 and 28 286,051 93,375 Cash and cash equivalents 1 e, 1n, 5, 13 and 28 286,051 913,576 Total assets 1, 09,798,701 1091594,104 Total assets 1, 09,798,701 10,91594,104 Shareholder funds and liabilities 1 1, 09,798,701 10,91594,104 Share capital 1 and 15 (8, 441,804) (8, 441,804) Reserves 1 and 15 (8, 441,804) (8, 441,804) Reserves 1 and 15 (8, 441,804) (8, 441,804) Reserves 1 and 2 42,774,663 16,865,415 Total Shareholders funds 1 and 2 42,774,663 16,865,415 N	Investments in subsidiaries	1.c and 6	66,478,789	64,307,037
Deferred tax assets Imade 6.743 117.82 Total non-current assets 861.765,516 877.596,447 Current assets 1.09.79 and 10 788.383 650,600 Other current debtors 1.e., 1.9, 5.1 and 28 253,086 430,785 Other current assets 1.e., 1.9, 1.2 and 28 88,615 193,786 Cash and cash equivalents 238,033,108 212,792,898 Total assets 1,099,798,701 1,015,94,00 Shareholder funds and liabilities 1,099,798,701 1,015,94,00 Shareholder funds 1 230,391,627 230,391,627 Shareholder funds 1 230,391,627 230,391,627 Shareholder funds 1 230,391,627 230,391,627 Shareholder funds 1 42,774,663 168,641,804 Reserves 1 42,774,663 168,654,15 Shareholders funds 24,774,663 168,654,15 Total Shareholders funds 1 1,997,495,074 10,88,965,245 Total Shareholders funds 1 1,997,495,074 10,88,	Companies jointly controlled	1.d and 7	597,666,944	597,666,944
Total non-current assets 861,765,516 877,596,447 Current assets 1m,5 and 10 788,383 650,600 Other current debtors 1e,1g,5,11 and 28 253,086 430,783 Other current assets 1e,1n,5,12 and 28 86,615 193,376 Cash and cash equivalents 1e,1h,5,13 and 28 236,903,101 212,722,898 Total assets 238,033,185 213,997,657 750 750 238,033,185 213,997,657 750	Other non-current assets	1.c, 1.e, 1.n, 5, 8 and 28	197,453,129	215,399,891
Current assets 1.m., 5 and 10 7.88,383 650,600 Other current debtors 1.e., 1.g. 5,11 and 28 253,086 430,783 Other current assets 1.e., 1.n., 5,12 and 28 88,615 193,376 Cash and cash equivalents 1.e., 1.h., 5,13 and 28 236,903,101 212,722,898 Total current assets 2.38,033,185 213,997,657 Total assets 1.099,798,701 1,091,594,104 Shareholder' funds and liabilities 1.099,798,701 1,091,594,104 Shareholder' funds and liabilities 2.03,391,627 230,391,627 Share capital 1.1 and 15 (8,441,804) (8,441,804) Reserves 1.1 and 15 (8,441,804) (8,441,804) Reserves 1.0 and 1, 1.93,770,588 850,151,304 Net income / (loss) for the year 42,774,663 16,855,415 Total Shareholders' funds 1,097,495,074 1,088,965,524 Liabilities 1 1,997,495,074 1,088,965,524 Total Shareholders' funds 1,101,10,5 and 10 1,99,812 349,979 Non-current liabilities	Deferred tax assets	1.m and 9	67,473	117,821
Income tax receivable 1.m.5 and10 788,383 650,600 Other current debtors 1.e.1g, 5, 11 and 28 253,086 430,783 Other current assets 1.e, 1.n., 5, 12 and 28 88,615 193,376 Cash and cash equivalents 1.e.1h, 5, 13 and 28 236,903,101 212,722,898 Total current assets 236,033,185 213,997,657 Total assets 1.099,798,701 1.091,594,104 Shareholder's funds 1 230,391,627 230,391,627 Share capital 1 230,391,627 230,391,627 Share capital 1 4230,391,627 230,391,627 Own shares 1 1 83,770,588 850,151,304 Reserves 1 42,774,663 16,865,415 Net income / (loss) for the year 1 1,097,495,074 1088,965,41 Total Shareholders' funds 1 199,812 349,979 Non-current liabilities 1 1,99,812 349,979 Non-current liabilities 1 1,93,243 35,275 Other non-current lia	Total non-current assets		861,765,516	877,596,447
Other current debtors 1e,1g,5,1and28 255,086 430,783 Other current assets 1e,1n,5,12 and 28 88,615 193,376 Cash and cash equivalents 1e,1h,5,13 and 28 236,903,101 2127,22,898 Total current assets 238,033,185 213,997,657 Total assets 1,099,798,701 1091,594,100 Shareholder funds and liabilities Share capital 14 230,391,627 230,391,627 Share capital 14 230,391,627 230,391,627 Own shares 1 rand 15 (8,441,804) (8,441,804) Reserves 1 rand 15 (8,441,804) (8,441,804) Reserves 1 rand 15 (8,441,804) (8,441,804) Reserves 1 rand 15 8,441,804 (8,441,804) Reserves 1 rand 16 83,2770,588 850,151,304 Reserves 1 rand 16 1,997,495,074 1088,965,154 Total Shareholders funds 1 rand 17 199,812 349,979 Non-current liabilities 1 e,1, f, 5 and 18 66	Current assets			
Other current assets 1e, 1n, 5, 12 and 28 88,615 193,376 Cash and cash equivalents 1e, 1h, 5, 13 and 28 236,903,101 212,722,898 Total assets 238,033,85 213,997,657 Total assets 1,099,798,701 1,091,594,104 Shareholder's funds Share capital 14 230,391,627 230,391,627 Own shares 1 rand 15 (8,441,804) (8,441,804) Reserves 1q 42,774,663 16,855,415 Total Shareholders' funds 2 42,774,663 16,855,415 Total Shareholders' funds 1 1097,495,704 1088,965,542 Non-current liabilities Non-current liabilities 1 1 19,9912 34,997 Non-current liabilities 1 11,15, and 18 66,293 69,583 Other current liabilities 1 1,11,15, and 18 66,293 69,583 Total non-current liabilities 1 1,15, and 18 66,293 575,279 Current liabilities 1 1,25,	Income tax receivable	1.m, 5 and 10	788,383	650,600
Cash and cash equivalents 1e, 1h, 5, 13 and 28 236, 903, 10 2127, 228, 88 Total current assets 238, 033, 185 213, 997, 567 Total assets 1,099, 798, 701 1091, 594, 104 Shareholder's funds and liabilities 8 8 Share capital 14 230, 391, 627 230, 391, 627 Share capital 14 230, 391, 627 230, 391, 627 We shares 1 rand 15 (8, 441, 804) (8, 441, 804) Reserves 1 q 832, 770, 588 850, 151, 304 Net income / (loss) for the year 1 q 42,774, 663 16,855, 415 Total Shareholder's funds 1 yor,495,074 10,889,655, 42 Liabilities 1 yor,495,074 10,889,655, 42 Non-current liabilities 1 yor,495,074 10,889,655, 42 Provisions for other liabilities 1 yor,495,074 349,979 Non-current lease liabilities 1 yor,495,074 19,9812 349,979 Non-current liabilities 1 yor,495,074 19,9812 349,979 Ottal inon-current liabilities 1 yor,495,07	Other current debtors	1.e, 1.g, 5, 11 and 28	253,086	430,783
Total current assets 238,033,185 213,997,657 Total assets 1,099,798,701 1,091,594,104 Shareholder's funds and liabilities Shareholders' funds Share capital 14 230,391,627 230,391,627 Own shares 11 482,770,598 850,151,304 Reserves 1q 832,770,598 850,151,304 Net income / (loss) for the year 1q 82,770,598 850,151,304 Net income / (loss) for the year 1q 832,770,598 850,151,304 Net income / (loss) for the year 1q 832,770,598 850,151,304 Non-current liabilities 1,097,495,074 1088,966,542 Provisions for other liabilities and charges 1l and 17 199,812 349,979 Non-current lease liabilities 1e,1f,5 and 18 66,293 69,583 Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 1e,1n,1u,5 and 19 108,583 752,79 Current lease liabilities 1e,5,20 and 28 1,445,304 1,255,174 <	Other current assets	1.e, 1.n, 5, 12 and 28	88,615	193,376
Total assets 1,099,798,701 1,091,594,104 Shareholder' funds and liabilities 1 230,391,627 <td>Cash and cash equivalents</td> <td>1.e, 1.h, 5, 13 and 28</td> <td>236,903,101</td> <td>212,722,898</td>	Cash and cash equivalents	1.e, 1.h, 5, 13 and 28	236,903,101	212,722,898
Shareholder' funds and liabilities Item (april to mark)	Total current assets		238,033,185	213,997,657
Shareholders' funds Share capital 14 230,391,627 230,391,627 Own shares 1r and 15 (8,441,804) (8,441,804) Reserves 1q 832,770,588 850,151,304 Net income / (loss) for the year 42,774,663 16,865,415 Total Shareholders' funds 1,097,495,074 1,088,966,542 Liabilities Verent liabilities Provisions for other liabilities and charges 11 and 17 199,812 349,979 Non-current lease liabilities 1e,1f,5 and 18 66,293 69,583 Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Current liabilities 1e,1n,1u,5 and 29 1445,304 1,255,174 Current lease liabilities 1e,5,20 and 28 1,445,304 1,255,174 Current lease liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities <t< td=""><td>Total assets</td><td></td><td>1,099,798,701</td><td>1,091,594,104</td></t<>	Total assets		1,099,798,701	1,091,594,104
Share capital 14 230,391,627 230,391,627 Own shares 1r and 15 (8,441,804) (8,441,804) Reserves 1q 832,770,588 850,151,304 Net income / (loss) for the year 42,774,663 1,685,415 Total Shareholders' funds 1,097,495,074 1,088,966,542 Liabilities 8 8 Provisions for other liabilities and charges 11 and 17 199,812 349,979 Non-current lease liabilities 1e,1f,5 and 18 66,293 65,933 Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 1e,5,20 and 28 1,445,304 1255,174 Current lease liabilities 1e,1f,5 and 18 28,012 27,844 Other current liabilities 1e,1f,5 and 18 28,012 27,844	Shareholder' funds and liabilities			
Own shares 1r and 15 (8,441,804) (8,441,804) Reserves 1q 832,770,588 850,151,304 Net income / (loss) for the year 42,774,663 16,865,415 Total Shareholders' funds 1,097,495,074 1,088,966,542 Liabilities Very current liabilities Very current liabilities Non-current liabilities 11 and 17 199,812 349,979 Non-current lease liabilities 1e,1f,5 and 18 66,293 69,583 Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1e,5,20 and 28 1,445,304 1,255,174 Current lease liabilities 1e,1f,5 and 18 28,012 27,844 Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,288 Total liabilities 2,303,627 2,627,562	Shareholders' funds			
Reserves 1q 832,770,588 850,151,304 Net income / (loss) for the year 42,774,663 16,865,415 Total Shareholders' funds 1,097,495,074 1,088,966,542 Liabilities Value of the liabilities of the liabilities and charges Non-current liabilities 1 l and 17 199,812 349,979 Non-current lease liabilities 1e,1f,5 and 18 66,293 69,583 Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1e,5,20 and 28 1,445,304 1,255,174 Current lease liabilities 1e,1f,5 and 18 28,012 27,844 Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Share capital	14	230,391,627	230,391,627
Net income / (loss) for the year 42,774,663 16,865,415 Total Shareholders' funds 1,097,495,074 1,088,966,542 Liabilities Non-current liabilities Provisions for other liabilities and charges 11 and 17 199,812 349,979 Non-current lease liabilities 1e,1f,5 and 18 66,293 69,583 Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1e,5,20 and 28 1,445,304 1,255,174 Current lease liabilities 1e,1f,5 and 18 28,012 27,844 Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Own shares	1.r and 15	(8,441,804)	(8,441,804)
Total Shareholders' funds 1,097,495,074 1,088,966,542 Liabilities Non-current liabilities Provisions for other liabilities and charges 11 and 17 199,812 349,979 Non-current lease liabilities 1.e, 1f, 5 and 18 66,293 69,583 Other non-current liabilities 1.e, 1n, 1u, 5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1.e, 5, 20 and 28 1,445,304 1,255,174 Current lease liabilities 1.e, 1f, 5 and 18 28,012 27,844 Other current liabilities 1.e, 1n, 1u, 5, 21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Reserves	1.q	832,770,588	850,151,304
Liabilities Non-current liabilities Provisions for other liabilities and charges 1.1 and 17 199,812 349,979 Non-current lease liabilities 1e, 1f, 5 and 18 66,293 69,583 Other non-current liabilities 1e, 1n, 1u, 5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1e, 5, 20 and 28 1,445,304 1,255,174 Current lease liabilities 1e, 1f, 5 and 18 28,012 27,844 Other current liabilities 1e, 1n, 1u, 5, 21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Net income / (loss) for the year		42,774,663	16,865,415
Non-current liabilities Provisions for other liabilities and charges 1 ll and 17 199,812 349,979 Non-current lease liabilities 1e, 1f, 5 and 18 66,293 69,583 Other non-current liabilities 1e, 1n, 1u, 5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1e, 5, 20 and 28 1,445,304 1,255,174 Current lease liabilities 1e, 1f, 5 and 18 28,012 27,844 Other current liabilities 1e, 1n, 1u, 5, 21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Total Shareholders' funds		1,097,495,074	1,088,966,542
Provisions for other liabilities and charges 1 I and 17 199,812 349,979 Non-current lease liabilities 1.e, 1f, 5 and 18 66,293 69,583 Other non-current liabilities 1e, 1n, 1u, 5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1e, 5, 20 and 28 1,445,304 1,255,174 Current lease liabilities 1e, 1f, 5 and 18 28,012 27,844 Other current liabilities 1e, 1n, 1u, 5, 21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Liabilities			
Non-current lease liabilities 1e,1f,5 and 18 66,293 69,583 Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities 1e,5,20 and 28 1,445,304 1,255,174 Current lease liabilities 1e,1f,5 and 18 28,012 27,844 Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Non-current liabilities			
Other non-current liabilities 1e,1n,1u,5 and 19 108,583 155,717 Total non-current liabilities 374,688 575,279 Current liabilities Other creditors 1e,5,20 and 28 1,445,304 1,255,174 Current lease liabilities 1e,1f,5 and 18 28,012 27,844 Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Provisions for other liabilities and charges	1.I and 17	199,812	349,979
Total non-current liabilities 374,688 575,279 Current liabilities 1e, 5, 20 and 28 1,445,304 1,255,174 Current lease liabilities 1e, 1f, 5 and 18 28,012 27,844 Other current liabilities 1e, 1n, 1u, 5, 21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Non-current lease liabilities	1.e, 1.f, 5 and 18	66,293	69,583
Current liabilities 1.e, 5, 20 and 28 1,445,304 1,255,174 Current lease liabilities 1.e, 1f, 5 and 18 28,012 27,844 Other current liabilities 1.e, 1n, 1u, 5, 21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Other non-current liabilities	1.e, 1.n, 1.u, 5 and 19	108,583	155,717
Other creditors 1.e, 5, 20 and 28 1,445,304 1,255,174 Current lease liabilities 1.e, 1f, 5 and 18 28,012 27,844 Other current liabilities 1.e, 1n, 1u, 5, 21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Total non-current liabilities		374,688	575,279
Current lease liabilities 1e,1f,5 and 18 28,012 27,844 Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Current liabilities			
Other current liabilities 1e,1n,1u,5,21 and 28 455,623 769,265 Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Other creditors	1.e, 5, 20 and 28	1,445,304	1,255,174
Total current liabilities 1,928,939 2,052,283 Total liabilities 2,303,627 2,627,562	Current lease liabilities	1.e, 1.f, 5 and 18	28,012	27,844
Total liabilities 2,303,627 2,627,562	Other current liabilities	1.e, 1.n, 1.u, 5, 21 and 28	455,623	769,265
	Total current liabilities		1,928,939	2,052,283
Total Shareholders' funds and liabilities 1,099,798,701 1,091,594,104	Total liabilities		2,303,627	2,627,562
	Total Shareholders' funds and liabilities		1,099,798,701	1,091,594,104

The notes are an integral part of the financial statements.

The Certified Accountant

The Board of Directors



Separate income statement by nature

For the years ended at 31 December 2019 and 2018 (restated – note 1)

(Amounts expressed in Euro)	Notes	December 2019	September to December 2019 (not audited)	December 2018 (restated)	September to December 2019 (not audited and restated)
Services rendered	1.o, 22 and 28	379,542	110,236	496,953	124,975
Other operating revenues	1.o, 23 and 28	152,386	150,693	65,449	14,296
		531,928	260,929	562,402	139,271
External supplies and services	1.f, 24 and 28	(636,596)	(160,980)	(640,581)	(173,715)
Staff expenses	1.u, 31 and 32	(1,120,233)	(453,375)	(1,054,569)	(272,676)
Depreciation and amortisation	1.a, 1.b, 1.f, 2, 3 and 4	(25,205)	(1,453)	(33,059)	(8,423)
Provisions	1.l and 17	-	22,784	(93,720)	3,000
Other operating costs		(46,533)	(11,468)	(47,097)	(12,470)
		(1,828,567)	(604,492)	(1,869,026)	(464,283)
Gains and losses on subsidiary and companies jointly controlled	1.d, 1.o, 6, 7, 17 and 25	43,174,931	(1,830,198)	16,748,327	224,247
Other financial expenses	1.c, 1.f 1.i, 1.j, 1.s, 1.t, 26 and 28	(57,095)	(13,824)	(97,944)	(76,120)
Other financial income	1.f, 1.s, 11, 26 and 28	864,324	158,442	1,076,619	295,735
Earnings before taxes		42,685,521	(2,029,143)	16,420,378	118,850
Income taxation	1.m, 9 and 27	89,142	33,668	445,037	55,604
Net income / (loss) for the year		42,774,663	(1,995,475)	16,865,415	174,454

The notes are an integral part of the financial statements.

The Certified Accountant

The Board of Directors

Separate statement of comprehensive income

For the years ended at 31 December 2019 and 2018 (restated – note 1)

(Amounts expressed in Euro)	Notes	December 2019	September to December 2019 (not audited)	December 2018 (restated)	September to December 2019 (not audited and restated)
Net income / (loss) for the year		42,774,663	(1,995,475)	16,865,415	174,454
Comprehensive income for the year		42,774,663	(1,995,475)	16,865,415	174,454

The notes are an integral part of the financial statements.

The Certified Accountant

The Board of Directors

Separate statement of changes in Equity

For the years ended at 31 December 2019 and 2018 (restated – note 1)

(Amounts expressed in Euro)							Reserves		
	Share capital (note 14)	Own shares (note 1.r and 15)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves (note 1.q)	Net income / (loss)	Total
2019									
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 28)	-	-	-	-	-	(34,246,131)	(34,246,131)	-	(34,246,131)
Comprehensive income for the year ended at 31 December 2019	-	-	-	-	-	=	=	42,774,663	42,774,663
Balance at 31 December 2019	230,391,627	(8,441,804)	775,290,377	18,545,192	8,441,804	30,493,215	832,770,588	42,774,663	1,097,495,074

(Amounts expressed in Euro)							Reserves		
	Share capital (note 14)	Own shares (note 1.r and 15)	Share premium	Legal reserves	Own shares reserves	Other reserves	Total reserves (note 1.q)	Net income / (loss)	Total
2018									
Balance at 31 December 2017	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,050,162	845,695,705	15,770,507	1,083,416,035
Impact of the application of IFRS 16 (restated)	-	-	-	-	-	(1,454)	(1,454)	-	(1,454)
Balance at 1 January 2018 (restated)	230,391,627	(8,441,804)	775,290,377	16,913,362	8,441,804	45,048,708	845,694,251	15,770,507	1,083,414,581
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 28)	-	-	-	-	-	(11,313,454)	(11,313,454)	-	(11,313,454)
Comprehensive income for the year ended at 31 December 2018	=	-	-	=	=	=	=	16,866,108	16,866,108
Impact of the application of IFRS 16 (restated)	-		-	=	-	-	=	(693)	(693)
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

The notes are an integral part of the financial statements.

The Certified Accountant

The Board of Directors

Separate cash flow statement

For the years ended at 31 December 2019 and 2018 (restated – note 1)

(Amounts expressed in Euro)	Notes		December 2019		December 2018 (restated)
Operating activities					
Receipts from trade debtors		446,695		691,557	
Payments to trade creditors		(656,371)		(643,117)	
Payments to employees		(1,522,139)		(1,079,028)	
Cash flows from operating activities		(1,731,815)		(1,030,588)	
Payments / receipts relating to income taxes		42		535,055	
Other payments / receipts relating to operating activities		3,253		587,475	
Cash flows from operating activities (1)			(1,728,520)		91,942
Investing activities					
Receipts from:					
Financial investments	8	46,895,941		48,296,902	
Interest and similar income	26	1,286,773		962,405	
Loans granted	8	23,995,000		18,865,000	
Dividends	25	46,991,559		19,755,883	
Payments for:					
Financial investments	6 and 8	(44,574,231)		(42,064,511)	
Tangible assets	2	(1,666)		(2,125)	
Intangible assets	3	-		(70)	
Loans granted	8	(14,355,000)		(12,645,000)	
Cash flows from investing activities (2)			60,238,375		33,168,484
Financing activities					
Payments for:					
Interest and similar expenses	26	(55,062)		(93,034)	
Dividends Paid	28	(34,246,131)		(11,313,454)	
Leases		(28,459)		(32,210)	
Cash flows from financing activities (3)			(34,329,652)		(11,438,698)
Net cash flows $(4)=(1)+(2)+(3)$		_	24,180,203		21,821,728
Cash and cash equivalents at the beginning of the year	13		212,722,898		190,901,170
Cash and cash equivalents at year end	13	_	236,903,101	_	212,722,898

The notes are an integral part of the financial statements.

The Certified Accountant

The Board of Directors

Annual Report 2019 214

Notes to the cash flow statement

For the years ended at 31 December 2019 and 2018

	Notes	December 2019	December 2018
1. Acquisition or sale of subsidiaries or other businesses activities			
a) Receipts from other business activities			
Loan repayment from Sonae Investment Management - Software and Technology, SGPS, S.A.	8	23,995,000	18,795,000
Loan repayment from PCJ - Público, Comunicação e Jornalismo, S.A.	8	-	70,000
Reimbursement of supplementary capital from Sonae Investment Management - Software and Technology, SGPS, S.A.	8	46,895,941	48,296,902
		70,890,941	67,161,902
b) Payments from other business activities			
Loan granted to Sonae Investment Management - Software and Technology, SGPS, S.A.	8	14,355,000	12,645,000
Supplementary capital to Sonae Investment Management - Software and Technology, SGPS, S.A.	8	37,074,231	34,064,511
Supplementary capital to Público - Comunicação Social, S.A.	8	3,500,000	2,000,000
Share capital increase of PCJ - Público, Comunicação e Jornalismo, S.A.	6	2,000,000	2,000,000
Share capital increase of Sonaecom Serviços Partilhados, S.A.	6	2,000,000	2,000,000
Share capital increase of Público - Comunicação Social, S.A.	6	-	2,000,000
		58,929,231	54,709,511
c) Dividends received			
ZOPT, SGPS, S.A.	25	46,991,559	19,755,883
		46,991,559	19,755,883

	Notes	December 2019	December 2018
2. Description of non-monetary financing activities			
a) Bank credit obtained and not used		1,000,000	1,000,000
b) Purchase of company through the issue of shares		Not applicable	Not applicable
c) Conversion of loans into shares		Not applicable	Not applicable

The notes are an integral part of the financial statements.

The Certified Accountant

The Board of Directors

Annual Report 2019 215

1.4. Notes to the separate financial statements of Sonaecom

SONAECOM, SGPS, S.A., (hereinafter referred to as 'the Company' or 'Sonaecom') was established on 6 June 1988, under the name Sonae – Tecnologias de Informação, S.A. and has its head office at Lugar de Espido, Via Norte, Maia – Portugal. The corporate purpose of the Company is the management of shareholdings, as an indirect form of economic activities.

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

By public deed of 30 September 1997, the scission-fusion of Pargeste, SGPS, S.A., was carried out, and the company started to include the financial participations in the companies related to the communication and information technologies of the spun-off company.

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 afore mentioned Combined Share Offer, which was EUR 10.

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

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

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 separate 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. 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 year ended at 31 December 2019:

Standard / Interpretation

Effective date (annual years 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.

Standard / Interpretation

Effective date (annual years beginning on or after)

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.

Annual Improvements to IFRS Standards 2015-2017 Cycle

1-Jan-19

Annual Improvements to IFRSs 2015–2017 Cycle is a collection of amendments to IFRSs in response to issues addressed during the 2015–2018 cycle for annual improvements to IFRSs. This cycle afects the following standards: IAS 23, IAS 12, IFRS 3 e IFRS 11.

Regarding the new standards that became effective in the year started at 1 January 2019, the Company did an analysis of the changes introduced and the impact on the financial statements and concluded that the application of these standards, with the exception of IFRS 16, did not produce effects materially relevant in the financial statements.

Following the new interpretation on IAS 12 - Income taxes, Sonaecom re-evaluated all its contingencies and tax disputes, considering what the IFRIC 23 requires, and didn't have changes in the estimates previously made by management.

Disclosure of IFRS 16 impacts

IFRS 16 was endorsed in October 2017 and should be applied for years beginning on or after 1 January 2019. This standard establishes the recognition, presentation and disclosure of lease contracts, defining a single recognition model.

Transition

The new standard will replace all requirements, principles for recognition, measurement, presentation and disclosure of lease contracts prescribed in IFRS, in particular in IAS 17 -

Leases, starting to define the new accounting record for leases, from the perspective of the lessor, whether from the lessee's point of view, introducing a new accounting regime for the lessee, which determines the registration of a right of use on the leased assets and a lease liability relating to rents payable, for all lease agreements.

Sonaecom applied IFRS 16 using the full retrospective approach and, therefore, the information in the 2018 financial statements has been restated, as if this standard had been applied since the beginning of the lease contracts, that is, the accounting policy is in accordance with IFRS 16, since 1 January 2018.

IFRS 16 establishes that the lessees need to be recording all leases based on a single model of recognition in the balance similarly to the treatment that IAS 17 establishes for finance leases.

The standard allows two exceptions to this model: (1) low-value leases and (2) short-term leases (i.e., with a lease period of less than 12 months). The Company did not adopt these exceptions.

In the case of contracts that constitute, or contain, a lease, entities need to record each component of the lease contained in the contract as a lease, separately from other components of the contract that are not leases, unless the entity applies the practical expedient provided for in the standard. The Company adopted this practical expedient.

At the beginning of the lease, the lessee recognises the responsibility related to the lease payments (lease liability) and the asset that represents the right to use the underlying asset during the lease period (right to use).

The lessees will have to recognise separately the cost of interest on the lease liability and the depreciation of the right to use.

The accounting by the lessor remains substantially unchanged compared to the current treatment of IAS 17. The lessor continues to classify all leases using the same principles as IAS 17 and separating between the two types of leases: operating and financial.

Additionally, the adoption of IFRS 16 implied the recording of deferred taxes related to Assets - Right to Use and Lease Liability, whose record is made by the net.

The impact of the adoption of IFRS 16 in the financial statements at 31 December 2018 and 31 December 2017 was as follows:

(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)

(Amounts expressed in Euro)	December 2017 (reported)	IFRS 16	December 2017 (restated)
Balance			
Non-current assets			
Rights of use	-	20,426	20,426
Non-current liabilities			
Non-current lease liabilities	-	11,195	11,195
Current liabilities			
Current lease liabilities	-	10,685	10,685
Shareholders' funds			
Reserves	845,695,705	(1,473)	845,694,232
Net income / (loss) for the year	15,770,507	19	15,770,526

Standards, interpretations, amendments and revisions, whose application is mandatory in future financial years, were approved (endorsed) by the European Union, until 31 December 2019:

Standard / Interpretation Effective date (annual years beginning on or after) Amendments to IAS 1 and IAS 8: Definition of 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

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 references to the conceptual 1-Jan-20 framework in IFRS standards

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. in order to clarify the application of the new definitions of asset / liability and expenditure / income, in addition to some of the characteristics of the financial information. These changes are retrospective, except if impractical.

The Company did not proceed with the early application of any of these standards in the financial statements for the year ended at 31 December 2019.

No material 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 31 December 2019:

Standard / Interpretation Effective (annual years beg

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.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest 1-jan-20 Rate Renchmark Reform

This amendment constitutes a review regarding pre-substitution issues in the context of the IBOR reform, modifying the existing requirements in IFRSs for accounting of hedging instruments. The changes were designed to support the provision of useful financial information by companies during the period of uncertainty resulting from the gradual elimination of interest rate benchmarks, such as IBORs. The amendments modify some specific hedge accounting requirements to undermine the potential effects of the uncertainty caused by the IBOR reform. In addition, the changes require companies to provide additional information to investors about their hedge relationships, which are directly affected by these uncertainties.

IFRS 17 - Insurance contracts 1-Jan-22

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.

These standards have not yet been approved ('endorsed') by the European Union and, as such, were not adopted by the Company for the year ended at 31 December 2019, because their application is not mandatory.

The accounting policies and measurement criteria adopted by the Company at 31 December 2019 are comparable with those used in the preparation of 31 December 2018 restated 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 year 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 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 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 year is recorded in the profit and loss statement under the caption 'Depreciation and amortisation'.

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

c) Investments in subsidiaries 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, nonmonetary 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, which corresponds to its initial fair 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 year 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 with the other entrepreneurs), 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, which corresponds to its initial fair 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 year 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 31 December 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.

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.

At 31 December 2019, the Company did not hold assets classified at fair value through profit or loss.

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, 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.

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

Financial liabilities and equity instruments are classified according to the contractual substance regardless of their legal form. Equity instruments are contracts that show a residual interest in the Company's assets after deducting liabilities. The equity instruments issued by the company are recorded at the amount received, net of the costs incurred with their issuance. Financial liabilities are derecognised only when they are extinguished, that is, when the obligation is settled, cancelled or expired.

Financial liabilities are classified into two categories:

- (i) Financial liabilities at 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 amortized cost" includes liabilities presented under the heading loans obtained (Note 1.i)), suppliers and other debts. These liabilities are initially recognised at the fair value net of transaction costs and are subsequently measured at amortised cost in accordance with the effective interest rate.

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are cancelled or expire.

At 31 December 2019, the Company has only recognised liabilities classified as "Financial liabilities at amortized cost".

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 Company as lessee 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 by the lessee based on a single recognition model in the balance sheet.

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 accumulated 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 and restoration costs, if exist.

Whenever the Company incurs an obligation to dismantle and remove a leased asset, restore the location in which it is located, or restore the underlying asset to the condition required by the lease terms and conditions, a provision is recognised, in accordance with terms of IAS 37. Expenses are included in the respective right of use.

Leasing incentives (eg.:, rental grace periods) are recognised as elements for measuring the right of use and liabilities of the lease.

Variable income that does not depend on an index or rate is recognised as expenses in the year in which they are determined, or payment is made.

The Rights of use are depreciated according to the lease term, using the straight-line method, or according to the estimated useful life of the asset under right of use, when it is longer than the lease period and management intends to exercise the purchase option.

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.

Rights of use 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.

Payments for non-lease components are not recognised as lease liabilities.

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 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 '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, the payments of interest of 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 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.

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.

When the hedge accounting is adopted, the management documents, on the initial date of the hedge relationship, the economic relationship between the hedging instruments and the hedge instruments, including the condition of the hedging instruments to compensate or not the changes in the cash flows of the hedge instruments, in accordance with the Risk

Management objectives and strategy defined for contracting hedge transactions.

The cash flow hedges used by the Company are related to:

- (i) Interest rate swaps operations to hedge against interest rate risks on loans obtained. The amounts, interest payment dates and repayment dates of the underlying interest rate swaps are similar in all respects to the conditions established for the contracted loans. Changes in the fair value of cash flow hedges are recorded in assets or liabilities, against a corresponding entry under the caption 'Hedging reserves' in Shareholders' funds.
- (ii) Forward's exchange rate for hedging foreign exchange risk. The values and times periods involved are identical to the amounts invoiced and their maturities.

In cases where the hedge instrument is not effective, the amounts that arise from the adjustments to fair value are recorded directly in the profit and loss statement.

At 31 December 2019 and 2018, the Company did not have any derivatives.

I) 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 year 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 year, they will be compensated as the Group recovers, taking into account the future taxable profits of the Group, and the amount to be compensated is registered in non-current assets in an account receivable from the Group. Each company records the income tax on its individual accounts, and the tax recorded is recorded against the group companies account. The special regime for the taxation of groups of companies covers all direct or indirect subsidiaries, and even through companies resident in another Member State of the European Union or the European Economic Area, only if, in the last case, there is an obligation of administrative cooperation, on which the Group holds at least 75% of their share capital, where such participation confers more than 50% of voting rights, if certain requirements are

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.

In accordance with IAS 12, the company presents deferred tax assets and liabilities at net value, whenever:

- (i) the company in question has the legally exercisable right to compensate current tax assets and current tax liabilities;
- (ii) deferred tax assets and liabilities relate to income taxes recorded by the same tax authority and on the same taxable entity or on different taxable entities that intend to settle current tax liabilities and assets on a net basis, or realize the assets and settle liabilities simultaneously, in future years when deferred taxes are expected to be settled or recovered.

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

The costs attributable to 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 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 1.1).

o) Revenue

Revenue includes the fair value of the consideration received or receivable for the rendering of services resulting from the debits of management fees to subsidiaries. The revenue is recognised net from taxes.

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.

q) Reserves

Legal reserve

Portuguese commercial legislation requires that at least 5% of the annual net profit must be appropriated to a legal reserve, until such reserve reaches at least 20% of the share capital. This reserve is not distributable, except in case of liquidation of the Company, but may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Own shares reserve

The own shares reserve reflects the acquisition value of the own shares and follows the same requirements of legal reserve.

Other reserves and Shares Premium

This caption includes retained earnings from previous years that are available for distribution and the Shares Premium.

Additionally, the increments resulting from the application of fair value through equity components, including its implementation through net results, shall be distributed only when the elements that gave rise to them are sold, liquidated or exercised or when they finish their use, in the case of tangible or intangible assets. Therefore, at 31 December 2019, Sonaecom, have free reserves distributable amounting approximately EUR 69.8 million. To this effect were considered as distributable increments resulting from the application of fair value through equity components already exercised during the year ended at 31 December 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
	31 December	Average	31 December	Average
Pounds Sterling	1.1754	1.1405	1.1179	1.1304
American Dollar	0.8902	0.8934	0.8734	0.8475

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 '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 under the heading "Other current debtors", given the nature of these balances, the calculation of the impairment is not applicable based on the expected credit loss.

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 Company 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 Company 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 Company 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 Company calculates an impairment corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

The Company prospectively assesses the estimated credit losses associated with the assets at amortized cost. The applied impairment methodology depends on whether or not there has been a significant increase in credit risk.

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.

At 31 December 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 noncurrent liabilities' and 'Other current liabilities' by a corresponding entry under the profit and loss statement caption 'Staff expenses', for the cost relating to the deferred period elapsed. The liability is quantified based on the fair value of the shares as of each statement of financial position date.

At 31 December 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 recognized on the income statement under the caption 'Staff expenses'.

v) Distribution of dividends

The distribution of dividends to shareholders is recognised as a responsibility in the year in which the dividends are approved by the shareholders.

w) 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.

x) Judgements and estimates

The most significant accounting estimates reflected in the financial statements of the years ended at 31 December 2019 and 2018 are as follows:

- (i) Impairment analysis of investments in subsidiaries and joint ventures and of other tangible and intangible assets;
- (ii) Recognition of impairment losses on assets (Trade debtors and inventories), provisions and analysis of contingent liabilities; and
- (iii) 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.

The mainly estimates and assumptions related to future events included in the preparation of the financial statements are described in the corresponding notes, when applicable.

The sensitivity analysis to the variation of the assumptions in the impairment calculation is reflected in notes 6 and 7.

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 year, 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 noncancellable 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).

Based on the characteristics of the negotiated lease contracts, management assesses on the date of the negotiation of the contract whether it qualifies as a lease or a service contract.

y) 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 year ended at 31 December 2019, Sonaecom has no indebtedness. However, as all Sonaecom's borrowings (note 16) 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 year.

Sonaecom's Board of Directors approves the terms and conditions of the financing with significant impact in the Company, based on the analysis of the debt structure, the risks and the different options in the market, particularly as to the type of interest rate (fixed / variable). Under the policy defined above, the Executive Committee is responsible for the decision on the occasional interest rate hedging contracts, through the monitoring of the conditions and alternatives existing in the market.

At 31 December 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.

Considering 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 13). 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 ahigh 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 48 months (4 years) before 31 December 2019, and the corresponding historical credit losses verified during this period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors that affect customers' ability to settle outstanding amounts.

As such, the impairment losses at 31 December 2019 were determined considering these assumptions of IFRS 9.

Considering the afore mentioned 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 noncurrent 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 accounting average gearing, obtained by the ratio of the average net debt of the year to the average of the equity of the year, of 21.3%. The average gearing in market values in 2019 was negative in 32.7%. The reported amounts were restated due to the adoption of IFRS 16

2. Tangible assets

The changes in tangible assets and in the corresponding accumulated depreciation and impairment losses in the years ended at 31 December 2019 and 2018 was as follows:

							2019
	Buildings and	Plant			Fixtures	Other	
	other constructions	and machinery	Vehicles	Tools	and fittings	tangible assets	Total
Gross assets							
Balance at 31 December 2018	347,208	43,858	22,060	171	248,961	101	662,359
Balance at 31 Deceber 2019	347,208	43,858	22,060	171	248,961	101	662,359
Accumulated depreciation and impairment losses							
Balance at 31 December 2018	343,709	43,858	22,060	171	245,466	101	655,365
Depreciation for the year	494		-		1,439		1,933
Balance at 31 Deceber 2019	344,203	43,858	22,060	171	246,905	101	657,298
Net value	3,005	<u>-</u>	-	<u> </u>	2,056		5,061

							2018
	Buildings and	Plant			Fixtures	Other	
	other constructions	and machinery	Vehicles	Tools	and fittings	tangible assets	Total
Gross assets							
Balance at 31 December 2017	347,208	43,858	22,060	171	247,788	101	661,186
Additions		-	-		1,173	-	1,173
Balance at 31 December 2018	347,208	43,858	22,060	171	248,961	101	662,359
Accumulated depreciation and impairment losses							
Balance at 31 December 2017	341,953	43,858	22,060	171	244,152	101	652,295
Depreciation for the year	1,756	-	-		1,314		3,070
Balance at 31 December 2018	343,709	43,858	22,060	171	245,466	101	655,365
Net value	3,499	-	-		3,495	_	6,994

3. Intangible assets

The changes in intangible assets and in the corresponding accumulated amortisation and impairment losses in the years ended at 31 December 2019 and 2018 was as follows:

			2019
	Brands patents and other rights		Total
Gross assets	and other rights	Joitware	Total
Balance at 31 December 2018	9,931	195,879	205,810
Balance at 31 December 2019	9,931	195,879	205,810
Accumulated amortisation and impairment losses			
Balance at 31 December 2018	9,896	193,434	203,330
Amortisation for the year	35	695	730
Balance at 31 December 2019	9,931	194,129	204,060
Net value	-	1,750	1,750

			2018
	Brands patents and other rights		Total
Gross assets			
Balance at 31 December 2017	9,859	195,879	205,738
Additions	72		72
Balance at 31 December 2018	9,931	195,879	205,810
Accumulated amortisation and impairment losses			
Balance at 31 December 2017	9,812	192,739	202,551
Amortisation for the year	84	695	779
Balance at 31 December 2018	9,896	193,434	203,330
Net value	35	2,445	2,480

4. Rights of use

For the years ended at 31 December 2019 and 2018, the changes occurred in the value of the rights of use, as well as its depreciations and accumulated impairment losses, were as detailed below:

		2019
	Vehicles	Total
Gross assets		
Balance at 31 December 2018 (restated)	154,723	154,723
Additions	49,379	49,379
Transfers and write-offs	(29,747)	(29,747)
Balance at 31 December 2019	174,355	174,355
Accumulated depreciation and impairment losses		
Balance at 31 December 2018 (restated)	59,443	59,443
Depreciation for the year	22,542	22,542
Balance at 31 December 2019	81,985	81,985
Net value	92,370	92,370

		2018 (restated)
	Vehicles	Total
Gross assets		
Balance at 31 December 2017	50,659	50,659
Additions	104,064	104,064
Balance at 31 December 2018	154,723	154,723
Accumulated depreciation and impairment losses		
Balance at 31 December 2017	30,233	30,233
Depreciation for the year	29,210	29,210
Balance at 31 December 2018	59,443	59,443
Net value	95,280	95,280

5. Breakdown of financial instruments

At 31 December 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
Non-current assets				
Other non-current assets (note 8)	16,458,991	16,458,991	180,994,138	197,453,129
	16,458,991	16,458,991	180,994,138	197,453,129
Current assets				
Income tax receivable (note 10)	-	-	788,383	788,383
Other trade debtors (note 11)	195,750	195,750	57,336	253,086
Other current assets (note 12)	59,400	59,400	29,215	88,615
Cash and cash equivalents (note 13)	236,903,101	236,903,101	-	236,903,101
	237,158,251	237,158,251	874,934	238,033,185

				2018
	Assets measured at amortised cost	Total financial assets	Others not covered by IFRS9	Total
Non-current assets				
Other non-current assets (note 8)	21,237,867	21,237,867	194,162,024	215,399,891
	21,237,867	21,237,867	194,162,024	215,399,891
Current assets				
Income tax receivable (nota 10)	-	-	650,600	650,600
Other trade debtors (note 11)	361,908	361,908	68,875	430,783
Other current assets (note 12)	142,891	142,891	50,485	193,376
Cash and cash equivalents (note 13)	212,722,898	212,722,898	<u>-</u>	212,722,898
	213,227,697	213,227,697	769,960	213,997,657

				2019
	Liabilities recorded at amortised cost	Total financial liabilities	Others not covered by IFRS 9	Total
Non-current liabilities				
Non-current lease liabilities (note 18)	66,293	66,293	-	66,293
Other non-current liabilities (note 19)	<u> </u>		108,583	108,583
	66,293	66,293	108,583	174,876
Current liabilities				
Other creditors (note 20)	1,425,468	1,425,468	19,836	1,445,304
Current lease liabilities (note 18)	28,012	28,012	-	28,012
Other current liabilities (note 21)	309,973	309,973	145,650	455,623
	1,763,453	1,763,453	165,486	1,928,939

				2018 (restated)
	Liabilities recorded at amortised cost		Others not covered by IFRS 9	Total
Non-current liabilities Non-current lease liabilities (note 18)	69,583	69.583	_	69,583
Other non-current liabilities (note 19)	<u> </u>	<u> </u>	155,717	155,717
Current liabilities	69,583	69,583	155,717	225,300
Other creditors (note 20)	1,204,878	1,204,878	50,296	1,255,174
Current lease liabilities (note 18)	27,844	27,844	-	27,844
Other current liabilities (note 21)	575,540	575,540	193,724	769,264
	1,808,262	1,808,262	244,020	2,052,282

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 subsidiaries

At 31 December 2019 and 2018, this caption included the following investments in subsidiaries:

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	32,537,204
PCJ - Público Comunicação e Jornalismo S.A. ('PCJ')	19,690,000	17,690,000
Sonaecom - Serviços Partilhados S.A. ('Sonaecom SP')	6,050,000	4,050,000
	110,518,791	106,518,791
Impairment losses (note 17)	(44,040,002)	(42,211,754)
Total investments in subsidiaries	66,478,789	64,307,037

In the years ended at 31 December 2019 and 2018, the total amount of impairment losses is related with the subsidiaries Público and PCJ in the amounts of EUR 30,879,750 (EUR 28,674,566 in 2018) and EUR 13,160,252 (EUR 13,537,188 in 2018) respectively.

The changes that occurred in investments in this caption during the years ended at 31 December 2019 and 2018 were as follows:

Company	Balance at 31 December 2018	Additions	Disposals	Transfers and write-offs	Balance at 31 December 2019
Sonae IM	52,241,587	-	-	-	52,241,587
Público	32,537,204	-	-	-	32,537,204
PCJ	17,690,000	2,000,000	-	-	19,690,000
Sonaecom SP	4,050,000	2,000,000			6,050,000
	106,518,791	4,000,000	-	-	110,518,791
Impairment losses (note 17)	(42,211,754)	(2,205,184)	376,936		(44,040,002)
Total investments in subsidiaries	64,307,037	1,794,816	376,936	-	66,478,789

Company	Balance at 31 December 2017	Additional	Disposals	Transfers and write-offs	Balance at 31 December 2018
Sonae IM	52,241,587	-	-	-	52,241,587
Público	23,305,000	2,000,000	-	7,232,204	32,537,204
PCJ	15,690,000	2,000,000	-	-	17,690,000
Sonaecom SP	2,050,000	2,000,000	-		4,050,000
	93,286,587	6,000,000	-	7,232,204	106,518,791
Impairment losses (note 17)	(35,015,000)	(2,137,362)	242,812	(5,302,204)	(42,211,754)
Total investments in subsidiaries	52,291,587	3,862,638	242,812	1,930,000	64,307,037

For the year ended at 31 December 2019, the increases of EUR 2,000,00 in PCJ and Sonaecom SP corresponds to a capital increase made in cash.

For the year ended at 31 December 2019, the variation in 'Impairment losses' corresponds to the increase and decrease of the impairment in the subsidiaries Público and PCJ respectively (note 17), related with the activity of this companies.

For the year ended at 31 December 2018, the increases in PCJ, Público and Sonaecom SP correspond to capital increases in cash. The amount of 'Transfers and write-offs' corresponds to the increase in the investment in capital of Público by conversion of Supplementary Capital (note 8).

The amount of 'Transfers and write-offs' in 'Impairment losses' for the year ended at 31 December 2018, corresponds to the reallocation of the impairment of loans that were used to increase the capital of Public (note 8 and 17). The amount of 'Additions' refers to the impairment record in Público and PCJ.

At 31 December 2019 and 2018, the main financial information (values in accordance with IFRS standards) regarding the subsidiaries and jointly controlled directly owned by the company is as follows:

(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%	2,196,462	112,749	50%	2,297,966	126,084
Sonae IM	Maia	100%	115,104	(17,305)	100%	140,031	33,524
PCJ	Maia	100%	6,212	138	100%	4,141	171
Sonaecom SP	Maia	100%	6,675	229	100%	4,511	46
Público	Maia	100%	2,969	(3,322)	100%	2,930	(3,327)

⁽a) Consolidated Financial Statements. Amounts of 31 December 2018 have been restated.

The measurement of the existence or not of impairment of the main amounts of interests in group companies recorded in the accompanying financial statements is made taking into account the cash generating units, based on the last business plans approved by the Group's Board of Directors made on an annual basis unless there are indications of impairment, which are prepared using cash flows projected for periods of 5 years.

At 31 December 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		Media		
Assumptions	Retail	Cybersecurity	Others	
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use
Discount rate	7.25%	7%- 11,07%	7.25%	7.25%
Growth rate in perpetuity	3%	3%	2%	0.00%

2018		Technologies				
Assumptions	Telecomunications	Retail	Cybersecurity	Others		
Basis of recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use	
Discount rate	6.25%-17%	10.5%	6.75%- 11.25%	7%-13.75%	7.0%	
Growth rate in perpetuity	2%	3%	3%	1%-2%	0.00%	

The average growth rate considered for the 5-year turnover was 18% for the Technologies sector. For the Media sector, the average growth rate of the considered volume was about 2.4%.

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 7% and 7.25% and in Latin America are used rates of 11.07%.

The analysis of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended at 31 December 2019. For the sensitivity analysis made, required in the IAS 36 - Impairment of Assets, varying the discount rate by 0.5 pp in the media sector and in the technology sector by varying the discount rate by 0.5 pp and 0, 5 pp in the perpetuity growth rate, would not lead to material changes in the recovery amounts, and therefore there would not be any additional material impairment.

The analysis of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended at 31 December 2019, beyond the amounts registered in the income statement (note 17).

^{*} At 31 December 2019, the market capitalization of NOS amounted to 2,473 million euros.

7. Investments in companies jointly controlled

At 31 December 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 years ended at 31 December 2019 and 2018 were as follows:

Company	Balance at 31 December 2018	Additions	Disposals	Transfers	Balance at 31 December 2019
ZOPT	597,666,944	_	_		597,666,944
Company	Balance at 31 December 2017	Additions	Disposals	Transfers	Balance at 31 December 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 year ended at 31 December 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 2.4%.

	NOS SGPS
Assumptions	
Basis of recoverable amount	Value in use
Discount rate	6.1%
Growth rate in perpetuity	1.7%

Additionally, 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 Angolan associates in the financial statements of ZOPT at 31 December 2019 amounts to approximately EUR 52 million. Taking account the recent patrimony seizure of Mrs. Isabel dos Santos, in the specific case of the shares held by her in Finstar and ZAP Media, increasing the risk / evidence of the existence of impairment in these investments, it is no longer viable to perform the impairment test to this participations through business plans in accordance with discounted cash flows, being considered more reasonable to do the impairment tests based on the exit multiples (Exit price with discount). Accordingly, the Group carried out an impairment test, in a scenario of disposal of financial participation (level 2 of the fair value hierarchy of IFRS 13).

In the analysis, the ZOPT Group determined the implicit multiple of Finstar and ZAP Media's Enterprise Value / EBITDA through the average of:

- (i) multiples of transactions carried out in the telecommunications segment in Africa from 2015 to 2020;
- (ii) the market multiples of companies listed in the telecommunications segment in Africa
- (iii) the multiple of a transaction carried out in the telecommunications segment in Angola in February 2020.

In addition, a 25% discount was applied compared to the average calculated for the multiples identified above, in order to reinforce the loss of appreciation in a sale scenario with the constraints described above. The impairment test carried out, based on the assumptions identified above, resulted in an impairment loss of EUR 24 million in ZAP's investment, in the ZOPT' financial statement.

These participations were subject to impairment tests in the sensitivity analysis and if the discount varied positively and negatively by 5 pp, the investment would vary between -5.65% and 5.25% respectively.

In addition to the assessment made based on the outgoing multiples, the group carried out impairment tests in addition to the financial investments in Finstar (holder of interests in Angola) and in Mstar (Mozambique), which are expressed in the currencies of those countries, Kwansas and Meticais, respectively, considering business plans (internal valuation using the discounted cash flow method), which are more conservative as a result of the constraints described above, approved by the NOS Executive Committee, for a period 5 years, which include average revenue growth rates for that period of 11.6% (Angola) and 5.7% (Mozambique).

The business plans also considered a growth rate in perpetuity of 6.0% (Angola) and 5.5% (Mozambique) and a discount rate ("WACC") in the perpetuity of 14.7% (Angola) and 16.7% (Mozambique). The discount rate over the period 2020 to 2024 varied between a maximum of 24.9% and a minimum of 14.7% (in 2024), for Angola, and a maximum of 19.5% and a minimum of 16 , 7% (2024) in Mozambique, in line with the inflation forecasts considered most appropriate (source: International Monetary Fund (IMF)) and assume the current market structure in terms of competition.

In February 2020, ZOPT became aware that some of its bank accounts are unavailable, which may have resulted from an arrest order made by the Angolan authorities. The amounts apprehended are not materially relevant and the balances and shares (of NOS) recorded in ZOPT's accounts with CGD, remain available. To date, such apprehension has not yet been judicially notified to ZOPT, so it has not yet been possible to take any action by it, namely for the purpose of eventual pronunciation.

The analysis of the impairment indices and the review of the impairment projections and tests have not lead to clearance losses, during the year ended at 31 December 2019.

8. Other non-current assets

At 31 December 2019 and 2018, this caption can be decomposed as follows:

	2019	2018
Financial assets		
Medium and long-term loans granted to subsidiaries and joint-ventures:		
Sonae IM	16,235,000	25,875,000
	16,235,000	25,875,000
Supplementary capital:		
Zopt	115,000,000	115,000,000
Sonae IM	64,482,518	74,304,228
Público	5,507,796	2,007,796
PCJ	2,850,000	2,850,000
	187,840,314	194,162,024
	204,075,314	220,037,024
Accumulated impairment losses (note 17)	(6,846,176)	(4,857,796)
Others	223,991	220,663
	197,453,129	215,399,891

In the years ended at 31 December 2019 and 2018, the total amount of impairment losses is related to the subsidiaries Público and PCJ in the amounts of EUR 3,996,176 (EUR 2,007,796 in 2018) and EUR 2,850,000 (EUR 2,850,000 in 2018) respectively.

During the years ended at 31 December 2019 and 2018, the changes that occurred under the caption 'Medium and long-term loans granted to subsidiaries and companies jointly controlled were as follows:

				2019
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	25,875,000	14,355,000	(23,995,000)	16,235,000
	25,875,000	14,355,000	(23,995,000)	16,235,000

				2018
Company	Opening balance	Increases	Decreases	Closing balance
Sonae IM	32,025,000	12,645,000	(18,795,000)	25,875,000
PCJ	70,000	-	(70,000)	-
	32,095,000	12,645,000	(18,865,000)	25,875,000

During the years ended at 31 December 2019 and 2018, the movements in the caption 'Supplementary capital' were as follows:

					2019
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
ZOPT	115,000,000	-	-	-	115,000,000
Sonae IM	74,304,228	37,074,231	(46,895,941)	-	64,482,518
Público	2,007,796	3,500,000		-	5,507,796
PCJ	2,850,000	-			2,850,000
	194,162,024	40,574,231	(46,895,941)	-	187,840,314
					2018
Company	Opening balance	Increases	Decreases	Transfers	Closing balance
ZOPT	115,000,000	-	-		115,000,000
Sonae IM	88,536,618	34,064,511	(48,296,901)	-	74,304,228
Público	7,240,000	2,000,000	-	(7,232,204)	2,007,796
PCJ	2,850,000	-			2,850,000
	213,626,618	36,064,511	(48,296,901)	(7,232,204)	194,162,024

In the year ended at 31 December 2018, the amount of 'Transfers' refers to the investment increase in Público's share capital through conversion of Supplementary Capital (note 6).

The loans granted to subsidiaries and companies jointly controlled has a repayment term of more than one year, and the repayment period is not defined after one year, so no information is presented on their maturity.

During the years ended at 31 December 2019 and 2018, the loans granted to subsidiaries and companies jointly controlled earned interest at market rates with an average interest rate of 2.21% 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 recorded in the accompanying financial statements 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 and the perpetuity growth considered are presented in the notes 6 and 7.

9. Deferred taxes

The changes in deferred tax assets for the years ended at 31 December 2019 and 2018 were as follows:

	2019	2018
Opening balance	117,821	114,706
Variation in provisions not accepted for tax purposes and other temporary differences	(50,348)	3,115
Closing balance	67,473	117,821

At 31 December 2019 and 2018, the amount of deferred tax results from provisions not accepted for tax purposes.

At 31 December 2019 and 2018, an assessment was made of deferred taxes to be recognised, which essentially results of provisions not accepted for tax purposes and other temporary differences.

The deferred tax assets were recorded to the extent that future taxable profits were expected to be generated against which the tax losses and deductible tax differences could be used. These assessments were made based on the most recent business plans duly approved by the Board of Directors of the Group companies, which are periodically reviewed and updated.

At 31 December 2019, the amount of deferred taxes of unrecorded tax losses not recorded were EUR 1,989,007 (generated in 2014 and available for use up to 2026) (EUR 2,256,624 at 31 December 2018). In addition, there are impairment losses in amount of EUR 51,186,057 (EUR 49,220,134 in 2018) that did not give rise to the registration of deferred tax assets, but which can be used in the case of liquidation of the respective companies.

At 31 December 2019 and 2018, the tax rate used to calculate deferred tax assets related to tax losses was 21%. In the case of temporary differences, namely of not accepted provisions 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 years ended at 31 December 2019 and 2018 is as follows:

	2019	2018 (restated)
Earnings before tax	42,685,521	16,420,378
Tax (21%)	(8,963,959)	(3,448,279)
Autonomous taxation surcharge	(12,889)	(10,014)
Temporary differences from the year without record deferred tax assets	(804,336)	(631,379)
Adjustments of results not tax deductible	9,870,326	4,534,709
Income taxation recorded in the period (note 27)	89,142	445,037

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.

In the year ended at 31 December 2019 and 2018, "Adjustments of results not tax deductible" refer essentially to dividends received in the amount of EUR 46,991,559 (EUR 19,755,883 in 2018) (note 28), which do not contribute to the formation of taxable profit for the year.

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 year.

In the year ended at 31 December 2019 and 2018, "Temporary differences from the year without record deferred tax assets" refers essentially to impairments of financial investments recorded in the year (note 17).

Portuguese Tax administration can review the income tax returns of the Company for a period of four years (five years for Social Security), except when tax losses have been generated, tax benefits have been granted or when any review, claim or impugnation is in progress, in which circumstances, the periods are extended or suspended. The Board of Directors believes that any correction that may arise as a result of such review would not produce a significant impact in the accompanying financial statements.

Supported by the Company's lawyers and tax consultants, the Board of Directors believes that there are no liabilities not provisioned in the financial statements, associated to probable tax contingencies that should have been registered or disclosed in the accompanying financial statements, at 31 December 2019.

10. Income tax receivable

At 31 December 2019 and 2018, the caption 'Income tax receivable' had the following composition:

	2019	2018
Special account payment	705,712	650,600
Corporate income tax	82,671	<u>-</u>
	788,383	650,600

The heading 'Special account payment' is essentially composed by previous values to RETGS Sonae SGPS, including PEC's for which reimbursement was requested.

11. Other current debtors

At 31 December 2019 and 2018, this caption can be detailed as follows:

	2019	2018
Trade debtors	195,750	361,908
State and other public entities	57,336	68,875
	253,086	430,783

At 31 December 2019 and 2018, the caption 'Trade debtors' included amounts receivable from various group companies, related to interest on loans, 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 (note 26 and 28).

At 31 December 2019 and 2018, the caption 'State and other public entities' corresponds to value added tax in the amount of EUR 57,336 and EUR 68,875 respectively.

12. Other current assets

At 31 December 2019 and 2018, this caption had the following composition:

	2019	2018
Accrued income		
Interest receivable (note 28)	40,370	60,803
Invoices to be issued	12,629	79,797
Other accrued income	6,401	2,291
	59,400	142,891
Deferred costs		
Insurance	27,276	33,530
Other deferred costs	1,939	16,955
	29,215	50,485
	88,615	193,376

13. Cash and cash equivalents

At 31 December 2019 and 2018, the breakdown of 'Cash and cash equivalents' was as follows:

	2019	2018
Cash	205	953
Bank deposits repayable on demand	236,902,896	210,776,945
Treasury applications		1,945,000
	236,903,101	212,722,898

At 31 December 2019 and 2018, the caption 'Treasury applications' had the following breakdown:

	2019	2018
Sonae IM (note 28)		1,945,000
		1,945,000

In the years ended at 31 December 2019 and 2018, Sonaecom entered financial transaction contracts with Sonae SGPS, Sonae IM and Público. As a result of these financial transactions, income was registered (note 28).

The treasury applications immediately available, mentioned above, were paid-off during the year ended at 31 December 2019 with an interest average rate of 0.23% (0.25% in 2018).

14. Share capital

At 31 December 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 15)	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.

15. Own shares

During the years ended at 31 December 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.

16. Loans

Short-term loans and other loans

In the years ended at 31 December 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 31 December 2019 and 2018, the available credit lines are as follows:

					Maturity
		Amount			More than 12
Credit	Limit	outstanding	Amount available	Until 12 months	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	Х	
	1,000,000	-	1,000,000		

At 31 December 2019 and 2018 there are no financial instruments of interest rate hedging.

17. Provisions and accumulated impairment losses

The movements in provisions and in accumulated impairment losses in the years ended at 31 December 2019 and 2018 were as follows:

	Opening balance	Increases	Reductions	Transfers and utilizations	Closing balance
2019					
Accumulated impairment losses on investments in group companies (notes 6 and 25)	42,211,754	2,205,184	(376,936)	-	44,040,002
Accumulated impairment losses on other non-current assets (notes 8 and 25)	4,857,796	1,988,380	-	-	6,846,176
Provisions for other liabilities and charges (note 23)	349,979	-	(150,167)	-	199,812
	47,419,529	4,193,564	(527,103)	-	51,085,990
2018					
Accumulated impairment losses on investments in group companies (notes 6 and 25)	35,015,000	2,137,362	(242,812)	5,302,204	42,211,754
Accumulated impairment losses on other non-current assets (notes 8 and 25)	9,046,994	1,113,006	-	(5,302,204)	4,857,796
Provisions for other liabilities and charges (note 23)	269,665	93,720	(13,406)	-	349,979
	44,331,659	3,344,088	(256,218)	-	47,419,529

The increases in provisions and impairment losses are registered under the captions "Provisions" and "Impairment losses" in the profit and loss statement with the exception of increase and decrease 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 investments in subsidiaries and companies jointly controlled" (note 25).

At 31 December 2019 and 2018, the changes in the caption 'Accumulated impairment losses on investments in subsidiaries' correspond to an increase and a reduction in the impairment of financial investments in Público and PCJ, respectively (nota 6).

The amount of 'Transfers and utilizations' for the year ended at 31 December 2018 corresponds to the reallocation of the impairment of loans that were used to increase the Público's capital (note 6 and 8).

18. Lease liabilities

At 31 December 2019 and 2018, these balances were related to amounts payable associated with asset's use rights contracts.

The expected repayment plan for these balances, at 31 December 2019 and 2018 was as follows:

		2019		2018 (restated)
	Leasing payments	Update of the leasing payments	Leasing payments	Update of the leasing payments
2019	-	-	30,658	27,844
2020	29,787	28,012	26,065	24,155
2021	26,307	25,199	22,585	21,421
2022	26,307	25,825	22,585	22,131
2023	5,921	5,907	1,882	1,877
	97,751	94,305	103,774	97,427
Interest	(3,446)		(6,347)	
	94,305	94,305	97,427	97,427
Short-term		(28,012)		(27,844)
	94,305	66,293	97,427	69,583

19. Other non-current liabilities

This caption at 31 December 2019 and 2018 was composed of the amounts related to medium-term and long-term incentive plans, in the amount of EUR 108,583 and EUR 155,717, respectively (note 31).

20. Other creditors

At 31 December 2019 and 2018, this caption was detailed as follows:

	2019	2018
Other creditors	1,425,468	1,204,878
State and other public entities	19,836	50,296
	1,445,304	1,255,174

At 31 December 2019 and 2018, the caption "Other creditors" is mainly composed of balances with group companies, mainly consisting of amounts payable under the Special Regime for the Taxation of EUR 1,001,550 (EUR 979,932 in 2018) (note 28).

At 31 December 2019 and 2018, the caption "State and other public entities" were detailed as follows:

	2019	2018
Social security contributions	10,140	13,837
Personal income tax	9,696	14,121
Corporate income tax	-	22,338
	19,836	50,296

21. Other current liabilities

At 31 December 2019 and 2018, this caption has the following composed:

	2019	2018
Accrued costs		
Staff expenses	197,240	344,876
Medium Term Incentive Plans (note 31)	145,650	193,724
Consultancy	81,742	114,491
Other accrued costs	30,991	116,174
	455,623	769,265

22. Services rendered

At 31 December 2019 and 2018, the Services rendered corresponded to the debiting of management fees to the subsidiaries (note 28).

23. Other operating revenues

At 31 December 2019 and 2018, the caption 'Other operating revenues' was as follows:

	2019	2018
Supplementary income	2,154	14,709
Decrease of provisions (note 17)	150,167	13,407
Others	65	37,333
	152,386	65,449

24. External supplies and services

At 31 December 2019 and 2018, this caption was detailed as follows:

	2019	2018 (restated)
Specialised work	441,935	417,315
Travel and accommodation	52,475	91,716
Insurance	48,375	49,862
Communications	20,307	28,396
Other external supplies and services	73,504	53,292
	636,596	640,581

The heading of "Specialised work" is essentially composed by fees from Sonaecom-Serviços Partilhados and costs with consultancy and public relations services.

25. Gains and losses related to investments

At 31 December 2019 and 2018, the captions 'Gains and losses on investments in subsidiaries 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 subsidiaries and companies jointly controlled		
Losses related to group companies (notes 6, 8, and 17)	(4,193,564)	(3,250,368)
Gains related to group companies (notes 6 and 17)	376,936	242,812
Dividends obtained (note 28)	46,991,559	19,755,883
	43,174,931	16,748,327

At 31 December 2019 and 2018, losses and gains on the group companies include the reinforcement and reversal of impairment losses on investments in Público and PCJ, respectively.

At 31 December 2019 and 2018, dividend gains obtained from investments in group companies and joint ventures relate to dividends received from Zopt (nota 28).

26. Financial results

The financial results for the years ended at 31 December 2019 and 2018 are detailed as follows ((costs)/gains):

	2019	2018 (restated)
Other financial expenses		
Interest expenses	(1,923)	(36,539)
Foreign currency exchange losses	(407)	(1,217)
Other financial expenses	(54,765)	(60,188)
	(57,095)	(97,944)
Other financial income		
Interest income of financial assets at amortized cost (note 28)	854,810	991,780
Foreign currency exchange gains	596	1,023
Other financial income	8,918	83,816
	864,324	1,076,619

27. Income Taxation

Income tax recognised during the years ended at 31 December 2019 and 2018 are detailed as follows ((costs) / gains):

	2019	2018
Current tax	139,490	441,922
Deferred tax assets (note 9)	(50,348)	3,115
Closing balance (note 9)	89,142	445,037

28. Related parties

During the years ended at 31 December 2019 and 2018, the most significant balances and transactions with related parties were as follows:

						Balances at 31 December 2019
	Accounts receivable	Accounts payable	Treasury applications	Other assets	Other liabilities	Loans granted
	(note 11)	(note 20)	(note 13)	(note 8 e 12)	(note 21)	(note 8)
Parent Company (Sonae SGPS)	3,714	370,674	-	666,127	24,964	-
Companies jointly controlled	13,869	147,544	-	-		-
Others related parties	23,575	15,383	-	-	-	-
Subsidiaries	159,916	70,282	-	42,451	-	16,235,000
	201,074	603,883	-	708,578	24,964	16,235,000

						Balances at 31 December 2018
	Accounts receivable	Accounts payable	Treasury applications	Other assets	Other liabilities	Loans granted
	(note 11)	(note 20)	(note 13)	(note 8 e 12)	(note 21)	(note 8)
Parent Company (Sonae SGPS)	356,167	309,750	-	215,776	107,433	-
Companies jointly controlled	13,869	145,708	-	79,797	694	-
Others related parties	-	33,260	-	42,340	-	-
Subsidiaries	219	706,349	1,945,000	63,094	-	25,875,000
	370,255	1,195,067	1,945,000	401,007	108,127	25,875,000

				Transactions at 31 December 2019
	Sales and services	Supplies and services	Interest and similar	Supplementary
	rendered (note 22)	received (note 24)	income (note 26)	income (note 23)
Parent Company (Sonae SGPS)	-	86,563	326,268	-
Companies jointly controlled	-	16,732	-	-
Others related parties	-	100,410	-	-
Subsidiaries	379,542	93,397	524,254	2,064
	379,542	297,102	850,522	2,064

				Transactions at 31 December 2018
	Sales and services	Supplies and services	Interest and similar	Supplementary
	rendered (note 22)	received (note 24)	income (note 26)	income (note 23)
Parent Company (Sonae SGPS)	-	-	356,167	-
Companies jointly controlled	-	60,313	-	-
Others related parties	-	140,891	-	11,550
Subsidiaries	496,953	161,268	622,616	2,291
	496,953	362,472	978,783	13,841

During the year ended at 31 December 2019, the company distributed as dividends the amount of EUR 9,074,572 to Sonae SGPS (EUR 2,997,850 at 31 December 2018) and EUR 21,735,069 to Sontel BV (EUR 7,180. 335 at 31 December 2018).

During the year ended at December 2019, the company recognized the amount of EUR 46,991,559, referring to dividends from Zopt (EUR 19,755,883 in 2018) (note 25).

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.

The remuneration attributed to key personnel is disclosed in note 32.

29. Guarantees provided to third parties

Guarantees provided to third parties at 31 December 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)	23,998,744	2,311,861
		23,998,744	2.311.861

During the year of 2019, two bank guarantees were issued by Sonaecom, in the amount of EUR 20,434,870, in favor of the Portuguese tax authorities for the replacement of sureties provided by Sonae to Sonaecom, related to ongoing tax proceedings.

Regarding the value of the guarantees, as at 31 December 2019, Sonae, SGPS was the guarantor of Sonaecom, up to the amount of 7,677,029 euros and Sonaecom do Público up to the amount of 564,900 euros.

At 31 December 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 31 December 2019 and 2018, the contingencies for which guarantees, and sureties were considered as remote.

30. Earnings per share

Earnings per share, basic and diluted, are calculated by dividing the net income of the year (EUR 42,774,663 in 2019 and EUR 16,865,415 in 2018) by the average number of shares outstanding during the years ended at 31 December 2019 and 2018, net of own shares (305,769,023 in 2019 and 2018).

As 31 December 2019 and 2018, the earnings per share are 0.14 and 0.06 respectively.

31. Medium Term Incentive Plans

In June 2000, the Company created a discretionary 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 period of the rights occurs three years after their attribution, provided that the employee stays in the company during this period.

In March 2019, the 2015 plan was assigned to Sonaecom Directors.

The 2015 plan was delivered in April 2019 for all employees.

Therefore, the outstanding plans at 31 December 2019 are as follows:

			Vesting period		31 December 2019
	Share price 31 December 2019	Award date	Vesting date	Aggregate number of participations	Number of shares
Sonae SGPS shares 2016 Plan 2017 Plan	0.91 0.91	mar/17 mar/18	mar/20 mar/21	1	170,888 137,991
2017 Plan 2018 Plan	0.91	mar/19	mar/22	1	160,532

During the year ended at 31 December 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:	parato parato	
Unvested	8	708,975
Total	8	708,975
Movements in period:		
Awarded	2	257,038
$Vested^{(1)}$	(4)	(258,524)
Cancelled / corrected / transfers ⁽²⁾	(3)	(238,077)
Outstanding at 31 December 2019:		
Unvested	3	469,411
Total	3	469,411

(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 year ended 31 December 2019 are as follows:

	Value
Costs recognised in previous years	349,440
Costs recognised in the year (note 32)	405,017
Costs of plans vested in the year	(241,512)
Costs recognised of transferred plans in the year	(258,713)
Total cost of the plans	254,233
Recorded in 'Other current liabilities' (note 21)	145,650
Recorded in 'Other non-current liabilities' (note 19)	108,583

32. Staff expenses

For the years ended at 31 December 2019 and 2018, the heading 'Staff expenses' was detailed as follows:

	2019	2018
Remuneration	567,372	751,668
Charges on remuneration	114,099	131,740
Medium Term Incentive Plan (note 31)	405,017	135,019
Others	33,745	36,142
	1,120,233	1,054,569

During the years 2019 and 2018, the remuneration attributed to the members of the Board of Directors and other key members of Sonaecom's management was as follows:

	2019	2018
Short-term employee benefits	300,467	504,700
Share-based payments	168,700	244,700
	469,167	749,400

The amounts included in the Short-Term Employee Benefits line include Fixed Remuneration and the Performance Premium, the latter calculated on an accrual basis. The value of Share-based Payments for 2019 and 2018 corresponds to the value of the medium-term incentive plan to be awarded in 2020 and relative to the performance of 2019 (and attributed in 2019 relative to the performance of 2018, to the value of 2018), whose shares, or the corresponding cash value, will be delivered in March 2023 and March 2022, respectively, and for which the expense is recorded during the period from 2020 to 2023 (2019 to 2022 for the value of 2018).

33. Average number of employees

During the years ended at 31 December 2019 and 2018, the average number of employees employed by the company was 7. At 31 December 2019, the number of workers was 7.

34. Fees of the Statutory Auditor

During the year ended at 31 December 2019 the company paid, as a fee to the ROC, PriceWaterhouseCoopers SROC the amount of EUR 21,450 (EUR 30,036 EUR in 2018).

35. Subsequent Events

In February 2020, ZOPT became aware that some of its bank accounts are unavailable, which may have resulted from the seizure request made by the Angolan authorities. The amounts seized are not materially relevant and the balances and shares recorded in the ZOPT accounts with CGD, remain available. To date, such apprehension has not yet been judicially notified to ZOPT, so it has not yet been possible to take any action by it, namely for the purpose of eventual pronunciation.

Since its emergence in Europe, at the beginning of 2020, the Board of Directors has followed in detail and with great concern all developments related to the Covid-19 pandemic, following closely the position of the competent international entities, namely the World Health Organization and the European Center for Disease Prevention and Control, as well as the Portuguese General Direction for Health.

Considering the level of risk that exists, a specific government model was developed to manage this crisis, in line with the various businesses, depending on the level of risk defined at each moment. Prevention/contingency plans defined or developed were triggered, covering the entire organization, from operations to central structures and a set of risk mitigation measures were identified.

Accordingly and considering the high risk of contagion and spread of the virus, mandatory actions were defined and communicated, as well recommendations for all employees, such as the prohibition of all trips; advising against holding/participating in congresses, fairs, exhibitions and extended training; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; teleworking/remote work procedures, ensuring for that purpose - and according to the identified criticality - the existence of portable computers and internet access for employees, among many others.

So far, the group's business operations have not experienced any significant impacts resulting from this situation, but we know that the magnitude and the degree of uncertainty that an event of this nature involves will necessarily have negative impacts. At this moment, Sonaecom considers it quite challenging to quantify the magnitude of the impacts, but estimates a reduction in professional services revenues from companies in the Technology area, a significant reduction in commercial activity, difficulty in reselling technology (because of the reduced demand or reduced of supply), negative impacts on some NOS activities - cinemas and audiovisuals, roamings and international traffic, equipment sales, revenues from premium sports channels and mobile data revenues - affecting Sonaecom via ZOPT, and impacts on the value of minority stakes from Sonae IM.

The spread of COVID-19, with the consequent drop in oil demand and the price war between Saudi Arabia and Russia, has caused historic falls in the capital market and instability in the value of assets on all world exchanges.

In view of the company's capital structure, no material changes in the Company's liquidity are expected.

The potential impact that this situation may have depends on the level of evolution and contagion of the virus, making projections difficult. However, we will continue to implement all measures that are deemed appropriate to minimize their impacts, in line with the recommendation of the competent entities and in the best interest of all our stakeholders.

These financial statements have been approved by the Board of Directors and authorised for issue at 10 March 2020, 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.





Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Sonaecom, S.G.P.S., S.A. (the Group), which comprise the consolidated statement of financial position as at 31st December 2019 (which shows total assets of Euro 1,203,001,482 and total shareholders' equity of Euro 1,072,512,419 including a net profit of Euro 51,562,881), the consolidated income statement by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Sonaecom, S.G.P.S., S.A. as at 31st December 2019, their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Emphasis

We draw your attention to the information disclosed in note 46 to the consolidated financial statements, related to the impacts that COVID-19 pandemic might have on the future operational activity of the Group.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Summary of the Audit Approach

Measurement of investments in associated companies and joint ventures

The group holds investments in the joint venture ZOPT in the amount of Euro 642.2 million, which holds investments in Angolan and Mozambican associated companies Finstar, Mstar and Zap Media in the amount of approximately Euro 53 million. In December 2019 the seizure of Finstar's interests by the General Attorney of Angola was known, in the context of the ongoing investigations related to one of its shareholders, and in February 2020, ZOPT was informed that some of its bank accounts were unavailable.

The group also holds investments in the associated companies Armilar II, Armilar III and Armilar I+I in the amount of Euro 143.9 million, which are investment entities, and measure their financial investments at fair value.

Investments in associated companies and joint ventures are recorded under the equity method. As recommended in IAS 36, impairment tests are performed whenever there is evidence of impairment, and business plans are prepared for this purpose.

Considering the inherent subjectivity of the assumptions used in determining the recoverability of the referred values, which in the case of Angola and Mozambique are still subject to country-specific issues, as well as to the assumptions used in determining the associated companies' financial investments fair value, we consider these investments to be a key audit matter.

We have obtained the financial statements of associated companies and jointly controlled companies, as well as their respective audit reports, issued by another auditor.

As the financial statements of the joint venture and associated companies are audited by other auditors, we sent audit instructions, interacted with the respective auditors, evaluated the strategy and the audit plan, as well as the tests performed for the significant areas and the conclusions reached.

In relation to the joint venture, we have also performed some additional auditing procedures, from which we highlight:

- assessment of potential impacts from the seizure of the Finstar's interests on the measurement of ZOPT interest on the Angolan associates, and reasonableness of the assumptions used to its measurement, as well as the potential impacts from the limitation of ZOPT using some of its bank accounts;
- review of joint venture's lawyers' opinions related to the matters referred above;
- reasonableness analysis of the assumptions used in the impairment tests of the joint venture. As mentioned in Note 9 to the consolidated financial statements, in what relates to the African associated companies, the current economic uncertainty conditions in those markets may significantly impact these estimates;
- comparing the book value with the market value of NOS:

Key Audit Matter

The disclosures are presented in Notes 1.b), 9 and 35 to the consolidated financial statements.

Summary of the Audit Approach

 validation of the application of the equity method.

In relation to the associated companies we validated the application of the equity method.

We have also analysed disclosures relating to joint ventures and associated companies.

Goodwill recoverability

The statement of financial position has a Goodwill of Euro 14.5 million, of which Euro 11 million related to the acquisition of a subsidiary in December 2018, for which the purchase price allocation was not finalized in the 2018 consolidated financial statements, and was concluded in 2019, in accordance to IFRS 3.

Goodwill is not amortized and it is tested annually, or whenever there are signs of impairment, to verify if there are any losses to be recognized. The recoverable amount is determined based on the business plans used by Sonaecom's management.

Considering the significance of this amount and the complexity and level of inherent judgment in the model adopted for the calculation of impairment, this issue was a key matter for the purposes of our audit.

The disclosures are presented in Notes 1.f) and 8 to the consolidated financial statements.

In order to assess Management's conclusions in relation to the recovery of Goodwill, we have obtained and analysed the impairment tests prepared by the Group.

Considering the identification and aggregation of the CGUs, we performed the following auditing procedures:

- reasonableness analysis of the assumptions used in the forecasts made, the market conditions, the sensitivity analysis and the historical accuracy of the Group in preparing forecasts and budgets;
- analysis of the reasonableness of the discount rates used, as well as the growth rates;
- recalculation of the model.

We have also analysed the disclosures related to this matter.

Key Audit Matter

Summary of the Audit Approach

Revenue recognition

The consolidated financial statements include revenue from projects in the segment of information systems in the amount of Euro 43.5 million. The consolidated financial statements also present revenue to be invoiced to customers of Euro 6.1 million and projects invoiced in advance of Euro 7.8 million. As mentioned in accounting policies, the income and expenses of consulting projects are recognized each year, based on the percentage of completion, which is obtained through the percentage of expenses incurred on the estimated costs of the project, based on budgets prepared for this purpose, according to management's best knowledge for each project.

Project schedules supporting the revenue recognition based on the stage of completion of consulting projects have several assumptions, essentially relating to the total revenue amount to be recognized, overall budget of project expenditures and expenses to be incurred.

Given the inherent uncertainty in the estimates of the expenses to be incurred, they have to be continually reviewed and, as such, we consider this a key matter for the purposes of our audit.

The disclosures are presented in Notes 1.s), 16, 29 and 30.

To validate the reasonableness of the adjustments related to the application of the percentage of completion, we have obtained the project schedules and performed the following audit procedures:

- reconciliation of the schedules with the values of in the consolidated statement of financial position and consolidated income statement;
- review of contracts to support project schedules:
- reasonableness analysis of the stage of completion considered, taking into account the underlying assumptions;
- comparison of the results obtained with the recognized revenue;
- to validate management's assumptions, regarding the recognized margin, analysis of available information, essentially related to the terms of the contracts, the latest projections, the completion status of the projects, the billings made and the reasonableness of the budgets in the past, compared to actual values.

We have also validated the disclosures related to this matter.

Key Audit Matter

Summary of the Audit Approach

Disposal of subsidiaries

In 2019, the Group sold its interest in We Do Consulting - Sistemas de Informação, S.A, for a price of Euro 62.1 million, with a gain of Euro 8.5 million. The Group also sold its interest in Saphety Level Trusted Services, S.A., for a price of Euro 8.6 million euros, with a gain of Euro 4.9 million.

As provided for in IFRS 5, the contributions of the disposed companies to the group's results were presented as Discontinued Operations, and the 2018 financial statements have been restated accordingly.

Considering the expression of the amount of capital gains in the consolidated result for the year, and the inherent subjectivity in the estimation of the variable component of sales price, we consider this issue a key matter for the purposes of our audit.

The disclosures are presented in Notes 1.ad), 3 and 40.

The audit procedures carried out in relation to the sale of subsidiaries were as follows:

- obtaining and analysing the documentation related to We Do and Saphety disposals;
- analysis of the reasonableness of management's estimate for the variable component of We Do's sales price;
- test the gains in disposal;
- validation of amounts included as a result of Discontinued Operations.

We have also analysed the disclosures associated with this matter.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and

e) the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion;
- g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the consolidated financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Group, no material misstatements were identified.

Non-financial information set forth in article No. 508. °-G of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the Group stated in its Director's report that that parent company Sonae, S.G.P.S., S.A. will include the non-financial information set forth in article No. 508. °-G of the Portuguese Company Law in the Sonae group sustainability report, which should be published on its website until the legal deadline.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 26th March 2020.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Group in conducting our audit.

26th March 2020

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. represented by:

Hermínio António Paulos Afonso, R.O.C.



Statutory Audit Report and Auditors' Report

(Free translation from the original in Portuguese)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Sonaecom, S.G.P.S., S.A. (the Entity), which comprise the separate statement of financial position as at 31st December 2019 (which shows total assets of Euro 1,099,798,701 and total shareholders' equity of Euro 1,097,495,074 including a net profit of Euro 42,774,663), the separate income statement by nature, the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Sonaecom, S.G.P.S., S.A. as at 31st December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

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

Emphasis

We draw your attention to the information disclosed in note 35 to the financial statements, related to the impacts that COVID-19 pandemic might have on the future operational activity of the Entity.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Summary of the Audit Approach

Recoverability of investments in group companies and joint ventures

Sonaecom, SGPS, SA, on 31st December 2019, holds financial interests in group companies and joint ventures in the amount of Euro 66.5 million and Euro 597.7 million, respectively, which are measured at acquisition cost. In February 2020, ZOPT was informed that some of its bank accounts were unavailable.

As mentioned in the accounting policies, a valuation of the investments is made when there are indicators that the asset may be impaired or when impairments recognized in previous years cease to exist.

The valuation of financial investments is considered to be a key audit matter, given that changes caused by events or circumstances that adversely influence the performance of the investees introduces a high degree of subjectivity in assessing the recoverability of the book value of these assets. The valuation model used is the discounted cash flow model. To prepare this model, management incorporates judgments based on assumptions about cash flows forecasts, growth rates and discount rates to be applied.

The disclosures are presented in Notes 1.c), 1.d), 6 and 7.

In order to validate the assumptions and judgments made by management in the valuation of financial investments, we performed the following procedures:

- assessment of whether or not there is evidence of impairment in financial investments; and
- obtaining and analysing the impairment tests for financial investments, when applicable.

The analysis of impairment tests, based on discounted cash flow models, involved auditing procedures that included (a) the evaluation of the method used to quantify the fair value of the investment, as well as; (b) evaluation of the assumptions used in the calculation, in order to assess the reasonableness of these assumptions, in particular sales growth, gross margin and discount rate implicit in the valuation model.

We compared the recoverable amount obtained in the valuations with the book value of the investment, when applicable, and assessed the reasonableness of the impairment losses recorded by the Entity.

In relation to ZOPT, we assessed the possible impacts from limitations on the use of bank accounts and reviewed the joint venture's lawyer's opinions related to matter.

Emphasis was also placed on the adequacy of disclosures, presented in the notes to the financial statements.

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Entity's ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity's ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

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

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

- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Directors' report is consistent with the financial statements and the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law.

Report on other legal and regulatory requirements

Director's report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Director's report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Directors' report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Corporate governance report

In compliance with paragraph 4 of article No. 451 of the Portuguese Company Law, it is our understanding that the Corporate governance report includes the information required under article No. 245-A of the Portuguese Securities Market Code, that no material misstatements were identified in the information disclosed in this report and that it complies with paragraphs c), d), f), h), i) and m) of that article.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Sonaecom S.G.P.S., S.A in the Shareholders' General Meeting of 29th April 2016 for the period from 2016 to 2019.
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board as of 26th March 2020.
- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors ("Estatutos da Ordem dos Revisores Oficiais de Contas") and that we remain independent of the Entity in conducting our audit.

26th March 2020

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda. represented by:

Hermínio António Paulos Afonso, R.O.C.



REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

Report and opinion of the Statutory Audit Board of Sonaecom, SGPS,S.A.

To the Shareholders

1 - Report

1.1 - Introduction

In compliance with the applicable legislation and the mandate given to the Statutory Audit Board, we hereby issue our Report and Opinion of the audit performed, as well the documentation concerning the individual and consolidated accounts, for the year ended at 31 December 2019, which are of the responsibility of the Company's Board of Directors.

1.2 – Supervisory activities

During the year under analysis, the Statutory Audit Board, in accordance with its competence, accompanied the management of the Company and its affiliated companies, and has overseen, with the required scope, the evolution of the operations, the adequacy of the accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies, valuation criteria used as well as the compliance with legal and regulatory requirements.

In the exercise of its competences, the Statutory Audit Board had regular quarterly meetings, as well as other extraordinary meetings, in which matters subject to its attributions and competencies were analysed. In accordance with the nature of the matters to be discussed, the meetings were attended by the Board and head of Planning and Control department, Financial and Administrative department, Internal Audit department and the Society of Statutory and External Auditor. In addition, the Statutory Audit Board participated in the Board of Directors' meeting that approved the report and accounts for the year and was granted access to all the documentary or personal information that appeared appropriate to the exercise of its audit action.

The Statutory Audit Board verified the effectiveness of the risk management and internal control, analysed the planning and the results of external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities, assessed the process of preparing the individual and consolidated statements, communicated to the Board of Directors information regarding the conclusion and quality of the financial statements audit and its intervention in the process, has pronounced itself in favor of the rendering of nonaudit services by the Statutory and External Auditor, having exercised its mandate in what concerns the evaluation of the competence and independence of external auditors, as well as to the supervision of the establishment of the Statutory and External Auditor remuneration.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that had had material impact on the evolution of operations and on the individual and consolidated financial position of Sonaecom SGPS, S.A.. Within the scope of its attributions, the Statutory Audit Board examined the individual and consolidated balance sheets, the individual and consolidated profit and loss accounts by nature, cash flows, comprehensive income, changes in equity and related annexes for the year end 2019, having received from the Statutory and External Auditor all the information and clarifications requested, as well as the Additional Audit Report provided for in article 24 of Law 148/2015, of 9 September.

The Statutory Audit Board has complied with the IPCG Recommendation I.5 of the Corporate Governance Code, in order to characterise the relevant level of transactions concluded with shareholders holding qualifying holdings or with entities with them in any of the relationships set forth in paragraph 1 of article 20 of the Securities Market Code (Código dos Valores Mobiliários), not having identified the execution of relevant transactions in the light of those criteria, nor did it identify the presence of conflicts of interest.

The Audit Committee has complied with the IPCG Recommendations of the Corporate Governance Code I.2.2, I.2.3, 1,2,4, I.3.1,1.3.2, 1.5.1, 1.5.2, III.1.1, III. 8 (with a bearing on risk policy in accordance with and within the scope of its legal competence), III.11, III.12, IV.4, V.1.2 (with a focus on the assessment of budget compliance and risk management, in within its competence), VII.1.1, VII.2.1, VII.2.2 and VII. 2.3.

Being a governing body, under the terms of al. c) of no. 2 of Article 3 of Law 148/2015, constituted mainly of independent members and the President being an independent member in light of legal criteria and all professionally qualified to exercise their respective functions, the Audit Committee has developed its powers and inter- relations with other corporate bodies and services of the company in accordance with the principles and conduct recommended in the legal and recommendatory provisions, having not received any report from the statutory auditor regarding irregularities or difficulties in the exercise of the respective functions.

Furthermore, the Statutory Audit Board appreciated the Corporate Governance Report which is attached to the company's Management Report, regarding the consolidated financial accounts, under the terms and for the purpose of No. 5 of Art. 420 of the Portuguese Commercial Code (Código das Sociedades Comerciais), having concluded that the report includes the elements referred to in Art. 245 – A of the Securities Market Code (Código dos Valores Mobiliários).

Still, in the fulfilment of its duties, the Statutory Audit Board reviewed the Report of the Board of Directors, including the Corporate Governance Report, and remaining individual and consolidated documents of account prepared by the Board of Directors, concluding that these information was prepared in accordance with the applicable legislation and that it is appropriate to the understanding of the financial position and results of the Company and the consolidation perimeter, and has reviewed the Statutory Audit and Auditors' Report issued by the Statutory Auditor and agreed with its content.

2 - Opinion

Considering the above, in the opinion of the Statutory Audit Board, that all the necessary conditions are fulfilled in order for the Shareholders' General Meeting to approve:

- a) the Report of the Board of Directors;
- b) the individual and consolidated statements of financial position, profit and loss by natures, comprehensive income, changes in equity and of cash flows and related notes for the year ended 31 December 2019;
- c) the proposal of net profit appropriation presented by the Board of Directors.

3 - Responsibility Statement

In accordance with paragraph a), number 1 of article 8º of the Regulation of CMVM nr. 5/2008 and with the terms defined in paragraph c) nº 1 of the article 245º of the Portuguese Securities Market Code, the

members of the Statutory Audit Board declare that, to their knowledge, the information contained individual and consolidated financial statements were prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and the results of the Sonaecom, SGPS, S.A. and companies included in the consolidation. Also, it is their understanding that the Board of Directors Report faithfully describes the business evolution, performance and financial position of Sonaecom, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face. It is also declared that the Corporate Governance Report complies with article 245° A of the Portuguese Securities Market Code.

Maia, 26 March 2020

The Statutory Audit Board

João Manuel Gonçalves Bastos

Maria José Martins Lourenço da Fonseca

Óscar José Alçada da Quinta

Sonaecom SGPS is listed on the Euronext Stock Exchange. Information is available on Reuters under the symbol SNC.LS and on Bloomberg under the symbol SNC:PL.

SAFE HARBOUF

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.sonaecom.pt

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