

**Annual
Report
2019**

SONAE

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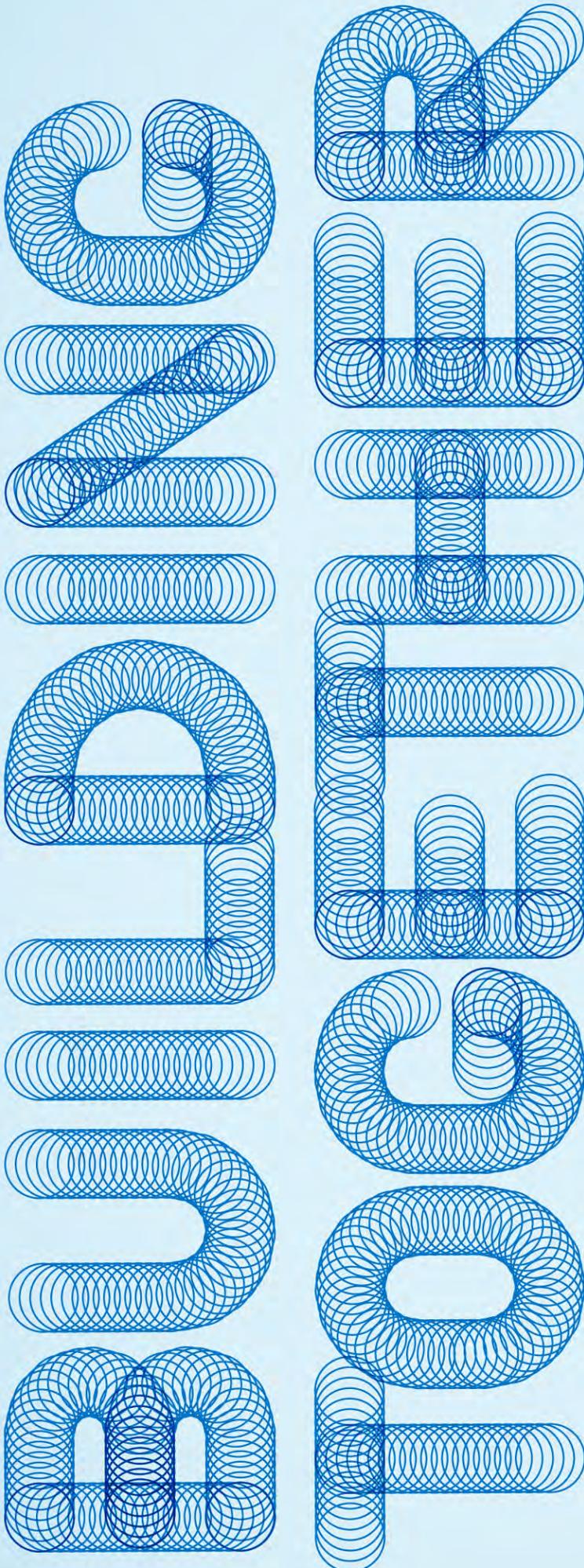
Annual Report 2019

Management Report

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Annexes to the Management Report



**Management
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SONAE

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Management Report 2019

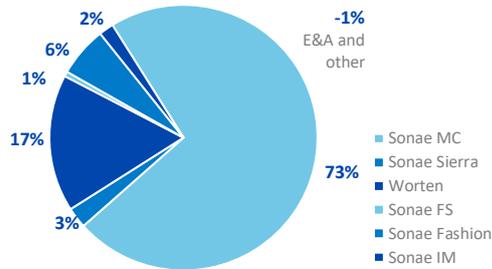
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1. Group highlights

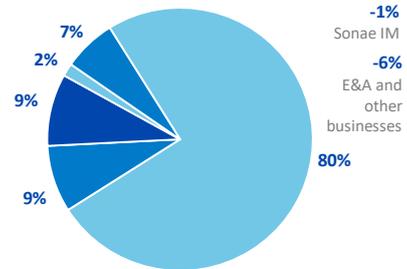
1.1. Main Economic highlights

Statutory figures

€6.4 bn Turnover

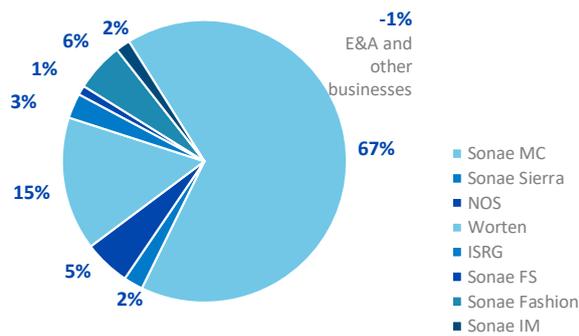


€599 M underlying EBITDA

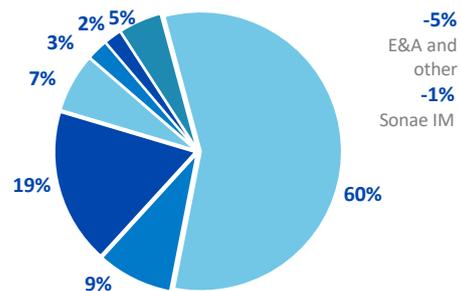


Proportional figures¹

€7.0 bn Turnover



€797 M underlying EBITDA



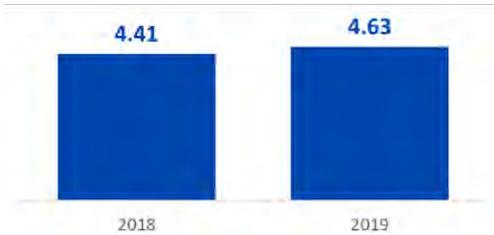
€4.5 bn NAV



¹ Turnover and underlying EBITDA are proportional management figures (non-audited), including Sonae Sierra and NOS with the respective shareholding. Sonae FS includes MDS. Regarding NAV, Sonae MC includes retail properties at net book value; holding structure includes its properties at net book value and Net Debt is adjusted by Sonae Sierra and Sonae IM and excluded lease liabilities and minorities.

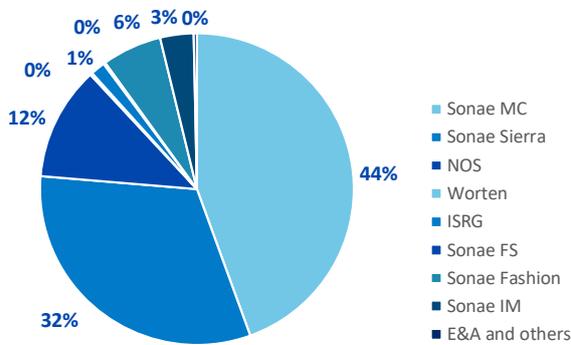
Dividend per share

4.63 euro cents



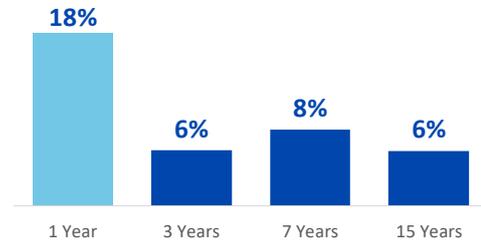
Invested Capital

€5.5 bn



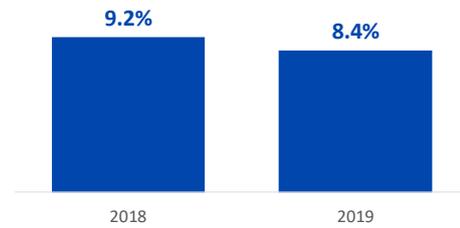
Total shareholder return²

18%, 2019 (1 year)

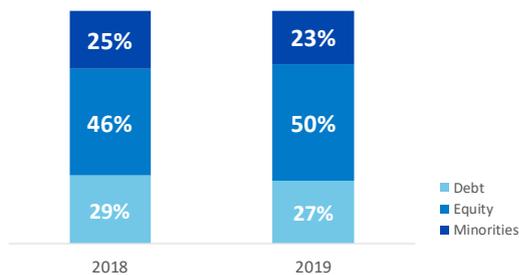


RoIC³

8.4%, 2019

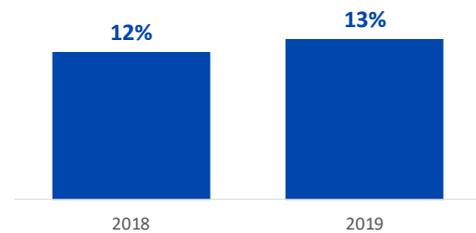


Capital Structure⁴



Loan-to-Value

13%, 2019



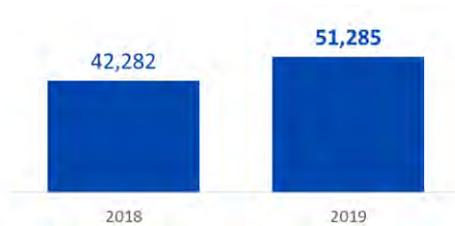
² Source: Bloomberg.

³ RoIC calculated with proportional figures with Sierra at historical cost. EBIT includes capital gains on sales, and in the case of NOS, invested capital is the financial investment.

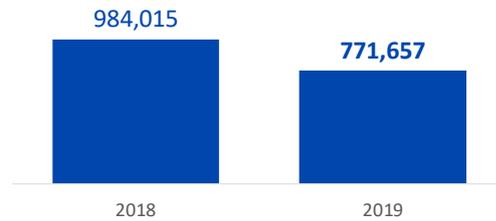
⁴ Debt excludes lease liabilities.

1.2. Main Social and Environmental highlights

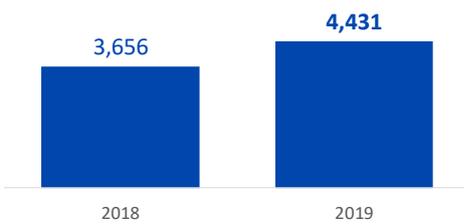
51,285 GJ produced from renewable sources, +21% yoy



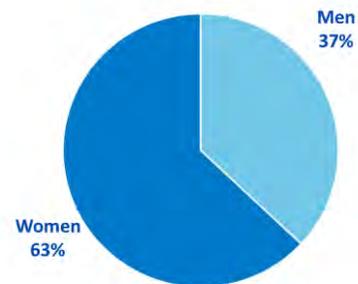
771,657 tCO₂e emissions, -22% yoy



4,431 t of virgin plastic avoided with the inclusion of recycled material in our packaging, +21% yoy



45k Group employees, +3.5% yoy



30% of women in the Board of Directors

34% of women in management positions

+1.18 M hours of training

€11 M for community support

2. Letter from the Chairman

Sonae understands success requires reaching the highest standards across the whole spectrum of economic performance and social impact. Our drive towards sustainability is part of who we are and we have no doubts that our mission is to create and share both economic and social value. Such ambition took us on a journey of hard-won successes, always anchored in delivering a solid economic performance while making a difference towards a better society including respecting and caring for nature. In a time when our planet's ecosystems are hurting and societies are being torn apart by inequality and lack of stewardship, it has never been easier to know that our convictions are fundamental.

Economic Value

Last year I started this letter by saying that it is never easy to grow, improve operating results and reduce gearing. I am pleased to report that we have achieved this again in 2019 and have in fact accelerated the pace.

Sonae's consolidated turnover grew 9.2% to €6.4 billion and, considering the proportional contribution of non-consolidating businesses, the €7 billion threshold was surpassed for the first time in our history. All sub-holdings posted strong performances with relevant market share gains being achieved across the portfolio. Profitability also showed significant improvements in all our main businesses. In total, consolidated underlying EBITDA increased 22.2% to ca.€600 million and return on invested capital reached a solid level of 8.4%, maintaining a consistent upward trajectory (excluding non-recurrent events).

Additionally, and despite sustaining high investment levels, the group once again proved its ability to generate cash flow and significantly reduce its net debt and gearing levels, which now stand at €1,150 M and 0.5x respectively. All main businesses currently hold investment grade leverage levels and the holding LTV remains at a conservative 13%. The group is fully financed for the coming 18 months and our average debt maturity is currently over four years. All in all, the recent operating performance of our businesses and our level of financial strength give us great confidence to face the challenges ahead.

Sonae's model of value creation implies having the ability to add value to its existing businesses but also to manage its portfolio and capital allocation to improve overall performance and ensure a future proof business portfolio. Regarding portfolio management and development, I would like to point out ISRG's post-merger performance and consolidation as a leading Iberian player in sports retail, the acquisition of Arenal by Sonae MC in Spain (an important step in the execution of our Health & Wellness growth strategy), the success and continued growth of our newest Business Unit — Sonae Financial Services — and the acceleration of Sonae Sierra's capital recycling strategy — with the completion, already in 2020, of the Sierra Prime transaction, a critical milestone for the company and for Sonae. With a longer term vision of portfolio development, the company will continue to look for new investments with interesting growth



prospects and particular fit with our abilities and competencies. The acceleration of technology and the challenges posed by the need to meet environmental and social targets, will doubtlessly imply many disruptions and opportunities that Sonae needs to be well equipped to tackle.

Creating economic value is the fundamental starting point of any company and, in the case of Sonae, which has a huge ambition of growth and positive impact on society, our goals must be to achieve an outstanding level of economic performance. Nevertheless, we must do this in a sustainable manner which implies equal commitment to unwavering care for nature and social development.

Natural Capital

The perils of climate change, growing pollution, accelerating loss of biodiversity, the scarcity of clean water, soil impoverishment, deforestation and growing social and economic inequality cannot be separated from the surge of failed states, terrorism and refugee crises in poorer countries, as well as divided societies, protest voters and populist extremists on the rise in the western world. Social and economic progress are severely under threat in many parts of the world, including Europe, and the urgency for Environmental, Social and Governance principles to become the drivers of political and economic agendas is unrelenting. I think there is finally a common understanding of the major impact sustainability will have on business performance, and consequently on social progress, and that they cannot be handled separately, but rather they have to be the central dimension of any business strategy together. I believe that there is enormous value creation potential behind this framework of thinking and that many future winners will arise from discovering new ways to unlock this potential.

The quest for sustainability and, in particular, the concern with the environment, have long been engraved in our history and have made us stand out as a responsible and ethical example of a long living company. Yet in 2019 we decided that we were not doing enough and that we needed to step up our game in ambition, speed of execution and prevalence in all companies, geographic areas and aspects of environmental impact.

Our Sustainability Advisory Group was revamped to strengthen the definition of policies and the implementation of projects across our portfolio and to help us focus on key action axes. These axes arise from a comprehensive and thorough analysis and discussion with our stakeholders and play a pivotal role in pushing forward an ambitious agenda within Sonae and across all our network of stakeholders. During 2019, our achievements in all these dimensions were significant and we have defined, for each axis, a clear and ambitious plan.

Our work in respect to two of these axes is particularly worth mentioning – Climate Change action and Plastics.

Climate change has been on our agenda for a long time and in 2019 Sonae and its portfolio of companies raised the bar by setting the reduction targets of their own greenhouse gas emissions. Aligned with the decarbonisation trajectories needed to limit global warming to 1.5°C, our companies pledged to reduce their own emissions (scope 1+2) by 54% in 2030, compared to 2018, in accordance with the Paris Pledge for Action of which Sonae is a proud signatory.

Several initiatives have been implemented to accelerate our path toward the decarbonization of our energy matrix. We have reinforced our capacity to produce electricity from renewable sources and continued several projects to promote the eco-efficiency of our operations. Sonae's efforts were internationally recognised by CDP with the award of the level A⁺, which boosts our confidence by confirming that we are on the right track.

We are aware of the escalating environmental catastrophe surrounding plastic. Given its utmost relevance across most of Sonae's portfolio, we have written the Sonae Companies' Charter of Principles for Plastic, a policy that encompasses

our vision towards a more responsible use of plastic. In early 2019, Sonae MC strengthened this ambition, becoming the first Portuguese retailer to join the Ellen MacArthur Foundation's New Plastics Economy Global Commitment. Later in the year, Sonae joined the Portuguese Pact for Plastics, pledging that 100% of our private label plastic packaging will be reusable, recyclable or compostable by 2025 and incorporating on average 30% recycled plastic into new plastic packaging.

We have accelerated the way we are translating this vision into action and have already recorded a reduction of about 2,000 tons of plastics, that was eliminated from our packaging and products. Additionally, we have increased the amount of recycled plastic incorporated in our products, processes and packaging, that now represents 20% of the total volume of plastic we use. Considering the progress made in 2019, and the commitment of the whole team, we are confident that will be able to meet our targets before 2025.

Social Value

We do not forget that our most important contribution to society is the creation of good jobs and distributed economic value, but we also know that this is not enough as companies have also a relevant role in shaping the social quality of economic development.

Our position on Social Inequalities and Inclusive Development starts inside Sonae. In 2020 we created a new and concrete Plan for Gender Equality, which defined specific measures to be implemented between 2020 and 2021 throughout our portfolio of businesses. Under the remit of gender equality, it promotes the sharing, implementation and monitoring of best practices and career management programmes for the underrepresented gender. The establishment of a reflection committee within the Human Resources Advisory Group oversees progress and increased prominence in this area at all levels of the organisation. Additionally, we subscribed to the pledge "Embrace Difference" of the European Round Table for Industry that advocates the creation of an inclusive and open working environment so that everyone can reach their full potential. Importantly, we have added flexibility to our hard-working culture with a number of programs to ensure that we can adapt to a more diverse set of personal circumstances including the number of hours or days available to work, working from home and flexible timetables.

Also, inside Sonae, 2019 saw a strong development of programs to improve solidarity for our teams. Our "*Somos Sonae*" initiative, created with the aim of supporting our employees during vulnerable phases, reached more 17% of people when compared with the previous year. An amount of around 1 M€ has been invested since the beginning of the programme in 2013. This value has been used to provide essential goods and services, legal support and debt and credit renegotiation, health and oral healthcare support, as well as other forms of support.

We are aware that, in many of the communities where we operate, people continue to face serious social difficulties and Sonae remains committed both to directly helping those in need and to contributing to find long term solutions to end these situations. During 2019, Sonae's portfolio invested around €11 M of support in social economy organisations (more than 1,100 institutions) and our employees contributed with 7,000 hours in volunteer work in the community. *Missão Continente* (Continente's social responsibility program in Portugal), for example, strengthened its role supporting around 1,000 institutions with daily donations of food, and partnering with national goods collections campaigns such as those performed by *Cruz Vermelha Portuguesa* (Portuguese Red Cross) and *Banco Alimentar contra a Fome* (Food Bank Against Hunger).

Share price

In 2019, Sonae dedicated significant efforts to improve its communication with capital markets. We need to continue to clearly articulate our strategy and key decisions to all our stakeholders, while simultaneously collecting important feedback that may help us to move forward. In the first few months of its new mandate, the management team had extensive interactions with investors, and, in October, we organised our first ever Capital Markets Day – an important milestone to provide more visibility concerning our assets and strategy. During 2019, our share price performance was much improved and closed the year up by 12.3% (compared to 10.2% of the PSI 20).

We know, that by choosing to be ambitious across all three areas of value creation — economic, natural and social — we are not making life easy for ourselves or for all our partners and suppliers. So, it is always with a deeply felt gratitude that I thank all our internal teams, the members of all boards and our many partners for their commitment, creativity and energy — it may not be the easiest of lives, but it is the life worth living!

Paulo Azevedo

Chairman

Post Scriptum: As this letter goes to print, we are being impacted by a tremendous challenge to the wellbeing of our societies, and our companies and our people are in the frontline of the fight to limit the health, social and economic impacts of this crisis. Some activities have either closed or are about to do so to limit the potential viral spread whereas others must keep open under extremely difficult conditions to supply critically needed services such as food and telecommunications. The daily shifts in operations are unlike anything I have previously witnessed and all our actions must be taken with the safety of our people and of our clients as the top priority. The way the teams are rising to the occasion leaves me in awe. We are currently working with single-minded tenacity and with a firm belief that we will be capable of doing whatever it takes to keep the operations that are critical to society up and running.

3. CEO letter

It is with great pleasure and sense of responsibility that I write you my first letter as Sonae's CEO. Enthusiasm for leading a portfolio of businesses with such relevant positions and interesting challenges in each of its sectoral contexts. Responsibility for continuing a path of success anchored in our strong corporate values and in the creation of economic and social value.

The quality of our businesses and our teams were key to another successful year. In 2019, we delivered outstanding operational and financial results across the entire portfolio. Consolidated turnover grew 9.2% to €6,435 M and underlying EBITDA increased 22.2% to €599 M. This performance, together with an active portfolio management, allowed for a €167 M reduction of our net debt and a further strengthening of our capital structure.

Sonae MC continued to reinforce its leadership position despite the fierce competition in the market. The company presented a record turnover growth of 9.2% to €4,702 M fueled by positive LfL figures in all segments, formats and key categories, but also by the execution of its expansion plan, while maintaining benchmark profitability levels. Health and Wellness continued to be an important growth avenue and, in 2019, the acquisition of a majority stake in Arenal marked the entrance of the company in the Spanish market.

Our remaining retail businesses also had a remarkable year. Worten ended 2019 on a very positive note, reaching the same level of annual turnover and underlying profitability of 2018, after a more challenging start to the year. In strategic terms, the company continued to expand its digital and services offering, and executed a demanding restructuring plan in Spain mainland. Sonae Fashion had a particularly positive year with solid improvements in sales and profitability across banners, already showing the benefits of the ongoing transformation plan. ISRG maintained a strong performance, with double-digit growth rates and EBITDA more than doubling year-on-year, further strengthening our confidence in the future of this joint venture.

Sonae Sierra continued to post very solid operational results and had a very important year in terms of strategy execution. I would like to start by highlighting the merger of Sonae Sierra Brasil with Aliansce Shopping Centres, which created the largest operator in the country. On the other hand, the company has continued to execute its capital recycling programme and, already in 2020, announced the creation of Sierra Prime, a €1.8 bn strategic joint venture in Iberia with three blue-chip investors. The services business continued to grow and, on the development front, the first



shopping centre in Colombia was inaugurated and a number of other projects progressed at a good pace, namely expansions in dominant assets.

NOS continues to be a key asset in our portfolio, posting very solid results in a challenging market. Revenues increased in both telco and audiovisuals/cinemas segments and the company continued to improve its operational efficiency, which resulted in an additional increase in the EBITDA margin. The business continues to make progress in its technological and digital transformation, and is well positioned for the opportunities that will arise from the 5G rollout in Portugal.

Regarding our most recent business units, Sonae FS had another year of sustained growth of its Universo Card operation, which in just four years captured a market share of 12.8% of credit production, with already 858 thousand users, clearly reinforcing its position in the Portuguese payments market. Additionally, Sonae IM continued to build its portfolio of technology-based companies and completed the sales of Saphety and WeDo Technologies, important milestones of its active portfolio management activity.

During this year we also devoted a great deal of our attention to the development of group-wide initiatives on several fronts, namely in talent management, promoting diversity and inclusion, environmental sustainability and community support. We are proud of our track record in these areas. For instance, this year I signed, on behalf of Sonae, the CEO Guide to Human Rights of the World Business Council for Sustainable Development, which compels company leaders to promote the defence of human rights and the improvement of people's lives. I take this responsibility to heart and Sonae will continue to be at the forefront of what companies can do to improve the society we live in.

In October, we organised our first Capital Markets Day, an important milestone, to share our vision and strategy with investors and analysts, and also to be able to better convey the quality of our assets and management teams. The event was well received by the investment community and we will remain committed to maintain a close and transparent dialogue with our main stakeholders.

My final word goes to our people. Our sustained success would not be possible without the enthusiasm, commitment and quality of our teams. These last few months confirmed what I already knew: that Sonae's values are well alive within each one of our people. In a context of increasing uncertainty and speed, as well as mounting competitive pressures, our teams confirmed their ability to collaborate with each other and perform to a remarkable standard. They did so by contributing to solve challenges that go far beyond their day-to-day activities and by helping us have a long-lasting contribution to the most pressing social and environmental issues.

A special thank you to João Dolores (CFO) and João Günther Amaral (CDO) and the CEOs of our businesses. Together we make a very confident and committed team aiming to improve the quality of our assets as well as our people and our communities.

Sonae is an organisation of excellence and I am particularly grateful to both Paulo and Ângelo for the remarkable way they have led the group over the past few years. I accepted this position knowing the weight of their legacy and I am enthusiastic about the challenges that lie ahead. I am sure our future will be another chapter of success in Sonae's history, one that will be written in partnership with each of our stakeholders.

Finally, and as I write these words, the World is facing the spread of a pandemic. The impacts of Covid-19 will probably be extensive, widespread and long-lasting. Although we are still at the beginning of the outbreak, I can already say with pride that our people are being true heroes. Sonae plays a critical role in ensuring people have access to a number of essential products and services. Our teams know this and have been showing a fantastic spirit and commitment over the past few days. We will continue to do everything we can to protect our employees while responding to the needs of the communities we serve. I am confident that we will all overcome this challenging situation. Sonae will certainly strive to make its contribution.

Cláudia Azevedo,

CEO

4. The strategy of a long-living company

4.1. Unique corporate culture with a leading purpose

4.1.1. Mission and Values

Our Mission

“To create long-term economic and social value, taking the benefits of progress and innovation to an ever-increasing number of people”



Our Values



Trust and Integrity

We are committed to **creating economic value in the long term, built on sustainable relationships with all our stakeholders**. We establish these relationships based on principles of honesty, uprightness and transparency.



People at the Centre of our Success

Our people are a determining factor in our success. For that reason, we constantly work to improve our employer value proposition in order to attract and retain the most talented and ambitious professionals. We invest not only in developing their capabilities and skills, but also in ensuring thriving and positive work environments, and balanced lifestyles. We relentlessly promote meritocracy and embrace diversity at all levels.



Ambition

Ambition is born from continuously establishing goals which will stretch us to our limits, stimulating our energy and reinforcing our determination. Ambition drives us and keeps us dissatisfied with the status quo, forcing us to go beyond our past successes. We continuously set ambitious goals that stretch our current competences and demand a bold and entrepreneurial attitude from our managers



Innovation

Innovation is at the heart of our businesses. We always question both our mental models and industry orthodoxies in order to identify opportunities, and we maintain a challenger attitude by continuously improving our value propositions and experimenting new business models, while managing risks within reasonable limits. We know that only by innovating can we grow sustainably.



Corporate Responsibility

We are committed to **developing our activities based on the principles of sustainable development, looking to contribute to society beyond the economic value generated by our business activities**. In particular, we aim to improve the communities within which we operate by collaborating to tackle the most fundamental environmental and social challenges of our times.



Frugality and Efficiency

We aim to optimise the use of resources and maximise their return, seeking cost efficiency, and avoiding any waste or extravagance. As a priority, **we focus on achieving operating efficiency, promoting healthy competition, and delivering high impact projects**.



Cooperation and Independence

We are ready to cooperate with central and local governments, in order to improve regulatory, legal and social frameworks, and to ensure **the best solutions for the communities within which we operate**, but we also take care to maintain our independence in relation to all such entities.

4.1.2. Our history



People
Social Capital



Planet
Natural Capital

1950's
to 1990's

- 1959** Sonae Foundation
- 1965** Belmiro de Azevedo is hired
- 1983** Listing of Sonae SGPS
- 1985** Start up of the food retail business with the opening of the 1st hypermarket (currently Sonae MC)
1st Sonae culture letter describing Sonae DNA
- 1987** 7 IPOs for: Particleboard, Food Retail, Tourism, Media, Robotics, Shopping Centres, electricity and cooling
- 1989** Start-up of Sonae Imobiliária (currently Sonae Sierra) with the opening of the first shopping centre, AlbufeiraShopping, in Portugal



1990's

- 1990** Launch of Público newspaper
- 1991** Opening of CascaiShopping (Sonae Sierra), in Portugal
- 1995** Start up of non food stand-alone brands (Worten, Modalfa (currently Mo), Zippy and Maxmat)
Sonae joins WBCSD (World Business Council for Sustainable Development)
- 1997** Listing of Sonae Imobiliária (today Sonae Sierra) and partnership with Grosvenor
Launch of Sportzone (sports retail)
- 1998** Launch of Optimus (telco operator) and listing of Modelo-Continente (food retail)
Start up of the proximity supermarket format of Sonae MC (currently Continente Bom Dia)
Opening of NorteShopping (Sonae Sierra) adjacent to the hypermarket Matosinhos (Porto), in Portugal



2000
to 2005

- 2000** Sonae SGPS stock split and listing of Sonaecom
- 2001** Delisting of Sonae Imobiliária (currently Sonae Sierra)
Launch of the food retail online channel (Continente online)
- 2003** Listing of Sonae Sierra Brasil in Bovespa
- 2004** **Sonae joins the Global Compact of the United Nations**
- 2005** Spin-off and listing of Sonae Indústria
Sale of food retail business in Brazil to Wal-Mart
Grosvenor acquires 17% and ends with a 50% stake in Sonae Imobiliária (currently Sonae Sierra)



2006
to 2010

- 2006** Sonaecom launches a takeoverbid for PT and PT Multimedia
Delisting of Modelo-Continente (food retail)
- 2007** Paulo Azevedo becomes CEO of Sonae
Spin-off and listing of Sonae Capital
Acquisition of Carrefour Portugal (food retail)
- 2008** Worten and SportZone enter Spain
- 2009** **Creation of Sonae's Code of Ethics**
Sale of 49.9% of MDS to Suzano group



2011
to 2014

- 2011** **Creation of "Our way": Sonae's unique culture, values and principles**
- 2013** Merger between Zon and Optimus and creation of NOS
Commitment to ERT voluntary targets for Women in leadership
- 2014** Sonaecom launches a partial and voluntary public tender offer for 24.16% of its share capital
Sonae IM acquires 60% of S21Sec (cybersecurity)



2015
to 2019

- 2015** Paulo Azevedo becomes Chairman and Co-CEO
Ângelo Paupério becomes Co-CEO
Launch of Universo card (Sonae FS)
Sonae subscribes to the "Paris Pledge for Action"
- 2016** Acquisition of 50% of Salsa (Sonae Fashion)
Acquisition of a stake of Armilar Venture Partners (former ES Ventures) (Sonae IM)
- 2017** JV with JD Sports and Sprinter to create Iberian Sports Retail Group
- 2018** Acquisition of an additional 20% stake in Sonae Sierra
Acquisition of 51% of Go Well (Sonae MC)
Acquisition of 60% of Arenal Perfumaries (Sonae MC)
- 2019** Cláudia Azevedo becomes CEO and Paulo Azevedo continues as Chairman
Sonae Sierra agrees to merge Sonae Sierra Brasil with Aliansce Shopping Centers
Sonae's 1st Capital Markets Days
New Plan for Gender Equality

4.1.3. Sustainability approach

We live in challenging times, in which we are all called upon to contribute to **Sustainable Development** – a universal and transformative agenda, which aims to respond to diverse and complex questions, but also to the opportunities, which today's world presents.

At Sonae, this challenge is not new, we are highly committed to a long-term vision, and the need and urgency to go beyond the economic value generated by our businesses and cooperate to overcome some of the most pressing environmental and social challenges of our time is written in our DNA. It is engrained in our culture to foster well-being and development in the communities where we are present, minimize the negative impacts arising from our activities, mitigate the risks and explore the emerging business opportunities. We are driven by a constant need to improve our long-term performance and the sustainable success of our investments. Innovation will play a critical role in this journey, as well as the overview of our environmental and social impact, in order to identify the opportunities to innovate in products, services or processes so we can harness the enormous potential of economic opportunities arising from the transition to a more sustainable society.

As part of our quest towards improving our sustainability performance, we reviewed our governance model with the establishment of the Sustainability Advisory Group. The aims of this group are to foster the development and adoption of common policies and principles of action through clearly defined goals and targets in the priority areas identified. The Sustainability Advisory Group reinforces our ever-increasing commitment to sustainable development by focusing on two levels of action: a cross-sectional group of core members who meet quarterly, representing the different Sonae companies, and a set of working groups, formed according to its strategic action axes: **1) CO₂ and Climate Change; 2) Plastic; 3) Nature and Biodiversity; 4) Inequalities and Inclusive Development; and 5) Community Support.**

Goals of the Sustainability Advisory Group

- Development of policies and goals common to the whole of the Sonae Group
- Development of policies and the setting of targets for the different companies
- Coordination of Sonae's presence in external forums
- Dissemination of best practices and know-how
- Creation of synergies
- Promotion of sustainability
- Performance monitoring and reporting

These strategic axes of action are the result of a rigorous and comprehensive analysis conducted together with our stakeholders during which we classified concerns according to their importance for Sonae and alignment with the United Nations Sustainable Development Goals (SDGs). Concerns were grouped into three clusters: i) issues intrinsic to the principles and values of the group; ii) matters addressed in the previous cycle and/or a highly integrated within the business; and iii) areas in which Sonae could have a positive impact through the nature and relevance of its activity.

We consider the strategic action axes to be a central part of an interconnected and interdependent system, in which material themes are not interpreted in a strict and compartmentalised manner, therefore influencing the different axes

directly and in a multidimensional way. Responsible Investment and Sustainable Supply Chain are considered to be transversal themes, relevant to all the axes because of their impact on management decisions, as they are directly related to the way we invest and how we, together with our suppliers, design and develop processes, products and services following the principles of efficiency and circularity.

The group's strategy is centred around how we can positively impact these strategic axes:



Nature and biodiversity

The dependence of organisations on natural capital and the underlying impact coupled with the potential habitat change leads us to consider as relevant issues related to protecting biodiversity, promoting sustainable agriculture and fishing, combating pollution, in addition to the dimensions of sustainable consumption, responsible production processes, the preservation of ecosystems such as forests and the promotion of a deeper understanding of this topic in the community.

Plastic

Single-use plastics equate to inefficient recycling policies and raise an enormous environmental challenge. Moreover, this is an area where our activities have a potentially significant impact and it is urgent to work together to promote more sustainable production, logistics and consumption processes.

Inequalities and inclusive development

Sonae group is one of the largest employers in Portugal, which highlights the relevance of its contribution towards a more humane and inclusive society. Its actions must focus both on Sonae internally and its communities. Sonae must create qualified employment by implementing policies for the development of each individual within its group and promoting diversity in its various forms. In terms of community, we see education as an important and powerful tool to combat inequalities and develop a more non-discriminatory and inclusive society.

Community support

Stronger communities are important to create a more sustainable society. Within the framework of our activities, we aim to increase the resilience and autonomy of the communities in which we operate, contributing to the elimination of poverty in all its different forms. It is a key aspect of Sonae's culture and we continue to focus on an integrated and sustained approach with the aim of enhancing the impact of our actions, in favour of more empowered and resilient communities.

We are committed to continuously evolving to ensure that Sonae respects its legacy and delivers long-term, sustainable, profitable success to its investors, colleagues and the communities that it serves.

4.2. A portfolio of leading businesses

Food Retail



Real Estate



Telecommunications



Electronics Retail



Sports Retail



Financial Services



Fashion Retail



Technology





head up in the

CLOUD



INNOVATION

is our destination



SONAE MC

Food Retail

Sonae MC is leader: relentless in its pursuit to continuously redefine the market beat, with a leading and **increasing share in the resilient Portuguese market**, which has been benefitting from a positive economic trend.

Sonae MC has developed a comprehensive value proposition that offers different solutions to suit its customers' lifestyles, profiles and shopping missions varying from hypermarkets to local stores and an increasing online presence. Continente Card, the Sonae MC loyalty programme, plays a vital role in its strategy with c.85% of sales carried out through the card, a remarkable and unique loyalty performance that both demonstrates the high level of customer recognition and engagement with the Continente brand.

Due to its exceptional market situation, Sonae MC is in a privileged position to understand emerging needs and opportunities, which can quickly be developed in order to deliver strong growth. Sonae MC has successfully explored this growth through proximity formats together with the health, wellness and beauty sector with Wells and Arenal.

Anchored in a robust operational performance and under a highly experienced management team, coupled with stable shareholder structure, Sonae MC presents solid business fundamentals and strong financial results, with exceptional sales growth, best-in-class operating profitability and a conservative capital structure.



SONAE SIERRA

Real Estate

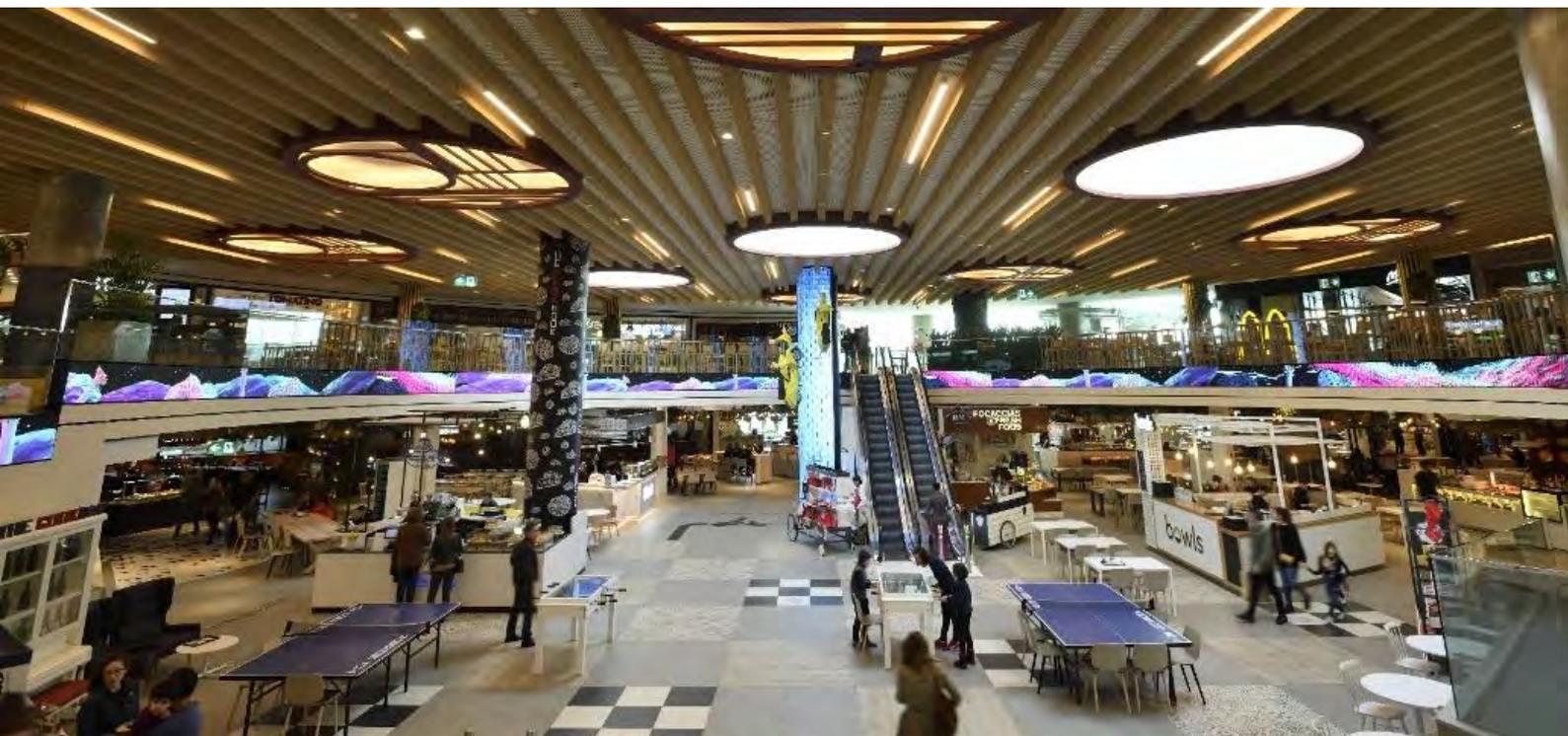
In 2018, Sonae reinforced its position in **Sonae Sierra** with a further 20% acquisition (increasing shareholding to 70%), a clear sign of the relevance Sonae Sierra plays in Sonae's strategy. Sonae Sierra is the most international investment in our portfolio, offering a vertically integrated full service as a real estate developer, with circa 150 managed assets in 10 countries, which total asset value amounts to € 9.8 billion. Sonae Sierra has been implementing a rigorous and selective strategy of capital recycling, that leverages the development of assets in Europe and countries with high growth potential.

Sonae Sierra's innovation-based approach is continuously improving the quality of real estate assets and has proven it can add value to any real estate project at any development stage. As part of its strategy, in shopping centres in particular, Sonae Sierra has been redefining concepts by consistently and proactively evolving its portfolio to exciting and dynamic retail market trends, focusing on the creation of iconic flagships, on categories less exposed to e-commerce and on new tenants and innovative retail concepts. A customer-focused approach that aims to provide an innovative customer experience, as well as entertainment components based on state-of-the-art infrastructure.

Most remarkably, all of Sonae Sierra's achievements are based on innovation towards ESG principles, making Sonae Sierra a leading real estate player and one of the most awarded companies in the real estate sector regarding sustainability.



The outstanding performance of **Sonae Sierra** in the **2019 GRESB Real Estate Assessment** should not be overlooked. The company proudly received the highest possible rating, 5-stars, winning a Green Star status for the 9th consecutive year, awards conferred in recognition of its ESG performance. The GRESB assessment provides a global benchmark in terms of the ESG performance of real assets worldwide and monitors the sector's progress towards global sustainability goals, which are aligned with internationally recognised reporting frameworks. Sonae Sierra emerged once again as an industry leader, at the forefront of a more sustainable real estate industry.





Telecom

NOS resulted from the combination of Zon and Optimus, a unique player prepared to leverage convergence in the Portuguese telecommunications market. Since the merger, the operational and financial performance of NOS has consistently exceeded expectations, with the company achieving strong market share gains and materializing identified synergies.

In five years, market share grew to 33% (from 26%), EBITDA margin increased consistently (having reached 40.9% in 2019), and the business achieved an impressive track record of cash flow generation and dividend distribution. Going forward, NOS will remain focused on consolidating its position as the best communications and entertainment company in Portugal, while making significant progress on its ongoing transformation plan to become more digital and customer-focused.



Electronics Retail

Worten has developed a distinctive customer-centred model anchored in a comprehensive omnichannel approach that resulted in Worten becoming a market leader in Portugal, which in a favourable economic context has allowed benchmark EBITDA and high levels of RoIC. To lead in one of the most fierce and competitive markets with decreasing international boundaries, Worten in Iberia focuses on developing a rewarding customer experience that is heightened by a successful omnichannel experience, bringing together a network of stores, a strong digital platform and the human touch of our talented team.

Worten's robust selling approach is focused on its customers in which Worten's invaluable brand acts as a trusted advisor from the initial advice provided to the after-sales service. It is evident that Worten is betting on the services, which was culminated with the acquisition of iServices, a Portuguese leading smartphone repair company, which will be important to further improve Worten's service offering particularly in this area.

Worten complements its offer with its solid loyalty card programme (Worten Resolve in Portugal and Worten Soluciona in Spain) that creates a paperless environment and simplifies the entire process coupled with several credit and insurance services attached. Lately, Worten has been also extending its offer with sales through the Iberian Marketplace, already with a wide range of partner and products.

IBERIAN SPORTS RETAIL GROUP

Sports Retail

Iberian Sports Retail Group (ISRG) is the result of a carefully planned partnership between JD, Sprinter and Sport Zone. This partnership has created one of the largest sports retail operators in Iberia, and its track record since the merger had been very positive. Leveraging the capabilities and assets of its shareholders, ISRG has adapted the value propositions of its banners to different customer needs and has delivered strong double-digit growth and improved profitability across the portfolio. Looking forward, the company is well positioned to lead the Iberian market with unique and future-proof offerings for all market segments. ISRG is a clear example of our active portfolio management strategy.



SONAE FS

Financial Services

Sonae Financial Services, created in 2015, is the result of a unique opportunity for Sonae to create value within its portfolio, benefitting from a favourable economic context, a financial sector struggling to adjust to digital development and affected by a somewhat negative perception by consumers.

Sonae took advantage of the clear overlap between the strong points of a fintech approach with its unique retail expertise and strong brand recognition and credibility. Sonae FS quickly emerged as a strong contender in the market and took over 10% of the market share in just 3 years, mostly due to the success of the Universo Card that offers its customers the combination of a loyalty programme, a world-wide case study, with a credit card that adjusts to each client's needs. A guaranteed formula for success and the Universo Card quickly became one of the top 3 credit card issuers in the country with an outstanding performance track record. Sonae FS is now focused on scaling up this success, by leveraging Sonae's unique ecosystem.





SONAE FASHION Fashion Retail

Sonae Fashion, Sonae's specialised retail in fashion manages a portfolio with a strong international footprint covering more than 80 countries, 400 (own or franchised) stores and more than 5,000 points of sale. Sonae Fashion is consistently delivering turnover growth above market, with a similar pattern across its major brands. Sonae Fashion wants to keep boosting growth and is implementing a transformational plan to achieve higher levels of efficiency and driving it to become a more international, more digital and more profitable company. Salsa is a widely recognised brand which is creating an impressive dynamic that will contribute decisively to the implementation of this plan.

SONAEIM

Technology

Sonae IM is poised to grow within and based on Sonae's portfolio. Sonae IM focuses on retail, telecommunications technologies and cyber security and is an active investment company with a world-class focus and ambition. Sonae IM adopts tailor-made investment strategies designed to unlock the maximum value potential from each investment and benefits from Sonae's stronghold in the retail sector, which allows each one of its businesses to challenge Sonae IM to develop innovative services and processes that can then be launched in the market. This strategy also guides portfolio construction as Sonae IM builds its portfolio around what will strengthen and complement current investment. Sonae IM has averaged €40M of investment per year and has successfully achieved significant cash from selling operations with the disposals, in 2019, of WeDo (€62.1 M) and Saphety (€8.5 M).

4.3. The role of the holding company

4.3.1. Ensure group linkages

Building new businesses leveraging existing assets

Sonae IM: portfolio of tech companies focused on existing businesses



Sonae IM inherited the telco technology from Optimus and, using this expertise as leverage, evolved to become an active investor, focused on tech-based companies centred on cybersecurity, telecommunications and retail. Sonae IM adopts a versatile investment strategy driven both by financial returns and Group linkages and aims at strengthening its position as a leading technology investor on an international scale.

Sonae's core businesses continuously challenge Sonae IM to further develop its portfolio and, therefore, offer opportunities to create relevant use cases that can then be developed as

products or services. This is a clear example of value creation within the portfolio as the business units benefit from a close link to a high-profile technological developer and in return Sonae IM benefits from Sonae's stronghold in the retail sector, which creates an environment around which Sonae IM builds solid expertise and a distinctive value proposition.

Universo: an innovative financial services offering



The Universo Card is an example of a product entirely created to address customers' needs by leveraging Sonae's expertise and credibility. Back in 2015, the Portuguese financial services sector presented an opportunity. While the economy and private consumption were showing very positive signals, the bank industry was still failing to adapt. Sonae quickly explored this opportunity with the creation of Sonae FS, a financial services company that successfully combines Sonae's retail expertise with Fintech's best practices.

Sonae's large customer base and reputation as a trustworthy partner, coupled with its expertise on credit sales via Worten, created a competitive advantage

that resulted in the Universo Card, which is one of the top3 credit card in the market with a market share of 12.8% at December 2019.

Strong brand recognition



Sonae is a trusted brand around the world, which is both a responsibility and a demonstration of the success of its mission, culture and values. Our corporate values from which we never deviate foster the ongoing trust of our brand. Customers and suppliers trust and have confidence in Sonae, public institutions and associations value and admire Sonae, academia has a high regard for Sonae, competitors respect Sonae and employees are proud to work at Sonae.



Common customers between sub holdings

Sonae Sierra shopping centres

Sonae's portfolio includes several retail brands that are part of the everyday of its customers, each one striving to offer a distinctive value proposition to its customers. It is a fact that each one of our retail brands works in a specific business environment with its own market dynamics and trends. However, as a Group we can find commonalities across the different markets and we can move together, stronger, faster and better. There are significant benefits from this strategy. Not only do we benefit from the synergies of a common strategy, but we can also leverage the experience and strong position of our more mature brands. Additionally, we can share experiences and knowledge about our stakeholders and other market agents, thus mitigating some of the risks. As an example, we know the high quality of the value proposition offered by Sonae Sierra in managing shopping centres and we understand this has a lower risk for our retail brands. Sonae business units are autonomous and must pursue their own strategy, but the holding company can facilitate this process with a more comprehensive view of the market.



Integrated loyalty programmes

The excellence of our loyalty programme is a world-wide case study and it is a solid demonstration of our customers' trust.



Sonae's mission of sharing value creation is embedded in its loyalty solutions, developed with the purpose of sharing its success with its trusting clients and making their shopping experience more enjoyable.

The **Continent Card** highlights the relationship we have built with our customers, with more than 4 million subscribers and with a loyalty of c.85% of sales made through the card, allowing us to grow with our customers. The Universo Card offers a range of payment options coupled with reinforced loyalty benefits to our clients, its simplicity and value proposition to our customers were at the root of its success and it represents c.13% of all credit card payments in the country.

Finally, Worten loyalty card focuses on simplifying the shopping experience, offering an integrated solution to manage purchases, warranties and offering added benefits to its 4.7 million subscribers (Portugal and Spain). We innovate for our customers and they return this with trust.

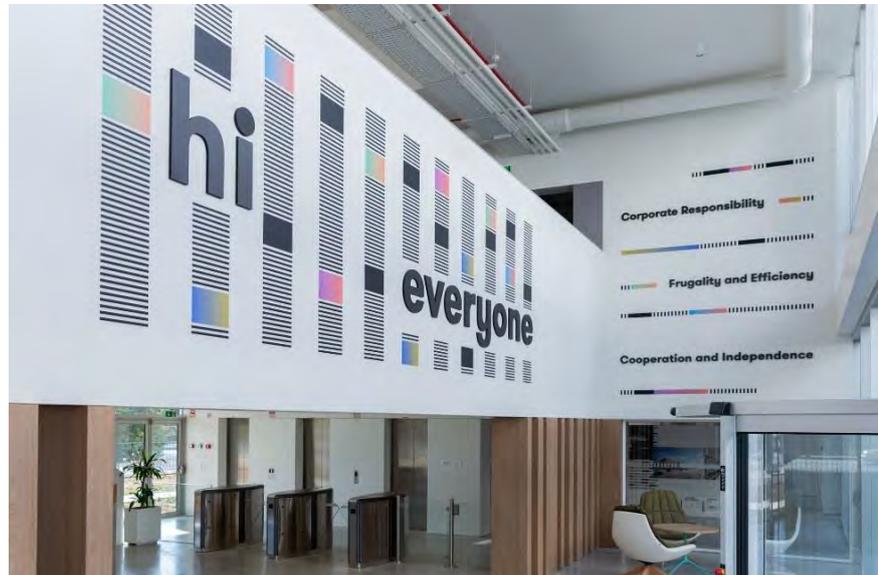
Knowledge sharing

Sonae is a world of its own. Our activities are increasingly more international, our portfolio is built around retail and telecom, but spans across a wide range of sectors and industries and our team is incredibly diverse. This diversity, coupled with an innovative and entrepreneurial mindset, offers us value creation opportunities through knowledge sharing within the Group. Sonae's knowledge sharing framework is very flexible and varies from shared Management Systems for key management processes to group meetings that can adopt different levels of formality, from consulting groups that define policies, such as Human Resources, Risk Management and Sustainability to forums to share Knowledge, as well as create networking and synergies such as Planning and Control, Administration and Tax, Innovation and Legal.

Our main goal is to create common places where our diversity not only interacts but also challenges the established knowledge by putting forward an innovative, disruptive or simply different perspective. As a holding company, Sonae takes an active role in creating bridges across the portfolio that bring together all its business units and promote knowledge sharing as a driver towards innovation and value creation.

Group synergies

Sonae's portfolio benefits from synergies of scale by adopting strategies that allow resources to be shared and, therefore, optimising its efficiency. This enables Sonae, with the portfolio of businesses acting as one company, to lower costs through carrying out procurement through coordinated approaches. The holding company works as an interface between the business units and the market, coordinating the negotiations across a wide range of services such as IT licensing and services, telecommunications, media and advertising, energy, fleet management, insurance, financing and debt management.



4.3.2. Active Portfolio Management

The growing autonomy and inherent accountability of each business unit

Sonae has been working on changing the Group's structure in order to ensure **each business unit is more autonomous and independent** and to have a holding company that is more focused on portfolio management and other responsibilities. Such responsibilities are either for the holding company like Group Strategy and Control, Investor Relations and Social Responsibility or are functions that can have a more transversal role like Internal Communication, Public Affairs, or Financing.

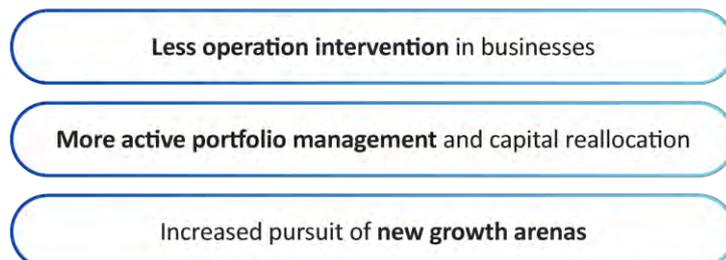
Each business unit needs a **dedicated Board and Executive Committee**, as well as support structures in order to have competencies that enable greater levels of autonomy, and inherent accountability, thus creating the conditions to respond more rapidly to the growing challenges of ever-changing competitive landscapes. The role of the holding company in relation to its businesses is to ensure these conditions are in place in each business unit and then to challenge them to deliver an adequate performance to create value in the long run. Sonae's Group Executive committee participates in the board of each business unit in order to ensure this alignment.

Another responsibility of Sonae, as a holding company, is to actively manage its portfolio of businesses, by ensuring the best capital allocation in order to create value. The new management team will be more active and decisive in managing Sonae's portfolio, supported by the same set of values. Our process of capital allocation is described in detail in the following chapter.

What remains the same...

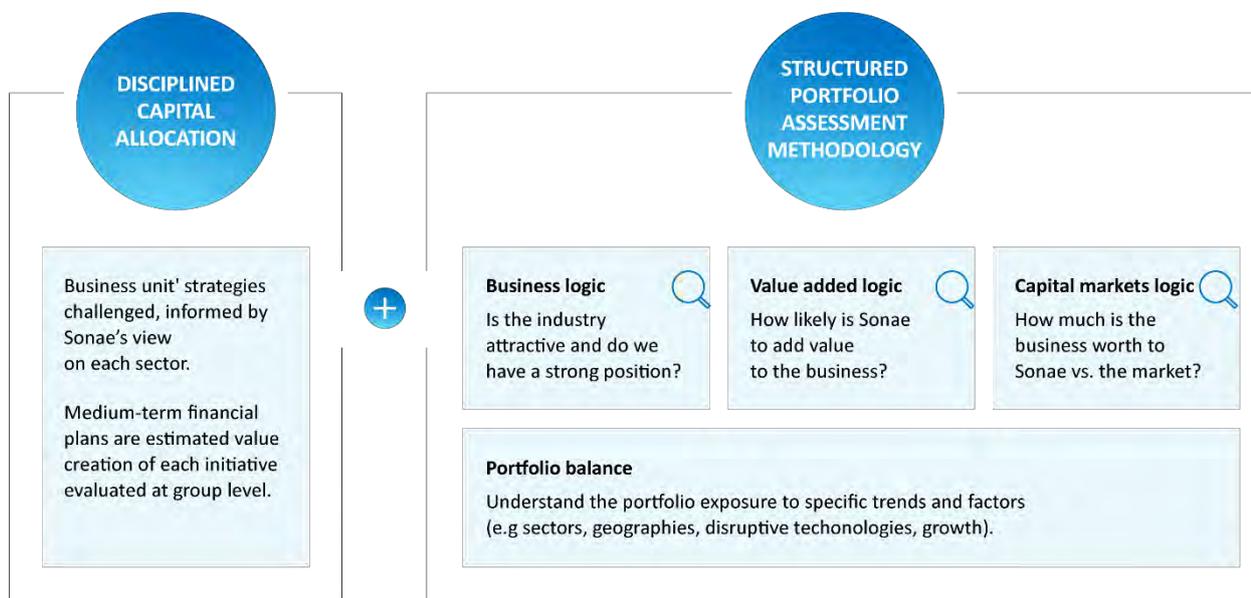


...and what changes



On top of this, Sonae manages a wide and rich portfolio that provides a privileged position to understand market challenges and how to convert them into growth opportunities. This integrated vision of an extensive network per se creates a rich environment that promotes value creation within the portfolio and highlights the role of Sonae as a holding company.

Sonae is a Holding company with a diverse portfolio of businesses and it has a [history of active portfolio management underpinned by a disciplined approach to capital allocation](#). In fact, actively managing and optimising the capital allocated at both the portfolio and business level plays a pivotal role in Sonae's strategy, impacting its capacity to create long-term economic and social value.



On the one hand, the Holding company focuses on building a [comprehensive view of each building block](#), continuously monitoring the operational performance of its entire portfolio of companies and their sectors. This systematic approach is the cornerstone of the strategy definition, [elevating the level of discussion and how businesses are challenged in order to achieve their full potential](#). Together with thorough medium-term financial planning and the estimated value creation/returns of each initiative, capital allocation decisions are assessed at the group level, always combined with a conservative approach to financing decisions.

On the other hand, the Holding company performs a [structured portfolio assessment that guides portfolio decisions](#) (invest, cut back, acquire or exit), encompassing two important analyses:

Logics analysis is based on three principles, which explore the rationale/reasons for owning each business:

1. Business logic: Is the industry attractive and do we hold a strong position? To assess the structural attractiveness of a business, namely the sector or market each business competes in and the strength of its competitive position in that market.

2. Value added logic: How likely is Sonae to add value to the business? To evaluate if Sonae is the best parent for a given business, i.e. to assess the value it adds to a business, coming both from the relationship between the parent company and the business and from the linkages/synergies established between sister businesses.

3. Capital markets logic: How much is the business worth to Sonae vs. the market? To understand the state of the capital markets, namely how the market values Sonae's assets in comparison to the net present value of future cash flows that Sonae estimates for the business.

Lastly, a Portfolio Balance analysis provides Sonae with a holistic view of the portfolio and enables it to understand its capital exposure to specific trends and factors (e.g. sector, growth, geography, technology disruption...).

Sonae's partnership with JD and Sprinter in the **Iberian Sports Retail Group (ISRG)** is a clear example of how Sonae continuously monitors the strategy of each business in its portfolio and how it approaches capital allocation as a key dimension of Sonae's strategy. Sportzone is a successful Iberian brand in sports fashion, however Sonae understood the value creation potential of promoting business growth through higher levels of operational efficiency, particularly by scaling up the operations. Amongst all the investment and operational options analysed, Sonae aimed for a strategic partnership with two of the most solid European players, with a well-established supply chain and hard-won experience. The in-depth knowledge of all the parties combined led to distinctive strategic and operational management, reinforced by the creation of economies of scale and high levels of profitability. The results of this partnership, both in Spain and Portugal, are very positive, delivering a solid financial and operational performance and with remarkable purchasing power benefits. Over the last 12 months, ISRG's turnover grew 16% yoy to €676 M with a stronger EBITDA impact, with a growth of €33 M yoy to €68 M.

All in all, this Capital Allocation strategy approach allows Sonae to establish the best "options" for the businesses in its portfolio, which are ultimately the basis for (re)shaping the portfolio of businesses over time in the search for continuous sustainable value creation in the long-run.

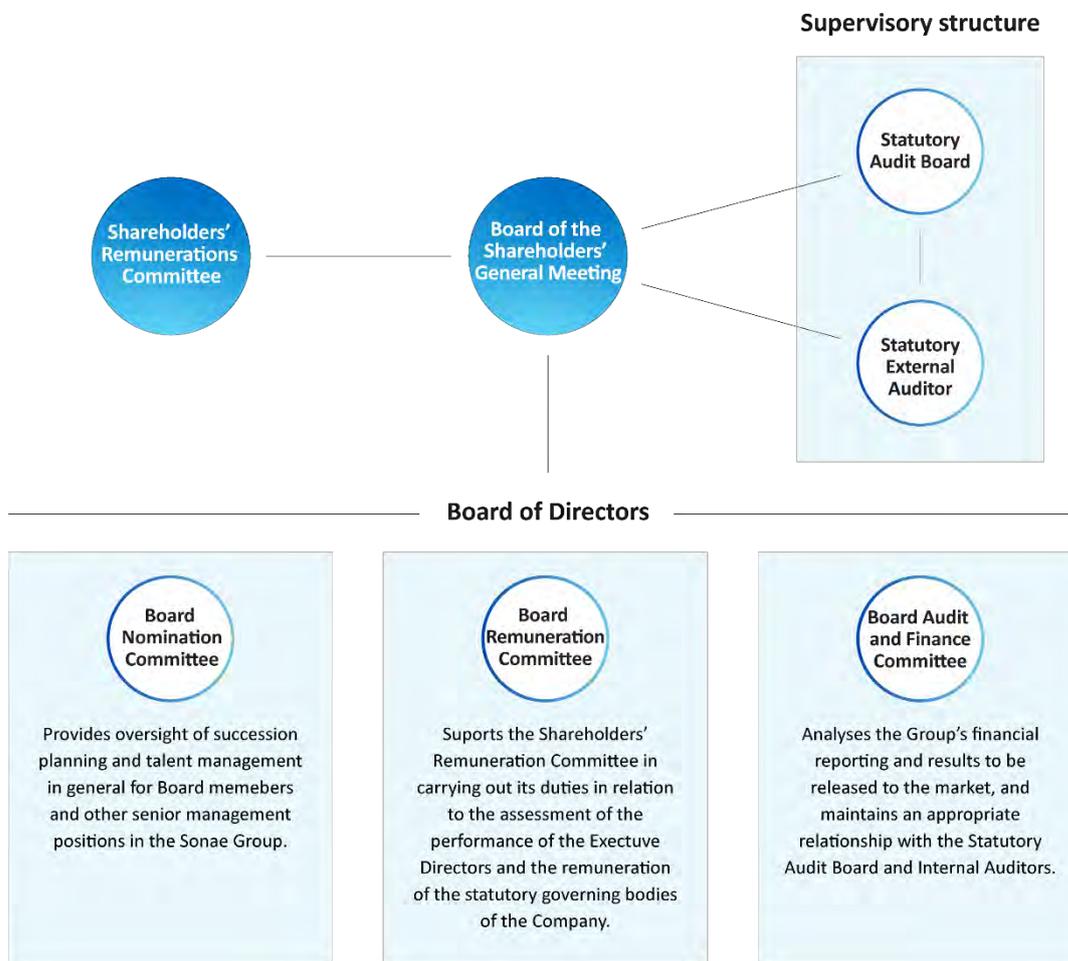
4.4. Best practice corporate governance

4.4.1. Corporate Governance structure

Corporate Governance Framework

Corporate Governance at Sonae goes far beyond international guidelines or local authorities’ recommendations. We have our own code of conduct which is supported by our intrinsic values of professional ethics based on trust and integrity, frugality and efficiency but also cooperation and independence. Corporate Governance best practices are one of the cornerstones of Sonae’s DNA, are our way of working and how we want to bring this company forward in order to create sustainable value for all our stakeholders.

The Company follows a one-tier governance model, where the management structure falls under the responsibility of the Board of Directors, and the supervisory structure includes a Statutory Audit Board and a Statutory External Auditor.



Terms of reference of each Board Committee are available on the Group's website at: www.sonae.pt



Executive Committee of the Board of Directors

has all the necessary powers to manage the Company on a day-to-day basis, under the terms of the delegation of powers and competencies granted by the Board of Directors.

The **Shareholders' Remuneration Committee**, appointed by the Shareholders' General Meeting, is the committee responsible for approving the remuneration of the Board members and of other statutory governing bodies, on behalf of the shareholders, under the terms specified in the Remuneration and Compensation Policy approved by the shareholders at the Shareholders' General Meeting⁵.

The **Statutory Audit Board** is the Company's supervisory body and its members are elected at the Shareholders' General Meeting. The Statutory Audit Board is responsible for supervising the management of the Company, namely by verifying the accuracy of the financial statements, supervising the efficiency of the risk management system, the internal control system and the internal audit function. The Statutory Audit Board is the primary interface of the Company with the External Auditor and the Statutory External Auditor, it approves the criteria for the selection of the Statutory External Auditor and proposes the appointment or replacement of the External Auditor and the Statutory External Auditor, as well as their remuneration at the Shareholders' General Meeting.

The **Board of Directors** is responsible for ensuring the management of Sonae's business, exercising all management acts pertaining to Sonae's corporate purpose, setting strategic guidelines and appointing and generally supervising the activity of the Executive Committee and its specialised committees.

10 Board Members
2 Executives Directors
80% Non-executive
40% Independent
30% Female representation



1. Paulo Azevedo, Non-Executive Chairman

First appointed to the Board: 2000
 2007 – 2015: Sonae CEO
 2015 – 2019: Sonae Chairman and co-CEO

2. Ângelo Paupério, Non-Executive Director

First appointed to the Board: 2000
 2007 – 2015: Sonae Vice-CEO
 2015 – 2019: Sonae co-CEO

3. José N. Adelino, Lead Non-Executive Director

First appointed to the Board: 2007
 1978 - 2014: professor of several universities and Board Member of companies, in utilities, financing and telco sectors

4. Lorraine Trainer, Senior Independent Non-Executive Director

First appointed to the Board: 2015
 1975 – 2018: several HR roles in various companies including Member of Nomination and Remuneration Board Committees

5. Marcelo Faria de Lima, Independent Non-Executive Director

First appointed to the Board: 2015
 1988 - 2016: professor of several universities in Brazil and Board Member of companies, in financing and telco sectors in Brazil

⁵ Complete information regarding corporate governance can be found in Sonae's Corporate Governance Report included in this Report and Accounts.

6. Carlos M. Silva, Non-Executive Director

First appointed to the Board: 2019
 Chairman of BA Glass Group
 1987—2014: Board Member of companies, in various sectors
 Efanor Board Member

7. Fuencisla Clemares, Independent Non-Executive Director

First appointed to the Board: 2019
 Google Country Manager for Spain and Portugal
 2000 – 2007: Associate Principal specialised in Marketing and Retail at McKinsey & Company

8. Philippe Haspeslagh, Independent Non-Executive Director

First appointed to the Board: 2019
 Professor and Honorary Dean at Vlerick Business School and Board Member of 3 schools

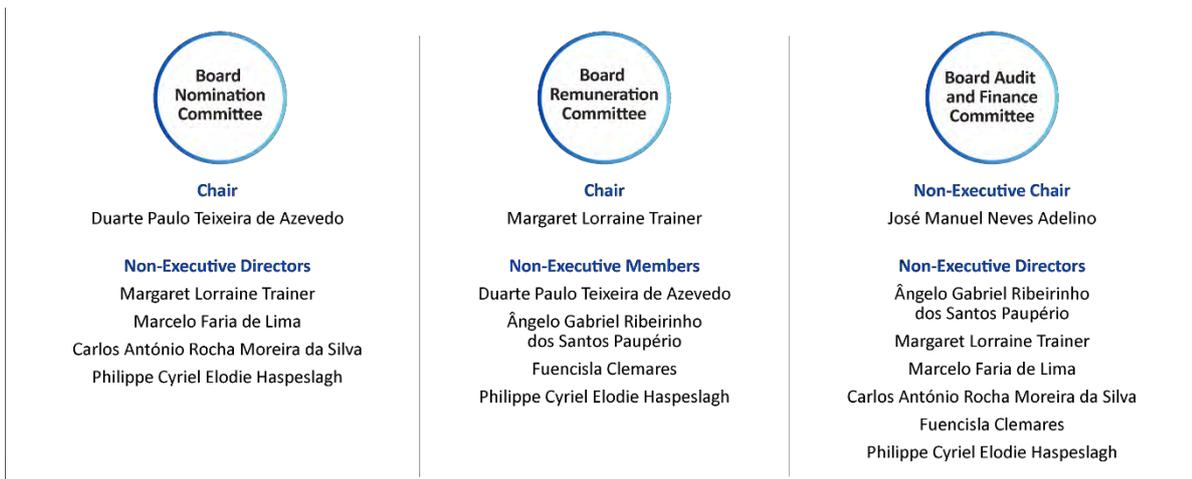
9. Cláudia Azevedo, CEO – Executive Director

First appointed to the Board: 2019
 Previously CEO of Sonae IM and Sonae Capital

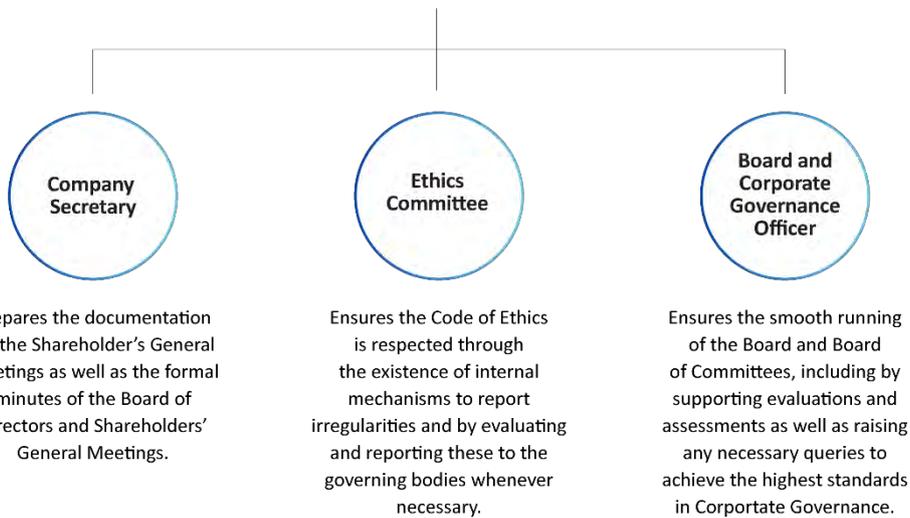
10. João Dolores, CFO – Executive Director

First appointed to the Board: 2019
 Previously Head of Strategy and Group Controller

Non-Executive Directors play a vital role in our corporate governance structure providing specialized expertise and independence to the Board. Sonae’s Non-Executive Directors were selected for the breadth of their experience and personal values aligned with our corporate values. Their knowledge provides valuable insights and a higher degree of independence and objectivity to the board's decisions, assuring the monitoring of the executive management.



Other Board committees and advisors to the Board of Directors



Sonae's Management Team and Group Senior Executives (GSEs)

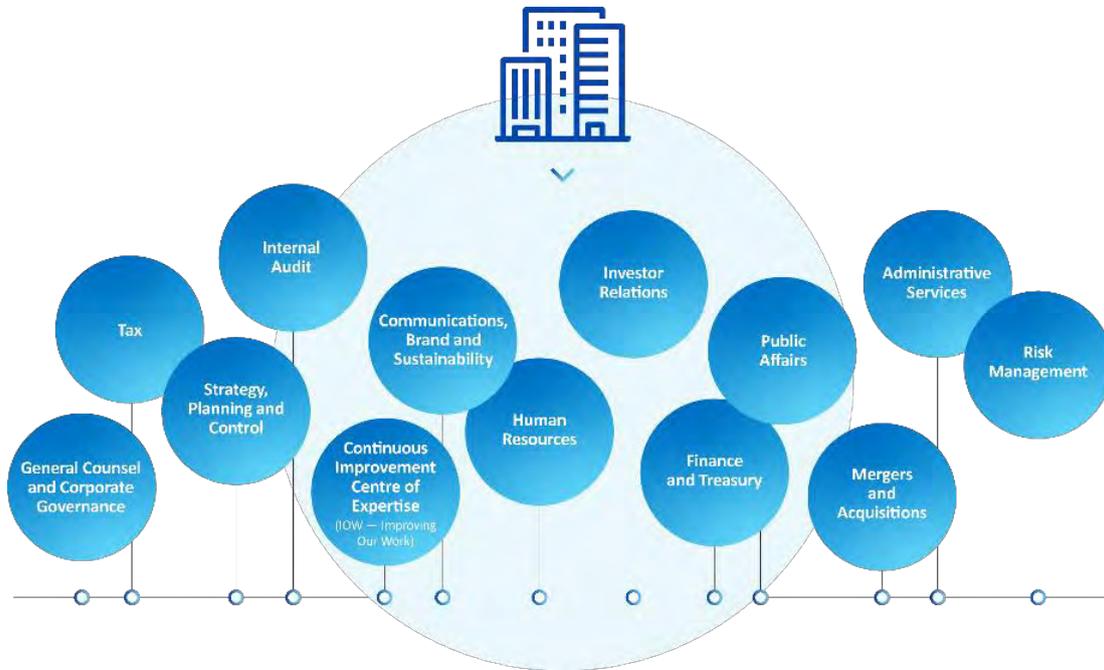
Sonae has been working on optimising the Group's organisational structure, with a special focus on making each business more autonomous and independent, with dedicated governance, management and services structures. At the same time, each team's competencies and complementarities enable greater levels of autonomy, agility and inherent accountability, thus creating the conditions to better respond to the growing challenges of ever-changing competitive landscapes. Each business has its own management team, structured to reflect the needs of each segment and with a strong desire and ambition to deliver a positive sustainable performance.

Sonae's Senior Management Team includes the group CEO, CFO and CDO (Chief Development Officer) and also the CEO of each business unit. This group of senior executives plays a pivotal role in managing and developing the whole of Sonae's portfolio. In addition to this, each business unit has its own Board of Directors which includes members of the Board of Sonae in order to challenge those business units and to guarantee the alignment of individual business strategies with Sonae's Mission, Values and Group Strategy.



Corporate Centre Responsibilities

Sonae's unique portfolio and active management foster an ecosystem able to generate synergies at all levels making the group stronger through the commitment of building a more sustainable society together. As a portfolio manager, Sonae retains at its holding level some core services that on one the hand are transversal to all business units and on the other hand are exclusive to a holding company. With these corporate centre responsibilities Sonae can add value through the creation of synergies as well as with portfolio management activities.



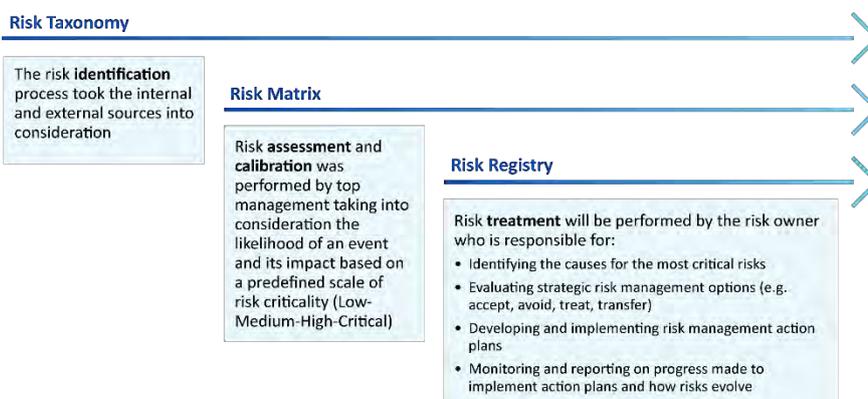
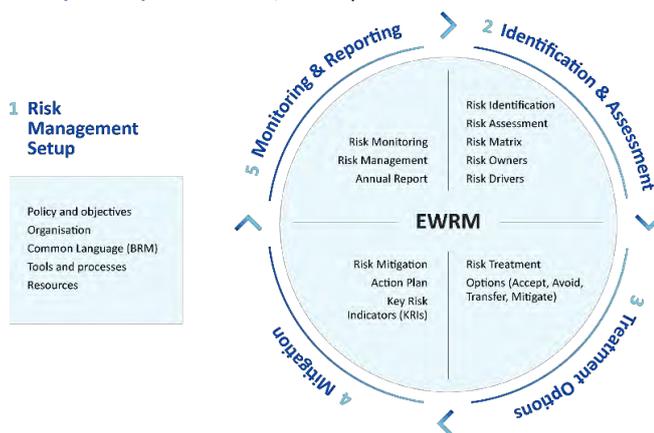
4.4.2. Risk Management

Risk is an inherent part of any business and, as any other business component, it needs to be understood and managed. Risk encompasses both uncertainty and opportunities, solid risk management adds value to the organisation by identifying and assessing these two dimensions and allowing organisations to mitigate uncertainties in a timely and efficient manner and explore opportunities through innovative processes, services and products.

Sonae has a wide and rich portfolio, which makes it more complex to manage risks, thus reinforcing the relevance and importance of efficient risk management as well as its Governance mechanisms.

Sonae has adopted the **Enterprise Wide Risk Management (EWRM) Framework**, a comprehensive framework that supports and integrates risk management across the entire portfolio and assesses all risks both at the holding level and the business unit level. As part of this framework, our risk management policies and processes are regularly reviewed and fine-tuned.

Sonae’s risk management process is anchored in three global steps that guide the process from the initial risk identification, the impact and likelihood assessment and the assignment of a risk owner subsequently responsible for implementing the necessary risk treatment options.



Critical Risks

As a result of an Enterprise Wide Risk Management approach, we have defined our main risks, which we continuously monitor. Understanding the nature of the risk in the context of Sonae’s operations will help to mitigate its potential impact and likelihood. For all risks that were classified as critical (higher likelihood and impact), we appointed a risk owner and deputy to define the mitigation action plan as well as the key risk indicators.

These risks were classified as critical⁶:

- **Cyber-attacks**
- **Unfavourable Macroeconomic Conditions and Country Concentration**
- **Failure to adjust Business Portfolio**

⁶ These were the risks considered critical for Sonae as a whole. For additional information regarding other risks, namely financial risks and risks by business unit, there is additional detail in the Corporate Governance Report and in the notes to the consolidation financial statements.

- **Inability to Recruit and Retain Talent and Insufficient labour force for core business activities**
- **Rising Legal and Regulatory Negative Consequences**

Cyber-attacks | Technology

The occurrence of a breach in the privacy and / or security of data of employees, suppliers or customers, as well as other commercial information, due to an inadequate level of protection of the information systems and/or employees’ risk behaviour may subject the company to fines, affect its reputation and continuity.

Drivers	Our Key Controls	Mitigation Actions Planned								
<ul style="list-style-type: none"> • Data Breach - Compromise of organisational information systems to facilitate exfiltration of data/information • DDoS - Adversary uses multiple compromised information systems to attack a single target, thereby causing denial of service for users of the targeted information systems. • Phishing - Coordinate campaigns across multiple organisations to acquire specific information or achieve desired outcome • Malicious Code - Malicious code delivery to internal organisational information systems (e.g., virus via email) • Insider – Coordinate cyberattacks using external (outsider), internal (insider), and supply-chain (supplier) attack vectors • Outsider-based social engineering to obtain information or Attacks targeting and compromising personal devices of critical employees 	<ul style="list-style-type: none"> • Cybersecurity Governance Policy and Model • Cybersecurity dedicated teams • Cybersecurity awareness programme (C-Level, IT Specialists and All Employees) • Incident management procedure • Cyber threat intelligence in collaboration with the National Cybersecurity Centre • Bitsight Cybersecurity rating continuous monitoring • Network security perimeter (e.g. firewall, web application firewall, intrusion detection and prevention system) • Periodic ethical hacking tests to internet web sites • Disaster recovery for critical systems • Identity and Access Management • Critical data encryption • Antivirus, anti spam and malware detection 	<ul style="list-style-type: none"> ✓ Sonae Cybersecurity Objectives Reassessment ✓ Reassessment of Sonae Cybersecurity Strategy ✓ Cybersecurity Maturity Evaluation Matrix ✓ Reassessment of Cybersecurity Incident Management Procedures ✓ Definition of Cybersecurity Reporting Model ✓ Cyber Insurance ✓ CSIRT - Definition of a Computer Security Incident Response Team 								
		<table border="1"> <thead> <tr> <th>Key Risk Indicators</th> <th>Formula</th> </tr> </thead> <tbody> <tr> <td>Bitsight Cybersecurity Rating</td> <td></td> </tr> <tr> <td>Awareness Programme</td> <td><i>% of employees</i></td> </tr> <tr> <td>Cybersecurity Incidents</td> <td><i># of major incidents</i></td> </tr> </tbody> </table>	Key Risk Indicators	Formula	Bitsight Cybersecurity Rating		Awareness Programme	<i>% of employees</i>	Cybersecurity Incidents	<i># of major incidents</i>
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Unfavourable Macroeconomic Conditions and Country Concentration | External and Strategic

The unfavourable macroeconomic conditions in which we operate, as well as developments in regional and global economic conditions (i.e. austerity, purchasing power, investment capacity, demographic factors, cost of raw materials and essential services, among others) may have a material adverse effect on the company’s financial performance. The concentration of the company’s activity in Portugal can create an excessive exposure to specific local market risks (Political, Economic, Religious).

Drivers	Our Key Controls	Mitigation Actions Planned						
<ul style="list-style-type: none"> • It is still difficult to preview the impact of Covid-19 in the Portuguese economy • Slowdown in economic activity in major trading partners. • High public, private and external debt stocks, leaving the country vulnerable to external shocks. • Still weak banking system hampering the financing of the economy. • Future rises in Eurozone interest rates or instability do to change of benchmarks. • Political instability or war leading to the rise of price in commodities, including energy. • (Re) emergence of turmoil in global financial markets. 	<ul style="list-style-type: none"> • Diversification of categories and retail formats across the consumer spending pool • Internationalization efforts of different businesses (e.g. Sonae Sierra, H&W – Arenal...) • Continuous monitoring of: <ul style="list-style-type: none"> • macroeconomics conditions; • competitive environment; • economic, social, consumer and technological business trends. 	<ul style="list-style-type: none"> ✓ Development of a company-wide project to identify other opportunities for Sonae ✓ Ongoing challenge of current businesses to identify international growth opportunities ✓ Establishment of a strong relationship with investment advisors / banks and investors, and ongoing screening of M&A opportunities 						
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GDP growth forecast (PT/EU/US)	-0.5p.p. below last year average.							
Crude Oil price changes	Month avg. 20% above last year avg.							

Failure to adjust Business Portfolio | Strategic

The inability to adjust the company's portfolio and mix of businesses formats may prevent the Group's long term sustainability and maximization of stakeholder value.

Drivers	Our Key Controls	Mitigation Actions Planned				
<ul style="list-style-type: none"> Deterioration of the Portuguese overall macroeconomic conditions Reduction of the private consumption in Portugal Increased levels of competition across sectors and new disruptive entrants (e.g. Amazon, Alibaba Group...) Increased speed of digital / e-commerce disruption and failure to adapt current business models at the same pace 	<ul style="list-style-type: none"> Diversification of categories and retail formats across the consumer spending pool Internationalization efforts of different businesses (e.g. Sonae Sierra, H&W – Arenal...) Increased levels of capital allocation to identified growth avenues (e.g. H&W, FS, IM...) and close monitoring of strategy execution Continuous monitoring of: <ul style="list-style-type: none"> macroeconomics conditions; competitive environment; economic, social, consumer and technological business trends. 	<ul style="list-style-type: none"> Development of a company-wide project to identify other opportunities for Sonae Ongoing challenge of current businesses to identify both international and growth opportunities in adjacent / complementary areas Establishment of a strong relationship with investment advisors / banks and investors, and ongoing screening of M&A opportunities 				
		Key Risk Indicators				
		Formula				
		<table border="1"> <tr> <td>Level of international exposure</td> <td>% of proportional international turnover / % of proportional international invested capital</td> </tr> <tr> <td>Contribution from new businesses</td> <td>% of proportional turnover from new businesses / % of proportional invested capital in new businesses</td> </tr> </table>	Level of international exposure	% of proportional international turnover / % of proportional international invested capital	Contribution from new businesses	% of proportional turnover from new businesses / % of proportional invested capital in new businesses
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Inability to Recruit and Retain Talent and Insufficient labour force for core business activities | Human Resources

Operating in an increasingly competitive labour market, in correlation with the lack of attractive career plans, mismatched compensation and training programs, may compromise the ability to retain the key human resources of the company with a relevant impact on the execution of the business's objectives and strategy. The scarcity of available candidates, may affect the company's ability to execute its core activities, leading to business disruption.

Drivers	Our Key Controls	Mitigation Actions Planned						
<ul style="list-style-type: none"> Highly Competitive labour market Employment value proposition is not deployed and does not reach the level of expectation created, namely in relation to career opportunities and internal mobility Unattractive career plans, especially for the young / more junior talent and /or critical roles, along with perceptions of slow internal progression Non-competitive and non-flexible compensation & benefits packages, particularly for young / junior talent and /or critical roles Continuous Feedback is not consistently delivered throughout the organisation Gap between available talent and companies needs / Absence of qualified resources Lack of flexibility of labour regulation to adapt to new business models and work formats. 	<ul style="list-style-type: none"> Flexible work options (Flexitup) Compensation & Benefits benchmarks Young Talent Programmes (Contacto, Future Leaders @ Retail) Performance and Potential Processes (Improving Our People) Monitoring of KPIs (e.g., Top Talent Up) Fast track careers International sourcing and recruiting Ecosystem of partnerships with universities Advocate and lobby more flexible labour laws Strategic workforce planning 	<ul style="list-style-type: none"> Group-wise design of a multi-business mobility programme for top talent Strengthen and Leverage Sonae's Employee brand and Employment Value Proposition, namely in Young Talent Programmes Monitor and act on PEOPLE KPIs (Top Talent Retention and eNPS) Consistently Deploy Accelerated Development Programmes for High Potential employees Deployment of a strategic workforce plan targeting the future of work and reskilling Support international recruitment through government and diplomatic contacts 						
		Key Risk Indicators						
		Formula						
		<table border="1"> <tr> <td>Top Talent Retention</td> <td>Total Top Talent Retained / Total Top Talent</td> </tr> <tr> <td>Average recruitment time</td> <td>Time</td> </tr> <tr> <td>National unemployment rate and other rates</td> <td>National Statistics Institute</td> </tr> </table>	Top Talent Retention	Total Top Talent Retained / Total Top Talent	Average recruitment time	Time	National unemployment rate and other rates	National Statistics Institute
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Rising Legal and Regulatory Negative Consequences | External

The existence of new regulations or changes to the current legislation on corporate governance, which may lead to fines due to noncompliance, threatening the ability of the company to develop its business and affect its economic profitability.

Drivers	Our Key Controls	Mitigation Actions Planned				
<ul style="list-style-type: none"> • Legal and regulatory changes on corporate governance with negative repercussions on Sonae SGPS • The political instability and hostility towards big businesses, as well as the legislative frenzy may create potential situations of risk for Sonae's businesses, which Public Affairs are committed to anticipate and influence, both at the national and European level, in the most beneficial way to all businesses of Sonae Group. 	<ul style="list-style-type: none"> • Dedicated team responsible for addressing legal and regulatory areas on corporate governance • Participation in public surveys aiming to achieve the most suitable legal and regulatory framework • Supporting the company's legal views vis a vis the Portuguese listed companies' associations • Supporting the company's legal interests and views before the Public Supervisory Authorities (ex. CMVM, BdP) • Identification, anticipation and close follow-up (at all stages) of national and European political and legislative initiatives and actions with potential impact for the group • Contribution and coordination with Sectorial Associations (national and international), in order to receive their information/data/trends and to provide our input on different areas of relevance for Sonae's lobbying interests. 	<ul style="list-style-type: none"> • Focus on upcoming European legal initiatives on corporate governance and its transposition to local market • Active interaction with the supervisory authorities • Proposals on corporate governance key matters policies to be adopted by the company and, if applicable, by the group (eg. market abuse policy, anti-money laundering policy) • Access to information of specialised forums in order to ensure a high level of knowledge and market practices • Focus on upcoming European legal and political initiatives announced by the new European Commission's programme and the new Government's programme. Anticipate threats and seize opportunities 				
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #0056b3; color: white;">Key Risk Indicators</th> <th style="background-color: #0056b3; color: white;">Formula</th> </tr> </thead> <tbody> <tr> <td style="background-color: #e6f2ff;">Risk of non-compliance event</td> <td style="background-color: #e6f2ff;">Each material event (qualitative and/or quantitative assessment)</td> </tr> </tbody> </table>	Key Risk Indicators	Formula	Risk of non-compliance event	Each material event (qualitative and/or quantitative assessment)
Key Risk Indicators	Formula					
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On top of these critical risks, we also decided to **assess the degree to which businesses are exposed to climate change**. Therefore, in 2019, the Sonae Group strove to integrate the guidelines defined by the Task Force on Climate-related Financial Disclosure (TCFD) - an initiative that promotes the recommendations for the disclosure of financial risks associated with climate change. These efforts are materialized through an analysis and mapping process of the primary climate risks that are common to the Group's portfolio of companies. Once the risks for the companies have been identified, they will be reflected monetarily at the Group level and aligned with the TCFD framework, defined by the Financial Stability Board.

Covid-19

The Board of Directors is closely monitoring all developments related to the Covid-19 pandemic with great concern and is carefully following the position of the relevant international authorities, namely the World Health Organization and the European Centre for Disease Prevention and Control, as well as the Portuguese Health Management Authority (*Direção Geral de Saúde*).

In this context, and given the impacts already felt across the group and the existing risk outlook, a specific governance model was developed to manage this crisis, led by Sonae's Executive Committee in alignment with the CEOs of each business unit. Depending on the risk level identified at each given moment, Sonae has developed prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to the central structures, across all the Group's businesses.

At this stage, it is not possible to quantify the magnitude of the impacts if the risk level worsens, however we have been implementing all the measures that we consider appropriate to minimise the potential negative impacts of this situation, in line with the recommendations of the competent authorities and in the best interest of all our stakeholders.

To summarise, below we have identified a set of impacts and mitigation measures underway in the different dimensions of the businesses:

Employees: 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 a ban on all trips to countries where the virus is

actively transmitted; advice for teleworking/remote work and dissemination of the appropriate tools for this purpose; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; among many others.

Business operations:

Sonae MC: has been experiencing an increased level of demand, as Portuguese families have anticipated more extensive containment measures and a potential shortage of essential products. The business has strengthened contingency plans, ensuring close dialogue with all stakeholders in the supply chain in order to strengthen the response capacity, either by anticipating needs or by defining mitigation actions in case of limitations, namely in terms of human resources. We expect Sonae MC to continue to lead in the Portuguese market and play a crucial role in supplying its customers with essential products and services.

Sonae Sierra's activity in Italy, Spain and Poland has been significantly affected, given that shopping centres in these countries have had to close all non-essential stores and are therefore essentially closed. Other jurisdictions have experienced an increasing reduction in the number of visitors and sales. Sonae Sierra has been maintaining an open communication channel with its tenants on how to address the current situation and has already prepared several contingency scenarios. The company currently has a high degree of resilience to more extreme scenarios due to its solid liquidity position.

NOS plays a fundamental role in Portuguese society, insofar as it guarantees the maintenance of essential communications infrastructure for the population and companies at large. Thus, given the current situation of Covid-19, it has also reinforced efforts to implement measures that guarantee the smooth functioning of its activity in conjunction with all operational partners. For 2020, NOS is also preparing itself for the rollout of 5G, with significant potential implications in terms of investment and also product innovation.

Fashion, Electronics and Sports Retail businesses should all experience a significant slowdown in sales in the coming weeks as stores in some banners were temporarily closed down and customers will be driven away from commercial spaces. On the other hand, the performance of digital channels should continue to grow at a faster pace, and should mitigate part of the effects felt at the level of physical channels. In this sense, businesses have been preparing to respond to a more significant increase in demand in e-commerce channels.

In terms of **financing**, Sonae, in compliance with its internal liquidity and financing policies, has a practice of pre-financing its liquidity needs 18 months in advance. At the beginning of March, Sonae had €601 M of available credit lines and €582 M⁷ of cash. In this sense, regardless of any impacts that might exist in terms of the performance of each business, we do not foresee any additional financing needs for the next 18 months nor do we expect in the short term any situation of breach of the current existing corporate debt covenants in any portfolio company.

Although performance in 2020 should be materially affected by this situation, Sonae expects to navigate through this adverse context and resume the implementation of its strategy and return to its recent performance as soon as possible. Our priority at this moment in time is to ensure the safety of our people while providing critical products and services to our customers.

⁷ Both credit lines and cash are adjusted by the cash proceeds received by Sonae Sierra in early March (and net of dividends paid out to Grosvenor).

5. Economic, social and environmental performance

5.1. Macro context

5.1.1. Macroeconomic context

The year 2019 was marked by high uncertainty levels stemming from geopolitical tensions. On the one hand, trade tariffs remained at the top of the global agenda, with negotiations between the US and China experiencing moments of heightened tension but closing the year with significant progress (with the signature of the first phase of a trade agreement in early 2020). On the other hand, negotiations between the UK and the European Union have also seen considerable breakthroughs and setbacks in 2019, but the Conservative win in the UK's national elections under Boris Johnson's leadership paved the way for the end of the deadlock in the British parliament. This led to the approval of the Withdrawal Agreement Bill late in 2019, which resulted in the UK's departure from the European Union on 31 January 2020. All in all, developments in late-2019 alleviated uncertainty allowing 2019 to close on a more positive note, reflected in improved financial market sentiment.

Overall, the **Global Economy** prolonged its slowdown in 2019, recording a +2.9%⁸ growth rate, the lowest since the 2009 Global Financial Crisis. This slowdown was recorded both in Advanced and Emerging & Developing Markets. In fact, almost 90% of Advanced Economies and 60% of Emerging & Developing Markets registered lower GDP growth levels in 2019. Activity in the manufacturing sector was particularly affected by lower levels of international trade related with the high level of political uncertainty, with industrial production declining over the course of the year. In contrast, services remained broadly resilient, on the back of tight labour market conditions and supportive consumer confidence levels.

In the **United States**, activity decreased in 2019 driven by weaker investment, but continued to surpass expectations, posting a +2.3%⁹ real GDP growth rate (vs. +2.9% in 2018), in its 10th consecutive year of economic expansion. Private consumption remained strong albeit decelerating, however, it remained the main growth engine, although household expenditure vis-à-vis services decelerated somewhat. Consumption benefitted from the positive labour market momentum, with unemployment rate on a 50-year record low, closing 2019 at 3.5%¹⁰, 6.5p.ps. below the rate seen in October 2009 during the peak of the crisis. In response to mounting uncertainty and to signs of a maturing expansionary cycle, the FED adopted a more accommodative stance in 2019 cutting interest rates 3 times, following 4 increases in 2018. On the political front, Republicans and Democrats collided over allegations that President Trump had abused the power of his office in pursuit of political benefit, which resulted in an impeachment inquiry that ended up with his acquittal in the Senate, where Republicans hold a majority, in early 2020.

In the **Eurozone**, economic growth became even more subdued with real GDP falling from +1.9% in 2018 to +1.2%¹¹ in 2019. Uncertainties surrounding Brexit and the US-China dispute worsened the external environment and jeopardised trade and investment. This was particularly negative for the European Manufacturing sector, namely the automotive industry, which is also facing structural shifts such as stricter legislation and changing consumer preferences. In contrast, labour markets remained strong in 2019, supporting the expansion of solid domestic demand. As a result, the unemployment rate fell below pre-crisis levels, closing 2019 at 7.6%¹². On the political front, new leaders were appointed to several European Institutions. Following European elections held in May, Ursula Von der Leyen was appointed as President of the European Commission and Christine Lagarde, former Managing Director of the International Monetary

⁸ Data for Global Economy: IMF World Economic Outlook Update, January 2020

⁹ Data for EUA economy: Bureau of Economic Analysis

¹⁰ Data for EUA economy: Federal Reserve Bank of St. Louis

¹¹ Data for Eurozone: IMF World Economic Outlook Update, January 2020

¹² Data for Eurozone: Eurostat

Fund, was nominated to succeed Mario Draghi as President of the European Central Bank (ECB), who left the chair position after 8 years. In one of his last decisions as President of the ECB, Draghi introduced another monetary policy stimulus package and restarted the Asset Purchase Programme to tackle the stubbornly low inflation rate levels, which closed 2019 at +1.2%¹³ (vs. +1.8% in 2018).

Finally, **Emerging Markets** followed the same decelerating trend, with real GDP growth slowing from +4.5% in 2018 to +3.7%¹⁴ in 2019. Market sentiment improved in some countries affected by financial pressure in 2018, as in the case of Brazil and Turkey. However, in other locations, such as Hong Kong and Chile, political and social unrest penalised economic performance. In China, activity prolonged its structural deceleration, with real GDP increasing +6.1%¹⁵ in 2019 (vs. +6.6% in 2018), the lowest rate since 1990. This slowdown reflected the sluggish domestic and external demand, negatively impacted by trade tensions with the US.

In **Portugal**, economic growth has also declined in 2019 (+2.0%¹⁶ in 2019 vs. +2.4% in 2018) due both to weaker domestic and external demand, owing to the late maturity of the business cycle and to a gloomier external environment. Investment, however, gained traction in 2019 propelled by the dynamism in the Construction sector. International headwinds affected the exporting and manufacturing sectors, nonetheless, services remained resilient. Labour market conditions improved further in 2019, although job creation slowed, pushing the unemployment rate to an 18-year record low, at 6.5%¹⁷. Although labour market conditions continued to tighten, the reduction in energy prices coupled with some administrative measures drove the inflation rate down to +0.3% in 2019 (vs. +1.2% in 2018).

Private consumption maintained a robust pace during 2019 albeit below the extraordinary growth registered in 2018 (+2.3%¹⁸ in 2019 vs. +3.1% in 2018). Buoyant consumption was sustained by solid disposable income gains, pushed by minimum wage increases and by a positive employment dynamic, in a context of high consumer confidence. Favourable financial conditions, with interest rates at low levels, also set the stage for largely supportive consumer credit conditions while promoting the rise in real estate prices, which provided an additional boost to consumption dynamics.

The slowdown in household spending was much more pronounced in durable goods, as most of the pent-up demand during the peak of the crisis seems to have already been released. For instance, passenger car sales declined -2.0%¹⁹ in 2019 (vs. +2.6% in 2018), decreasing for the first time since 2012. In Retail²⁰, total sales growth slowed also impacted by lower inflation, both in Food, Beverages and Tobacco (+3.9% in 2019 vs. +4.9% in 2018), and Non-Food products (+2.6% in 2019 vs. +5.0% in 2018). In fact, deflated sales show a different scenario, with Total (+4.5% in 2019 vs. +4.1% in 2018), Food, Beverages and Tobacco (+4.0% in 2019 vs. +3.5% in 2018) and Non-Food products (+4.9% in 2019 vs. +4.6% in 2018) retail sales gaining pace in 2019. Moreover, Fashion²¹ retail sales picked up in 2019 and accelerated to +3.5% (vs. +1.6% in 2018), while retail sales of Electronics²² grew more slowly (+3.1%²³ in 2019 vs. +4.3% in 2018). Both categories recorded significant price reductions in 2019, -3.2% and -4.0%, respectively.

¹³ Data for Eurozone: Eurostat

¹⁴ Data for Emerging Markets and Developing Economies: IMF World Economic Outlook Update, January 2020

¹⁵ Data for China: IMF World Economic Outlook Update, January 2020

¹⁶ Bank of Portugal, Economic Bulletin, December 2019

¹⁷ Data for Portugal: Eurostat

¹⁸ Bank of Portugal, Economic Bulletin, December 2019

¹⁹ ACAP, Car sales, January 2020

²⁰ Eurostat, Retail sales turnover index, January 2020

²¹ Textiles, clothing, footwear and leather goods in specialised stores

²² Information and communication equipment; other household equipment (except textiles); cultural and recreation goods, etc. in specialised stores

²³ Data available for the first 11 months

Likewise, available data suggests that spending in Hotels increased only modestly in 2019 (+1.2% in 2019 vs +4.6% in 2018), while spending in Restaurants remained strong and have recorded a slight increase during the year (+4.0% in 2019 vs. +3.1% in 2018).

In **Spain**²⁴, activity slowed down in line with weaker domestic demand momentum, with real GDP growth easing to +2.0% in 2019 (vs. +2.4% in 2018). This slowdown was felt more significantly in investment²⁵, registering a sharp deceleration to +2.4% (vs. +6.1% in 2018), owing to greater uncertainty and mounting pressure on manufacturing. Notwithstanding, economic growth continued to be underpinned by domestic demand and supported by continued labour market improvements, although the unemployment rate remains at double digits (14.1% in 2019 vs. 15.3% in 2018). Meanwhile, falling energy prices resulted in a lower inflation rate in 2019 (+0.8% in 2019 vs. +1.7% in 2018), nonetheless, “core inflation” (overall, excluding energy and unprocessed food) remained stable at +1.0%.

Private consumption has also decreased from +1.8%²⁶ in 2018 to +1.1% in 2019, particularly on durables, despite strong disposable income gains. Fundamentals underpinning consumption remained solid, with relatively high consumer confidence levels and supportive financial conditions propelling improvements in the financial situation of households. In Retail²⁷, total sales slowed down, from +2.7% in 2018 to +2.5% in 2019, owing to the weaker momentum in Non-Food products (+2.4% in 2019 vs. +3.3% in 2018) while Food, Beverages and Tobacco sales gained ground (+2.3% in 2019 vs. +1.4% in 2018). Although the aggregate of retail sales of Non-Food products decelerated, both Fashion²⁸ retail sales and retail sales of Electronics²⁹ increased at a faster pace in 2019, standing at, +2.4% and +2.6% (vs. -0.5% and +2.2% in 2018), respectively.

Perspectives

The **economic outlook** initially pointed to an acceleration of global growth in 2020, driven by the recovery of some Emerging Markets, while in Advanced Economies growth was expected to stabilise. However, these predictions have recently dwindled in light of the emergence and rapid progression of the Covid-19 virus across the globe, which has led the World Health Organization to declare a pandemic. The main economic impacts of the outbreak were expected to be felt in China, however, the spread of Covid-19 and the adoption of restrictive contagion control measures in several countries is expected to result in a global economic recession in 2020, the first since 2009.

The economic impact of the progression of the Covid-19 pandemic is likely to be widespread, although asymmetric, in the various sectors of the economy. Whilst tourism-related activities are already being seriously impacted by this negative climate, several other sectors will also experience strong headwinds, with production stops, store closures, among other disruptions.

In response to the drastic change in outlook, central banks reacted quickly and adopted an expansionary stance, injecting liquidity into the markets through unprecedented monetary stimulus packages. As a result of these changes, the reference interest rate in the USA approached 0%, in line with the current Eurozone rates, and should remain at this level over the next quarters. In addition to the monetary stimulus, Governments of several countries also implemented extraordinary measures packages, in an effort unparalleled in recent history. The set of measures adopted to date are mainly aimed at maintaining the liquidity of companies and preserving jobs, facilitating the lay-off mechanism, as well as

²⁴Data for Spain: Eurostat

²⁵Gross Capital Formation, Data for Spain: INE

²⁶Data for Spain: Eurostat

²⁷Data for Spain: Eurostat

²⁸Textiles, clothing, footwear and leather goods in specialised stores

²⁹Information and communication equipment; other household equipment (except textiles); cultural and recreation goods, etc. in specialised stores

ensuring the protection of the most affected workers and families. However, new support measures for workers and companies are expected as social restrictions are lifted and economic activity returns to normal.

Although the macroeconomic environment remains surrounded by considerable uncertainty, and doubts persist regarding the ability to contain the pandemic or the effectiveness of fiscal stimulus introduced by Governments to minimise its impact, a contraction of global GDP in 2020 is likely, as a result of a sharp, though temporary, shock. The **USA** and the **Eurozone** are also unlikely to escape a recession in 2020, while **China**, whose economy is slowly taking its first steps back to normality, is expected to experience a significant economic slowdown, escaping a recession.

In the Iberian Peninsula, in both **Portugal** and **Spain** a state of emergency was declared as a way to control the spread of the pandemic and their economies should, like the Eurozone, record a reduction of GDP in 2020, leading to an increase in the unemployment rate in both countries. However, a more positive second half of the year is likely, marking the beginning of the economic recovery. It is also expected that the strong decline in demand will keep the inflation rate in Portugal at low levels, and that it will reach negative values in Spain.

In general, the macroeconomic environment remains very uncertain and the recovery is highly dependent on Government intervention and the capacity to contain the pandemic. The main global economies were hit by a severe shock, which is expected to be temporary, followed by a strong recovery in the years ahead.

5.1.2. Social, Environmental and Governance context

Political and economic agendas are, finally, starting to be driven by sustainability principles based on the integration of environmental, social and governance (ESG) factors. ESG is a multi-dimensional concept that embraces all determinants of sustainability – from climate change and protecting biodiversity to community engagement and inclusive workforce development. ESG forces companies to think as an element of a social ecosystem and, therefore, imposes a major risk factor on businesses.

Aiming at a [climate-neutral economy for Europe by 2050](#) is the EC's most formidable undertaking and the European Green Deal is a roadmap that has emerged to help to achieve this goal. It is a set of 50 specific strategy measures designed to bring about sustainable green transformation across all European economic sectors largely falling under the bold ambition of reducing greenhouse gases to zero emissions and preventing the most severe aftermath of climate change. However, it not only outlines measures to ensure this transition, it requires that this transition is fair and just for all society and that no one is left behind. Its urgency and success will drive Europe's environmental agenda in years to come and will have a profound effect on the economy. The [EU Green Deal](#) appeals to governments, businesses and civil society to aim towards clean products and technologies, a reduction in energy use and to promote innovative solutions, leading to lower emissions. It will dominate the transition towards an inclusive, green society with people's well-being and a healthy planet as a top priority. The European Green Deal will enable the EU to harness its "collective ability to transform its economy and society to put it on a more sustainable path." (EC Communication; COM (2019) 640 final).

The [United Nations Sustainable Development Goals](#) (UN SDGs) define the priorities and aspirations of sustainable global development for the year 2030 by addressing the global challenges that must be resolved. UN SDGs are setting the agenda for the next decade and firms play a vital role in converting these goals into economic growth. Sonae's five axes of action are aligned with the UN SDGs and are at the centre of the group's strategy, as they are incorporated into its core growth strategies, value chain operations, and policy positions and support its internal framework to build a sustainable future.

"Long-term transformative scenarios need to be an integrated part of business strategies, or companies will soon become irrelevant. Businesses who already have a long-term vision are going to be the champions of tomorrow." (World Business Council for Sustainable Development, Business Climate Resilience: Thriving Through the Transformation)

CO₂ and Climate Change

Record temperatures, extreme weather phenomena and its consequences (flood, draughts and extensive fires) are a global problem and there is clear evidence of the global climate crisis unfolding before our eyes. The consequences of climate change are now starting to influence many companies' activities and are forcing a major shift in their strategies.

Decarbonising the economy, zero emissions and the advent of circularity in the supply chains are prime examples of the current forces capturing the attention of political and business leaders.

The [Paris Agreement](#) - with its aim of limiting the increase in temperature to 1.5°C - and the subsequent COP 21 pledged to ensure the effective transition to a low-emissions and climate-resilient future.

The [EU](#) has begun to take the necessary steps towards a climate-neutral economy and "Going climate-neutral by 2050" is the EC's latest long-term strategy for Europe to shape and lead the transition to becoming the first large economy in the world to go climate neutral by 2050. Moving forward, companies need to work hand-in-hand with academia and

research centres to combat the impact of climate change and invest, develop and implement innovative but realistic technological solutions, while also educating and empowering citizens to make environmentally friendly lifestyle choices.

Portugal is also focused on promoting a more sustainable world by achieving carbon neutrality. The Roadmap for Carbon Neutrality 2050 sets up a plan for businesses to achieve zero emissions by 2050 by offsetting the CO₂ produced. The plan is ambitious and creates another pressure point on businesses to adhere and to fight for a better environment.

Climate issues are shaping today's business world and therefore there is a clear demand for climate-related financial disclosures. The Task Force on Climate-related Financial Disclosures (TCFD) was implemented to develop voluntary, consistent climate-related financial disclosures that will be useful to all users of financial information in understanding material climate-related risks. The TCFD has developed four recommendations relating to disclosures on Governance, Strategy, Risk Management and Metrics and Targets.

Plastic

Plastic represent a massive environmental problem today. The EC's document entitled, "Changing the way we use plastics", indicated that Europe produces 58 million tonnes of plastic a year and the average European produces 31 kilograms of plastic packaging waste per year (2014). Furthermore, it is estimated by the United Nations Environment Programme 2018 that a staggering 50% of the plastic that we use is single-use plastic. If current trends continue unabated, by 2050, there could be more plastic in the sea than fish. Therefore, the role of every individual, every community, every business and every government is crucial when it comes to responding to the challenge brought by single-use plastic and the all too common inefficient recycling policies in place. Consequently, there is growing social pressure to reduce the amount of plastic used to the bare minimum and to improve both the recycling process and how recycled plastic is used. We need to rethink the way plastics are used by increasing their longevity and ensuring that waste collection systems, recycling and reuse processes are improved and become easier.

New Plastics Economy Global Commitment of the Ellen MacArthur Foundation is a solid example of an ambitious plan that strongly promotes the reduction in the use of plastics and fosters the use of recycled plastic whenever possible instead. A similar initiative is being implemented in the Portuguese context, the Portuguese Pact for Plastic was put forward with the aim of bringing together the business world, and consequently, society in general, to achieve a set of common goals for 2025. The aim is threefold, the elimination of single use plastics, a better and more efficient approach towards recycling and the dissemination of information to promote a circular economy for plastic.

Nature and Biodiversity

Climate change and recent climate-related natural catastrophes are bringing many species to the brink of extinction. These risks are aggravated by current consumption habits that lead to the deterioration of habitats and ecosystems. World biodiversity is not only suffering, the endangerment of species imposes a snowball effect that will aggravate the sustainability of our planet.

Conclusions from the Intergovernmental **Science-Policy Platform on Biodiversity and Ecosystem Services** (IPBES), published in May 2019, found that around 1 million animal and plant species are at risk of extinction, many within decades. Sir Robert Watson, Chair of the IPBES says that, "The health of ecosystems on which we and all other species depend is deteriorating more rapidly than ever". He emphasises that, "We are eroding the very foundations of our economies, livelihoods, food security, health and quality of life worldwide."

In line with UN SDG 14, we need to work not only to conserve and sustainably use the oceans, seas and marine resources for sustainable development, but also protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests and combat desertification.

2020 is the year of Nature, an incentive for us to contemplate, think and understand our pale blue dot. An interconnected and wide range of reasons are at the source of a global biodiversity emergency that requires a radically new and uncompromised approach to nature governance. All stakeholders must come together as one in a coordinated strategy to conserve and restore natural ecosystems as a vital component in a natural balance that we just cannot afford to destabilise further. Companies cannot ignore their role as social influencers as they are in a privileged position to influence public perspective on critical issues, such as the climate and the environment. The recent World Economic Forum Global Risks Report indicates that the top five risks to the global business community are all related to climate change and environmental issues and, therefore, they must also drive business agendas and business strategies need to be focused on sustainable approaches to pursuing business. Businesses are starting to understand the need for a long-term approach towards sustainability and they need to create pressure points to force a shift in the political agenda, often driven by a myopic view based on election periods.

Social Inequalities and Inclusive Development

On a social level, companies are increasingly attentive to the needs of their employees and their communities, promoting development and initiatives that impact both the internal and external environment. Inequality, in all its definitions, is now understood as a barrier towards a sustainable society. The collective demand for a more inclusive society where everyone has the same opportunities is not a trend, it is a requirement for social evolution.

As technology advances and pushes forward a new industrial paradigm – Industry 4.0 – new risks become clear with a strong impact on increasing the inequalities gap. It is paramount that immediate plans are set in place to mitigate this gap, mostly promoting the reskilling and upskilling of those at risk. Companies cannot let the benefits of technological advances be obfuscated by the social costs and must develop a long-term social approach towards this paradigm shift. Under the [ERT's paper Strengthening Europe's Place in the World](#) addressing the skills gap is one of the key priority areas and it advocates that this can be achieved through more investment in education and the training and reskilling of today and tomorrow's labour force, leading to the equitable growth of society.

Organisations need to nurture an environment of equal opportunities and empowerment that promotes the development of the individual as a determinant of the development of the organisation itself. UN SDG 5: Gender Equality and SDG 10: Reduced Inequalities aim to address inequalities in leadership opportunities for women. Globally, women occupy less than a third of senior and middle management positions. Similarly, the gender pay gap remains a significant concern and UN Women: Equal pay for work of equal value confirms that globally women only make 77 cents for every dollar men earn. We need to strive to eradicate social inequality and promote inclusive development across all fabrics of society, in households and in the workplace to “ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life,” (UN SDG 5.5).

Community Support

The UN SDGs represent a global agenda for the development of our societies. Cooperation to work to end poverty in all forms everywhere (UN SGD 1) has strengthened resilience to situations of increased vulnerability. However, the eradication of poverty remains one of the greatest difficulties facing mankind today. As of 2015, about 736 million people still lived on less than US\$1.90 a day, 10% of the world's population live in extreme poverty and many of these impoverished people lack even the most basic facilities such as food, clean drinking water and sanitation.

Within the EU, the Europe 2020 Strategy for growth and jobs aims to lift at least 20 million people out of poverty and social exclusion by 2020. It focuses on, "smart, sustainable and inclusive growth in order to improve Europe's competitiveness and productivity and underpin a sustainable social market economy." As its life cycle is coming to an end, [Beyond Europe 2020 to Agenda 2030](#) in this area is concerned with, "delivering a socially fair transition to a sustainable economy that should leave no one behind," with a focus on social rights and poverty.

Governance

Governance is embedded in trust, which is based on integrity and ethical behaviour. Relationships with partners and stakeholders cannot last without mutual trust, integrity and transparency. "...accountable and transparent institutions are the vehicle for delivering services according to human rights and rule of law principles..." (UN and the Rule of Law).

The world economy is still recovering from a major crisis with long lasting effects that rippled through society. Investors and society in general demand higher levels of accountability from firms and their management as Corporate Governance is clearly perceived as a critical risk factor. Good governance is essential to creating long-term sustainable value and stems from the corporate values promoted within organisations. "The openness and accountability of institutions, including parliaments, is also strengthened by ensuring the right of peoples to freedom of information." (UN and the Rule of Law)

In a world of constant transformation, organisations' agility and flexibility are key for success. The governance model must be adjusted and diversity of the boards is fundamental to respond to this dynamic environment. Top managers are now expected to gain new perspectives through training and development and to bring this new know-how to the organisation. Furthermore, executive boards must include active and younger talent so that they remain in contact with the business world. The diversity of generations, genres, cultures, nationalities and experiences at the board level has a direct impact on innovation and the evolution of businesses.

The EC's Communication Towards a Single Market Act still remains relevant today when it stated, "It is of paramount importance that European businesses demonstrate the utmost responsibility not only towards their employees and shareholders but also towards society at large." Corporate governance and corporate social responsibility are vital to strengthen people's trust, increase competitiveness and ensure businesses contribute to growth targets in a sustainable way.

5.2. Economic performance

5.2.1. Sonae consolidated performance

Brief portfolio update

In 2019:

- (i) Sonae started to adopt the IFRS16 accounting standard, also with implications in historical figures,
- (ii) Sonae Sierra was consolidated line-by-line (since 4Q18),
- (iii) Sonae IM restated its P&L figures to reflect Saphety and WeDo as discontinued operations until their effective sale, and
- (iv) Sonae Sierra classified its Sierra Prime assets as held for sale, given the transaction which took place already in February 2020.

Sonae corporate structure

	Stake	Consolidation method
Sonae MC	100%	Full consolidation
Sonae Sierra	70%	Full consolidation
NOS	23%	Equity method
Worten	100%	Full consolidation
ISRG	30%	Equity method
Sonae Fashion	100%	Full consolidation
Sonae FS	100%	Full consolidation
Sonae IM	90%	Full consolidation

From a **statutory point of view**, Sonae turnover reached **€6,435 M** at the end of the year, increasing by 9.2% yoy, benefiting mainly from Sonae MC's performance and full-year consolidation of Sonae Sierra's statutory revenues.

Underlying EBITDA was also mainly impacted by the improved performance of Sonae MC (+€57 M) and the consolidation of Sonae Sierra's statutory figures (€53 M). Even excluding Sonae Sierra's full consolidation in 2018 and 2019, turnover and underlying EBITDA would have increased significantly when compared to 2018, 7% and 14%, respectively.

The **positive underlying EBITDA evolution**, coupled with an increase of the equity method results, led to an **EBITDA** increase of 7.5% yoy to €695 M in the FY19. Equity method results were mainly driven by the full consolidation of Sonae Sierra since the 4Q18 but also by the improvement of ISRG's performance, which had a positive impact of €12 M yoy. Regarding non-recurrent items, last year this figure was impacted by capital gains from the OutSystems transaction at Sonae IM, Sonae Sierra's sale of assets and Sonae MC's sale and leaseback transactions.

Sonae consolidated results	2018 ⁽¹⁾	2019 ⁽¹⁾	yoy	4Q18 ⁽¹⁾	4Q19 ⁽¹⁾	yoy
Million euros						
Turnover	5,891	6,435	9.2%	1,688	1,800	6.7%
Underlying EBITDA	490	599	22.2%	164	196	19.5%
<i>margin</i>	8.3%	9.3%	1.0 p.p.	9.7%	10.9%	1.2 p.p.
Equity method results ⁽²⁾	52	97	85.7%	10	18	83.4%
Non-recurrent items	104	0	-	71	-5	-
EBITDA	646	695	7.5%	245	210	-14.4%
<i>margin</i>	11.0%	10.8%	-0.2 p.p.	14.5%	11.7%	-2.9 p.p.
Provisions and imp. losses	-22	-19	11.3%	-16	-8	48.6%
D&A	-198	-209	-5.6%	-52	-54	-3.9%
D&A - RoU	-93	-122	-31.5%	-24	-31	-29.3%
EBIT	334	345	3.2%	153	117	-23.8%
Net fin. results - lease liabilities	-63	-72	-14.7%	-16	-18	-12.8%
Net fin. results - financing	-35	-38	-8.0%	-13	-7	47.9%
EBT	236	235	-0.5%	125	92	-26.1%
Taxes	-19	-20	-5.4%	-17	-10	39.1%
Direct results	217	215	-1.0%	108	82	-24.0%
Indirect results	22	19	-15.2%	20	21	-2.4%
Net income	240	234	-2.3%	128	103	-19.8%
Non-controlling interests	-32	-69	-	-26	-26	1.5%
Net income group share	207	165	-20.2%	102	77	-24.4%

(1) Restated figures due to: a) IFRS16 accounting standard; and b) the discontinued operations namely Berg and Temasa from Sonae Fashion and the sale of Saphety and WeDo in Sonae IM.

(2) Equity method results: includes direct income by equity method results from Sonae Sierra statutory accounts, income related to investments consolidated by the equity method (mainly NOS/Zopt and ISRG) and discontinued operations results.

Sonae's **Direct Results** stood at €215 M, practically at the same level of 2018, despite the aforementioned extraordinary capital gains registered last year.

In what concerns **Sonae's capital structure, total net debt** reduced **12.7% yoy to €1,150 M**, driven by strong operating cash-flow generation, asset sales and dividends received. In addition to this, Sonae's consolidated net debt will also benefit from the cash proceeds of the Sierra Prime transaction in 1Q20 – a total impact of €188 M (net of dividends paid to Grosvenor).

The group's **gearing** at book value stood at 0.5x, a slight decrease versus last year. At market value gearing increased yoy to 0.9x, mainly fuelled by the average net debt increase during 2019.

Regarding **financing conditions**, Sonae was once again able to maintain a low cost of debt, which stood at 1.2% during 2019, and an average maturity profile of above 4 years. Without Sonae Sierra, the cost of debt was 1.0% and Sonae continued to keep its practice of being fully financed for the coming 18 months.

Additionally, all the companies in the portfolio kept conservative and solid balance sheets. Both Sonae MC and NOS were able to post comfortable ratios of financial net debt to (underlying) EBITDA, with highlight to Sonae MC that was able to close the year at 1.7x underlying EBITDA (pre-IFRS16). Sonae Sierra's loan-to-value stood at 26%, reducing by 100 bps vs last year. At the holding level, loan-to-value stood at 13%, impacted by the acquisition of the 20% stake in Sonae Sierra.

Total capex decreased from €702 M in 2018 to €399 M in 2019, mainly explained by the impact of Sonae Sierra's 20% acquisition in the 3Q18.

Sonae net invested capital			
Million euros	2018 ⁽¹⁾	2019	yoy
Net invested capital	5,575	5,448	-2.3%
Shareholders funds	3,195	3,107	-2.8%
Net debt	1,317	1,150	-12.7%
Lease liabilities	1,064	1,191	11.9%

(1) Restated figures according to IFRS16 accounting standard

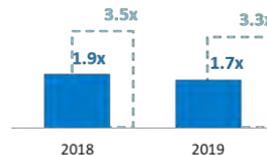
Gearing evolution



Ratios

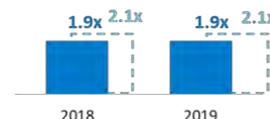
Sonae MC

Net Debt/ und. EBITDA³⁰
(pre and post IFRS16)



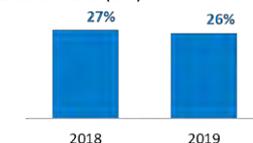
NOS

Fin. Net Debt/ EBITDA
(pre and post IFRS16)



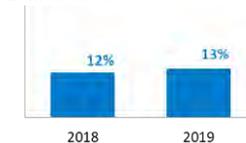
Sonae Sierra

Loan-to-value (net)



Holding

Loan-to-value



Sonae Capex			
Million euros	2018	2019	yoy
Capex	702	399	-43.2%
Sonae MC	242	279	15.7%
Sonae Sierra	81	17	-
Worten	37	43	15.2%
Sonae FS	1	0	-30.1%
Sonae Fashion	27	18	-33.9%
Sonae IM	40	35	-13.4%
Acquisition of 20% S. Sierra	256	-	-

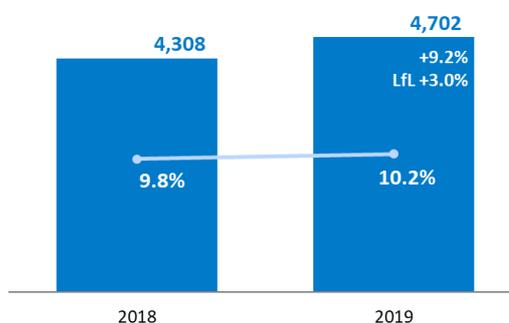
³⁰ Pre IFRS16 ratio is Financial Net Debt / Underlying EBITDA and Post IFRS16 ratio is Total Net Debt / Underlying EBITDA

5.2.2. Performance business by business

Sonae MC

Sonae MC³¹ ended the year with a **turnover** of €4.7 bn, a growth of more than 9% yoy. This remarkable sales evolution enabled, once again, the reinforcement of the company's leadership position, with an increase in market share which was underpinned not only by a LfL sales growth of +3.0%, fuelled by positive LfL figures in all segments, formats and key categories but also by the execution of its expansion plan (namely with the opening of 13 Continente Bom Dia proximity stores) and the strategic acquisition of Arenal (in the northwest region of Spain). In the 4Q19 Sonae MC reached particularly strong results with a turnover of €1.3 bn, +8.1% yoy and +2.2% in LfL, despite the tough comparable of 4Q18 (+4.0% LfL) and the low food inflation (0.3%). This positive sales performance, coupled with an effective margin mix management and a cost-control mindset, allowed Sonae MC to maintain its **benchmark profitability in the sector**. In 2019, the underlying EBITDA margin stood at 10.2%, +0.4 p.p. when compared to last year. Excluding the one-off positive impact related with the review of transportation lease agreements under the new accounting standard (IFRS16), already mentioned in the previous reports, the margin remained stable, in line with last year.

Turnover and underlying EBITDA margin (€M)



In terms of **Free Cash Flow** generation, Sonae MC posted an increase of €52 M vs last year to €91 M, driving net financial debt to decrease by €16 M to €591 M. The Company continued to strengthen its balance sheet with net financial debt to underlying EBITDA reaching at 1.7x in 2019 vs 1.9x in the previous year (on a pre-IFRS16 basis).

Sonae Sierra

2019 was a successful year for Sonae Sierra in terms of the execution of its **core strategic pillars**, of which we would like to highlight the following:

- i) Successful conclusion of several transactions under its capital recycling strategy, totalling €0.8 bn of OMV in 10 assets,
- ii) Merger of its Brazilian business creating the largest shopping center operator in the country,
- iii) Opening of its first shopping centre in Colombia (Cucuta),
- iv) Launching of the first REIT in Portugal with more than €100 M in cash to invest (together with the ORES Spain, Sierra is managing a €500 M Iberian REIT portfolio),
- iv) Conclusion of two bolt-on acquisitions in the services business unit,
- v) Refinancing of over €1 bn of debt facilities, increasing the debt maturity by more than 30%,
- vi) Very solid performance of the European portfolio with sales and rents growing by 3.7% and 4.2%, respectively, on a LfL basis.

³¹ For additional information please see document published with Sonae MC FY19 Results at www.sonae.pt.

From a proportional accounting point of view, **Direct Results** increased by 2.2% to €68 M. This is particularly noteworthy as the significant level of asset sales was more than offset by solid organic growth, the addition of the remaining stake in ParkLake (which recorded LfL sales growth of 15.2%) and the opening of Cucuta in Colombia. This asset sales impact was seen at both Income and EBIT level with a decrease of 4% yoy to €103 M. **In terms of NAV**, according to INREV methodology, Sonae Sierra reached €1.4 bn at YE19, which represents a 4.9% decrease when compared to 2018, mainly due to the dividend payment of €115 M during the year (relating to the Direct Result of 2018 and the cash proceeds from assets sales).

Already in 2020, Sonae Sierra announced the creation of **Sierra Prime** with APG, Allianz and Elo, a €1.8 bn strategic joint venture invested in 6 prime shopping centres in Iberia. With this transaction, both APG and Sonae Sierra received €525 M of cash proceeds, maintained a sizeable exposure to these assets and Sierra will continue to be the manager of this long-term venture.

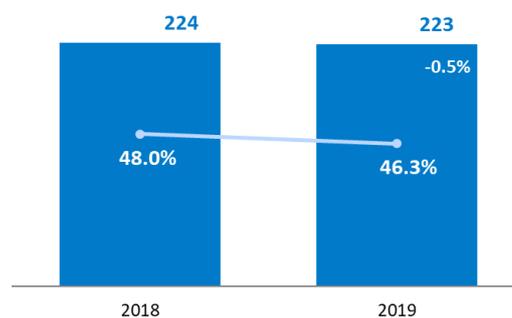
NOS

In 2019, NOS³² total **operating revenues** reached €1.6 bn, +1.5% yoy, benefiting from positive evolutions from both telco and audiovisuals & cinemas, which grew revenues by 1.1% and 6.5% yoy, respectively. **EBITDA** amounted to €641 M in 2019, improving by 2.7% yoy and corresponding to a margin of 40.1%. This growth above the revenues pace reflects the significant improvements in operational efficiency.

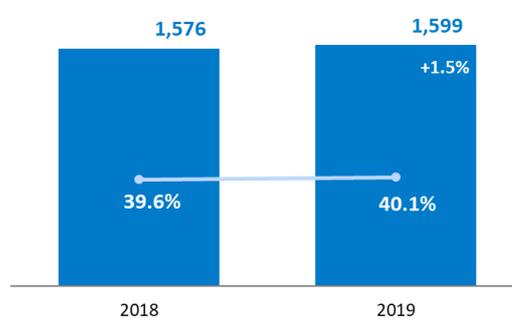
Capex including right of use totalled €444 M in 2019, +4.8% above last year (excluding leasing contracts, it would have stayed flat yoy). **Free Cash Flow before dividends** improved from €0.3 M in the 4Q18 to €2.4 M in the 4Q19, leading to a total of €147 M in 2019. Total net debt, according to IFRS16, amounted to €1.347 M and Net Financial Debt /EBITDA after lease payments stood at 1.9x.

Finally, NOS proposed the payment of a 27.8 euro cents per share **dividend**, 100% of its net income, consistent with current limited visibility surrounding the financial implications of the upcoming 5G spectrum auction terms.

Turnover and EBIT margin (€M)



Turnover and EBITDA margin (€M)



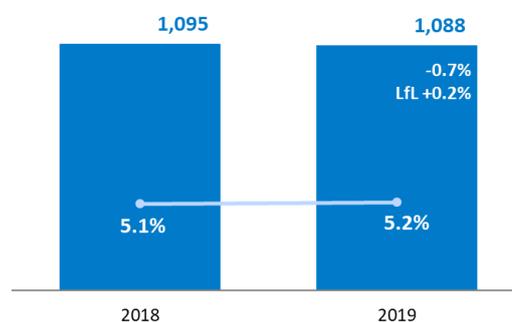
³² NOS published its FY19 results on February 21st, available on its website (www.nos.pt).

Worten

Worten recovered its top line performance in 4Q19 and reached a total Turnover of €344 M, +0.3% yoy and +2.5% LfL. This performance was mainly fueled by the positive sales evolution in Portugal and the Canary Islands, which stood above last year in both the Black Friday and Christmas periods, and more than offset the sales deceleration in Spain Mainland driven by the closing of eleven loss-making stores (two of which in November). This 4Q19 performance allowed Worten to end the year reaching €1.1 bn in turnover, with a positive a LfL of 0.2%. Moreover, Worten was able to reinforce online sales by more than 30%, solidly sustaining the progress of its digital transformation strategy, with the marketplace being a key contributor. In terms of profitability, underlying EBITDA in the 4Q19 reached €28 M, a margin of 8.2%. This strong performance in the 4Q19 led to a FY19 underlying EBITDA of €57 M and a margin of 5.2%. Already during the 1Q20, three more loss-making stores were closed in Spain Mainland.

In December, Worten acquired 100% of the share capital of iServices, a leading smartphone repair company operating in Portugal, after the approval of the anti-trust authority. This acquisition reinforces Worten's capabilities in its services offering and contribute to strengthen its customer experience and omnichannel value proposition.

Turnover and underlying EBITDA margin (€M)

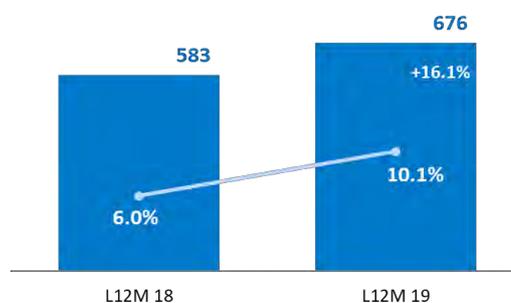


ISRG

ISRG³³ continued to register double-digit growth rates. In the last 12 months, **turnover** grew by more than €90 M (+16.1% yoy) when compared to the same period of 2018, reaching €676 M. This evolution benefited especially from the contributions of JD and Sprinter. **EBITDA** grew in the L12M by €33 M yoy to €68 M, corresponding to a margin increase of 4.1 p.p.

Sport Zone's performance impacted both top line and EBITDA as it was affected by the refurbishment of 50 stores into the new format throughout 2019. Nevertheless, the refurbished stores have been delivering very encouraging results.

Turnover and EBITDA margin (€M)



All in all, **equity method results** included in Sonae's accounts stood at €7 M, +€12 M when compared to 2018.

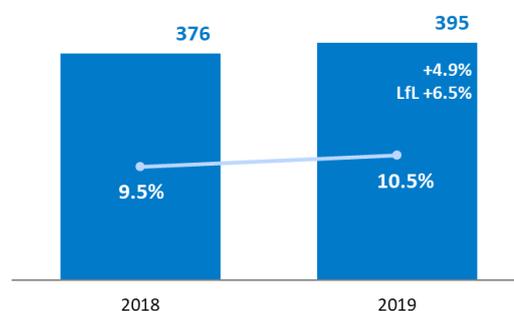
³³ Note: Due to calendar reporting dates of JD Sports (the main shareholder of the JV), ISRG figures for the L12M ended last November, 2nd.

Sonae Fashion

Sonae Fashion ended the year with another **positive quarter in terms of sales growth and profitability**. All banners showed positive LfL sales evolution, standing above market references. In the 4Q19 turnover reached €114 M, growing +7.3% yoy and +4.6% LfL, underpinned by solid improvements in both value propositions and operating models. This performance was particularly positive considering the strong level of LfL sales evolution registered in 4Q18 (+7.2%). In total, turnover in 2019 reached €395 M, a yoy increase of 4.9%. It is worth highlighting the performance of the online channel, which continues to show strong growth rates across all banners, having increased sales by 32% yoy.

Underlying EBITDA also followed a positive trend both in the 4Q and the full year, improving by €2.4 M and €5.8 M yoy, respectively, reaching €41.4 M in 2019 with a margin of 10.5%, +1.0 p.p. vs 2018. This operational performance clearly shows that Sonae Fashion is on track in its transformation plan and continues to evolve into a fashion-ready company while becoming more profitable.

Turnover and underlying EBITDA margin (€M)



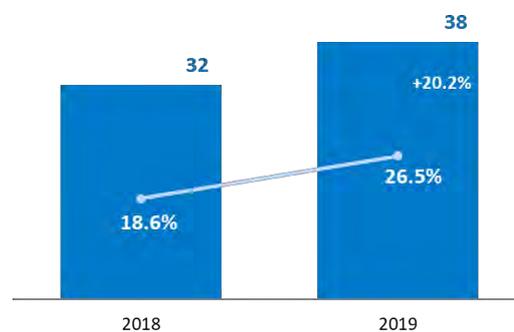
Sonae FS

Sonae FS ended **one more year reinforcing its position** as a fast growing business unit in our portfolio while posting a strong performance both in financial and operational terms.

In financial terms, Sonae FS **turnover** increased by 20% yoy to €38 M in 2019 and **underlying EBITDA** reached the threshold of €10 M, corresponding to a margin of 26.5%.

Concerning its **Universo** card operation, during 2019 it had an average of 9 thousand new subscribers per month, which allowed it to end the year with 858 thousand subscribers, +111 thousand compared to last year, clearly reinforcing Universo's top 3 position in the Portuguese credit card issuing market. In terms of market share, the Universo card grew 0.9 p.p. during 2019 reaching 12.8% at the end of December. In addition, Universo continued to strengthen its digital value proposition namely by launching new app-based products and services.

Turnover and underlying EBITDA margin (€M)



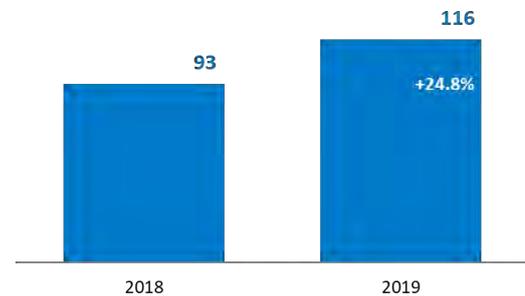
Sonae IM

Aligned with its **active portfolio management strategy**, Sonae IM had relevant changes in its portfolio during 2019 entering in the share capital of seven new companies, three of which in early stage, and completing the sales of WeDo and Saphety.

In terms of **investments** and, apart from follow-on investments in some portfolio companies, it is worth highlighting the investment in two retail tech based companies - CB4 and Daisy Intelligence - in one cybersecurity company – Sixgill – and in a telco tech-based company – Cellwize. At the end of 2019, cash invested in the active portfolio was €130 M, 7.1% above last year.

Regarding **operational performance**, and excluding the companies divested during the year, turnover amounted to €116 M in 2019, 24.8% above last year, reflecting the integration of Nextel and Excellium. Underlying EBITDA stood at negative €4.9 M in 2019, mostly impacted by the consolidation of recently acquired companies.

Turnover (€M)



5.2.3. Consolidated Balance sheet

Sonae statement of financial position			
Million euros	2018	2019	yoy
TOTAL ASSETS	8,955	9,044	1.0%
Non current assets	7,187	6,249	-13.1%
Net fixed assets	2,022	2,090	3.4%
Net Rights of Use	969	1,060	9.4%
Goodwill	779	679	-12.9%
Investment properties	999	348	-65.2%
Other investments	2,027	1,687	-16.8%
Deferred tax assets	311	331	6.4%
Others	80	54	-32.8%
Current assets	1,768	2,795	58.1%
Stocks	671	664	-1.1%
Trade debtors	142	115	-18.9%
Liquidity	698	610	-12.5%
Others	257	1,406	-
SHAREHOLDERS' FUNDS	3,195	3,107	-2.8%
Equity holders	2,069	2,132	3.0%
Attributable to minority interests	1,126	975	-13.4%
LIABILITIES	5,760	5,938	3.1%
Non-current liabilities	3,226	3,286	1.9%
Bank loans	1,072	1,030	-3.9%
Lease liabilities	991	1,088	9.9%
Other loans	516	562	8.9%
Deferred tax liabilities	502	472	-6.0%
Provisions	41	43	3.1%
Others	104	90	-13.2%
Current liabilities	2,535	2,652	4.6%
Bank loans	287	191	-33.3%
Lease liabilities	73	103	40.2%
Other loans	214	5	-97.7%
Trade creditors	1,287	1,338	4.0%
Others	674	1,015	50.7%
SHAREHOLDERS' FUNDS + LIABILITIES	8,955	9,044	1.0%

Methodological notes: The consolidated financial information contained in this report was prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The financial information regarding quarterly and semi-annual figures was not subject to audit procedures.

Note: Sonae implemented the following changes in its reporting structure:

(i) Adoption of the IFRS16 accounting standard in 2019 and 2018 restated for comparable reasons;

- (ii) A new business structure, which now includes a new perimeter for Sonae MC (comprised of the historical Sonae MC segment, Maxmat and Sonae RP's operational assets). The former Sonae Sports & Fashion segment was split into Sonae Fashion and ISRG, given the different nature and independent management teams of both businesses;
- (iii) Following the acquisition of a further 20% in Sonae Sierra in 2018, Sonae Sierra statutory balance sheet started to be fully consolidated in the 3Q18 and the statutory P&L in the 4Q18;
- (iv) Discontinued operations, namely Berg in Sonae Fashion in 2018; Saphety and WeDo following the sale from Sonae IM in 1Q19 and 3Q19, respectively; and Temasa in Sonae Fashion after the sale in 2020 (Saphety, WeDo and Temasa were also deconsolidated in 2018 for comparable reasons).
- (v) Following the Sonae Sierra creation of Sierra Prime announced already in 2020, CascaiShopping and Plaza Mayor were accounted as assets for sale in Sonae Sierra statutory accounts in the YE19, and therefore deconsolidated from the Balance sheet.

5.2.4. Individual net income

Sonae, SGPS, SA operations, on a stand-alone basis, are essentially associated with the management of the shareholdings in its subsidiaries. In 2019, the individual net income of Sonae, SGPS, SA stood at 188,483,085.50 euros, having decreased by 41% when compared to last year (321,827,490.32 euros). This decrease was mostly driven by lower dividends received and by the reduction of impairment losses reversal.

The amount of 410,000.00 euros is already reflected in the net profit for the year and is planned for the variable remuneration of executive directors, as a distribution of net profit, pursuant to art. # 31 of the Articles of Association as proposed by the Shareholders Remuneration Committee, which is responsible for the implementation of the remuneration policy as approved at the Shareholders General Meeting held on May 3rd, 2019.

5.2.5. Proposal of the appropriation of the financial year net income

Under the terms of the law and the Articles of Association, the Board of Directors proposes to the Shareholders' General Meeting that the net profit, in the amount of 188,483,085.50 euros, is allocated as follows:

Legal Reserves: 9,424,154.28 euros

Dividends: 92,600,000.00 euros

Free Reserves: 86,458,931.22 euros.

The Board of Directors accordingly proposes that a gross dividend of 0.0463 euros per share is paid to the shareholders, excluding from the total dividends of 92,600,000.00 euros, the amount of dividends that would be attributable to the shares that, at the dividends distribution date, are held by the Company or by any of its subsidiaries, which should be added to the Free Reserves.

This dividend corresponds to a dividend yield of 5.1% considering the closing price of December 31st 2019 and to a payout ratio of 43% considering the direct results attributable to Sonae's shareholders.

5.2.6. Subsequent events

January 17th, February 5th, 13th, 14th and 19th and March 13th

Sonae informed on qualified shareholdings.

February 29th

Sonae announced that its subsidiary Sonae Sierra SGPS, SA created Sierra Prime.

Covid-19

The Board of Directors is closely monitoring all developments related to the Covid-19 pandemic with great concern and is carefully following the position of the relevant international authorities, namely the World Health Organization and the European Centre for Disease Prevention and Control, as well as the Portuguese Health Management Authority (*Direção Geral de Saúde*).

In this context, and given the impacts already felt across the group and the existing risk outlook, a specific governance model was developed to manage this crisis, led by Sonae's Executive Committee in alignment with the CEOs of each business unit. Depending on the risk level identified at each given moment, Sonae has developed prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to the central structures, across all the Group's businesses.

At this stage, it is not possible to quantify the magnitude of the impacts if the risk level worsens, however we have been implementing all the measures that we consider appropriate to minimise the potential negative impacts of this situation, in line with the recommendations of the competent authorities and in the best interest of all our stakeholders.

5.2.7. Glossary

Capex	Investments in tangible and intangible assets and investments in acquisitions. For NOS it includes right of use.
Direct results	Results before non-controlling interests excluding contributions to indirect results.
(Direct) EBIT	Direct EBT - financial results.
EBITDA	Underlying EBITDA + equity method results + non-recurrent items.
EBITDA margin	EBITDA / turnover.
(Direct) EBT	Direct results before taxes.
EoP	End of period.
Financial net debt	Net debt excluding shareholders' loans.
Gearing (book value)	Average of the last four quarters considering, for each quarter, total net debt (EoP) / total shareholders' funds (EoP).
Gearing (market value)	Average of the last four quarters considering, for each quarter, total net debt (EoP) / equity value considering the closing price of Sonae shares on the last day of each quarter.
Indirect results	Includes Sonae Sierra's results, net of taxes, arising from: (i) investment property valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses of non-current assets (including goodwill) and (iv) provision for assets at risk. Additionally and concerning Sonae's portfolio, it incorporates: (i) impairments in retail real estate properties; (ii) reductions in goodwill; (iii) provisions (net of taxes) for possible future liabilities and impairments related with non-core financial investments, businesses, assets that were discontinued (or in the process of being discontinued/repositioned); (iv) results from mark to market methodology of other current investments that will be sold or exchanged in the near future; and (v) other non-relevant issues.
Investment properties	Shopping centres in operation owned and co-owned by Sonae Sierra.
Lease Liabilities	Net present value of payments to use the asset.
Like for Like sales (Lfl)	Sales made by stores that operated in both periods under the same conditions. Excludes stores opened, closed or which suffered major upgrade works in one of the periods.
Loan to Value (LTV) - Holding	Holding net debt (average) / NAV of the investment portfolio plus Holding net debt (average).
Loan to Value (LTV) – Sonae Sierra	Net debt / (Investment properties + properties under development), on a proportional basis.
INREV Net asset value (NAV) Sonae Sierra	Open market value attributable to Sonae Sierra - net debt - minorities + deferred tax liabilities.
Net debt	Bonds + bank loans + other loans + financial leases + shareholder loans - cash - bank deposits - current investments - other long-term financial applications.
Net invested capital	Total net debt + total shareholders' funds.
Online sales	Total e-commerce sales, including online marketplaces.
Open Market Value (OMV)	Fair value of properties in operation (% of ownership), provided by independent international entities and book value of development properties (% of ownership).
Other loans	Bonds, leasing and derivatives.
Right of use (RoU)	Lease liability at the beginning of the lease adjusted for, initial direct costs, advance rent payments and possible lease discounts.
RoIC	Return on invested capital.
Underlying EBITDA	Recurrent EBITDA from the businesses consolidated using the full consolidation method.
Underlying EBITDA margin	Underlying EBITDA / turnover.

5.3. Social and environmental performance

In this chapter, we illustrate how sustainability is an integral part of our culture, not only in terms of how we manage our business, but also in the way we create shared value for our people and the surrounding communities, as we cross borders. In this respect, we aim to report our contribution to addressing today's most pressing environmental and social challenges.

The action axes identified in the 2018 materiality analysis (as described in chapter 4.1.3), have guided, over the past year, the activities of the Group's portfolio of companies in building a more sustainable future³⁴:



We believe that responsible investment and a sustainable supply chain are transversal themes with relevance to all of the axes because of their impact on management decisions. These themes are directly related to the way we invest and how we, together with our suppliers, design and develop processes, products and services following the principles of efficiency and circularity.

The ongoing definition of policies, principles of action, goals and targets to be achieved by Sonae companies in each of these action axes are carried out by the Sustainability Advisory Group and its respective Working Groups, which have achieved different levels of development in 2019, as we aim to demonstrate in this chapter. Substantially more progress was made in the definition of policies and targets in the CO₂ & Climate Change and Plastic axes, while in the remaining areas, we intend to continue to develop and formalize our approach and ambition, despite the considerable progress that has already been seen this year.

5.3.1. CO₂ and Climate Change

Combating climate change is a central topic in Sonae's sustainable development agenda. It is an issue that challenges us, tests our skills and demands a bold and innovative attitude from all our people and teams. Responding to the commitment demonstrated through our endorsement of the [Paris Pledge for Action](#), limiting the average increase in temperature to 1.5°C will require us to rethink and innovate how we design and manage our business.

Over the past year, we have publicly reinforced our understanding of this issue by supporting the *European Round Table of Industrialists'* (ERT) position paper, "[Strengthening Europe's Place in the World](#)". A document that more specifically advocates the need to develop policies which promote an effective transition to a low-carbon economy and in compliance with the Paris Agreement.

In **2019**, Sonae and its portfolio of companies advanced with the definition of their greenhouse gases emissions (GHG)³⁵ reduction targets, of Scope 1 and 2, according to the methodology of the *Science Based Target Initiative* – a platform

³⁴ [Sustainable Development Goals](#) (SDGs)

³⁵ Scope 1: Direct GHG emissions from sources that are owned or are managed by the organisation. Scope 2: Indirect GHG emissions from electricity bought by the organisation. Scope 3: Other indirect emissions, which include all other indirect emissions from the organisation's activities and that take place in sources that do not belong or are not managed by it.

that supports companies to establish and validate emissions reduction targets, according to the global goal of keeping warming to 1.5°C. Roadmaps to support their efforts to pursue reduction targets were also developed.

As a result, on a consolidated basis, Sonae and its portfolio of companies pledged **to reduce their Scope 1+2 emissions by 54% in 2030, compared to 2018**. In 2020, the targets for Scope 3 will be defined and the roadmaps reviewed.

Similarly, in 2019, NOS defined medium-term objectives to reduce the most relevant environmental impacts of its activity – energy consumption and GHG emissions. Based on business evolution scenarios, it was possible to project consumption and emissions, and define actions with concrete targets, with the aim of **reducing the carbon footprint of its own operation by 75% (Scope 1 and 2 emissions), in 2030 and in relation to 2015**.

In line with this new goal, NOS joined the global movement **Business Ambition for 1.5°C**, which represents the public commitment by the company to align its emissions with the decarbonisation trajectories needed to limit global warming to 1.5°C. The new emissions reduction target was also tested with the criteria of the Science Based Target Initiative.

Below, we would like to highlight the progress we have made within each of our climate action axes.

1. Assessment of the degree to which businesses are exposed to climate change

In 2019, the Sonae Group strove to integrate the guidelines defined by the *Task Force on Climate-related Financial Disclosure* (TCFD) - an initiative that promotes the recommendations for the disclosure of financial risks associated with climate change. These efforts are materialized through an analysis and mapping process of the primary climate risks that are common to the Group's portfolio of companies. Once the risks for the companies are identified, they will be reflected monetarily at the Group level and aligned with the *TCFD framework*, defined by the *Financial Stability Board*.

We embodied our vision through the **Sonae Companies' Charter of Principles for CO₂ and Climate Change**, a document where the priority axes were defined to guide our actions.

1. Assess the degree to which businesses are exposed to Climate Risks and define mitigation measures and increase their resilience;
2. Promote efficient and flexible energy consumption throughout our activities;
3. Decarbonize the energy matrix by changing to electricity-based consumption systems; produce and acquire electricity effectively produced from renewable sources; and implement carbon-offsetting actions;
4. Develop low-carbon products and services and encourage consumers to make a well-informed choices;
5. Foster education and awareness initiatives on climate change aimed at our employees, customers and partners;
6. Foster partnerships with universities and research institutions, with a goal of boosting the development of innovative solutions that lead to the decarbonisation of our activities;
7. Monitor and communicate the Group's climate-related performance.

Noteworthy is **CDP's (A⁻)** assessment awarded to Sonae. On a global level, it places Sonae in the group of companies that are leading the fight against climate change and have adopted the best-known practices. The average of the sector, on a global as well as a European level, was C. Sonae's performance is in the top 30% of its sector.

2. Promotion of efficient and flexible energy consumption throughout our activities

In terms of actions in this area, we have continued our efforts to promote efficient and flexible energy consumption by investing in the installation of more efficient equipment and systems, creating the conditions necessary to better monitor and manage consumption, and developing procedures to enhance the investment carried out.

At Sonae MC, logistics activity is managed internally and is an example of the approach that we have been adopting for increased efficiency in the use of fossil fuels, which is responsible for 26% of the Group's total energy consumption. To promote increased efficiency in transport services, Sonae MC has continued its **Backhauling** programme. Through this initiative, Sonae MC's logistics department provides its suppliers with a transportation service along the routes that our trucks would otherwise return empty. Thus, we attain a significant reduction of routes travelled with empty trucks, both of the stores' supply fleet (upon return after the last delivery) and the suppliers' fleets (after delivery at the warehouse). In 2019, under the remit of the Backhauling programme, more than 25,000 trips were made (+40% compared to the previous year) and this resulted in a net saving of 3,581,837 km for our suppliers (+200% when compared to 2018), which corresponds to a total of 2,794 tonnes of CO₂ emissions avoided. The transport provided under the Backhauling programme already represents 18% of the total trips carried out by Sonae MC's logistics activity.

3. Decarbonisation of the energy matrix

The decarbonisation of our energy matrix, through the production of electricity effectively produced from renewable sources, was another of the axes that we pursued in the last year. Currently, the retail structure is partially powered by 157 photovoltaic plants, which represents an increase of 16 units compared to 2018. In 2019, the accumulated production of energy from renewable sources was 51,285 GJ (+ 21% than in 2018), of which 46% was channelled for self-consumption and the remaining 54% sold to the public grid.

The decarbonisation of the energy matrix is a concern that was incorporated into the design of new stores or the investment we make in their remodelling. An example is the recently opened Continente Bom Dia store in Canedo, where photovoltaic solar panels were installed on the roof and in the car park with a total of 334 kW of power that guarantee the production of approximately 437 MWh/year of electrical power, equivalent to the consumption of approximately 150 families. Solar energy will represent approximately 45% of the store's total consumption, guaranteeing its self-sufficiency over a period of more than 8 hours, on a day with good solar radiation.

In 2019, with a view to promote electric mobility, we continued to install infrastructure to charge electric vehicles. We currently have 22 slow charge points (up to 22 kW) in our office buildings. As part of the pilot at Continente stores, we expect to have 79 electric vehicle charge stations distributed across 14 stores in the second half of 2020.

In the logistics area, with the purpose of minimising the impact of transport resulting from the Group's organic growth, we have been testing several low-carbon technological solutions, such as the use of natural gas vehicles (NGV). NGVs have a smaller footprint, since, in addition to emitting lower volumes of polluting gases - they promote a 10 - 12% reduction in CO₂ emissions, they are free from sulphur dioxides and have a practically non-existent level of environmentally harmful polluting emissions - they also ensure the reduction of noise pollution which is particularly relevant during night distributions in urban centres. This fleet currently consists of 19 vehicles (in comparison to the 6 the initiative benefitted from in 2018), which is equivalent to 8% of the total fleet.

4. Development of low-carbon products and services

As retailers, our concern also extends to our supply and how we can encourage more sustainable consumption by our customers. As a result of a diverse set of initiatives, ranging from purchase to promotional activity, in 2019, 93% of equipment (home appliances, televisions and air conditioning) sold in our stores had an efficiency level $\geq A$.

In this context, we would like to emphasise Worten's promotional activity over the last year, which was clearly focused on encouraging the purchase of equipment with higher energy efficiency levels. Worten launched three major campaigns - *Eficiência Energética* (Energy Efficiency) in collaboration with Quercus, *Especial Aquecimento* (Special Heating) in partnership with Adene and *Tudo para o Lar* (Everything for your Home). These activities boosted the sale of around 70,000 pieces of equipment under more appealing commercial conditions.

5. Foster education and awareness initiatives

With a significant contribution in terms of raising awareness, the newspaper *Jornal Público* joined [Covering Climate Now](#), a movement to support climate reporting. The group has approximately 400 global players and reaches an audience of 2 billion people around the world. Members are committed to better and more challenging coverage of what will be the defining test of our time – climate change.

In a more specific area, Worten is the only retailer that is part of the European consortium project [BELT – Boost Energy Label Take Up](#), which aims to support the transition to a new energy efficiency label that is applied to a range of household appliances and lamps. The initiative, which brings together several European consumer protection agencies, will enlighten consumers about the process of rescaling, while promoting the choice of more efficient equipment. The main activities have included the involvement of stakeholders in collaborative and planned communication, promoting information/clarification initiatives in relation to the rescaling of energy labels in Portugal and Spain, and training of Worten teams to address consumer needs and queries.

Aware that our employees play a decisive role when it comes to fulfilling our climate-related goals, we have been developing a set of initiatives – internal publications, working groups and workshops – aimed at increased awareness and mobilisation. In this context, it is worth mentioning Sonae Shots, which under the motto, '[100 Solutions to Reverse Global Warming](#)' introduced the Drawdown project in an open session led by one of the project's co-authors.

6. Foster partnerships with universities and research institutions

Partnerships with universities and research centres were further reinforced in 2019. In this context, several projects with INESCTEC were organised with the aim of developing solutions that promote efficient and flexible energy consumption and enhance the decarbonisation of the energy matrix, the implementation of which will begin in 2020. Below are some examples of these projects:

- Creation of the *ELFOS* tool, a consumption forecasting programme, which can determine the influence of intermittent energy production by renewable sources in the consumption network.
- Development of the *INTERCONNECT* project, a pilot project designed to promote interoperability and flexibility between equipment and renewable energy production systems in stores, in order to increase efficient and flexible consumption and enhance the optimisation of energy consumption and the use of renewable energy.
- Study of the smart city concept through the *POCITYF* project, with the purpose of maximising the widespread use of renewable energy for self-consumption and the sale of the surplus to the community.

Emission compensation

Sonae Forest is a project jointly promoted by the different Sonae companies, which aims to offset non-avoidable CO₂ emissions resulting from the employees' fleet of vehicles. At the end of each year, the emissions associated with employees' travel are calculated and afterwards the hectares of afforestation needed to ensure the offsetting of emissions are calculated and planted. With the progressive electrification of the vehicle fleet, this effort is likely to be reduced accordingly. We estimate that, by 2030, up to 1,000 hectares of forest will be planted.



51,285 GJ produced from renewable sources
(+21% compared to 2018)



771,657 tCO₂ emissions
(-22% compared to 2018)

In 2019, the Group's total energy consumption was 3,093,665 GJ, which represented a decrease of 11% in relation to the previous year. The result of this indicator is not completely comparable with 2018, insofar as it was influenced by several actions carried out by the businesses, such as the sale of Wedo by Sonaecom, the integration of Arenal into Sonae MC and the different operations concluded by Sonae Sierra. In Sonae Fashion, the extension of the report to the activity of Salsa in Portugal, likewise, represented a change.

Electricity is responsible for 70% of energy consumption and fuels for 26%.

The decarbonisation of our energy matrix through the production of electricity actually produced from renewable sources was another axis that we maintained in the last year and which again recorded strong growth. It should be noted that 6,605 MWh of energy consumed during the year came from energy produced from renewable sources.

In 2019, considering the extension of the reporting scope, Sonae companies emitted 771,657 tCO₂e, representing a reduction of 22% compared to the previous year. This value refers to 65,318 tCO₂e of Scope 1 emissions (9%), 133,222 tCO₂e of Scope 2 emissions (17%) and, lastly, 573,177 tCO₂e of Scope 3 emissions (74%).

Note: The CO₂ emissions reported in 2019, don't consolidate the scope 2 emissions (market based) related with the operations of Salsa outside Portugal and Spain.

5.3.2. Nature and Biodiversity

The dependence of our companies on natural capital, and the way in which they directly or indirectly have the potential to alter or contribute to the destruction of natural habitats, leads us to consider issues related to the protection of nature and biodiversity as strategic for the Group. As a result, a Working Group was created with the aim of structuring a transversal policy for the Conservation of Biodiversity and to define a set of goals and targets to be achieved by Sonae's portfolio of companies in support of nature. This group will report important progress as early as 2020.

At Sonae, we are aware of recent studies³⁶ that demonstrate how nature and its vital contributions to our way of life are deteriorating at an alarming rate and on a global scale. The need to launch – in an urgent and concerted manner – an action that brings together the efforts of different stakeholders is driven by the conclusions of these studies.

³⁶ [IPBES. 2019. Summary for policymakers of the global assessment report on biodiversity and ecosystem services of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services. S. Díaz, J. Settele, E. S. Brondizio E.S., H. T. Ngo, M. Guèze, J. Agard, A. Arneth, P. Balvanera, K. A. Brauman, S. H. M. Butchart, K. M. A. Chan, L. A. Garibaldi, K. Ichii, J. Liu, S. M. Subramanian, G. F. Midgley, P. Miloslavich, Z. Molnár, D. Obura, A. Pfaff, S. Polasky, A. Purvis, J. Razaque, B. Reyers, R. Roy Chowdhury, Y. J. Shin, I. J. Visseren-Hamakers, K. J. Willis, and C. N. Zayas \(eds.\). IPBES secretariat, Bonn, Germany.](#)

In recent years, together with our suppliers and partners, we have been developing a set of initiatives that foster the creation of responsible supply networks that contributing to the protection of ecosystems and the preservation of natural resources. In parallel, we promote more sustainable consumption patterns to our customers, not only through information and awareness raising actions, but also through the provision of more products and services with a lower footprint.

The initiatives developed by Sonae under the scope of Nature and Biodiversity are aligned with the transitions proposed by the [Food and Land Use Coalition \(FOLU\)](#), for the transformation of food systems and land use, envisioning a healthier and more sustainable diet.

Bearing this in mind, the initiatives developed by Sonae focus more specifically on the following axes, outlined by FOLU: [promoting a healthy diet](#); [productive and regenerative agriculture](#); [healthy and productive oceans](#); [combating food waste](#); and [the protection and restoration of nature](#).

Promoting a healthy diet

Nutritional composition review	<p>In 2019, Sonae MC reviewed the nutritional composition of more than 1,500 private label (PL) products. Optimisation plans were developed for ~300 products, 100 of which have already been implemented.</p> <p>This review aimed to reduce the levels of salt, fat and sugar in our private label products, and to eliminate hydrogenated fats while maintaining the organoleptic and taste characteristics of the products. To date, these changes have resulted in a reduction of 60 tonnes of salt, 450 tonnes of sugar and 300 tonnes of saturated fat.</p>
Escola Missão Continente	<p><i>Escola Missão Continente</i> is a programme that aims to support schools in raising awareness of healthy eating habits and conscious consumption by addressing topics such as healthy diets, food waste or the excessive use of plastic. In the 2019/2020 academic year, this programme continued to grow and currently reaches more than 31,000 students (30% more than in 2018) in 332 schools.</p> <p>For this purpose, a programme is available with a set of activities and teaching resources to encourage school communities to think and act on these issues. Schools enrolled in the programme may have the opportunity to be visited by an Ambassador of the <i>Escola Missão Continente</i> – a Sonae MC employee - for a thematic and interactive class, as well as a visit to a Continente store in their residential area to discover how it works and to learn how a balanced diet and conscious consumption begin right at the time of purchase.</p>
The Food Wheel	<p>The Food Wheel is an integrated communication platform (TV, Blog, Social Media Networks) with the main aim of raising consumer awareness of the topics related to a healthy lifestyle and eating habits.</p>

Productive and regenerative agriculture

After decades characterised by considerable investment focused on the efficiency and the productivity of the agricultural system, which has become increasingly specialised and intensive, different stakeholders have now recognised the need to support the transition to a more regenerative production model.

With the aim of bringing its producers closer to the academic world and research centres, the *Clube de Produtores Continente* promoted contact between these two parties through its Scientific Council. By developing innovative approaches, the council makes it possible to reconcile traditional practices with emerging technologies, thus ensuring a better use of resources and, at the same time, adequate levels of production. The *EcoXt Project*, developed in partnership with the Non-Governmental Organisation (NGO) Zero (Association for the Sustainability of the Earth System), aims to promote globally-certified sustainable meat production by CPC members, ensuring that its origin is from production systems that meet the criteria of sustainability and efficiency in the use of resources.

Clube de Produtores Continente (Continent Producers Club)

In 1998, the *Clube de Produtores Continente*, was founded in order to create and develop more sustainable supply chains. Focused on supporting national agri-food production, in 2019, the volume of purchases from CPC members increased by 19% compared to 2018, representing 26% of the value of fresh product purchases (37% of the volume). It should also be noted that 85% of the value of Continente’s fresh product purchases (88% of the volume) is from national suppliers.

An example of this investment is the agreement established with a group of producers in the cereal sector that currently absorbs 80% of all wheat produced in Portugal. This partnership ensures that all bread produced and sold in Sonae MC stores is produced with national flour. A particularly relevant milestone, given that until its establishment, 90% of the flour used was of foreign origin.

Another way that Sonae MC promotes more sustainable production methods involves the certification of the origin of raw materials used in the development of their own brand products. The table below details the raw materials that Sonae MC considered as the most critical, as well as a brief description of the scope of the certification standards:

<p>Coffee, Cocoa and Tea</p>	<p>Programmes such as UTZ, Rainforest Alliance or Fairtrade that provide guidance on good agricultural practices for producers and demonstrates how they can grow coffee, cocoa and tea in a more professional and sustainable manner, thereby ensuring crops of a better quality and a higher yield.</p>
<p>Palm Oil</p>	<p>Through certifications that ensure compliance with specific criteria to reduce the negative impact of palm oil cultivation on the environment and communities.</p>
<p>Paper</p>	<p><i>Forest Stewardship Council (FSC)</i> certification ensures that products come from sustainable forests, certified and of controlled origin, that provide environmental, social and economic benefits.</p>

Respecting animal welfare, hens that produce our private label eggs, move freely on the floor and are housed inside barns, with a stocking density that is lower than 9 hens/sqm.

At Sonae Fashion, a series of initiatives that aim to ensure a more responsible use of raw materials are also underway. Examples are a set of capsule collections such as: Zippy's newborn line that uses only organic cotton, produced in Portugal; a set of shirts created by MO in 2019 from recycled cotton, post-consumer and post-industrial waste; and reducing the use of virgin raw materials, water and chemical products and energy.

Healthy and productive oceans

Taking into consideration a set of guidelines that encourage the protection of marine ecosystems, Sonae MC has been implementing several measures that aim to minimise the impacts of fishing activities on marine biodiversity and to promote the adoption of sustainable fishing practices. A concern reinforced by the fact that Portugal is one of the countries where the consumption of fish per capita is higher. These measures are based on the [Sustainable Fishing Policy](#), in effect since 2009, and widely recognized as the most demanding standards that translate into important and comprehensive standards. Additional commitments include:

- Prohibit any type of fish to enter the supply portfolio that comes from illegal methods or illegal vessels or suppliers with knowledge of practices linked to Human Rights abuses;
- Prioritise the purchase of fish from fishing methods, fish production or stocks that have proven to be sustainable;
- Prohibit the sale of species that are endangered;
- Reduce the promotion of vulnerable species and promote aquaculture species;
- Expand the range for the selection of more varied species (+20% of the range available on average in 2019);
- Improve the sharing of information made available to take increasingly more sustainable purchasing decisions.

The Traffic Light System (TLS)

In order to more easily assess the sustainability level of the fish products sold, Sonae MC developed the [Traffic Light System](#). A red, blue, yellow or green ranking is assigned according to the fishing method used, this way priority is given to suppliers that use fishing methods with a lower impact on species and ecosystems. In 2019, there was an increase in the use of green fishing methods (methods that pose less risk to the species) and blue (aquaculture production), and at the same time, a decrease in yellow (methods with some limitation) and red (harmful method) compared to 2018.

Combating the food waste

Food waste is a critical focus area for the food retail sector – this concern is based on statistics that estimate that about 1/3 of the food produced is wasted. For this reason, Sonae MC has been working to minimise food waste – and consequently help to conserve ecosystems – through reduced production needs. This effort has been developed through several initiatives, including donating food products to charitable institutions, supporting vulnerable communities, creating circular economy products, and reducing the price of food products that are approaching their expiration date.



Over the past year, Sonae MC participated in the *Food Reform for Sustainability and Health* (FreSH) project, within the scope of the *World Business Council for Sustainable Development* (WBCSD), where a set of business solutions were developed to boost the transformation of the food system, while also respecting its environmental limits. This project helped to promote the *Caixa ZERO% Desperdício* (End of the Day Box). Launched at the end of 2019, the project promotes a discounted basket of fresh products that, despite being in good condition for consumption, are not visually attractive to consumers. Similarly, Bread Beer (a beer made from the remnants of bread collected from stores), various types of jam and chutney

made from fruit and *Panana* (a banana cake that avoids the waste of around 80,000 bananas/year) are some of the products developed in order to combat food waste.

Protecting and restoring nature

Due not only to the ability to influence the supply chain, but also to the close interaction with a significant part of the population, Sonae's portfolio of companies is in a privileged position to influence behavioural changes. With this objective in mind, we developed and participated in several initiatives in 2019, including those highlighted below. Most significantly, in the last year, Sonae remained the main patron of the University of Porto's Hall of Biodiversity, continuing the agreement celebrated in 2018. This partnership was created to promote and disseminate scientific research in the field of biodiversity to the community, as well as stimulate dialogue between academia and society, and raise their awareness of the importance of biodiversity conservation.

<p><i>Portugal Chama. Por si. Por todos</i> (Portugal is calling. To you. To everyone)</p>	<p>Sonae's portfolio of companies joined this campaign designed to promote increased awareness amongst the population about the precautions and requirements to follow to minimise the risk of fire and how to better respond during fires.</p>
<p><i>Troca Eficiente</i> (Energy Efficient Exchange)</p>	<p>Worten appealed to its customers through the <i>Troca Eficiente</i> campaign, which continued the commitment initiated in 2018 with the initiative "<i>Troca por Troca</i>", to reforest the areas most affected by the fires in the Iberian Peninsula in 2017. Worten agreed to plant a tree for every customer who bought an A⁺⁺ or A⁺⁺⁺ household appliance, as well as for any end-of-life equipment for recycling, delivered in store (or collected from homes). This initiative in Portugal and Spain will lead to the planting of about 16,000 trees.</p>
<p><i>Rolhas que Dão Folhas</i> (From corks come trees)</p>	<p><i>Missão Continente</i> joined Quercus and Corticeira Amorim in a campaign to raise awareness of the importance of recycling cork and forest conservation through the distribution of 500,000 "rolinhas" - small cork stopper collection units that can be used for customers to collect their corks at home and then deliver them to one of Continente's stores. This partnership, created in 2008, has already led to the collection of more than 84 million cork stoppers and to more than 828,000 trees being planted, including cork oak trees, under the scope of the <i>Floresta Comum</i> (Shared Forest) project through the revenue generated from the delivery of used corks.</p>
<p><i>Preservation of our Oceans</i></p>	<p>Sonae Sierra, in partnership with a group from the Research Centre in Biodiversity and Genetic Resources (CIBO), promoted in Atlantic Park in the Azores Archipelago an exhibition that aims to raise visitors' awareness of the importance and need to preserve the endangered species in the Macaronesian region - made up of several groups of islands in the North Atlantic.</p>

5.3.3. Plastic

Considering the role that plastic plays in today's society, we understand the environmental challenge it represents, mainly due to the widespread use of single-use plastics and the ineffectiveness of recycling policies.

Given the nature and relevance of a significant part of our activity, in which we are in direct contact with producers, operators and consumers, and considering our efforts to rethink and redesign our processes, products and services in relation to circularity, we believe that we play a crucial role in promoting the responsible use of plastic.

In order to coordinate the Group's approach to this topic, we created a team that is transversal to Sonae's different companies that developed a common system of guidelines and objectives to be reached.

This action focused on identifying and quantifying of the plastic materials in the existing packaging and products that Sonae is responsible for developing and distributing, as well as the plastic generated during operations. In parallel, we have continued with the implementation of a diverse set of actions that aim to reduce the consumption of virgin plastic and other unnecessary materials, namely through the introduction of recycled raw materials or a reduction in the quantities used. These measures are being gradually implemented by the different companies.

Additionally, in early 2019, Sonae MC strengthened its commitment in favour of promoting the responsible use of plastic, becoming the first Portuguese retailer to join Ellen MacArthur Foundation's [New Plastics Economy Global Commitment](#). Based on the vision of a circular economy for plastic, this pact aims to ensure that all plastic packaging is 100% reusable, recyclable or compostable by 2025. Investment in eco-design as a way to eliminate unnecessary or problematic plastic; reuse models as a means to reduce the need for single-use packaging; and innovation, are the action axes that will support the businesses that joined the pact and in this way anticipate in 5 year the legislation goals and the European targets created in this area.

[Sonae Companies' Charter of Principles for Plastic](#) defines the priority axes for this line of action:

Self-assessment: Identify the amount and type of plastic we use in our operations, products and services;

Reduce and reuse: Reinforce the principles of circularity in the way in which we manage our activity, how we design and develop our services and products, avoiding wherever possible single-use plastics, endorsing the reuse and repair of materials and, when this is not possible, redirecting plastic waste to be recycled;

Recycle: Facilitate the recyclability of all plastic products and packaging for which we are responsible;

Minimize: Bioplastics: Only consider materials of biological origin that do not compete with food production or promote the waste of natural resources;

Raise communities' awareness: by promoting the adoption of behaviour that fosters the reduction, reuse, repair and recycling of plastic;

Partnerships: establish partnerships with universities and research centres, which are currently or are prepared to actively work on the design of innovative and sustainable solutions;

Monitor and assess: the performance of Sonae's portfolio of companies continuously and communicate progress made periodically, openly and transparently.

The goal of Sonae's entire portfolio of companies has resulted in an ambitious set of targets and objectives for 2025:

- Define a list of single-use plastics that are considered problematic or unnecessary and define measures to eliminate them by 2020;
- Ensure that 100% of plastic packaging is reusable, recyclable or compostable;
- Ensure that 70%, or more, of plastic packaging is effectively recycled through increased collection and recycling;
- Incorporate, on average, 30% recycled plastic into new plastic packaging;
- Promote consumer (current and future) awareness and educational activities about the circular use of plastics.

This vision is aligned with the **National Pact for Plastic**, to which Sonae subscribes.



Of the various measures and changes carried out during 2019, we would like to highlight some initiatives that illustrate the efforts made in 4 specific action areas:

1. Packaging: Regarding Continente's own brand products, it is worth emphasising the commitment to ensure the recyclability of product packaging. As such, Sonae prioritized eliminating non-recyclable materials from the outset by using packaging components whose materials are compatible with each other for the purposes of recycling, and by using easily separable packaging components. Changing the labels of Continente's liquid yogurts is an example of this type of measure that led to the replacement of 50 tonnes of PVC (non-recyclable plastic) for PET (recyclable plastic), in a category that represents about 12 million units a year.

Regarding the revision of packaging processes at Sonae Fashion, a reduction of 11% of the plastic material used was achieved. In MO and Zippy, the contents, layout and material of items' labels were reduced from 5 pieces of papers to ½ a piece of paper, a change that led to a saving of 22 tonnes of polyester. The elimination of individual plastic bags from the inner pieces of Assortment Packs led to a saving of 52 tonnes of plastic.

2. Products: Worten, UTRAD (*Depreciated Items Treatment Unit*), active since 2005, embodies the principles underlying a circular economy model. Rather than discarded items with minor defects and flaws, the initiative aims to recover items to sell at a reduced price in Outlet stores. Over the last 14 years, it has given new life to ~700,000 pieces of equipment. In 2019, 76% of the items sent to UTRAD were sold at discount prices. A particularly relevant measure considering that Worten's plastic footprint is more expressly found in the products marketed.

In Sonae MC, an initiative implemented for product development was the creation of a line of 100% recycled bin bags, which use plastic from the operations of its stores and warehouses. This measure will save 740 tonnes of virgin plastic annually for a product that already represents 50% of Continente's sales in this category.

3. Operations: In Worten, the inclusion of 80% of recycled plastic in the bags available in Worten for its customers will make it possible to avoid the use of around 120 tonnes of virgin material per year.

At NOS, 2019 was marked by the launch of the internal campaign *Mergulha Aqui Onda Contra o Plástico* (Dive against this wave of plastic), which aimed to contribute to reducing the use of disposable materials. The campaign included eliminating plastic cups from the kitchens of the various NOS buildings and the promotion of information and awareness actions, online and offline, about the environmental impacts of plastic waste and best individual practices to reduce the

production of plastic waste. With this campaign, it is estimated that NOS will reduce its plastic waste by around four tonnes per year and, at the same time, contribute to a healthier lifestyle for its people.

Additionally, as part of its social and environmental responsibility policy, the company donated over a thousand plastic storage boxes, surplus from its logistics operations, which are now used by social solidarity institutions. Aside from enhancing the circularity of resources and strengthening the social solidarity network, approximately three tonnes of plastic waste treatment was avoided.

4. Awareness and Partnerships:

Continente, together with Sociedade Ponto Verde (SPV, Eco Point Society), developed a set of instructions that explains how each product should be recycled and indicates which eco-point each type of packaging should end up.

The recycling iconography will be included on all of Continente's own brand products by 2021. With this measure, Continente aims not only to raise consumer awareness of the importance of recycling, but also foster the adoption of more environmentally friendly behaviour.

Development of the iconography was made possible through a thorough piece of technical work carried out with the use of tools from the Ponto Verde LAB eco-design project, an SPV initiative designed to improve the recycling of packaging.

Furthermore, this was an approach that not only involved the development of signage and messages related to the post-consumption separation phase, but also a fresh approach in the conception and design of the packaging. In addition to collaborating with SPV, the iconography was the subject of in-depth studies together with consumers, who were invited to design these instructions for various types of Continente products. From the importance of colours to the choice of simple words and clear expressions, consumers helped to define the most relevant information about how each product should be recycled.



5.3.4. Inequality and inclusive Development

We see inequality as one of the most complex and urgent social challenges of our times. This is a scenario that tends to worsen if policies and programmes are not implemented to support communities at a time when the economy is profoundly changing, in an age that has become known as the 4th Industrial Revolution.

As a reference employer, this is a challenge to which we can contribute. We have an important role to play in creating qualified employment, implementing development policies for our people and promoting diversity and inclusion. As an institution active in the communities in which we operate, we can continue to make a difference through the support of several educational initiatives.

In this context, our actions are driven by the goal of contributing to minimising inequality and promoting a more fair, equal and inclusive society, by acting in the following three areas: the promotion of a diverse and inclusive organisation; the development of our people; and building inclusive communities.

In 2019, Sonae subscribed to the [CEO Guide for Human Rights](#), developed by the *World Business Council for Sustainable Development (WBCSD)*. This document benefitted from the initial support of 43 companies, present in 17 countries, responsible for 2.8 million direct employees. The main goal of this Guide is to encourage companies to go beyond legislative standards with respect to Human Rights.



+1.18M hours of training
(-3.8% compared to 2018)



34% of women in management positions
(+1.6% compared to 2018)

Promoting a diverse and inclusive organisation

The values of inclusion and diversity have been an integral part of Sonae's core since its foundation, and are intrinsically related to the evolution, growth and diversification of its businesses – as evidenced by the agendas of our top leadership. With this in mind, we have undertaken a commitment to promote diversity in its different dimensions, particularly in relation to age, gender, qualifications or previous professional experience. This position is publicly reinforced through the support of the [Embrace Difference](#) manifesto, promoted by the ERT, a movement which advocates the creation of an inclusive and open working environment so that everyone can reach their full potential.

At the end of 2019 we employed 45,124 people, minus 0.24% than in 2018, of which 66% are women and 34% men. This reduction is explained by the operations carried out by Sonae Sierra and Sonaecom, in contrast to the expansion of the Group's various businesses, the acquisition of Arenal, and the extension of the report to include Salsa Portugal. Of the ~45,000 employees, 69% are full-time. This proportion remained relatively stable when compared to 2018. Most of the employees (93%) are in

Work-life Balance

We believe that the issue of gender equality should be understood from a broader perspective, including equal opportunities for both genders, women and men, in different contexts - professional, personal and family. For this reason, we have been developing programmes and tools to improve the reconciliation between the different spheres of the employees' lives. Among the benefits provided by Sonae are extra vacation days, flexible hours, unpaid leave and reduced working hours or remote work. These initiatives are the result of an analysis carried out on an international level, identifying best practices in businesses to maximise the productivity and work-life balance of our people. About 42% of our people in the central structures have already joined the programme.

Portugal. Outside of Portugal, 6% are located in Spain, a trend that remains stable in comparison to the previous years, and 1% in other geographic areas.

With the [Plan for Gender Equality](#), a plan multi-level intervention plan, which includes actions that are already underway in addition to initiatives to be implemented in the short and medium-term, we aim to ensure equal rights, freedom and opportunities between men and women with the goal of showing equal appreciation, recognition and participation in all spheres of public and private life.

In this plan, we focus on people management policies, the leaders responsible for executing the plan, the monitoring of its implementation, and the alignment of institutional communication. The implementation of the equality plan will be subject to a systematic monitoring process to monitor the effectiveness of the actions and the achievement of the objectives while identifying potential improvements or new measures to be implemented. In this respect, Sonae proposes creating a permanent, dedicated, multidisciplinary reflection committee within the Human Resources Consultative Group. This committee will adopt an active role in the debate and sharing of trends and best practices in the field of gender equality and will also promote the awareness and monitoring of concrete improvement actions, ensuring visibility of this issue in the organisation.

The development of our people

For decades, the values of equality and inclusion have been actively encouraged throughout the organization. All employees – regardless of role, gender, ethnicity, age, religion or sexual orientation – are individually assessed and provided equal opportunities for growth.

Our commitment to equality and inclusion was reflected in the training we provided to our people. We continue to invest in the use of digital platforms for training and development, with the goal of promoting a continuous culture of learning. These digital tools can be adapted to the contexts of the different businesses, as well as different teams' skills profile(s).

The [Accelerated Development Programme](#) was developed by Sonae Academy, in collaboration with Nova School of Business and Economics (SBE) Executive Education and McKinsey&Company. A programme that benefits from the strength of the academy and the agility of the consultancy, promoting the acquisition of skills that sustain both the present and future organizational impact, such as: management, soft skills and trends and challenges that impact our functions and business. Over the course of 5 months, approximately 30 graduates have access to renowned teachers and trainers, as well as a set of Masterclasses and an Inspirational Safari. These graduates are also invited to solve as a group, a strategic challenge for Sonae, with the support of mentors.

The [Qualifica Centre](#) (Qualify Centre), a pioneering initiative, aims to increase the level of education of its employees and award them certifications in several subjects – we aim to increase the qualification level of our employees by 5% by 2022. In Sonae, the programme has already certified 454 employees.

The [Leadership Paths programme](#), developed by Worten Academy, consists of a macro-skills development programme, materialised in operational management programmes, strategic teams, problem-solving and decision-making and conflict management. The program, aimed at the heads of Worten stores with more than 6 months in office, involved the realization of 10 training courses, subdivided by these macro-competencies, having involved 7 external consultants and covered 286 store managers.

In 2019, 1,183,634 training hours were given, which corresponds to a reduction of 3.82% when compared to 2018. The slight reduction in overall hours is related to the organisational changes registered - such as the sale of Wedo by Sonaeacom, the integration of Arenal into Sonae MC and the different operations concluded by Sonae Sierra. The training hours per employee have decreased, going from 29 to 26 hours of training per employee.

Building inclusive communities

Social inequality is a challenge present in society and in the communities in which we operate and for this reason we believe in the active involvement of our companies in supporting the building of more inclusive communities. In this context, we posit that education is one of the most important and effective tools to respond to this challenge. For this purpose, we have developed several programmes that promote opportunities for social change and combat inequality through education.

In 2019, Sonae joined the ERT working group (Job Skills and Impact), which aims to understand and reflect the best practices with a goal of narrowing the skills gap by reinforcing an inclusive organisational culture and boosting the equitable growth of society. More specifically, discussions will centre on the requalification of professionals and the employability of young and old people. The group will also identify and implement projects with a high social impact across Europe and use the projects' results to inform and influence policy makers.

Há melhores saídas para quem entra no ensino superior (A better future for those with higher education qualifications):

In partnership with the Directorate General for Higher Education (DGES) and the Portuguese Polytechnics Coordinating Council (CCISP), Sonae MC's leadership recognized the role it can play in increasing the awareness of families and future generations by taking advantage of its wide store network and the close relationship it has with the Portuguese population. Sonae used this visibility to support this campaign, which aimed not only to raise awareness of the importance of entering higher education, but also to promote a more diversified training offering adjusted to the different realities of the labour market. This campaign is particularly relevant given the fact that the number of students in university has been decreasing in recent years, contributing to the lack of qualified human resources in certain areas of knowledge. The campaign was active in almost 300 stores in Continental Portugal and Madeira, in July and August.

SONAE IM LAB@FEUP: In 2019, with the purpose of strengthening the connection to the academic world, Sonae IM joined the Faculty of Engineering at the University of Porto (FEUP) in a project that is designed to promote the innovation and competitiveness of companies by supporting the research projects of master's degree and PhD students. This initiative aims to contribute to a better qualification in the area of Computer Engineering and is intended to help facilitate Sonae IM's search for innovative businesses and technologies on a global scale in fields as diverse as retail, telecommunications and cyber security.

As one of our oldest projects developed with the community, we would like to emphasise the partnership with the **Agrupamento de Escolas do Cerco** (Cerco School Group), active since 2007. Recognising the fundamental role of education in the sustained development of a more competitive and dynamic society, this partnership aims to support school management and development, with a goal of fostering the increased participation of civil society in school life. In partnership with the *Agrupamento de Escolas do Cerco*, Sonae developed a programme for the 2018/2019 academic year with several activities in which the global school community, teachers, other professionals, students and families were the target audience. These activities aim to tackle some of the prevailing difficulties, and include programmes designed to deter early school leavers, strengthen their educational offerings, organise workshops and study visits, promote academic internships, and recognize exceptional performance. At the start of the 2019/2020 academic year, the project was further enhanced with the integration of 4 team members from the Teach for Portugal programme – to

date, the largest ongoing pilot scheme of this nature in the country. *Teach For Portugal*, a partner from the Teach For All network, is an NGO whose main mission is to improve school success, ensuring that all children have access to the same educational opportunities, regardless of their socio-economic background. The recruits – young people with promising leadership potential, from diverse academic, professional and personal origins – are selected through a systematic and rigorous process, assuring, that those selected are familiar with the local culture, its challenges and opportunities and, above all, that they want to be a part of this movement for change. For two years, the participants are asked to contribute to children’s education in schools by supporting the teaching of traditional subjects, but mostly through education in areas such as trust, determination and perseverance.

5.3.5. Community Support

Supporting the community, in an integrated and sustained way, is a legacy of Sonae’s culture, present across the entire Group. Within the framework of our activities, we aim to increase the resilience and autonomy of the communities in which we operate, contributing to the elimination of poverty in all its different forms.

Our actions are designed to bring our people and companies closer to the communities where our resources are directed towards initiatives, which in partnership with other organisations, contribute to improving the most vulnerable communities.



€11 M for community support
(+0.6% compared to 2018)



7,000 volunteering hours
(+10% compared to 2018)

Throughout 2019, we invested around €11 M of support in social economy organisations (more than 1,100 institutions), representing a slight increase of 0.6% in comparison to 2018. These contributions cover five distinct areas: social solidarity, health and sport, raising environmental awareness, culture, education and science and innovation.

With a significant impact on the communities where it is present, in 2019, *Missão Continente* (Mission Continente), strengthened its role and supported around 1,000 institutions through the scope of its daily donation of surplus food programme, in addition to supporting goods collections on a national level, such as those performed with the *Cruz Vermelha Portuguesa* (Portuguese Red Cross) or the *Banco Alimentar contra a Fome* (Food Bank Against Hunger). In the context of *Missão Continente*’s other areas of activities, it is worth noting (for its pioneering character) the II Great Survey on Sustainability in Portugal which was carried out in partnership with the Institute of Social Sciences from the University of Lisbon with the aim of understanding the Portuguese population’s perception of Sustainability.

As a retailer selling electrical and electronic devices, Worten takes responsibility for the environmental impact of its equipment, promoting the recycling of such equipment once it reaches the end of its life cycle. With the Programme *Worten Transforma* (Worten Transforms), previously known as *Equipa Worten Equipa*, over 10 years, it has collected more than 50,000 tonnes of waste, which has provided support to more than 2,200 social solidarity institutions. Similarly, donations of new equipment valued at €2 M have had a direct impact on more than 580,000 users. In 2019 alone, 6,002 tonnes of waste of electrical and electronic equipment (WEEE) were collected, 842 of which were collected in December during the Christmas campaign. The annual result in terms of the collection and recycling of waste, will facilitate a donation of €75,000 in new equipment to almost 100 social solidarity institutions across the country.

In 2019, the [Zippy and Make-a-Wish](#) partnership, led to the first edition of the solidarity concert *We Go Together* - a relaxed event for family and friends that combines good music and a solidarity cause. This partnership was extended to the Christmas period, for which Zippy created *Gloves*, a pair of solidarity gloves. For each pair sold, 1€ reverted to Make-a-Wish, making the wishes of sick children come true.



In corporate terms, we would like to highlight the project [Apoiar Moçambique](#) (Support Mozambique), developed by our teams with the goal of raising funds to support the people who were displaced and left in an emergency situation following the passage of cyclone Idai across the country in 2019. Under the motto, “*Plant here, to help in Mozambique*”, this campaign gathered funds by selling boxes of seeds. The amount raised through the sale of 2,000 boxes was complemented further with support towards some of the travel costs of a medical team.

Sonae Sierra joined the *Alzheimer Portugal* association under the framework of the *Amigos na Saúde e na Demência* (Friends in Health and Dementia) campaign. A positive and inclusive initiative, the campaign aims to increase understanding of dementia in our country and to invite citizens to actively commit to improving the day-to-day lives of people with dementia, therefore reducing the ignorance and stigma associated with it.

Interested parties were able to participate through the association's platform or in the information sessions that took place from September to November across the country, namely in Sonae Sierra's shopping centres.

One of the key areas of Sonae Sierra's sustainability strategy consists of developing initiatives and social projects that contribute to improving the well-being and quality of life of employees, community members and visitors to their commercial centres.

Involvement through volunteering

We believe that volunteering initiatives enable our employees and teams to experience different realities, to face new challenges and to broaden their horizons, often fostering creativity and innovation, fundamental values for Sonae's culture. In addition, volunteering initiatives bring our people and our companies closer to the communities where we operate.

Recognising the impact volunteering has on our people and the communities where we are present, in 2012, we created the [Sonae Activshare programme](#) responsible for consolidating and coordinating all of Sonae's social responsibility and volunteer initiatives, including all employees of the various companies of the Group. In 2019, 1,217 volunteers were involved in Sonae Activshare, 11% less than in 2018. However, in terms of volunteering hours, there was a 10% growth compared to the previous year with approximately 7,000 hours.

Under the framework of Activshare, we would like to highlight several internal actions that reflect the values we aim to see advocated by the programme:

Nature conservation actions: Sonae developed a set of initiatives where we join our efforts and support the revitalisation of the areas most affected by the fires that devastated the country in October of 2017. Under the auspices of these actions our people went to Oliveira do Hospital and planted 1,100 trees. Similarly, in Vouzela, 304 of the 3,500 donated trees were planted. Overall, more than 250 employees were involved in these initiatives.

Junior Achievement Portugal (JAP): Since 2006, Sonae has nurtured a partnership with JAP with the aim of inspiring and preparing children and young people to be successful in a global economy through transformative experiences. For this purpose, JAP developed a set of programmes that contribute to the development of fundamental skills such as Citizenship, Financial Literacy, or Education for Entrepreneurship. The programmes developed with Sonae volunteers have already had an impact on around 26,000 children and have involved approximately 14,000 voluntary hours. In 2019, our people once again participated in the school programmes, but they also welcomed students to their workplace under programmes like *Braço Direito* (Right-Hand Person) or Leaders for a Day.

Supporting our people

With the aim of supporting our employees during vulnerable phases, in September 2013, the programme *Somos Sonae* (We Are Sonae) was born. During the 6 years that it has been active, the initiative has already supported 2,033 people, reaching household members, including 778 children.

From a multiannual perspective, since the beginning of the programme, an amount of around 1 M€ has been invested. This value is divided into 4 areas: essential goods services and products; legal support and debt and credit renegotiation; health and oral healthcare support; as well as other forms of support.

Ensuring the privacy of our people and their families, the processes are carried out by a specialised and multidisciplinary team from the Portuguese Red Cross that is mobilised to analyse any requests for support received. After an initial assessment, a support plan and is developed and implemented.

In 2019, 121 support plans were drawn up, enabling 343 people to be supported (more 17% than in 2018). The provision of essential goods and services represents 43% of the support provided, 32% is channelled to legal support and debt renegotiation and 11% to support in the area of health and oral healthcare. The remaining 14% together represents different types of support.

5.3.6. Conclusion

With each passing year, sustainability is increasingly entrenched in our culture, and in the way we think and develop our activity. This reality is brought to life through the actions of our businesses and throughout their entire value chain. As such, at Sonae we are developing different approaches to the way in which we: create shared value, develop our people and teams, actively contribute to building fairer and more inclusive communities, and mitigate or avoid the environmental impact of our activity.

This is an ambition that needs to be shared and felt by our teams across the group. Thus, we have been increasingly working in the communication of these topics, from the perspective of fostering involvement and co-building with our people.

With this in mind, and as an example, we would like to highlight two initiatives that took place in 2019 and that reflect this movement: the [Contacto Programme](#) (Contact Programme) and Seeds for a Better Future.



A pioneering project, the aim of the [Contacto Programme](#) is to attract and integrate young talent into Sonae companies. Its purpose is to consolidate the long and strategic partnership that Sonae has cultivated with universities, thus contributing to an effective link between academia and the labour market. The

programme is targeted at young professionals with the most potential, final year and recent undergraduate or master's degree students from various areas of training. Since its creation, in 1986, it has already received around 46,000 applications, which led to the selection and participation in "Contacto Day" of more than 4,600 young people from different fields of study and nationalities, eventually resulting in hundreds of students joining the teams of Sonae's portfolio of companies.

In the 2019/2020 edition, with emphasis on the intrapreneurial spirit that has always defined Sonae's growth, the Contacto Programme aimed to attract young talent with an entrepreneurial and innovative spirit. Throughout the internship, the selected candidates, now trainees of the Contact Program, are integrated into a functional area of one of the SONAE companies, where their learning is enhanced, with the support of a Business Leader (the internship advisor). In parallel, small groups of trainees are created. Each group receives a strategic challenge of high relevance and impact for the group's companies to work on. In this issue, the challenges focused on projects in the area of sustainability. From the problem of packaging, to the implementation of re-use models in stores, to creating a strategy to launch an eco-range promoting recycling behaviour, these young trainees are working on diverse set of challenges.

The project [Seeds for a Better Future](#) is an educational programme developed by Sonae for its employees' children where, in a ludic way, the existing challenges are shared in each of Sonae's action areas thereby increasing awareness and promoting more sustainable behaviour.



Recent studies suggest that children attending environmental education initiatives tend to have a positive influence on their parents' behaviour. Bearing this trend in mind and with the aim of emphasising the importance of every individual as an enabler of the sustainable development agenda, both inside and outside the Group, in 2019, Sonae launched the pilot phase of this programme that involved more than 150 children.

During the workshops, the children were challenged to discover nature, to better understand how we can contribute to the fight against climate change, reduce our footprint and, in a creative way, better understand what it is like to live in a world that is different to the one we know. The activities, based on the life of a character, a young girl called Sirina, from an island in the Pacific, Vanuatu, encouraged each participant to reflect, understand and explore some of the challenges that the world faces.

	51,285 GJ produced from renewable sources	+21% compared to 2018
	771,657 tCO₂e emissions	-22% compared to 2018
	22,558 t of plastic mapped	-
	4,431 t of virgin plastic avoided with the inclusion of recycled material in our packaging	+21% compared to 2018
	20,600 donated trees	+402% compared to 2018
	+1.18 M hours of training	-3.8% compared to 2018
	34% of women in management positions	+1.6% compared to 2018
	€11 M for community support	+ 0.6% compared to 2018
	7,000 volunteering hours	+10% compared to 2018

5.4. Creating value for shareholders

Sonae has a clear strategy that offers a sustainable investment proposition to its shareholders, focused on creating social and economic value. Sonae is a partnership between a family-owned majority shareholder and investors that share and want the same focus on sustainability, for this reason we encourage investors with the same corporate values deterring those who seek short-term gains. Our corporate governance structure is built around principles of transparency and accountability and we actively communicate and interact with the capital market and stakeholders so that there is clear alignment concerning the long-term commitments we must meet to foster a better society and a better Sonae.

5.4.1. Share information and shareholder structure

Sonae’s shares are quoted on the Portuguese stock exchange, NYSE Euronext Lisbon, and are included in several indices, including the PSI 20, with a market cap weighting of 5.51%, as at the end of December 2019.

ISIN code PTSON0AM0001

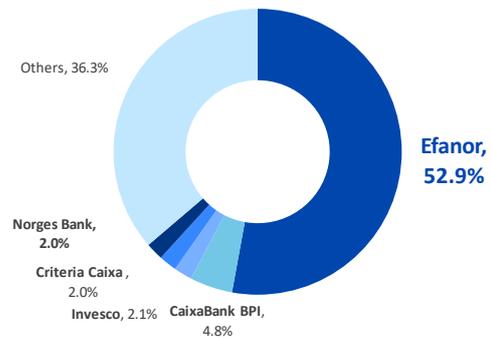
Bloomberg code SON PL

Reuters code YSO.LS

Share capital 2,000,000,000

5.4.2. Shareholder structure

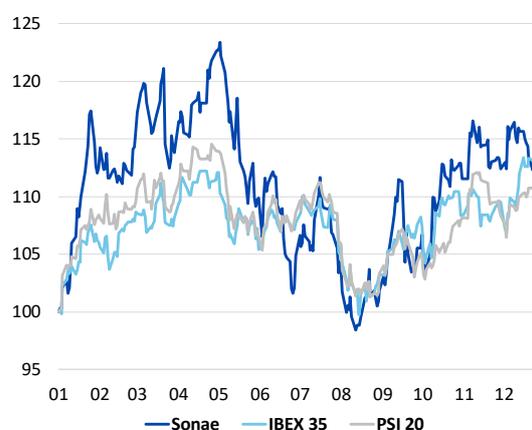
Sonae is a company controlled by a main shareholder with a stable shareholder structure, which reflects a common focus on long-term performance. At the end of 2019, free-float represented 47% with an average daily volume of 2.7 million shares during the year.



5.4.3. Share price performance

Sonae’s shares ended 2019 quoted at €0.91, reflecting a nominal increase of 12.3% during the year, which compares with an increase of 10.2% of the reference index of the Portuguese Stock Market (PSI 20). Nevertheless, the turmoil that we have been witnessing since the beginning of 2020, particularly due to COVID-19 is putting downward pressure on the market as a whole and also on Sonae share price.

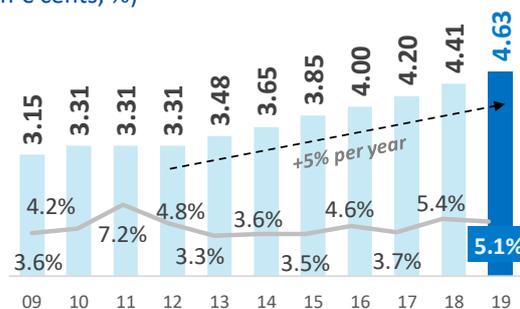
Sonae’s share performance against PSI20 and Ibex35 in 2019



5.4.4. Steadily growing dividend payment

Our dividend strategy represents an important part of shareholders’ value creation. We have been able to maintain a clear dividend practice, of increasing our dividend per share by 5% per year, with the only exception being the financial crises years, when we decided to maintain the dividend. Our aim is to continue to increase dividends per share every year, a commitment that drives us towards a better performance.

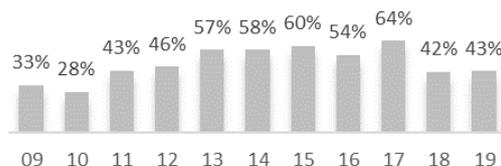
Dividend per share and dividend yield evolution (in € cents, %)



For the year ended December 31st, 2019 the Board of

Directors will propose at the Shareholders’ General Meeting the distribution of a gross dividend per share of €0.0463, 5% above the dividend distributed the year before. This dividend corresponds to a dividend yield of 5.1%, based on the closing price as at December 31st, 2019, and to a payout ratio of 43% of the consolidated direct income attributable to equity holders of Sonae.

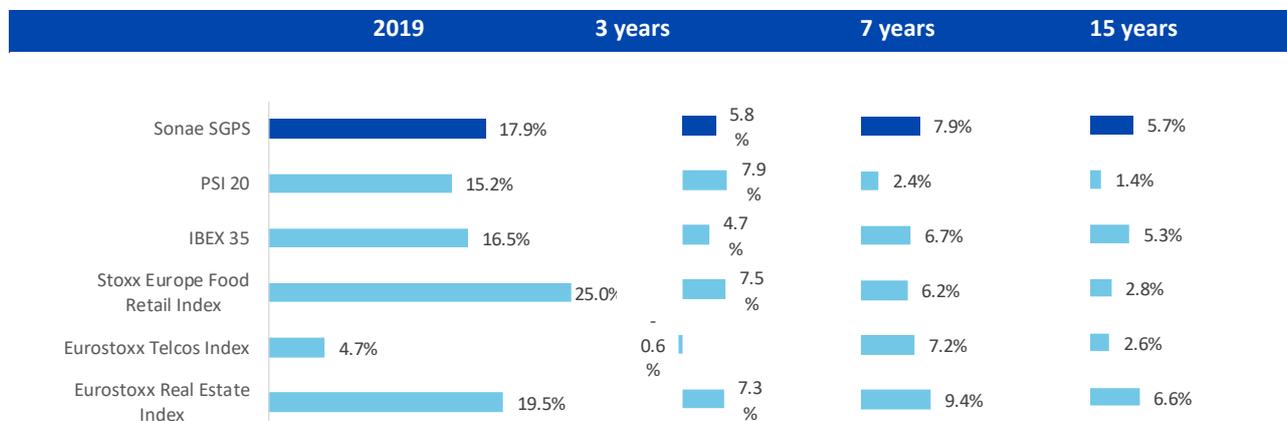
Payout ratio³⁷



³⁷ Calculated with the consolidated direct income attributable to equity holders of Sonae.

5.4.5. TSR – Total shareholders’ return

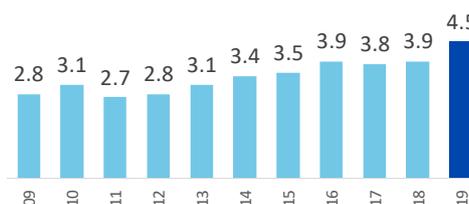
All in all, Sonae has been able to generate positive returns for its shareholders, even when compared to markets and industry indexes³⁸.



5.4.6. NAV evolution

Sonae actively manages a portfolio of leading companies and, as a holding company, it continuously searches for group linkages and synergies that can add value to enhance the sum of the parts. We have a long history of success achieving innovative solutions inside Sonae’s ecosystem. The success of our operational performance speaks for itself and testifies to the merits of our strategy that has made us stand out as a benchmark company. Moreover, this strategy is the cornerstone for a financial performance of excellence that is undoubtedly creating value for our shareholders and allows a steady increase in the dividend policy. From a long-term perspective, over the last ten years, we have seen strong value creation for the group in terms of NAV.

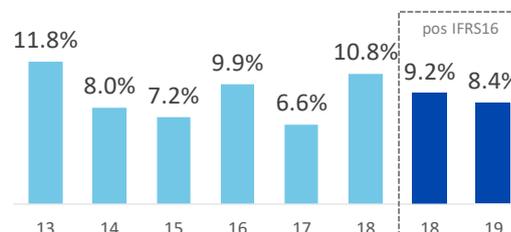
NAV evolution (€ bn)



5.4.7. Return on Invested Capital evolution (RoIC)

RoIC is a key metric for us and we have been able to register solid returns on invested capital over the last years. These figures have been benefitting both from operational profitability, which has been quite solid but also from capital gains stemming from portfolio management operations. We have been able to generate capital gains in several transactions that we carried out over recent years. RoIC stood at 8.4% in 2019.

RoIC³⁹ evolution



³⁸ Source Bloomberg.

³⁹ RoIC calculated with proportional figures with Sierra at historical cost. EBIT includes capital gains and in the case of NOS, invested capital is financial investment.

5.4.8. Main announcements during 2019

Date (dd-mm)	Announcement
23-01	2018 preliminary retail sales
27-02	Efanor announcement
21-03	Consolidated 2018 results
22-03	Announcement made by Sonae subsidiary Sonae Sierra Brasil S.A.
06-04	Qualified shareholding of Banco BPI SA
10-04	Bond issue and refinancing of medium and long-term debt
29-04	Qualified shareholding of Norges Bank
30-04	Announcement on future appointment of the Chairman of the Board of Directors and of the members of the Executive Committee
08-05	Appointment of Chairman of the Board of Directors, Executive Committee, Company Secretary and Representative for Market Relations
10-05	Qualified shareholding of Norges Bank
15-05	1Q19 results
06-06	Announcement made by Sonae Sierra Brasil S.A. related to the merger with Aliancec
29-07	Qualified shareholding of Criteria Caixa
21-08	1H19 results
30-09	Sale and leaseback transaction
25-10	Cash settled equity swap term extension
13-11	9M19 results

5.4.9. Analyst coverage

Sonae has the following analysts covering its share price (price and recommendation at YE19). Sonae's closing price of December 31st (€0.91) represents a discount of 43% when compared to the average price target of €1.30.

Broker	Recommendation	Price Target	Date (dd-mm)
CaixaBank BPI	Buy	€1.45	26-11
Santander	Buy	€1.40	11-11
AS Independent Research	Buy	€1.00	07-10
CaixaBI	Buy	€1.30	09-09
Nau Securities	Overweight	€1.36	07-05
Fidentiis equities	Hold	€1.00	29-01
JB Capital Markets	Buy	€1.25	21-01
Barclays	Overweight	€1.36	14-11-2018

5.4.10. IR Conferences and Roadshows in 2019

In 2019, the Investors Relations team attended the following events:

Date	Location	Event	Organisation
7 and 8 January	London	Roadshow	Sonae
6 and 7 February	Madrid	Conference	Santander
2 and 3 April	Madrid	Roadshow	CaixaBank BPI
9,10 and 11 April	Toronto, Chicago and NYC	Roadshow	Santander
23 April	London	Roadshow	JB Capital Markets
23 May	Paris	Conference	Oddo
28 May	Madrid	Roadshow	Haitong
12 June	Warsaw	Conference	Erste
17 July	New York City (NYC)	Roadshow	Sonae
5 September	Oporto	Iberian Conference	CaixaBank BPI
10 and 11 October	Oporto	Capital Markets Days	Sonae
23 October	London	Roadshow	Santander
20 and 21 November	New York City (NYC)	Roadshow	Sonae

All in all, during 2019, 8 Roadshows were organised and IR attended 4 Conferences and had a total of 325 meetings and conference calls with investors, analysts and brokers throughout the year.

This year was also marked by our **1st Capital Markets Days**. The goal of the event was to provide investors, analysts and brokers the opportunity to meet the management team as well as to give greater visibility to the business and the strategy for the upcoming years. During this event, attendees also had the chance to visit our stores located in NorteShopping.

6. Trends and Outlook

We believe that **our founding purpose to “contribute to economic development and to promote overall social wellbeing”** has made us stand out as a responsible and ethical example and has enabled us to follow a path of sustainable success. Our legacy offers us a solid starting point, but also emphasises our responsibility to continuously work towards a better society.

We have a very solid starting point

A **unique corporate culture** with a clear **mission** and a robust set of **values**

A **stable shareholder structure** which enables a long-term view of economic and social value creation

Best practice corporate governance including a diverse Board with independent directors

A **portfolio of businesses** with leading market positions and strong linkages

A strong **track record** of operational and financial performance

Solid capital structure with decreasing leverage levels and low cost of debt

Attractive **shareholder returns** with steadily growing dividends

Social and environmental mindset in our DNA

Our focus on long-term sustainability and our corporate culture, **with a clear mission and a solid set of values, reinforces the existence of a social and environmental mindset on our DNA.** We think that being an influential company in our society is our responsibility and we are committed to making a difference while transforming the challenges resulting from social instability and climate change into opportunities to create and share value with our stakeholders. A stable shareholder structure enables a long-term view of economic and social value creation, which highlights our focus towards a more sustainable society, with more resilient communities sharing a better world.

Our portfolio of businesses with **leading market positions and strong linkages between them**, combined with a strong track record of operational and financial performance, allow us to deliver **attractive shareholder returns with steadily growing dividends.**

But we want more. To ensure our long-term sustainability, we need to be... Stronger, Faster and Better

Our legacy makes us who we are today, but we want even more for tomorrow. To ensure our long-term sustainability and to continue paving the path towards higher levels of social and environmental performance, we need to be **Stronger, Faster and Better**.

Stronger because growth is what drives Sonae as it creates **opportunities for its people and ensures its sustainability**. We explore different growth avenues and actively welcome new opportunities, both within our portfolio, by creating synergies or by applying our competences in other areas, and in new businesses that can add value to our portfolio.

Our portfolio includes several examples of our ability to grow quickly by leveraging our core competences. We also need to be stronger to explore opportunities in the international market, taking advantage of our brand recognition and our long history of successful partnerships.

Faster reflects the critical ability to rapidly adapt to changing circumstances in today's world. This implies more digitally enabled businesses and quicker decision-making at all levels. Our unique experience concerning retail and real-estate development is one of our core assets that when coupled with our strong environment of innovation will create customer-focused solutions and processes that are digitally oriented, giving us a strong competitive edge.

Better keeps us focused on promoting a better society. Our unwavering commitment to creating value for society at large is well embedded in our mission and we strive to uphold a culture of performance with purpose. A better society means a better Sonae. We want to lead the way and we are not shy about raising the bar for ourselves and taking our network of stakeholders with us.



Outlook

The year began in turmoil around the world with the news related with the spread of Covid-19. Sonae immediately started monitoring the evolution of this situation and developed a pre-emptive set of measures early on to mitigate any disruptions that could potentially affect our people and our businesses. As of today, it is still very difficult to accurately predict all the impacts on our activities, but our businesses will undoubtedly be significantly affected in the weeks to come.

Sonae MC has been experiencing an increased level of demand, as Portuguese families have anticipated more extensive containment measures and a potential shortage of essential products. The business has strengthened contingency plans, ensuring close dialogue with all stakeholders in the supply chain in order to strengthen the response capacity, either by anticipating needs or by defining mitigation actions in case of limitations, namely in terms of human resources. We expect Sonae MC to continue to lead in the Portuguese market and play a crucial role in supplying its customers with essential products and services.

Sonae Sierra's activity in Italy, Spain and Poland has been significantly affected, given that shopping centres in these countries have had to close all non-essential stores and are therefore essentially closed. Other jurisdictions have experienced an increasing reduction in the number of visitors and sales. Sonae Sierra has been maintaining an open communication channel with its tenants on how to address the current situation and has already prepared several contingency scenarios. The company currently has a high degree of resilience to more extreme scenarios due to its solid liquidity position.

NOS plays a fundamental role in Portuguese society, insofar as it guarantees the maintenance of essential communications infrastructure for the population and companies at large. Thus, given the current situation of Covid-19, it has also reinforced efforts to implement measures that guarantee the smooth functioning of its activity in conjunction with all operational partners. For 2020, NOS is also preparing itself for the rollout of 5G, with significant potential implications in terms of investment and also product innovation.

Fashion, Electronics and Sports Retail businesses should all experience a significant slowdown in sales in the coming weeks as stores in some banners were temporarily closed down and customers will be driven away from commercial spaces. On the other hand, the performance of digital channels should continue to grow at a faster pace, and should mitigate part of the effects felt at the level of physical channels. In this sense, businesses have been preparing to respond to a more significant increase in demand in e-commerce channels.

In terms of **financing**, Sonae, in compliance with its internal liquidity and financing policies, has a practice of pre-financing its liquidity needs 18 months in advance. At the beginning of March, Sonae had €601 M of available credit lines and €582 M⁴⁰ of cash. In this sense, regardless of any impacts that might exist in terms of the performance of each business, we do not foresee any additional financing needs for the next 18 months nor do we expect in the short term any situation of breach of the current existing corporate debt covenants in any portfolio company.

Although performance in 2020 should be materially affected by this situation, Sonae expects to navigate through this adverse context and resume the implementation of its strategy and return to its recent performance as soon as possible. Our priority at this moment in time is to ensure the safety of our people while providing critical products and services to our customers.

⁴⁰ Both credit lines and cash are adjusted by the cash proceeds received by Sonae Sierra in early March (and net of dividends paid out to Grosvenor).

In the long run, we remain focused on achieving economic and social goals

Economic



RoIC
>10%



Holding LTV
<15%

Social



Women
in leadership
Employee NPS
Talent retention



New plastics
economy global
commitment
Paris Pledge
for action

Our values bring us together as one organisation and sets us on a journey towards a better and more sustainable society and a better Sonae. The clear challenge that our founder Belmiro Azevedo left embedded in our DNA:

“It is clear to see what the future for Sonae will be: an unstoppable, insatiable and unshakable quest for success based on innovation and sustainable growth. A journey of reinventing today’s success to shape tomorrow’s world. A journey always rooted in the same corporate responsibility values. A journey always seeking to create a long-living company.”



7. Closing Remarks

The Board of Directors would like to thank the Statutory Audit Board and the Statutory External Auditor for their valuable advice and assistance. The Board would also like to express its gratitude to suppliers, banks and other business associates of Sonae for their continuing involvement and for the confidence that they have shown in the organisation.

The Board of Directors also expresses its gratitude to all employees for their effort and dedication throughout the year.

Approved at the meeting of the Board of Directors held on March 17th 2020.

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman

Ângelo Gabriel Ribeirinho dos Santos Paupério, Non-Executive Director

José Manuel Neves Adelino, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

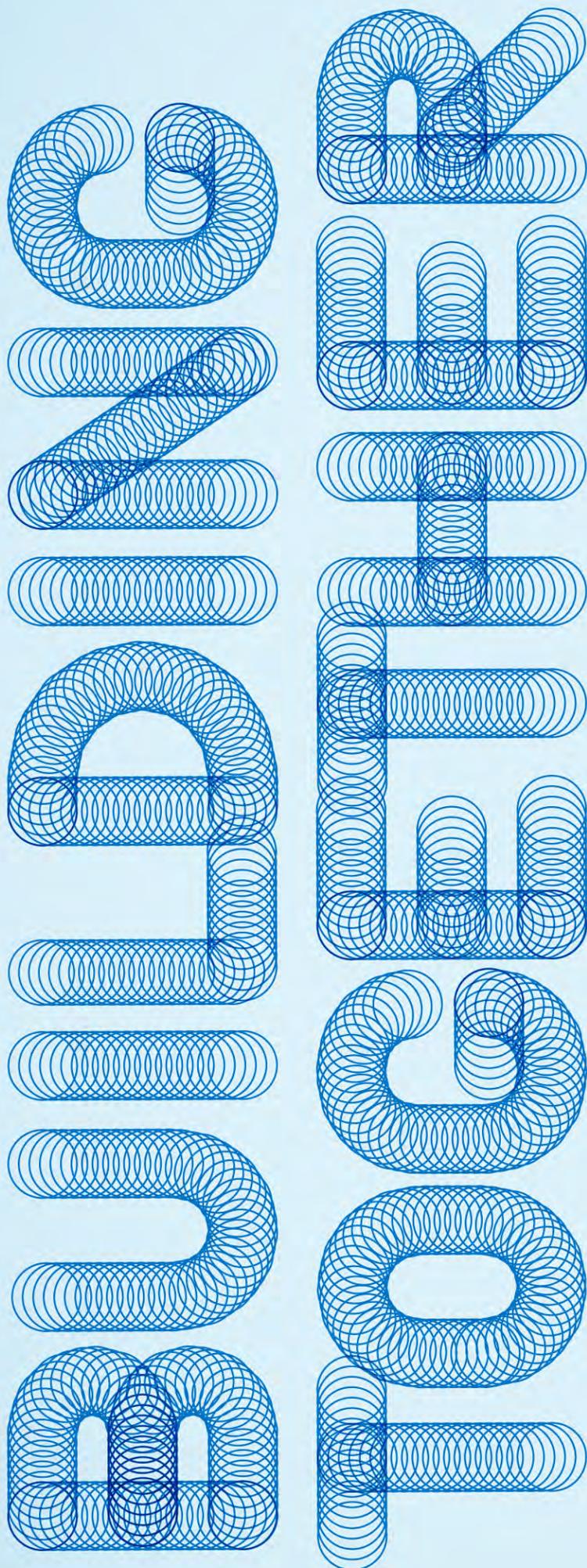
Carlos António Rocha Moreira da Silva, Non-Executive Director

Fuencisla Clemares, Non-Executive Director

Philippe Cyriel Elodie Haspeslagh, Non-Executive Director

Maria Cláudia Teixeira de Azevedo, Executive Director (CEO)

João Pedro Magalhães da Silva Torres Dolores, Executive Director (CFO)



**Corporate
Governance
Report 2019**

SONAE

INDEX

Corporate Governance Report 2019

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Part I

Shareholders' structure, organisation and Corporate Governance

A. Shareholders' structure

I. Share Capital Structure

1. Share Capital Structure

Sonae SGPS SA's (hereinafter "Sonae" or the "Company") share capital is 2,000,000,000 euro, fully subscribed and paid up, divided into 2,000,000,000 nominative ordinary shares, each with a nominal value of one euro.

The breakdown of qualified shareholdings regarding share capital and voting rights is listed below in section II.7.

All the shares representing the Company's share capital are admitted to trading on the Euronext Lisbon regulated market.

2. Restrictions on the transfer and ownership of shares

There are no restrictions on the ownership or transfer of Company's shares.

3. Own shares – number, percentage of share capital they represent and percentage of voting rights that would correspond to own shares

The Company, on 31st December 2019, did not held, directly or indirectly, any percentage of own shares.

4. Significant agreements with ownership clauses

There are no agreements executed by the Company that include protective contractual mechanisms (either by changing or by terminating such agreements) against change of control events, namely following a takeover bid.

The majority of the share capital of the Company is attributable to a single shareholder.

The shareholders' agreement executed between Sonae and Grosvenor Group Limited ("Grosvenor"), relating to Sonae Sierra, SGPS, SA, grants Grosvenor an exit right in the case of a change of control of Sonae Sierra, but only in the particular and exclusive situation of Sonae Sierra being directly or indirectly controlled by a third-party other than its present reference shareholder or any of its current shareholders or their relatives.

Sonae has, as well, contractual protection mechanisms, including a call-option right on Grosvenor shareholding in case the latter ceases to be controlled by its current reference shareholder.

5. Defensive measures in case of change of control

No defensive measures were adopted by the Company.

6. Shareholders' agreements

The Board of Directors has no knowledge of any joint venture agreements involving the Company.

II. Qualified shareholdings and securities held by members of the statutory governing bodies

7. Qualified shareholdings

Qualified Shareholdings on the Company's share capital, on 31st December 2019 (Shares held and voting rights attributable to shareholders owning 2% or more of the share capital of the Sonae - SGPS, S.A.), relying on the notices received by the Company pursuant to article 16 of the Portuguese Securities Code, the respective attributable share capital and voting rights, as well as the source and grounds for such attribution, calculated according to article 20 of the Portuguese Securities Code, as required by article 8 paragraph 1, subparagraph b), of the Portuguese Securities Market Commission (CMVM) Regulation no. 05/2008:

Shareholder	Nr. of shares	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, S.A. (I)			
Directly	200,100,000	10.0050%	10.0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, S.A.)	849,533,095	42.4767%	42.4767%
By Maria Margarida CarvalhaisTeixeira de Azevedo (Director of Efanor Investimentos, SGPS, S.A.)	14,901	0.0007%	0.0007%
By Maria Cláudia Teixeira de Azevedo (Director of Sonae SGPS, S.A. and Efanor Investimentos, SGPS, S.A.)	508,574	0.0254%	0.0254%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae, SGPS, S.A. and Efanor Investimentos, SGPS, S.A.)	805,730	0.0403%	0.0403%
By Migracom, S.A. (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae SGPS S.A. Director Duarte Paulo Teixeira de Azevedo)	3,198,524	0.1599%	0.1599%
By Linhacom, SGPS, S.A. (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae SGPS, S.A. Director Maria Cláudia Teixeira de Azevedo)	189,314	0.0095%	0.0095%
By Enxomil - Consultoria e Gestão, SA (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae, SGPS, S.A. Director Ângelo Gabriel Ribeirinho dos Santos Paupério)	2,021,855	0.1011%	0.1011%
By Enxomil - Sociedade Imobiliária, SA (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae, SGPS, S.A. Director Ângelo Gabriel Ribeirinho dos Santos Paupério)	662,987	0.0331%	0.0331%
By Carlos António Rocha Moreira da Silva (Director of Efanor Investimentos, SGPS, S.A. and Sonae SGPS, S.A.)	22,000	0.0011%	0.0011%
Total attributable to Efanor Investimentos, SGPS, S.A.	1,057,056,980	52.8528%	52.8528%
Banco BPI, S.A.	96,034,789	4.8017%	4.8017%
Total attributable to Banco BPI, S.A. (II)	96,034,789	4.8017%	4.8017%
Invesco Ltd.			
Invesco Asset Management Ltd.		2.0270%	2.0270%
Invesco Asset Management		0.0130%	0.0130%

Invesco Advisers	41,185,755***	0.0200%	0.0200%
Total attributable to Invesco Ltd.	41,185,755	2.0593%	2.0600%
Criteria Caixa, S.A.	40,019,035	2.0010%	2.0010%
Total attributable to Criteria Caixa, S.A.	40,019,035	2.0010%	2.0010%

Source: communications received by the Company regarding qualified shareholdings up to 31st December 2019.

(I) As from 29th November 2017, Efanor Investimentos SGPS, SA ceased to have any controlling shareholder pursuant to the set forth in articles 20 and 21 of the Portuguese Securities Code.

(II) Total number of voting rights attributed to Banco BPI, SA as per article 20 of the Portuguese Securities Code. Banco BPI is part of CaixaBank Group, which holds 100% of Banco BPI's share capital, according to the disclosure made by Banco BPI to the market on the 5th April 2019 available at www.cmvm.pt.

* Voting rights calculated 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 and voting rights that are not subject to the suspension of exercise.

*** Information provided by the qualified shareholder on an aggregated basis.

This information is also disclosed in the Company's Annual Management Report.

Updated information regarding qualified shareholdings is available at the Company's website,

<http://www.sonae.pt/en/investors/shareholder-structure/>

8. Number of shares and bonds held by the members of the statutory governing bodies, pursuant to paragraph 5 of article 447 of the Portuguese Companies Act

This information is disclosed in an Appendix to the Management Report, as follows:

Article 447 of the Portuguese Companies Act

Article 447 of the Portuguese Companies Act

Disclosure of the number of held shares and other securities issued by the Company and of the transactions executed over such securities, during the financial year in analysis, regarding which the members of the Board of Directors beginning the exercise of the functions on the 8th of May, by the members the statutory governing and auditing bodies and by people discharging managerial responsibilities ("dirigentes"), as well as by people closely connected with them pursuant to article 248 B of the Portuguese Securities Code:

Date	Acquisitions		Sale		Position on 31.12.2019	Balance on 31.12.2019 Number of shares
	Nr. of shares	Aver. Price (€)	Nr. of shares	Aver. Price (€)		
Duarte Paulo Teixeira de Azevedo (*) (**) (***)						
Efanor Investimentos, SGPS, SA (1)					Minority	
Migracom, SA (3)					Dominant	
Sonae - SGPS, SA						805,730
Ângelo Gabriel Ribeirinho dos Santos Paupério (*) (**)						
Enxomil - Consultoria e Gestão, SA (6)					Dominant	
Enxomil - Sociedade Imobiliária, SA (7)					Dominant	
Maria Margarida Carvalhais Teixeira de Azevedo (**)						
Efanor Investimentos, SGPS, SA (1)					Minority	
Sonae - SGPS, SA						14,901
Maria Cláudia Teixeira de Azevedo (*) (**) (***)						
Efanor Investimentos, SGPS, SA (1)					Minority	
Sonae - SGPS, SA (****)						508,574
Linhacom, SGPS, SA (5)					Minority	
Carlos António Rocha Moreira da Silva (*) (**)						
Sonae - SGPS, SA						22,000
Philippe Cyriel Elodie Haspesslagh (*)						
Sonae - SGPS, SA						112,300

Date	Acquisitions		Sale		Position on 31.12.2019	Balance on 31.12.2019 Number of shares
	Nr. of shares	Aver. Price (€)	Nr. of shares	Aver. Price (€)		
(1) Efanor Investimentos, SGPS, SA						
Sonae - SGPS, SA						200,100,000
Pareuro, BV (2)					Dominant	
(2) Pareuro, BV						
Sonae - SGPS, SA						849,533,095
(3) Migracom, SA						
Sonae - SGPS, SA						3,198,524
Purchase	19-12-2019	160,000	0.92640			
Purchase	20-12-2019	164,185	0.92442			
Imparfin - Investimentos e Participações Financeiras, SA (4)					Minority	
(4) Imparfin - Investimentos e Participações Financeiras, SA						
Sonae - SGPS, SA						4,608,465
Purchase	30-08-2019	270,000	0.82185			
Purchase	02-09-2019	233,185	0.83252			
(5) Linhacom, SGPS, SA						
Sonae - SGPS, SA						189,314
Imparfin - Investimentos e Participações Financeiras, SA (4)					Minority	
(6) Enxomil - Consultoria e Gestão, SA						
Sonae - SGPS, SA						2,021,855
(7) Enxomil - Sociedade Imobiliária, SA						
Sonae - SGPS, SA						662,987

*Member of the Board of Directors of Sonae, SGPS, SA

** Member of the Board of Directors of Efanor Investimentos SGPS, SA (directly and indirectly controlling company) (1)

*** Member of the Board of Directors of Imparfin - Investimentos e Participações Financeiras, SA (4)

**** From the total number of shares of Sonae, SGPS, SA, held by Maria Cláudia Teixeira de Azevedo, 131,256 shares were attributed on the 2nd April 2019, following the Medium Term Performance Bonus of a subsidiary of Sonae SGPS, SA. This fact was disclosed to the market on the 5th April 2019.

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

The powers given by the Articles of Association to the Board of Directors to increase the Company's share capital were withdrawn in April 2011. As from that date, these powers are held exclusively by the Shareholders' General Meeting.

10. Relevant business relationship between owners of qualified shareholdings and the Company

There are no existing relevant business relationships between the Company and owners of qualified shareholdings notified to the Company. Without prejudice to the aforementioned, Banco BPI, SA maintains a business relationship with the Company within the scope of the Company's corporate purpose, under market conditions and alongside with other national and international financial institutions.

B. Governing Bodies and Committees

I. Shareholders' General Meeting

The Shareholders' General Meetings are directed by the Board of the Shareholders' General Meeting, 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.

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

11. Board of the Shareholders' General Meeting: members and mandate

At the Shareholders' General Meeting held on 2019, the following members of the Board of the Shareholders General Meeting were appointed for the 2019-2022 mandate:

Board of the Shareholders' General Meeting

Carlos Manuel de Brito do Nascimento Lucena, Chair

Maria Daniela Farto Baptista Passos, Secretary

b. Exercising Voting Rights

12. Restrictions on voting rights

12.1 Restrictions on voting rights depending on the number or percentage of shares ownership

The Company's share capital is entirely made up of a single class of ordinary shares, in which one share equals one vote, and where there are no statutory limitations on the exercise of the voting rights by any shareholder. Share blocking is not required in order to attend the Shareholders' General Meeting. In compliance with paragraph 1 of article 23-C of the Portuguese Securities Code, the "Registry date" is the key moment in time for the proof of the shareholder's legal entitlement to attend and exercise voting rights at the Shareholders' General Meeting. The "Registry Date" is also the decisive time reference regarding the application of the voting and attendance rule for professional shareholders who own shares in their own name, but which are held on behalf of their respective clients.

12.2 Representation

The right to vote by proxy and the way in which this right is exercised is described in the respective notices convening Shareholders' General Meetings, in accordance with the law and the Company's Articles of Association.

Shareholders can be represented at the Shareholders' General Meetings by presenting a written representation document before the meeting begins, addressed and delivered to the Chairman of the Board of the Shareholders' General Meeting, stating the name and address of the proxy and the date of the meeting. The abovementioned information may be sent by using an electronic email address provided by the Company.

A shareholder can nominate different proxies for each group of shares held in different securities accounts, without prejudice to the principle of one share one vote, in accordance with article 385 of the Portuguese Companies Act. Shareholders who professionally own shares in their own name but which are held on behalf of their respective clients can vote in different ways.

The Company provides appropriate information on its website, at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/> to enable shareholders, who wish to be represented, to give their voting instructions to their

respective proxy holders. Such information, which includes the proposals to be submitted to the Shareholders' General Meeting and a template of a representation letter, is disclosed on the website, within the legally established time limits.

12.3 Vote in writing

Shareholders can vote in writing in relation to all items on the agenda of the Shareholders' General Meeting. Without prejudice to the obligation of proving shareholding legal entitlement, written votes will only be taken into account when received at the Company's head office by registered post, with acknowledgement of receipt addressed to the Chairman of the Board of the Shareholders' General Meeting or by electronic means, at least three business days prior to the General Meeting. The voting ballot, if sent by registered post, must be signed by the owner of the shares or by a legal representative. In the case of an individual, it should be accompanied by an authenticated copy of his/her identity document, pursuant to subparagraph 2 of article 5 of Law no. 7/2007, of 5th February, with the wording introduced by Law no. 32/2017 of 1st July or, alternatively, the signature shall be authenticated pursuant to the legal applicable terms. In the case of a corporate entity, the signature should be authenticated with confirmation that the signatory is duly authorised and mandated for that purpose. If the ballot is sent by electronic means, it must respect the requirements and procedures established by the Chairman of the Board of the Shareholders' General Meeting as set out in the notice of the meeting, in order to ensure an equivalent level of security and authenticity.

It is the responsibility of the Chairman of the Board of the Shareholders' General Meeting, or the person replacing him, to verify compliance with written voting requirements, and those written votes which do not fulfil such requirements, will not be accepted and will be treated as null and void.

12.4 Voting by electronic means

Shareholders have the right to vote electronically, which is available as an electronic vote, and the manner by which such right can be exercised is set out in the notice convening the Shareholders' General Meeting. A template for requesting the technical information necessary for exercising the shareholders' right to vote by electronic means is also available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

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 of the Portuguese Securities Code

There are no limitations on the number of votes that may be held or exercised.

14. Deliberative quorum

Under the terms of the Company's Articles of Association, the Shareholders' General Meeting may only adopt resolutions on the first occasion that it is convened, if shareholders holding more than 50% of the Company's share capital are present or represented.

If that quorum is not met and the meeting is reconvened, resolutions may be adopted by the Shareholders' General Meeting regardless of the number of shareholders present or represented and of the percentage of share capital held.

The rules regarding the deliberative quorum of the Shareholders' General Meeting comply with the Portuguese Companies Act.

II. Management and Supervision

a. Composition

15. Identification of the adopted governance model

The Company follows a one-tier governance model, where the management structure lies with the Board of Directors, and the supervisory structure includes a Statutory Audit Board and a Statutory External Auditor.

The Board of Directors is responsible for ensuring the management of the Company's business, exercising all management acts pertaining to the Company's corporate purpose, setting strategic guidelines and appointing and generally supervising the activity of the Executive Committee and of its specialised committees.

The Board of Directors' assessment is that the corporate governance model adopted is adequate to the performance of the governing bodies' duties, ensuring, in a well-balanced manner, their respective functional independence and interaction. Additionally, the specialised committees assigned to matters of particular relevance, optimise the Board of Directors' performance, ensuring the effectiveness of its decision-making process.

The Proposal for the Selection and Assessment Policy for Membership of the Statutory Governing Bodies was approved at the Shareholders' Extraordinary General Meeting held on 16th December 2015, in compliance with Articles 30 to 32 of the General Regime of Credit Institutions and Financial Companies ("Regime Geral das Instituições de Crédito e Sociedades Financeiras" - RGICSF), legal framework under which the evaluation of the appointed members of the Board of Directors and of the Statutory Audit Board, for the 2019-2022 mandate, was performed.

The abovementioned policy is available at the Company's website, <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/shareholders-extraordinary-general-meeting-16th-december-2015/> referred to as Proposal number two of the Shareholders' Extraordinary General Meeting held on 16th December 2015.

The diversity policy applied by the Company with regards to its management and supervisory bodies is envisaged in said Selection and Assessment Policy for Membership of the Statutory Governing Bodies, which establishes the following general principles:

"The candidates for appointment as members of the Company's management and audit bodies shall:

- Have experience of holding sufficiently senior positions in similar companies or organisations, which will allow them to:
 - 1) Evaluate, challenge and develop the most senior managers of the Company;
 - 2) Evaluate and challenge the corporate strategy of the group and its main subsidiaries;
 - 3) Evaluate and challenge the operational and financial performance of the Company;
 - 4) Evaluate the level of compliance of the organisation with Sonae's values.

- In addition to the basic common minimum requirements expected of candidates, each candidate should offer an individual contribution so that the Board of Directors collectively holds the following knowledge or skills:
 - 1) A profound and international understanding of the principal sectors activity of Sonae;
 - 2) Knowledge of the main markets and geographies where the main Sonae businesses operate;
 - 3) Knowledge and competences in terms of the management skills and technologies, which are decisive for the success of sizeable business enterprises operating in the same sectors of activity as Sonae;

- 4) The specialist knowledge necessary to ensure the effectiveness of the specialised committees of the Board of Directors.
- The candidates should have personal relationships skills, clarity of purpose, analytical capacity, ability to summarise succinctly and the communication skills required to allow them to handle a large number of diverse and complex topics at the same time. Time for discussion will always be limited, but the topics must be covered in sufficient depth to allow high quality decisions to be taken in a timely fashion.
 - Subject to fulfilling the other criteria established above, a significant representation of genders and nationalities should be sought.”

The composition of the statutory governing bodies appointed at the Shareholders’ General Meeting for the 2019-2022 mandate complies with the Selection and Assessment Policy for Membership of the Statutory Governing Bodies, underlining a balanced diversity of gender, origin, qualifications and professional background.

In the Board of Directors and the Statutory Audit Board, whose composition is described in section 17 and section III, a) below, the proportion of members of each gender complies with the provisions of article 5 of Law no. 62/2017, of the 1st of August.

Additionally, the Company, during 2019, approved and continues to have in place a Plan for Gender Equality, applicable to the employees and members of the governing bodies of the Group, the full content of which is available at <https://www.sonae.pt/en/sonae/culture/>.

The diversity and the professional experience of the members of the Board of Directors and of the Statutory Audit Board are described in Annex I to this Report.

16. Rules for nominating and replacing board members

In accordance with the terms of the Portuguese law and the Company’s Articles of Association, the members of the Board of Directors, are elected for this governing body at the Shareholders’ General Meeting.

Under the terms set forth in the Company’s Articles of Association, one Director may be individually elected if there are proposals submitted by shareholders who, either by themselves or together with other shareholders, hold shares representing between ten and twenty percent of the share capital. The same shareholder cannot propose more than one list. Each proposal should identify at least two eligible persons. If there are several proposals submitted by different shareholders or groups of shareholders, voting will take place on all lists.

The Company’s Articles of Association establish, in accordance with the applicable law, that the Board of Directors may co-opt a substitute in case of the death, resignation, temporary or permanent incapacity, or lack of availability of any member, as long as the vacating Board member has not been elected under the above described minority rule (in which case a new similar election shall take place). Such appointment is, nonetheless, subject to ratification by the shareholders at the next Shareholders’ General Meeting.

As part of the Board of Directors’ power to co-opt, the Board Nomination Committee is responsible for proposing potential candidates with the suitable profile for Board roles, and in accordance with the approved policy.

The definitive absence, for whatever reason, of a replacement director individually elected according to the abovementioned special minority rules, determines that a new election must take place at the Shareholders' General Meeting.

The Board of Directors is responsible for the election of its Chairman.

17. Composition of the Board of Directors

Under the terms of the Company's Articles of Association, the Board of Directors can be composed of an odd or even number of members, between three and eleven, elected by the shareholders at a Shareholders' General Meeting, and the Chairman of the Board of Directors holds a casting vote.

At the Shareholders' Annual General Meeting held on the 30th April 2019, the following members were elected for the Board of Directors for the 2019-2022 mandate:

Board of Directors
Duarte Paulo Teixeira de Azevedo, Chair
Ângelo Gabriel Ribeirinho dos Santos Paupério
José Manuel Neves Adelino
Margaret Lorraine Trainer
Marcelo Faria de Lima
Carlos António Rocha Moreira da Silva
Fuencisla Clemares
Philippe Cyriel Elodie Haspeslagh
Maria Cláudia Teixeira de Azevedo
João Pedro Magalhães da Silva Torres Dolores

The members of the Board of Directors were initially appointed as follows:

Appointment to the Board of Directors	First appointment	End of current mandate
Duarte Paulo Teixeira de Azevedo	2000	2022
Ângelo Gabriel Ribeirinho dos Santos Paupério	2000	2022
José Manuel Neves Adelino	2007	2022
Margaret Lorraine Trainer	2015	2022
Marcelo Faria de Lima	2015	2022
Carlos António Rocha Moreira da Silva	2019	2022
Fuencisla Clemares	2019	2022
Philippe Cyriel Elodie Haspeslagh	2019	2022
Maria Cláudia Teixeira de Azevedo	2019	2022
João Pedro Magalhães da Silva Torres Dolores	2019	2022

18. Distinction between executive and non-executive members of the Board of Directors

Board of Directors	
Duarte Paulo Teixeira de Azevedo	Non-Executive Chair of the Board of Directors
Ângelo Gabriel Ribeiro dos Santos Paupério	Non-Executive Director
José Manuel Neves Adelino	Lead Non-Executive Director (“Lead Director”)
Margaret Lorraine Trainer	Senior Independent Non-Executive Director (“SID Director”)
Marcelo Faria de Lima	Independent Non-Executive Director
Carlos António Rocha Moreira da Silva	Non-Executive Director
Fuencisla Clemares	Independent Non-Executive Director
Philippe Cyriel Elodie Haspeslagh	Independent Non-Executive Director
Maria Cláudia Teixeira de Azevedo	CEO – Executive Director
João Pedro Magalhães da Silva Torres Dolores	CFO – Executive Director

Regarding the composition of the Board of Directors, a collective balance is maintained between the number of Executive Directors and the number of Non-Executive Directors, and among these, an adequate number of independent members. Such composition ensures an adequate supervision, monitoring and proper assessment of the activity developed by the Executive Members of the Board of Directors, thereby befitting the size, nature and complexity of the risks the Company is exposed to.

The director José Manuel Neves Adelino fulfils the conditions to allow his qualification as an independent director in light of the applicable legal framework and the criteria established by point 18.1 of the Appendix I to the Regulation no. 4/2013 of the Portuguese Market Securities Commission, in light of which this Corporate Governance Report is drawn up. However, this director does not fulfil all the requirements to be qualified as independent, as imposed by Recommendation III.4 of the IPCG Corporate Governance Code, since he has been performing his role as board member for over 12 years.

Additionally, the Board of Directors, in its meeting held on the 14th May 2019, has appointed the director Margaret Lorraine Trainer as Senior Independent Non-Executive Director (“SID Director”) and the director José Manuel Neves Adelino as Lead Non-Executive Director (“Lead Director”), in compliance with the set forth in number 3 of article 1 of the Board of Directors Internal Regulation, available at <https://www.sonae.pt/en/investors/government-of-society/>.

Consistently with the governance model of the Board of Directors adopted for the previous mandate, these non-executive directors, in the context of their respective responsibilities assigned by the Board of Directors, as “SID Director” and “Lead Director”, respectively, have enabled the exercise of the roles and functions of the remaining non-executive members of the Board, by promoting:

- The coordination, in accordance with the Corporate Governance best practices, of the effective performance of the Non-Executive Directors’ duties, whether within the Board of Directors or within the Board’s specialised committees, granting therefore the existence of strengthened conditions for the independent and informed exercise of such directors’ duties;
- The existence of an adequate and time-efficient flow of information to be provided by the Executive Committee, through the compliance with the established transparent information-sharing procedures;
- The compliance with an information disclosure process which ensures a time-efficient access of the remaining governing bodies and committees to the necessary information for the execution of their legal and statutory

duties, with the particular disclosure of all convening notices, minutes and documentation supporting the decision-making process;

- The execution of the scope and mission of the Ethics Committee, which is Chaired by the Lead Director.

19. Professional qualifications and curricular references of the members of the Board of Directors

The curricula of the current members of the Board of Directors are disclosed in Appendix I of this Report.

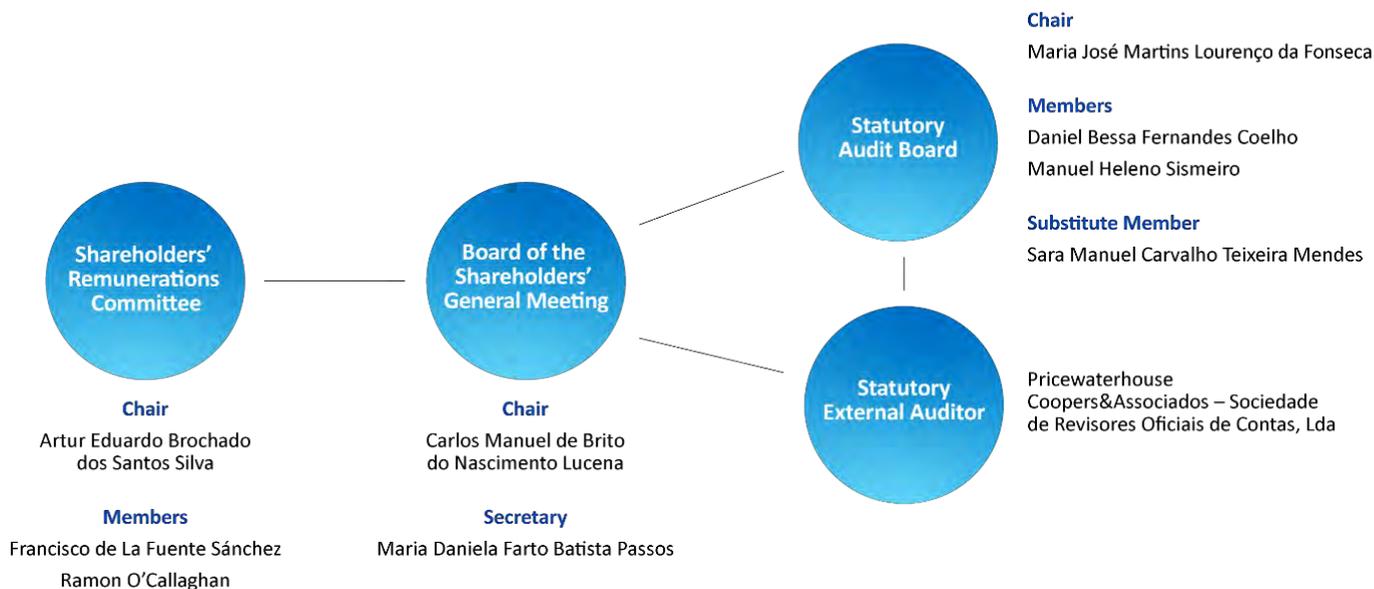
20. Usual and significant family, business and commercial relationships between members of the Board of Directors and shareholders with attributed qualified shareholdings

The Chairman of the Board of Directors, Duarte Paulo Teixeira de Azevedo and the CEO, Maria Cláudia Teixeira de Azevedo are siblings, and both of them are shareholders and members of the Board of Directors of Efanor Investimentos, SGPS, SA, the legal entity holding the majority of the share capital and voting rights of Sonae. The Directors Ângelo Gabriel Ribeirinho dos Santos Paupério and Carlos António Rocha Moreira da Silva are both members of the Board of Directors of Efanor Investimentos, SGPS, SA.

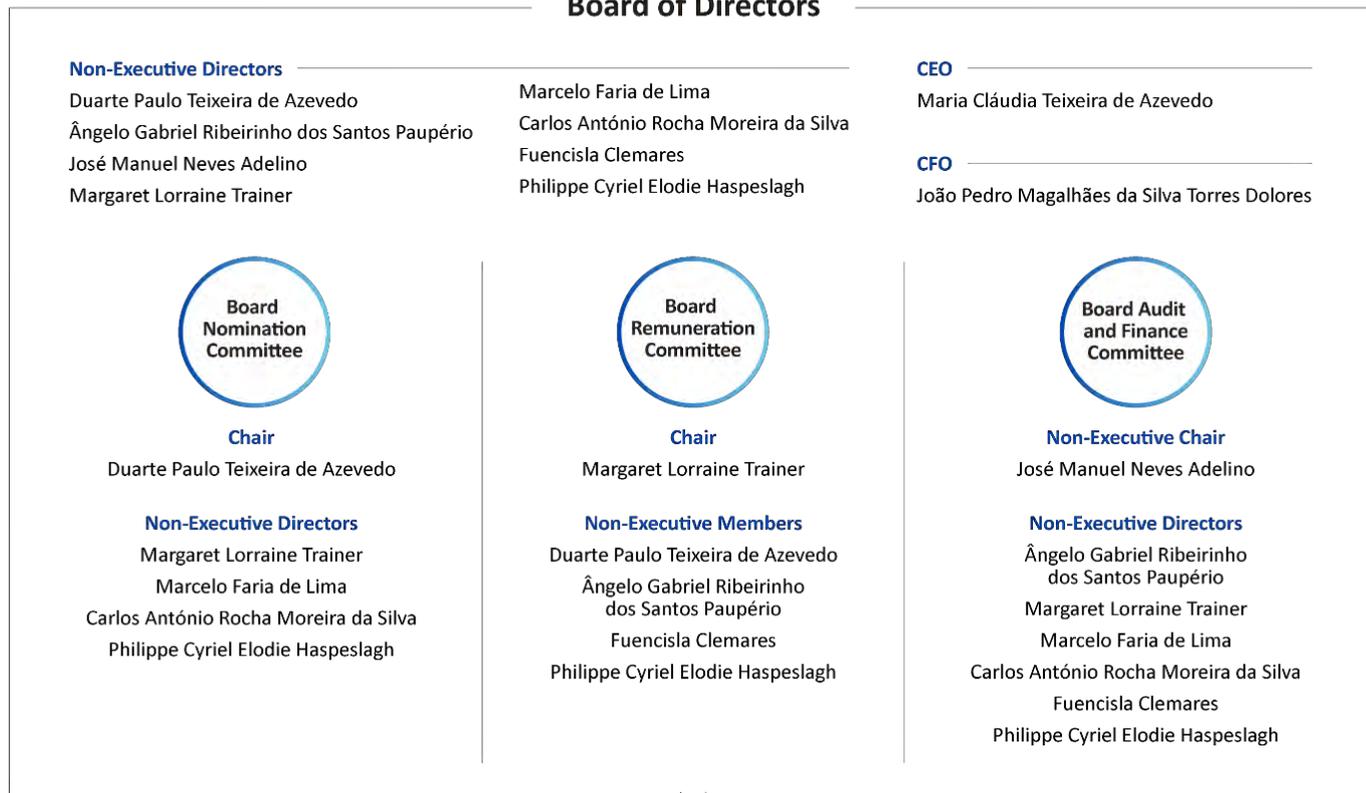
In addition to the abovementioned, and in accordance with the individual statements provided, there are no other significant or usual family, business and commercial relationships between shareholders with attributed qualified shareholdings higher than 2% of the voting rights, and the remaining members of the Board of Directors.

21. Division of powers between the different boards, committees and/or departments within the company, including the delegation of powers, particularly with regards to the delegation of the Company's daily management

Competencies are divided among the various statutory governing bodies, in accordance with the following terms:



Board of Directors



Executive Committee of the Board of Directors

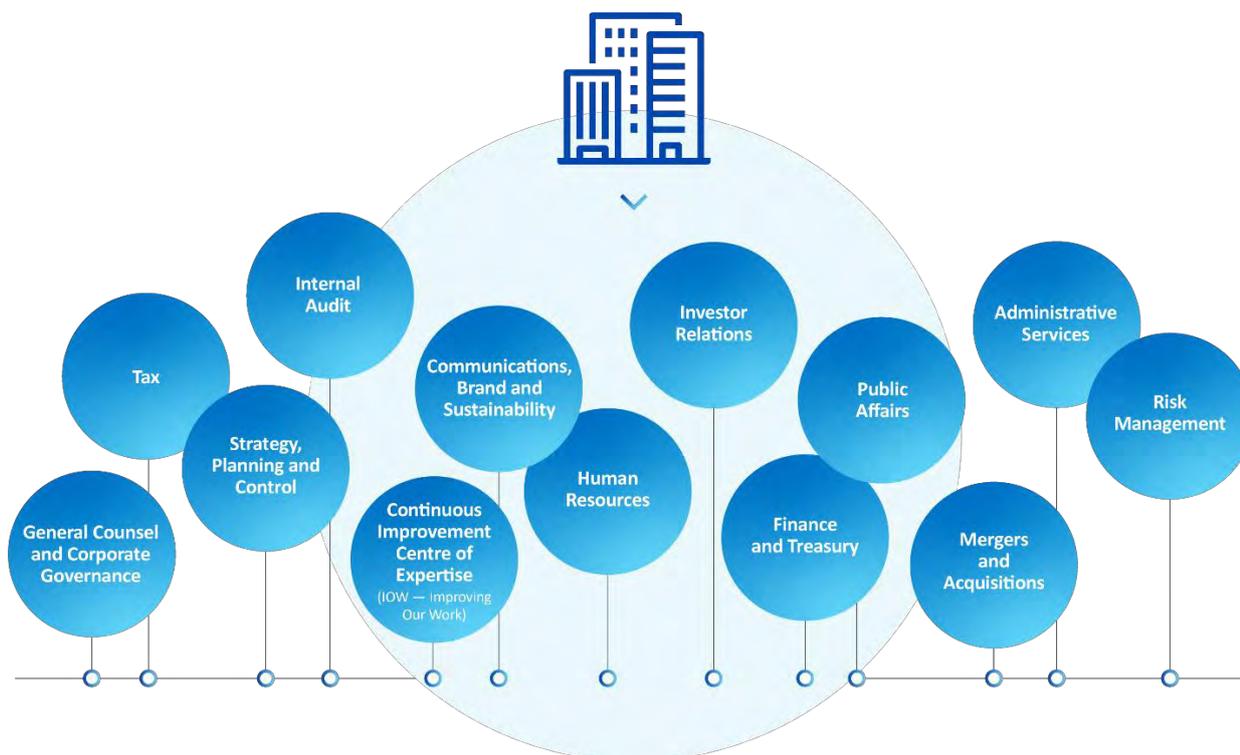
CEO

Maria Cláudia Teixeira de Azevedo

CFO

João Pedro Magalhães da Silva Torres Dolores

The corporate structure is supported by the following corporate areas:



General Counsel and Corporate Governance

Main responsibilities:

- Provide legal advice to Sonae's business activity and portfolio management;
- Manage the relations with Euronext Lisbon, the Portuguese Securities Market Commission and with the shareholders in relation to legal matters;
- Manage the legal aspects of the Corporate Governance policy, supporting the compliance with the best corporate governance practices;
- Coordinate the sharing of knowledge and experience between legal teams within Sonae companies.

Tax

Main responsibilities:

- Develop, provide training for and share tax skills;
- Take part in defining tax strategy and objectives, in particular by giving support to the international expansion;
- Provide tax support to the Mergers and Acquisitions activity as well as to restructuring operations;
- Manage Institutional Relations, namely the proactive management of tax matters;
- Optimise tax efficiency, namely by:
 - o Controlling and monitoring tax procedures;
 - o Ensuring compliance with all tax requirements;
 - o Controlling all group Companies' fiscal consolidation.
- Manage the price transfer dossier and the country by country financial and tax declaration (CBCR: country by country report);
- Monitor all open litigation with the tax authorities;

- Provide tax consultancy by analysing several tax matters.

Internal Audit

Main responsibilities:

- Perform internal audits (business relevant processes, food safety and information systems) of Sonae's corporate centre and Retail, Commercial Centres, Investment Management and Financial Services;
- Provide operational support to Sonae's Audit Co-ordination Committee.

Communications, Brand and Sustainability

Main responsibilities:

- Manage the institutional image of Sonae and its brand;
- Manage Sonae's External Communications, namely the Company's online presence and relationship with the media – coordinate messages and lines of communication as well as crisis management;
- Manage Sonae's Internal Communications;
- Manage the Corporate Responsibility Department, including sustainability strategy development and implementation, volunteering actions development and patronage relationships management.

Finance and Treasury

Main responsibilities:

- Optimise the Company's financial function and retail business through the proposal, implementation and control of appropriate risk policies;
- Conduct all financing operations of the Company and of its retail businesses;
- Negotiate and contract banking products and services for the Company and for its retail businesses;
- Manage treasury needs and means of payment and receipt of the Company and its retail businesses;
- Manage the various financial risks of the Company and of its retail businesses;
- Develop credit risk policies suitable to the characteristics of Sonae's various businesses;
- Provide support to the different functional areas in the allocation of capital and financial risk management;
- Provide support on mergers, acquisitions, and divestments;
- Provide support to Sonae's businesses in the execution of transactions in monetary, interest rate or foreign exchange markets;
- Support the work of Sonae's Finance Committee;
- Support the preparation of financial reporting and monitoring of the main financial risks.

Mergers and Acquisitions

Main responsibilities:

- Support portfolio management and corporate M&A planning and execution across the Sonae Group;
- Ensure the identification, assessment, due diligence, negotiations and closing of acquisitions, divestitures, and joint ventures across the Sonae Group;
- Reinforce Sonae's business networking with industry players and key M&A players.

Risk Management

Main responsibilities:

- Promote a culture of risk awareness throughout the organisation;
- Develop the risk management policy and keep it up to date;
- Develop, implement and maintain the Company's risk management processes and methodologies;

- Coordinate the risk management activities and report its results;
- Identify the critical risks and monitor the development and implementation of risk indicators and risk reduction measures;
- Support the development of procedures for assessing risks, particularly contingency and business succession planning;
- Support Sonae's Risk Management Consulting Group.

Continuous Improvement Centre of Expertise (IOW – Improving Our Work):

Main responsibilities:

- Develop Sonae's Continuous Improvement System (IOW);
- Develop and provide IOW training programs for all Sonae businesses, in good management practices;
- Coordinate, challenge, empower and support the Continuous Improvement Leaders of each business, which are responsible for the implementation and support of IOW in all Sonae businesses and geographies;
- Challenge and advise business leaders on the adoption of good management practices, as the way to achieve world-class performance;
- Promote the exchange of good management practices among businesses, aiming to obtain world class results;
- Coordinate the IOW Advisory Group's activity, proposing new policies and guidelines on good practices to work better.

Group Strategy, Planning and Control

Main responsibilities:

- Support the development of strategy both at the corporate and business units levels;
- Coordinate Sonae's annual budgeting process, and control budget execution;
- Challenge the businesses and corporate areas on their objectives in order to constantly improve and optimise Sonae's efficiency, performance and results;
- Prepare management information on individual businesses, and at a consolidated level, on a monthly, quarterly, and annual basis;
- Provide support to decisions about capital allocation to existing businesses and to new business opportunities (responsibility for analysing invested capital and its respective return);
- Share the latest trends, best practices and information between the different businesses and corporate areas;
- Monitor, interpret and share relevant macroeconomic insight and forecasts with the several businesses.

Human Resources

Main responsibilities:

- Manage Sonae's top management human resources;
- Define and implement the human resources strategy, planning and talent management;
- Support Sonae's Human Resources Consulting Group;
- Support the Board of Directors in ensuring that conduct and behaviour are consistent with Sonae's values and culture.

Investor Relations

Main responsibilities:

- Manage the relationship between Sonae and the financial community through the continuous preparation and disclosure of relevant and up to date information about the Company;

- Support the Executive Committee and the Board Directors, providing them with relevant information about the capital market;
- Support External Communication, contributing towards providing a consistent corporate message to the capital markets.

Public Affairs

Main Responsibilities:

- Manage and coordinate Sonae's institutional relations with the government, European institutions, public entities, and non-governmental organisations;
- Develop effective and qualitative relationships with internal and external stakeholders, to pro-actively anticipate issues that could represent opportunities or risks for Sonae's activities, and promote corresponding roadmaps;
- Represent Sonae in associations, forums, and events (in Portugal and abroad) and promote strategic issues for the group.

Administrative Services

Main responsibilities:

- Efficiently and effectively manage all administrative processes of the Company and its retail businesses units;
- Effectively manage the administrative procedures relating to Accounts Payable, Accounts Receivable, Cash and Banks, Inventory and Tangible and Intangible Assets;
- Ensure the effective control of the processes, transactions, accuracy, and timely reporting of financial, tax and management information;
- Book all accounting transactions and prepare the individual and consolidated financial statements of Sonae companies.

The Company has also created the following coordination and knowledge sharing permanent structures, all of them chaired by members of the Executive Committee:

Corporate Finance and Treasury Committee

Sonae's Corporate Finance and Treasury Committee is composed of each of the Group's financial directors, the directors responsible for corporate finance from each of Sonae's main business areas, as well as the managers of the Corporate Centre functional teams, who are relevant to the subjects on each meeting's agenda. The Committee meets monthly and has the following main responsibilities:

- Analyse and discuss all financial matters considered relevant to Sonae's businesses;
- Keep track of the evolution of debt markets and bank relationships;
- Keep track of the evolution of capital markets;
- Keep track of developments in financial markets;
- Develop reports regarding the financial status of Sonae Group and budget execution;
- Share experiences in the financial areas and best practices and coordinate approach to the financial markets;
- Monitor the financial evolution of the Group and funding policies of each business.

Audit Co-Ordination Committee

Sonae's Audit Co-ordination Committee is composed of members of the board of directors of Sonae's businesses and of the internal audit managers responsible for this role in the Company and in its business areas, the Board and Corporate Governance Officer and the Group Chief Risk Officer. This Committee meets quarterly and has the following main goals:

- Give opinion to the Board of Directors regarding the internal audit policies and level of relation with external auditors;
- Inform about internal audit plans of Sonae Companies;
- Monitor internal audit activities, namely through the analysis of quarterly reports, and recommended improvements;
- Monitor external audit activities through the analysis of the respective reports;
- Decide on the execution of unplanned internal audits;
- Promote the development of internal audit human resources;
- Propose the acquisition, development and implementation of new internal audit systems and methodologies to be applied by Sonae Group;
- Give opinion and cooperate in the proposal for the selection of the Company's External Auditor;
- Promote the exchange of knowledge and experiences between the internal audit teams of Sonae' different business areas.

Sonae's Risk Management Consulting Group

Sonae's Risk Management Consultation Group is composed of members of the board of directors of Sonae's businesses, the risk managers responsible for this role in the Company and in its main businesses, the Board and Corporate Governance Officer and the Group Chief Internal Auditor. This Group meets quarterly and has the following main tasks:

- Review existing policies and propose new guidelines on risk management;
- Revise the risk management plans for each Sonae company;
- Monitor risk management activities execution, namely through the revision of periodic reports and proposal of recommendations;
- Propose unplanned risk management activities;
- Recommend the acquisition, development and implementation of new risk management systems and methodologies for the Group;
- Foster specialised knowledge in risk management issues.

Human Resources Consulting Group

The Human Resources Consulting Group is composed of members of the board of directors of Sonae's businesses in charge of Human Resources and by the managers in charge of this role in Sonae and in each of the businesses. This Group meets bimonthly and has the main following tasks:

- Make recommendations on all policies directly related with the business strategy implementation at HR's level;
- Contribute to Sonae's culture dissemination and transversal policies follow-up;
- Encourage the dissemination and sharing of best practices regarding People and Talent Management between companies;
- Acquire synergies through the coordination and negotiation of investment related to the Human Resources areas, when applicable;

- Guarantee the articulation and coordination of the opinions provided to the various Sonae Management and Supervisory Bodies.

IOW Consulting Group

The Improving Our Work Consulting Group is attended by the CEO's of the main businesses of the Group as well as by the persons responsible for the implementation of the best practices of continuous improvement. This Group meets quarterly, and has the following main tasks:

- Share continuous improvement activity in all companies;
- Share best practices and results of each company;
- Analyse and adapt case studies for internal use;
- Identify needs and adjustments to the ongoing IOW implementation and support efforts;
- Decide on resources allocation.

Sustainability Consulting Group

The Sustainability Consulting Group is composed of the directors and the heads of functional teams of the Company and of its main businesses with roles in environmental and corporative responsibility. This consulting group meets quarterly, having the following main goals:

- Build a common vision on sustainability efforts and best practices developed across Sonae businesses;
- Develop and recommend the implementation of common sustainability guidelines along Sonae's three axes (Environment, People, Communities);
- Guarantee the communication of the drafted recommendations to the various Sonae Management Bodies;
- Coordinate the transversal group projects/work groups;
- Coordinate reporting practices among companies for a more transversal and broaden communication on sustainability.

Other than the Groups mentioned above, there are also the following specific specialist forums, ensuring the communication and sharing of the best practices in fields considered critical for the Group, namely:

- **FINOV**, with the purpose of stimulating and supporting an innovation driven culture at Sonae, capable of sustaining high levels of value creation;
- **Strategic Planning and Management Control Forum**, with the purpose of promoting and discussing the implementation of the best control methodologies across the Company;
- **Legal Forum**, with the purpose of sharing experience and knowledge among legal teams, promoting the wide discussion of essential legal issues and a common approach to legal interpretations and procedures;
- **FINCO**, with the objective to increase the value of Information Technology within each business unit through knowledge sharing and promotion of innovative IT solutions;
- **E-commerce Forum**, aiming at fostering the excellence and growth of the several e-commerce channels across the Group;
- **International Forum**, aiming at promoting knowledge sharing on Sonae's internationalisation initiatives;
- **Administrative and Tax Forum**, aiming at sharing knowledge and experiences, promoting the existence of synergies between the administrative services department and the tax department.

b. Functioning of the Board of Directors

22. Internal regulation of the Board of Directors

The Internal Regulation of the Board of Directors and of its internal committees are available for consultation at the Company's website - <https://www.sonae.pt/en/investors/government-of-society/>

23. Number of meetings held and attendance level of each Member of the Board of Directors

The Board of Directors meets at least four times a year, as required by the Company's Articles of Association and its Internal Regulation, and whenever the Chairman or two Board members call a meeting. The quorum for any Board meeting requires that the majority of the Board Members are present or represented by proxy.

Decisions are taken by a majority of the votes cast. When the Board of Directors is composed of an even number of members and there is a tied vote, the Chairman has a casting vote.

The Board of Directors receives information about the items on the agenda for the meeting at least seven days beforehand and receives supporting documents for any given meeting, as well, with at least seven business days in advance.

Minutes are recorded in a minutes book.

During 2019, 8 (eight) Board meetings were held. All the members of the Board of Directors had an attendance rate of 100% to the Board meetings, being present or represented at all the meetings.

24. Competent bodies of the company to appraise the performance of Executive Directors

The Shareholders' Remuneration Committee, appointed by the Shareholders' General Meeting, is the committee responsible for approving the remuneration of the Board members and of other statutory governing bodies, on behalf of the shareholders, under the terms specified in the Remuneration and Compensation Policy approved by the shareholders at a Shareholders' General Meeting.

The Board Remuneration Committee (BRC), appointed by the Board of Directors and composed of non-executive directors, the majority of which are independent, supports the Shareholders' Remuneration Committee in carrying out its duties in relation to the assessment of the performance of the Executive Directors and the remuneration of the statutory governing bodies of the Company.

In the execution of this duty, the BRC and the Shareholders' Remuneration Committee may also be supported by external consultants of recognised competency and with international activity and expertise.

The independence of such consultants is ensured by the fact that they are not bound in any way to the Board of Directors, to the Company nor to the Group, as well as by their broad experience and market recognition, being ensured that the selected consultants are sufficiently independent for the purposes for which they are contracted and, in particular, that their independence is not jeopardised by supplying significant other services to the Company or any related parties.

25. Predetermined criteria for evaluating the performance of Executive Directors

The performance evaluation of Executive Directors is based on predetermined criteria, consisting of objective performance indicators established for each appraisal period, which are aligned with the Group strategy for growth and business performance under a medium and long-term perspective.

Such indicators consist in business, economic and financial KPIs (Key Performance Indicators) and are divided into company, department and individual KPIs.

The business KPIs include economic and financial indicators based on the budget, on the performance of each business unit, as well as on the consolidated performance of Sonae.

In turn, the department business KPIs are similar in nature to the previous ones, assessing the performance of the Executive Director in the business areas.

The personal KPIs, which may include both subjective and objective indicators, are determined by the attainment of individual goals and commitments assumed by the respective Executive Director.

The pre-determined criteria for the assessment of the Executive Directors' performance arise from the Remuneration and Compensation Policy approved at the Shareholders' General Meeting following a proposal of the Shareholders' Remuneration Committee.

The Remuneration and Compensation Policy was approved at the Shareholders' General Meeting held on the 30th April 2019, and is available at: <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

26. Availability of the members of the Board of Directors

Information on other positions simultaneous held by members of the Board of Directors in other entities, whether or not in Sonae Group, as well as information on other relevant activities exercised during 2019, is disclosed in Appendix I to the present Report.

c. Committees within the Board of Directors

27. Identification of committees created by the Board of Directors

The Board of Directors has created the Executive Committee, the Board Audit and Finance Committee, the Board Nomination Committee and the Board Remuneration Committee.

The terms of reference of these Committees are available for consultation at the Company's website - <https://www.sonae.pt/en/investors/government-of-society/>.

Additionally, the Board of Directors has, during a previous mandate, appointed an Ethics Committee with specific competencies in promoting Sonae's Code of Ethics and Conduct, which is available for consultation at the Company's website <https://www.sonae.pt/en/investors/government-of-society/>.

27.1 Role and Duties of the Executive Committee

The Executive Committee has all the necessary powers to manage the Company on a day-to-day basis, under the terms of the delegation of powers and competencies granted by the Board of Directors.

The following matters were excluded from the terms of delegation by the Board of Directors and are considered to be matters exclusively of the competence of the Board of Directors:

- to appoint the Chairman of the Board of Directors;
- to co-opt a substitute for a member of the Board of Directors;
- to request the convening of the Shareholders' General Meetings;
- to approve, under the terms set forth by the applicable law, the Annual Report and Financial Statements;
- to grant any personal or asset secured guarantees;
- to decide on any change to the Company's registered office or to approve any share capital increases;
- to decide on mergers, de-mergers or modifications to the corporate structure of the Company;
- to approve the annual business portfolio management strategy and respective policies;
- to approve the Company's annual budget and the financial of the Group's Business plan and any significant changes thereto.

28. Composition of the Executive Committee

The Executive Committee is composed of members from the Board of Directors, as follows:

Management Team

Maria Cláudia Teixeira de Azevedo, CEO

João Pedro Magalhães da Silva Torres Dolores, CFO

28.1 Operating Rules of the Executive Committee

The Executive Committee meets at least once every month and additionally whenever any of its members convenes a meeting by writing, with the minimum antecedence of three days prior to the date of the meeting. The quorum for any Executive Committee meeting requires that all its members are present or represented by proxy. The Executive Committee receives information about items on the agenda for the meeting at least 7 (seven) days in advance of the meeting and receives supporting documents for any given meeting at least 2 (two) days in advance.

The Executive Committee presents a summary in Portuguese and English of the main issues it has discussed, and the decisions taken, which is included among the documents distributed to Board members at each Board of Directors meeting.

The Executive Committee can set up internal committees, which will operate dependently to the Executive Committee, to monitor particular matters.

Whenever deemed convenient, the Executive Committee may submit to the consideration of the Board of Directors any matter within its competencies.

The decisions taken by the Executive Committee, and the announcement of the meetings to be held, are communicated to the remaining members of the statutory governing bodies, including the Non-Executive Directors and to the Chairman of the Statutory Audit Board.

Whilst carrying out its general duty of ensuring access to fully adequate information regarding the correct assessment of its own overall performance, the Executive Committee must deliver periodic reports on its activity to the remaining members of the statutory governing bodies. The Committee must provide answers to their inquiries, in a timely and thoroughly manner, as well as implementing procedures aimed at facilitating the exercise of legal and statutory competencies attributed to such statutory governing bodies.

The members of the Executive Committee, as well as the remaining members of the Board of Directors, must obtain the previous approval of the Board of Directors, with the advice of the Board Nomination Committee, before accepting positions in governing bodies or other significant activities, in Companies that are not part of Sonae Group, with the exception granted to those that are authorised by the Shareholders' General Meeting, in compliance with the principles adopted by the Company regarding the prevention of conflicts of interest.

Minutes are recorded in the respective minutes book.

During 2019, 26 (twenty-six) Executive Committee meetings were held with an overall attendance rate of 100%.

29. Board committees and other advisors to the Board



Board Audit and Finance Committee ("BAFC")

Role

The BAFC is a committee appointed by the Board of Directors, composed of a majority of Independent Non-Executive Directors, and its terms of reference are set out in the Board's Internal Regulation.

The BAFC is responsible for providing support to the Board of Directors and monitoring and evaluating the activity of the Executive Committee in carrying out its management responsibilities, not overstepping the Statutory Audit Board's duties and responsibilities as an auditing body.

The BAFC regularly reports to the Board of Directors about its work, the conclusions that it has reached and proposes plans of action with the goal of proactively ensuring internal control and the functioning of the Company's risk management system.

The duties of the BAFC, as a committee of the Board of Directors, are to:

- a) Supervise and analyse the Company's annual and interim financial statements and earnings announcements released to the market, and report its findings to the Board, giving the necessary support to the Board's financial statements approval process;
- b) Advise the Board on the preparation of its reports to shareholders and financial markets to be included in the Company's annual and half-year financial statements and in the quarterly earnings announcements;
- c) Advise the Board, including the evaluation and recommendations of suggestions made by the Statutory Audit Board, on the adequacy and quality of information provided by the Executive Committee, and the systems and standards of internal business controls applied by the Company;
- d) Monitor internal audit activity, in conjunction with plans validated by the Statutory Audit Board, reach conclusions and submit these for consideration by the Board of Directors;
- e) Assess operational procedures in order to ensure that internal control, effective management of risks, prevention of irregularities, the timely distribution of information and the reliability of the process of preparing and disclosing financial information are monitored, as well as reaching conclusions and submitting these for consideration by the Board of Directors;
- f) Ensure the regular flow of information between the members of the Board of Directors and of the Statutory Audit Board and Company's officers for the purpose of the assessment of performance, status quo and perspectives of the Company's development, including, namely, meetings minutes, support documentation for taken resolutions, notices for convening meetings and archive of the Executive Committee meetings, as well as any other documents and access to human resources from whom additional information can be provided;
- g) Ensure the interaction between the Statutory Audit Board, including the timely exchange of information and documentation between the two bodies, namely regarding strategic objectives and risk policy approved by the Board of Directors;
- h) Ensure that the corporate governance policies and recommendations adopted by the Company are followed;
- i) Ensure that financial reporting standards and practices are adhered to by the Company;
- j) Monitor formal and informal key financial indicators reported about the Company, including reports published by rating agencies;
- k) Receive and report to the Board of Directors notice made by any director regarding a potential conflict of interest or a limitation on his or her independence as required by the approved policy on conflicts of interest;
- l) Give an opinion on significant relevant transactions made by the Company with related parties, pursuant to the rules set forth in this Regulation and on the regulation of the Statutory Audit Board.

The terms of reference of the Board Audit and Finance Committee regulate the performance of its duties and the respective time schedule for their execution, and is available at <https://www.sonae.pt/en/investors/government-of-society/>.

Composition

The BAFC is composed of seven members appointed by the Board of Directors. All members are Non-Executive Directors, the majority of which are independent. The composition of the Board Audit and Finance Committee is as follows:

Board Audit and Finance Committee

José Manuel Neves Adelino	Non-Executive Chair*
Ângelo Gabriel Ribeirinho dos Santos Paupério	Non-Executive
Margaret Lorraine Trainer	Independent Non-Executive
Marcelo Faria de Lima	Independent Non-Executive
Carlos António Rocha Moreira da Silva	Non-Executive
Fuencisla Clemares	Independent Non-Executive
Philippe Cyriel Elodie Haspeslagh	Independent Non-Executive

* further detail on the qualification of this member's independence is available in section 18 above.

Operating Rules

The BAFC meets at least five times a year and additionally whenever its Chairman, the Board of Directors or the Executive Committee deem necessary.

Minutes of all BAFC meetings are prepared and distributed to other Board members.

During 2019, 5 (five) meetings of the BAFC were held with an overall attendance rate of 94%.

Board Nomination Committee (“BNC”)

Role

The BNC operates according to the Internal Regulation of the Board of Directors, and is responsible for:

- a) Identify and assess the suitability of potential candidates with a profile fit for appointment to the Board of Directors and to its Committees, in accordance with the internal policy on selection and evaluation, in particular when the Board decides to co-opt a Board member and when the Board is responsible for assessing candidates for CEO roles in the main subsidiaries of Sonae Group;
- b) Provide oversight of succession planning, contingency planning and talent management in general for Board members and other senior management positions in Sonae Group, and ensuring that the appointment process and training of the candidates is suitably conducted;
- c) Advise the Board on advance disclosures made by members of the Board of Directors in relation to accepting outside directorships and other significant roles or activities, which were not approved by the Shareholders’ General Meeting, as required by the Company’s approved policy on conflicts of interest.

The terms of reference of the Board Nomination Committee regulate the performance of its duties and the respective time schedule for their execution, and is available at <https://www.sonae.pt/en/investors/government-of-society/>.

Composition

The BNC is composed of five Non-Executive Directors, the majority of which are independent, and its composition is as follows:

Board Nomination Committee	
Duarte Paulo Teixeira de Azevedo	Chair of the Board of Directors – Non-Executive
Margaret Lorraine Trainer	Independent Non-Executive
Marcelo Faria de Lima	Independent Non-Executive
Carlos António Rocha Moreira da Silva	Non-Executive
Philippe Cyriel Elodie Haspeslagh	Independent Non-Executive

Operating Rules

The BNC meets at least once every year and additionally whenever its Chairman or the Board of Directors deem necessary. In addition to the formal meetings, BNC members keep in touch through various forms of long-distance communication. Minutes are kept of all meetings of this Committee.

During 2019, 3 (three) meetings of the BNC were held, with an overall attendance rate of 93%.

The three mentioned meetings include, as well, the activity of the Board Nomination and Remuneration Committee during 2019, as structured until the election of the Board of Directors on 30th April 2019, and following which, the Board of Directors has decided to divide such committee's competencies among the Board Nomination Committee and the Board Remuneration Committee.

Board Remuneration Committee ("BRC")

Role

The BRC operates according to the Internal Regulation of the Board of Directors, and is responsible for:

- Acting with the objective of ensuring that the remuneration policy and practice reflect and support the long-term strategic goals and that they are compatible with the Company's risk policies and systems and that they take into account pay and employment conditions elsewhere in the Sonae Group and in the external market;
- Giving feedback to the Board of Directors on the proposed remuneration and compensation policy prepared by the Executive Committee and subsequently submit the policy to the Board for review, before the Board submits a final proposal to the Shareholders' Remuneration Committee for their review and approval and subsequent inclusion in the agenda of the Shareholders' Annual General Meeting to obtain the approval of shareholders;
- Receiving, analysing, and, in some cases, prepare, as and when required by approved internal processes, proposals for the remuneration of the Board of Directors and other Statutory Governing Bodies and present them for approval to the Shareholders' Remuneration Committee. All proposals must be in line with the Company's approved Remuneration and Compensation Policy;
- Providing oversight in relation to remuneration resolutions taken by the Executive Committee for the group senior executives who report directly to the Executive Committee.

The terms of reference of the Board Remuneration Committee regulate the performance of its duties and the respective time schedule for their execution, and is available at <https://www.sonae.pt/en/investors/government-of-society/>.

Composition

The BRC is composed of five Non-Executive directors, the majority of which are independent, and its composition is as follows:

Board Remuneration Committee

Margaret Lorraine Trainer	Chair – Independent Non-Executive
Duarte Paulo Teixeira de Azevedo	Non-Executive
Ângelo Gabriel Ribeiro dos Santos Paupério	Non-Executive
Fuencisla Clemares	Independent Non-Executive
Philippe Cyriel Elodie Haspeslagh	Independent Non-Executive

Operating Rules

The BRC meets at least once every year and additionally whenever its Chairman or the Board of Directors deem necessary. In addition to the formal meetings, BRC members keep in touch through various forms of long-distance communication. Minutes are kept of all meetings of this Committee.

During 2019, 3 (three) meetings of the BRC were held, with an overall attendance rate of 93%.

The three mentioned meetings include, as well, the activity of the Board Nomination and Remuneration Committee during 2019, as structured until the election of the Board of Directors on 30th April 2019, and following which, the Board of Directors has decided to divide such committee's competencies among the Board Nomination Committee and the Board Remuneration Committee.

Ethics Committee

Sonae's Code of Ethics and Conduct, in accordance with Sonae's principles and values, establishes rules of conduct as well as the ethical and moral principles and practices to be complied with by the members of the Board of Directors and of the other statutory governing bodies and employees.

The Code of Ethics and Conduct applies to all the companies directly or indirectly controlled by Sonae. The Code also sets out the values and forms of conduct required from individuals appointed by Sonae to the statutory governing bodies of companies or other entities in which Sonae participates. This applies to their respective individual functional duties and acts, and also requires them to promote the adoption of similar ethical principles and standards of conduct when establishing or amending codes of ethics and conduct or similar internal regulations at those companies or other entities.

Sonae's Code of Ethics and Conduct establishes a commitment for third party entities, hired by, or acting on behalf of Sonae, when the Company may be held accountable for their actions.

Sonae's Code of Ethics and Conduct is available at <https://www.sonae.pt/en/investors/government-of-society/> and has the fundamental objectives of:

- Establishing principles that guide the activities of Sonae Group of companies and setting rules of ethical and moral nature that are expected to guide the behaviour of all of its employees and governing bodies. It includes promoting the adoption of ethical and moral principles and practices by our partners;
- Promoting and encouraging the adoption of the guiding principles and rules of conduct defined in Sonae's Code of Ethics and Conduct, which reflect the Company's values, namely with regards to the relationships between employees, statutory governing bodies, Sonae, and its remaining stakeholders;

- Consolidating Sonae's institutional image, which is characterised by Determination, Dynamism, Enthusiasm, Creativity, and Openness.

In addition to Sonae's Code of Ethics and Conduct, internal regulations covering independence and conflicts of interest and related party transactions remain in force.

Employees are also made aware internally of Sonae's Code of Ethics and Conduct. During 2019, and in line with the previous practices the Company promoted e-learning internal training courses to employees and members of the statutory governing bodies, concerning business ethics, covering whistleblowing policies and procedures, clarifying staff responsibilities as well as those of the Company's management bodies, and presenting practical examples of situations involving: conflicts of interest, privacy, information confidentiality and integrity, staff relationships and those with the suppliers and business partners.

The Ethics Committee has the following main tasks:

- Foster the existence of means to disseminate the Code of Ethics and Conduct to its main target audience;
- Consider and answer questions sent by the members of the statutory governing bodies of the Group's companies, as well as those sent by employees, partners or third parties which fall within its scope, making recommendations it deems appropriate to the nature of each case;
- Check the existence of internal mechanisms to report irregularities, making sure they comply with the law, particularly in terms of confidentiality, the handling of information and the non-existence of reprisals for participants;
- Propose to the Board of Directors, after consulting with Sonae's Executive Committee, the approval of changes to the Sonae Code of Ethics and Conduct, whenever considered appropriate;
- Issue clarifications regarding the interpretation of provisions in the Sonae Code of Ethics and Conduct, on its own initiative, or after being requested to do so, by members of the Governing Bodies or employees;
- Receive, evaluate and forward reports of founded irregularities, received by the Ethics Committee, to the respective governing bodies, whenever they consider such irregularities as violations of the rules in the Sonae Code of Ethics and Conduct;
- Forward to the Statutory Audit Board any reports that might indicate alleged irregularities, under the terms established in article 420, paragraph 1, subparagraph j) of the Portuguese Companies Act;
- Regulate its operation and regularly report its activities to the Board of Directors, and the entities it is legally bound to report to, according to legislation or the corporate governance model adopted.

Any report of irregularities must be sent to the email address of the Ethics Committee: comissaoetica@sonae.pt

The Ombudsman has the responsibility of receiving and forwarding reports involving employees, clients or suppliers and other service providers to the relevant bodies.

Other than communicating with the companies involved, the Ombudsman delivers a half-year summary of all irregularities to the Statutory Audit Board.

Reports addressed to the Ombudsman can be sent to his email address: provedoria@sonae.pt

Composition

Ethics Committee	
José Manuel Neves Adelino (Chair)	Lead Non-Executive Director (“Lead Director”)
José Côrte-Real	Head of Human Resources
José Luís Amorim	Ombudsman
Luzia Gomes Ferreira	Head of General Counsel and Corporate Governance
David Graham Shenton Bain (Secretary)	Board and Corporate Governance Officer

Operating Rules

The Ethics Committee meets at least twice every year and whenever its Chairman or two of its members convene a meeting. In addition to formal meetings, and if deemed necessary, the Ethics Committee members keep in touch through various forms of long-distance communication. Minutes are kept of all the Committee’s meetings and are distributed to all Board Members.

During 2019, 2 (two) meetings of the Ethics Committee were held, with an overall attendance rate of 100%.

Board and Corporate Governance Officer (“BCGO”)

Main duties of the BCGO:

- Ensure the smooth running of the Board of Directors and Board Committees;
- Participate in Board Meetings and relevant Board Committee Meetings and, when appointed, serve as a member;
- Facilitate the acquisition of information by all Board and Committee members;
- Support the Board in defining its role, objectives and operating procedures;
- Take a leading role in organising Board evaluations and assessments;
- Keep under close review all Legislative, Regulatory and Corporate Governance issues;
- Support and challenge the Board of Directors to achieve the highest standards in Corporate Governance;
- Support the proceedings adopted by the Board of Directors to ensure that the stakeholders and the minority shareholders’ interests are taken into account by the Board when important business decisions are being taken;
- Support the procedure to nominate and appoint Directors and assist in the induction of new Directors;
- Act as a primary point of contact and source of advice and guidance for, particularly, Non-Executive Directors regarding the Company and its activities;
- Facilitate and support the independent Non-Executive Directors to assert their independence;
- Ensure compliance with the CMVM Recommendations for Portuguese listed companies;
- Participate in making arrangements for the Shareholders’ General Meetings;
- Participate in the arrangement of insurance cover for members of the statutory governing bodies;
- Participate, on behalf of the Company, in external initiatives to debate and improve Corporate Governance regulations and practices in Portugal.

The BCGO reports to the Board of Directors through its Chairman as well as, when appropriate, through the Lead Director.

Company Secretary

The Company Secretary is responsible for:

- Keeping the formal minute books and attendance lists at the Shareholders' General Meetings;
- Forwarding the legal documentation to convene the Shareholders' General Meetings;
- Supervising the preparation of supporting documentation for the Shareholders' General Meetings and the meetings of the Board of Directors and preparing the respective formal minutes;
- Providing feedback, pursuant to the applicable legal provisions, to Shareholders' requests for information;
- Executing the legal register of any act or resolutions of the Company's statutory governing bodies.

29.1. Activity developed by the Committees created by the Board of Directors

At the Shareholders' Annual General Meeting held on 30th April 2019 the members of the Statutory Governing Bodies were elected for the 2019-2022 mandate.

Following its election, the Board of Directors appointed, in May 2019, the Executive Committee and the board specialised committees created to support the Board's activity.

Non-Executive Directors performed, in an independent and permanent fashion, the continuous monitoring of the activity of the Executive Committee, influencing the decision-making process of strategic and structural decisions, particularly in the development of the corporate strategy and the main policies, including the risk management policy, monitoring the respective compliance thereof, having as well took action in the preparation and disclosure of the financial reports, as described in section 55 of this Report.

Non-Executive Directors performed their role, both as members of the Board of Directors, as well as members of the Board specialised internal committees they incorporate, and which support the activity of the Board of Directors,

During 2019, the Executive Committee managed the Company on a day-to-day basis, monitoring the business activity under the terms of the delegation of powers to the Executive Committee, and executed the strategic decisions of the Board of Directors, implementing the policies approved by this body.

The Executive Committee reports to the Board of Directors and remaining governing bodies, including supervisory bodies, on the work performed during the financial year, providing information on the most significant decisions taken, the main actions implemented in the fulfilment of its competencies and duties and for the compliance of the strategy and policies approved by the Board of Directors.

The Ethics Committee has carried out its duties, supervised the dissemination of the Sonae's Code of Ethics and Conduct, analysed the questions posed by members of the governing bodies, issuing recommendations and reporting its activity to the Board of Directors.

III. Audit

a. Composition

Statutory Audit Board

Maria José Martins Lourenço da Fonseca – Chair

Daniel Bessa Fernandes Coelho – Member

Manuel Heleno Sismeiro – Member

Sara Manuel Carvalho Teixeira Mendes – Substitute

30. Identification of The Supervisory Bodies

The Statutory Audit Board (SAB) and the Statutory External Auditor are, under the governance model currently adopted, the auditing bodies of the Company.

31. Composition

In accordance with the Company's Articles of Association, the Statutory Audit Board (SAB) shall be composed of an odd or even number of members, with a minimum number of three members and a maximum number of five members, elected for a four-year mandate. One or two substitute members may be appointed if the SAB is made up of three or more members, respectively.

The Statutory Audit Board members are elected at the Shareholders' General Meeting.

If the Shareholders' General Meeting fails to elect the members of the Statutory Audit Board, the Board of Directors must, and any shareholder may, petition the courts for the necessary appointment.

If the Shareholders' General Meeting does not designate the Chairman of the Statutory Audit Board, the Chairman shall be appointed by the members of the Statutory Audit Board.

If the Chairman leaves office prior to the end of the mandate for which he was elected, the other members must choose a substitute to exercise these duties until the end of the current mandate.

The members of the Statutory Audit Board who are temporarily unavailable, or who have resigned, shall be replaced by the substitute member.

Substitute members who replace members who have resigned, shall remain in office until the next Shareholders' Annual General Meeting, at which time the vacant positions shall be filled.

In the event of it not being possible to fill in a vacancy left by a member, due to a lack of an elected substitute member, the vacant positions, both of the member and of the substitute member, shall be filled by means of a new election.

In light of the Company's size as well as of the complexity of its activity and correlated risks, the composition of the Statutory Audit Board, of 3 members, is deemed by the Company as being suitable to ensure the efficiency of this governing body's duty of supervising and monitoring such activity and risks, in compliance the applicable law and the Statutory Audit Board Regulation available at <https://www.sonae.pt/pt/investidores/governo-da-sociedade/>.

The member of the Statutory Audit Board Daniel Bessa Fernandes Coelho was first elected on 3rd May 2007, at the time as Chair of the Statutory Audit Board and was later re-elected for new mandates at the Company's Shareholders' Annual General Meetings, held on 27th April 2011 and on 30th April 2015 for a third mandate for the 2015-2018 four-year term.

The remaining members of the Statutory Audit Board were first elected at the Shareholders' Annual General Meeting held on the 30th April 2015, for a first four-year mandate of 2015-2018.

At the Shareholders' Annual General Meeting held on 30th April 2019 all the members of the Statutory Audit Board were elected for the four-year mandate 2019-2022.

32. Independence

The majority of the members of the Statutory Audit Board are independent as required by article 414 paragraph 5 and are not in breach of any of the criteria for incompatibility as set out in article 414 A, paragraph 1, both of the Portuguese Companies Act. The Chairman of the Statutory Audit Board is independent, fulfilling thereby the requirement of Article 3, paragraph 2, subparagraph c) of Law no. 148/2017 of 9th September.

The Statutory Audit Board has carried out, in 2019, an assessment of the independence of its members, by obtaining written information on an individual basis.

33. Professional qualifications and curricular references of the members of the Statutory Audit Board

The qualifications, experience and responsibilities of the members of the Statutory Audit Board are disclosed in Appendix I of this Report.

b. Functioning

34. Internal regulation of the Statutory Audit Board

The Internal Regulation of the Statutory Audit Board is available at the Company's website, <https://www.sonae.pt/en/investors/government-of-society/>

35. Statutory Audit Board Meetings

Decisions are taken by simple majority, the Chairman having a casting vote if the Statutory Audit Board is composed of an even number of members.

The Statutory Audit Board meets at least four times a year and every time the Chair or two of its members convene a meeting. In addition to the formal meetings, and if necessary, the members of the Statutory Audit Board maintain contact through long distance communications.

During 2019, 18 (eighteen) meetings were held, with an overall attendance rate of 100%. Minutes of all meetings of the Statutory Audit Board were recorded.

36. Availability of the Statutory Audit Board members

Information on other positions currently held by members of the Statutory Audit Board in other entities, whether or not in Sonae Group, as well as information on other relevant activities exercised during the present mandate, are disclosed in Appendix I to this Report.

c. Duties and competencies

37. Role of the Statutory Audit Board in the hiring of additional services from the external auditor

The Statutory Audit Board is responsible for the approval of non-audit services from the External Auditor.

To that effect, the Statutory Audit Board establishes, in the first meeting of each year, a work plan and timetable, comprising among other subjects, the coordination of tasks with the External Auditor including:

- Approval of the annual work plan of the External Auditor;
- Follow-up of work performed and review of conclusions of the audit work and of interim and annual statutory audits;
- Overseeing the independence of the External Auditor;
- Decision on the approval of the provision of non-audit services, in compliance with IPCG Recommendation VII.2.1 iv and with Law no. 140/2015, of 7th September;
- External Auditor's annual activity assessment in compliance with IPCG Recommendation VII.2.3.

In the assessment of criteria that supports the hiring of additional work from the External Auditor, the Statutory Audit Board confirmed the existence of the following safeguards:

- the hiring of non-audit services has not affected the independence of the External Auditor;
- the non-audit services have represented a balanced consideration vis-à-vis the services provided;
- the non-audit services, duly framed, did not constitute forbidden services pursuant to no.8 of article 77 of the Law no. 140/2015;
- the non-audit services were provided with high quality and autonomy, as well as with independence from the ones executed under the audit process;
- the quality system used by PWC (internal control), according to the information provided to the Company, monitors the potential risks of a loss of independence and possible conflicts of interest with Sonae, while also ensuring that the quality of the services provided are in compliance with the rules of ethics and independence.

38. Other duties carried out by the Statutory Supervising Bodies

38.1 Statutory Audit Board

The Statutory Audit Board is the Company's supervisory body and its duties include, amongst others:

- i. Supervising the management of the Company;
- ii. Ensuring that the law, the Company's Articles of Association and internal procedures are observed;
- iii. Verifying the regularity of all books, accounting registers and supporting documents;
- iv. Verifying, whenever deemed convenient, and in the manner deemed appropriate, the extension of cash and of stock of any kind of goods or other values that belong to the Company or that were received by the Company as a guarantee, deposit or otherwise;
- v. Verifying the accuracy of the financial statements, monitoring the process of preparation and disclosure of financial information and presenting recommendations aimed at ensuring their integrity;
- vi. Verifying if the accounting policies and the valuation criteria adopted by the Company provide a correct evaluation of its assets and results;
- vii. Drawing up an annual report for shareholders on the supervision of the Company, which shall include a description of audit work carried out, possible restrictions encountered in the course of that work, and issuing a statement of opinion on the annual report, accounts and proposals presented by the management;

- viii. Convening the Shareholders' General Meeting, whenever the Chairman of the Board of the Shareholders' General Meeting fails to do this in circumstances when it was necessary;
- ix. Supervising the efficiency of the risk management system, the internal control system and the internal audit function;
- x. Receiving notification of irregularities presented by shareholders, Company's employees or others;
- xi. Appointing and hire services from experts to help one or more of its members in the exercise of their duties. The hiring and fees of these experts should take in consideration the importance of the underlying matters and the financial situation of the Company;
- xii. To oversee the process of preparation and disclosure of the financial information by the Board of Directors, including the suitability of the accounting policies, estimates, judgements, relevant disclosure and its consistent application between financial years in a duly documented and communicated form;
- xiii. Acting as the primary interface of the Company with the External Auditor and the Statutory External Auditor, approving the criteria for the selection of the Statutory External Auditor, and proposing the appointment or replacement of the External Auditor and the Statutory External Auditor, as well as their remuneration to the Shareholders' General Meeting, as well as the review of their performance, while ensuring that the right conditions exist within the Company for the appropriate carry out their work, being the first point of contact and the first to receive audit reports, without prejudice of the duties and competencies of the Board of Directors on this subject;
- xiv. Supervising the auditing of the Company's financial statements;
- xv. Supervising the existence and maintenance of the Statutory External Auditor's and the External Auditor's independence;
- xvi. Approving, beforehand, the External Auditor's provision of services, and the additional audit services provided as well as approving the respective remuneration, ensuring that the provision of services is permitted by law, not overstepping reasonable limits and in a manner that does not jeopardise the Statutory External Auditor's independence;
- xvii. Issuing a specific and well-sustained report that supports the decision of non-replacement of the External Auditor, giving due consideration to the degree of independence of the auditor under these circumstances and the advantages and costs of replacing them;
- xviii. Supervising the activity carried out by the internal audit;
- xix. Giving a prior opinion about transactions involving significant business conducted between the Company and shareholders holding qualified shareholdings, or entities with which these are related, in the terms set forth in article 20 of the Portuguese Securities Code, and according to procedures and criteria to be defined by the Board;
- xx. The supervisory governing body is subject to compliance with the competencies and duties established by Law no. 148/2015, of 9th September, which approves the Legal Framework of Auditing Supervision, transposing into national law the Directive 2014/56/EC of the European Parliament and of the Council, of 16th April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, ensuring the execution into national law of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16th April 2014, on specific requirements regarding statutory audit of public interest entities, namely those under article 3 of the preamble decree and article 24 of the Legal Framework of Auditing Supervision;
- xxi. Comply with any other attributions defined by the applicable law or the Company's Articles of Association.

In order to carry out its duties, the Statutory Audit Board has a meeting at the beginning of each financial year to plan out the year's work. This plan includes:

A - monitoring the business activity of the Company and the interaction with the Executive Committee and the Board of Directors through the Board Audit and Finance Committee, in particular:

- Assessing how the internal control and risk management systems are working;

- Assessing the financial statements and the disclosure of financial information;
- Issuing opinions and recommendations.

B - supervising the activity of internal audit and risk management, covering:

- Annual activity plan;
- Receiving periodic reports on their activity;
- Evaluating results and conclusions reached;
- Checking and evaluating the existence of possible irregularities that have been forwarded to them;
- Issuing guidelines, as and when deemed appropriate.

C - information on irregularities (whistleblowing):

The Ombudsman reports on a half yearly basis its activities to the Statutory Audit Board, for approval of procedures for the reception and treatment of claims and critical review of results.

The Statutory Audit Board is also responsible for receiving irregularities in strict accordance with article 420, paragraph 1, subparagraph j), of the Portuguese Companies Act, whether directly addressed to it, or reported to the Ethics Committee or another governing body.

38.2. Statutory External Auditor

The Statutory External Auditor is the statutory supervisory body responsible for legally certifying the Company's financial statements. Its main responsibilities are:

- Verifying the accuracy of all books of account, accounting transactions and supporting documents;
- Whenever it deems convenient and by the means that it considers to be appropriate, verifying the accuracy of cash and stocks of any kind, of the assets or securities belonging to the Company or received by it by way of guarantee, deposit or other purpose;
- Verifying the accuracy of the financial statements, and expressing an opinion on them in the Accounts Legal Certification and in the Audit Report;
- Verifying whether the accounting policies and valuation criteria used lead to a fair valuation of the assets and results of the Company;
- Carrying out any examinations and checks necessary to the audit and legal certification of the accounts and carrying out all procedures required by law;
- Verifying the application of remuneration policies and systems, and the effectiveness and working of internal control procedures, reporting any weaknesses to the Statutory Audit Board in accordance with, and within the limits of its legal and procedural duties;
- Attesting if the Company's Corporate Governance Report includes the information referred to in article 245-A of the Portuguese Securities Code.

Since the 1st January 2016, the duties and services provided by the Statutory External Auditor have been in strict compliance with the new Statute of the Portuguese Institute of the Statutory Auditors, under the terms established by Law no. 140/2015, of 7th September.

IV. Statutory External Auditor¹

39. Identification

The Company's Statutory External Auditor is PricewaterhouseCoopers & Associados, SROC, S. A., represented by the statutory auditor Hermínio António Paulos Afonso or by the statutory auditor António Joaquim Brochado Correia.

40. Permanence in functions

The Statutory External Auditor was initially elected at the Shareholders' General Annual Meeting held on 3rd May 2018, for the remainder of the mandate 2015-2018, by a proposal of the Statutory Audit Board.

For that purpose, the Statutory Audit Board organised an enlarged selection bid in accordance with the terms set forth in subparagraph f) of number 3 of article 3 of the Legal Framework of Auditing Supervision approved by Law no. 148/2015 and in article 16 of the EU Regulation no. 537/2014, completed with the proposal presented to the Shareholders' General Meeting.

The proposal presented by the Statutory Audit Board at the Shareholders' Annual General Meeting, held on 3rd May 2018, is available for consultation at the Company's website <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

At the Shareholders' Annual General Meeting held on 30th April 2019, the Statutory External Auditor, PricewaterhouseCoopers & Associados, SROC, S. A., represented by the statutory auditor Hermínio António Paulos Afonso or by the statutory auditor António Joaquim Brochado Correia, was re-elected, by proposal of the Statutory Audit Board, for the 2019-2022 mandate.

41. Other services provided to the Company

PricewaterhouseCoopers & Associados, SROC, S.A. (PwC) is also the Company's External Auditor. As the Statutory External Auditor, PwC did not provide any other services to the Company.

V. External Auditor²

42. Identification

The Company's External Auditor is, in compliance with the article 8 of the Portuguese Securities Code, PricewaterhouseCoopers & Associados, SROC, SA, represented by Hermínio António Paulos Afonso (ROC no. 712) or by António Joaquim Brochado Correia (ROC no. 1076).

43. Permanence in functions

The External Auditor, PricewaterhouseCoopers & Associados, SROC, SA, was initially elected at the Shareholders' Annual General Meeting held on 3rd May 2018, following a proposal of the Statutory Audit Board. The representing partners were also appointed in 2018 following the abovementioned election and remained in office following the re-election of the Statutory External Auditor at the Shareholders' Annual General Meeting held on 30th April 2019.

¹ Referred to as "Statutory Auditor" pursuant to Regulation (EU) no. 537/2014, of the European Parliament and the Council of 16th April 2014.

² Referred to as "Auditor" pursuant to Regulation (EU) no. 537/2014, of the European Parliament and the Council of 16th April 2014.

44. Policy and frequency of rotation of the external auditor

The Statutory Audit Board has adopted the recommended principle on the rotation of the External Auditor. Hence, the non-rotation of the External Auditor, after two four-year mandates may only exceptionally occur if, after careful assessment, the Statutory Audit Board has concluded that the non-replacement of the External Auditor does not affect its independence, the benefits outweigh the costs of such replacement and all the conditions set forth by paragraphs 4 and 5 of article 54 of the Law no. 140/2015 of 7th September are fulfilled.

Since the 1st January 2016, the term of the mandate is subject to the rules established in article 54 of the Law no. 140/2015, of 7th September.

45. Statutory governing body responsible for the external auditor's assessment

The Statutory Audit Board oversees the performance of the External Auditor and the work developed during each exercise, considers and approves beforehand the additional work to be provided and, annually, prepares an overall appraisal of the External Auditor, which includes an assessment of their independence.

46. Additional work, other than audit services, performed by the external auditor and respective hiring process

Non-audit services were provided by the External Auditor to the Company, and to Sonae Group companies, in accordance with the previously defined policy, specifically approved by the Statutory Audit Board, which recognised that the hiring of additional services did not affect the independence of the External Auditor, and were in the general interests of the Company, given the expertise of the service provider and the quality of the services provided in the areas concerned as well as the provider's knowledge of the Company and the Group.

As an additional safeguard, the following measures were taken:

- The hiring of non-audit services did not affect the independence of the External Auditor;
- The non-audit services have represented a balanced consideration vis-à-vis the services provided;
- The non-audit services, duly framed, did not constitute forbidden services pursuant to no.8 of article 77 of the Law no. 140/2015;
- The non-audit services were provided with high quality and autonomy, as well as with independence from the ones executed under the audit process;
- The total annual fees paid in Portugal by Sonae to the External Auditor, represent less than 15% of their overall fees in Portugal.
- The quality system used by PWC (internal control), according to the information provided to the Company, monitors the potential risks of a loss of independence and possible conflicts of interest with Sonae, while also ensuring that the quality of the services provided are in compliance with the rules of ethics and independence.

The Statutory External Auditor sent to the Statutory Audit Board, under the provisions of paragraph 6 of Article 24 of Law no. 148/2015, of 9th September, which approves the Legal Framework of Auditing Supervision, a statement of independence, in which the services rendered by it or by other entities and the precautionary measures taken are described. These measures are duly considered by the Statutory Audit Board, whose responsibility it is to give an opinion on their adequacy.

47. Remuneration of the external auditor

The remuneration paid to the Statutory External Auditor and to the External Auditor, PricewaterhouseCoopers & Associados, SROC, SA, by proposal of the Statutory Audit Board, and to other individuals and entities within its 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:

Remuneration paid by the Company	2018*		2019*	
Statutory Audit and Accounts Certification	31,650	100%	52,275	100%
Total	31,650	100%	52,275	100%

*Amounts in euros.

Remuneration paid by the Group's Companies**	2018*		2019*	
Statutory Audit and Accounts Certification	531,661	52%	562,926	55%
Other Compliance and Assurance Services	397,500	39%	147,140	14%
Tax Consultancy Services	-	0%	13,575	1%
Other Services	96,464	9%	311,590	30%
Total	1,025,625	100%	1,035,231	100%

*Amounts in euros.

**Controlling companies or in a Group relationship

C. Internal Organization

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 Act, requiring a majority of two thirds of the votes cast for such a resolution to be approved at a Shareholders' General Meeting.

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 (whistleblowing)

49. Policy on reporting irregularities

Sonae's values and principles are widely spread and deeply rooted in its business culture and form the basis of its actions. These are founded upon principles of awareness and absolute respect for the rules of good conduct in the management of conflicts of interest and duties of diligence and confidentiality in dealings with third parties. The Company's values and principles can be consulted at - <https://www.sonae.pt/en/sonae/culture/>.

All reports of irregularities can be directly addressed, in writing, to the Statutory Audit Board to the following address: Lugar do Espido, Via Norte, 4470-157 Maia, as provided at the Company's website – <http://www.sonae.pt/en/contacts/>.

III. Internal Control and Risk Management

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

Risk Management is deeply rooted in Sonae's culture and is one of its key Corporate Governance practices. It forms part of all management processes and is the responsibility of all employees of Sonae, at all levels of the organisation.

The main goal of Risk Management is to create value by managing and controlling opportunities and threats that can affect business objectives and the going concern of Sonae's businesses. Risk Management, alongside with Environmental Management and Sustainability, are pillars of sustainable development in the sense that better understanding and more effective management of risks contribute to the sustainable development of businesses.

Risk Management is the responsibility of all Sonae managers and employees, and is supported by the Risk Management, Internal Audit and Strategy, Planning and Control Departments, at all levels of the organisation, and through specialised teams, which report directly to their respective Boards of Directors.

The Risk Management department's mission is to help companies reach their objectives via a systematic and structured approach in identifying and managing risks and opportunities.

The Internal Audit department identifies and evaluates the effectiveness and efficiency of management and control of business processes and information systems. The Internal Audit department is supervised by the Statutory Audit Board.

The Strategy, Planning and Control department promotes and supports the integration of risk management into the management and planning control processes of the Company's businesses.

Financial and accounting information reliability and integrity risks are also evaluated and reported upon by the External Audit activity.

51. Hierarchy and/or functional relationships with other company's bodies

The Statutory Audit Board monitors the internal control and risk management systems, supervises its activity plan, receives periodic reports on the work performed, assesses the results and conclusions drawn and gives guidelines as it deems necessary.

The External Auditor verifies the effectiveness and functioning of internal control procedures in accordance with the work plan appointed by the Statutory Audit Board, to which it reports the conclusions drawn.

The Board of Directors, through the Board Audit and Finance Committee, monitors the Internal Audit and Risk Management activities.

52. Other functional areas with risk control competencies

Each one of the Group's functional structures takes responsibility in controlling and monitoring risks related with their duties, namely the Strategy, Planning and Control, Legal Advisory and Corporate Governance, Finance, Tax, Human Resources, Communication, Brand and Sustainability, Institutional Relations, Investor Relations and Administrative Services departments.

53. Identification and classification of main risks

External risks

Macro-economic influences:

Sonae is highly exposed to the state of the Portuguese and global economies. In the macroeconomic scenario, where there is a slowdown in economic activity, an increase of public, private and external debt, an increase in the interest rates in the euro zone and/or the political instability or war with a consequent increase in the price of commodities, Sonae would be significantly impacted.

Sonae has several initiatives underway to mitigate these risks, namely the internationalisation of its businesses, an active portfolio management, the constant improvement of value propositions across businesses, a conservative approach to financial leverage and the diversification of funding sources.

Competition:

The main competition risks are the entrance of new competitors, mergers and acquisitions, the repositioning of current competitors or the actions they might take to reposition themselves to win new markets and gain market share (eg. promotional activity, new businesses and assets, innovation). The inability to be competitive in areas such as pricing, offering range, quality and service can have a negative impact on Sonae's financial results. In order to minimize this risk, Sonae constantly benchmarks competitor's actions and invests in improved or new formats, businesses and products/services in order to always offer its customers innovative proposals.

Customers:

One of the fundamental risk factors is the possibility of changes in consumer behaviour, especially as a consequence of economic and social factors. Customers frequently change their expectations and preferences, which imply a continuous adaptation and optimization of business concepts and offers.

To anticipate consumer needs and market trends, Sonae companies analyse information about consumer behaviour on a regular basis with more than 400,000 customers interviewed per year. The introduction of new products, concepts and technologies is always tested using pilot schemes before being rolled out. The Group also invests in the refurbishment of stores and of shopping centres and in launching IT services (including transactional sites) to ensure that they retain their attractiveness for customers and cope with the pace of technological innovation challenges.

Brand:

Sonae and its affiliated companies own several high value brands, and they are one of its main assets.

The risks associated with brands come from the negative impacts arising from extraordinary events affecting image and reputation. Sonae periodically monitors brands' image value, their attributes and their reputation through customer opinion surveys, research by specialist entities and market studies. Sonae also performs continuous follow-up of brand reputation, namely through press analysis, opinion articles issued by the media and social media. Sonae's brands are regularly granted national and international awards, which recognise excellence in specific products/services, business processes and innovation achievements.

Tangible asset risks:

In 2019, preventive and safety audits were conducted in different locations. In the main business units, tests and simulations were made to emergency and preventive systems and plans, usually in the presence of civil protection services, security forces and fire brigades. The development and implementation of security standards, and related monitoring and self-assessment procedures (Control Risk Self-Assessment) also continued.

People safety risks:

The Safety and Health of our staff is a key management concern. Every year, several Safety and Health initiatives and actions are launched, with the aim of increasing the commitment and involvement of all our staff in preventing and reducing professional risks, as well as promoting healthy behaviour, which may contribute to the well-being of our staff.

We promote a culture of zero accidents, investing in our business units to make them safe and healthy environments.

Continuing the work done in previous years, the following are examples of initiatives that have been implemented recently to strengthen our Safety Culture:

Sonae MC:

- o In 2019, Sonae MC developed the Safety Prevention Observation (SPO) Programme, lectures in work context, with the main objective of increasing the level of awareness about unsafe behaviours, as well as consolidating the knowledge already acquired in previous training. To support the program, a Practical Guidance for Senior Managers was developed, with the mapping of good practices and useful tips so that they can exercise active and influential supervision in the reduction/elimination of risk behaviours.
- o In 2019, 88,426 hours of OSG training were provided, covering a population of 113,409 trainees.

- o In 2019 we created the Academy of Safety Animators to renew the training content, expanding training oriented to daily practice and enhancing the growth (through stages of evolution) of the animators, as well as introducing innovative methodologies, advanced technologies and differentiating solutions.
- o In 2019, we reviewed the current range of personal protective equipment to increase the degree of comfort, usability and safety. We continued to work in partnership with specialized companies to work on foot diseases. The “foot diseases” project allowed the classification of 9 types of diseases in the Sonae MC population, for which we established 17 different models of shoes, having already solved more than 125 cases, with the delivery of the specific type of footwear for each situation.
- o In 2019, we continued the project "Fresh from A to Z", with the main objective of investigating the direct and indirect causes of occupational accidents, specializing the teams in the processes and eradicating prohibited “accidents”. We created a colour code identification system in order to share information about the accidents occurred, their causes and preventive measures to implement with the objective of avoid the recurrence of these accidents. We developed a set of pilots in units that aim to implement operational improvements, from more ergonomic machines, equipment’s replacement to reduce physical effort and equipment’s acquisition to eliminate extreme and repetitive body postures.
- o Throughout 2019, we continued the project/partnership established in July 2017 with Fidelidade. The project aimed at improving processes, developing tools, both management and operational, to create more agility, transparency and control of claims through the value chain.

Worten:

- o Concerning the subject of Health and Safety at Work (OSH), Worten maintains the development and consolidation of a strong safety culture based on the fluidity of information in all hierarchical levels, where all employees have access to the information necessary for the practice of safe behaviours with consequent guarantee of productivity and quality of life at work.
- o Regarding Worten’s training on occupational risks and the respective preventive measures, 4,796 hours of OHS training were provided in 2019, resulting in a total of 4,964 participations, covering 2,038 employees.
- o The digital platform W-T@LK began to be used in 2018 and since then, became the privileged channel for sharing information to all employees and managers. In 2019, videos, useful links, work equipment and information manuals were added, as well as the direct model of reporting work incidents. In this digital environment, along with the creation of an email for OSH themes directly accessible to all, the creation and launching of the OSH Platform to manage the units' action plan also streamlined the whole process of managing findings with the inherent improvement of working conditions.
- o The year of 2019 also stood out for its investment in the acquisition of lifting platforms for the mechanical handling of heavy loads in all units allowing the storage and exposure of large products for domestic use in higher rack positions while minimizing the manual handling of loads with the inherent increase in the quality of work life. In addition, to seek the best safety conditions at work, personal protective equipment (PPE) suitable for the tasks carried out, such as footwear, gloves and protective masks, as well as lumbar straps, were also made available.
- o In 2019, with the support of an external partner specialized in OSH, Worten ensured regular visits and permanent monitoring of all units. This physical presence allowed a strong commitment to direct instruction of employees and

managers and changed the ability to recognize risks in the workplace contributing to the continuous improvement of the conditions and work processes, reaching different levels of safety.

- o Key projects were also developed to consolidate preventive measures, namely the development of a study in partnership with a university to assess the conditions for manual handling of loads in operations, culminating in the construction of a specific training for manual handling of loads, a risk assessment in the equipment repair activity to standardize existing preventive practices and the analysis of accidents in the workplace to review and improve OSH processes.

Sonae Fashion:

- o Aware that the best results are achieved with a business and proximity policy, during 2019, 348 visits were made for a universe of 170 units.
- o Aware of the importance of training on risks in the workplace, in 2019, we continued to implement the onboarding training program. 1,716 hours of OSH training were provided, covering a population of 1,111 trainees.
- o Information was shared on a quarterly basis on OHS activity (Safety Alerts), with the objective of raising awareness on the risks and the preventive measures to be adopted in order to minimise them.
- o Websites (Sharepoint) were created for MO and Zippy, for more effective dissemination of the OSH content (eg: self-protection measures, OSH indicators, work accident procedure, etc).

These and other initiatives have contributed significantly to enhance Health and Safety at work and to improve, in retail businesses, accident indicators (both at work and *in itinere*), with a reduction of 9% in the frequency rate and 16% in the severity index.

Sonae Sierra:

“Zero accidents” is the objective to which Sonae Sierra aspires through the implementation of its corporate Safety, Health and Environment Management System.

The set-up of Sonae Sierra’s Safety and Health culture began with the PERSONÆ Project in 2004, whose final output was a cross-organisational Safety and Health culture within Sonae Sierra. This required implementing processes and actions, strictly aligned with the corporate Safety and Health policy and objectives, aimed at minimizing and controlling all people related risks that arise from Sonae Sierra activities in all Shopping Centres in operation and in all Development Projects. In total, within the PERSONÆ project, 5 million euros were invested and the project involved more than 70,000 people among Sonae Sierra employees and tenants in Portugal, Spain, Italy, Germany, Greece and Brazil. This project, concluded in 2008, has evolved into Sonae Sierra’s Safety, Health and Environment Management System, which continues to hail the same high standards and commitment levels to minimise people related risks.

This effort was recognised through Sonae Sierra’s corporate OHSAS 18001 certification in 2008, which was the first ever awarded in Europe to a Shopping Centre company. OHSAS 18001/ISO 45001 certifications were additionally attained for 11 development projects since 2009 and, at the end of 2019, 36% of Sonae Sierra Shopping Centres are individually certified with OHSAS 18001.

Business continuity management:

Projects and programmes continued to be developed in order to guarantee the continuity of operations and information systems, through defining, revising and implementing procedures and processes to prepare for crisis and catastrophic scenarios, particularly through developing emergency, contingency and recovery plans for business and information systems.

Environmental risks:

In the area of environmental risks, several environmental certifications have been obtained, audits were performed, and improvement actions were implemented as part of Environmental Management Systems processes in the Group's sub-holdings.

Sonae MC, SGPS, SA has been awarded certification for its corporate Environmental Management System in 2007 according to the ISO 14001 standard by Lloyds Register Quality Assurance, and has renewed it over the years. In 2010, the EMS was adapted to the new Sonae Retail organization, and again has been certified.

In 2017, Sonae Retail's EMS was for the fourth time certified, this time against the most recent version of ISO 14001 standard, which is more demanding and complete in terms of identifying and managing risks and opportunities.

With 7 new units certified at the end of 2019, Sonae's retail business holds, in Portugal, 84 certifications (41 Continente hypermarkets, 8 Continente Modelo supermarkets, 5 Continente Bom Dia supermarkets, 22 Worten stores and 7 Logistics Warehouses, in addition the Meat Processing Centre in Santarém). In addition, there are as well as 3 certified Worten units in Spain.

These certified operational units act as models for the continuous improvements of the environmental performance of all other units.

Sonae Sierra's Safety, Health and Environment Management System covers these risks for all Sonae Sierra's activities, including procurement, construction and the operation of Shopping Centres.

At the end of 2019, 36% of Sonae Sierra Shopping Centres were individually granted ISO 14001 certifications, setting the grounds for the following corporate achievements, in the period 2002 to 2019:

- Electricity consumption fell 54%;
- Recycling rates increased from 19% to 66% of total waste generated;
- Water efficiency improved 35%.

Environmental efficiency measures implemented since 2002, which led to the above results, allowed Sonae Sierra to avoid €16,800,000 (sixteen million and eight hundred thousand euros) of costs in 2019.

During the development phase of Shopping Centres, 27 of Sonae Sierra's construction projects were granted individual ISO 14001 certification for their outstanding environmental practices during construction, up until now.

Sonae Sierra's performance in the Global Real Estate Sustainability Benchmark (GRESB) has been strong since its outset, and in 2019 we maintained our position among the leaders in the GRESB attaining 5 Star and Green Star status. The Sierra Fund was ranked 3rd in the Southern European non-listed companies.

External recognition of the work performed by Sonae Sierra is shown by the awards it was granted over the last years.

Some of the awards received by Sonae Sierra include:

- o Dupont Safety Award in 2007 in the category Visible Management Commitment;
- o European Risk Management Award in 2009, 2010 and 2011, respectively, in the categories Best Risk Training Programme, Best Environmental Risk Control and Most Innovative Use of IT or other Technology, for its inspection system in Health and Safety;
- o DuPont Safety Award finalist, in 2011, for its exemplary performance and dedication to build safer Shopping Centres for children;
- o Forbes Green Awards, in 2015, in the category Green strategy in developing and operating shopping centres;
- o Silver Stevie® Prize, in 2018, in the category Energy Industry Innovation of the Year of the International Business Awards®, one of the largest company world recognition programmes.

Change project risks:

Risks associated with critical business processes and major change projects, especially the introduction of new processes and major changes to information systems, were assessed and monitored, both as part of Risk Management work as well as Internal Audit activity.

Insurable risks:

In relation to the transfer of insurable risks (technical and operational), the objective of rationalising the financial transfer of these types of risk continued, either by searching to establish a tailored insurance capital structure for the capital sums at risk, based on the constant changes in the businesses involved, or by reaching even greater critical mass for the kinds of risks involved. Insurance coverage and retention levels have also been optimised in accordance with the needs of each business, ensuring internally effective insurance management worldwide, using Brokers Link, Sonae's worldwide insurance brokerage network, coordinated by MDS, Sonae's insurance consultants.

Food safety risks:

In Sonae MC, a programme of food safety audits was implemented and consolidated in stores, cafeterias, restaurants, warehouses and production centres, leading to reporting of main conclusions and recommendations for corrective actions.

This audit programme has the goal of checking systematically compliance with food safety regulations and internal procedures. In 2019, 2,000 food safety audits were performed.

In 2019, the Quality and Research Department carried out over 800 visits to stores. The Quality and Research Department teams check the conformity of the products received in the stores, thereby standardising the quality of the products. This teams also verifies the conformity of the products displayed in the stores, also promoting an awareness of the good practices of exposure and handling of the products, as well as a verification of compliance with the processes that ensure food safety and product quality.

Information, information systems and communication risks:

Sonae businesses Information Systems are characterised as being broad ranging, distributed and heterogeneous. From the information security point of view, several risk reduction actions have been developed to ensure confidentiality, availability and integrity of information, including: implementing high availability systems and network infrastructure redundancy; controlling the quality of flows between applications; managing accesses and profiles; and strengthening

mechanisms for data network perimeter protection, performance of intrusion tests to the website and protection of mobile devices and computers.

During 2019, we continued to carry out several actions for the protection of Personal Data strictly used in our activity, which had the participation of employees from several levels and work areas. In addition, we continued with the Company's adjustment program to the new standards contained in the General Data Protection Regulation (GDPR), which includes the revision of the Company's standards and procedures, the update of records of processing activities, the review of the exercise of right procedures, the revision of the right to inform and the implementation of the GDPR compliance website.

Concerning the cybersecurity risk, several actions were developed, among which the renewal of the Bitsight rating service, the implementation of a protocol with the Portuguese National Centre for Cybersecurity (CNCS) in the area of Cyber Intelligence, raising awareness session with the Portuguese Intelligence Agency (SIS), training sessions, with a special focus on phishing campaigns, adopting the NIST CSF framework and implementing an incident management procedure.

In 2019, audits were carried out on the information systems that support Sonae's critical processes, to identify and correct potential vulnerabilities that could have a negative impact on the business and information security. Audits were also carried out on the management and governance processes of Sonae's information systems using the Cobit V5 framework.

Financial risks:

The Group is exposed to a variety of financial risks (detailed and analysed in the Notes to the Consolidated Financial Statements of Sonae) that may impact its equity value. Synthetically, we can group such risks by their nature:

1. Interest Rate Risks;
2. Exchange Rate Risks;
3. Liquidity Risks;
4. Credit Risks;
5. Market Risks;
6. Equity Risks.

In abstract, a financial risk shall be understood as a possibility of obtaining different results from the ones expected, and with a material impact in the Group. Sonae seeks, as much as possible, to control this volatility in order to protect its equity value.

Considering the multiple nature of the various businesses of the Group there isn't an individual policy for the management of these risks. There are generic principles that arise from the practices of good management, being, however, privileged an individual approach, well adapted to the characteristics of each business unit.

The Group's approach to financial risk management is conservative and prudent. Sonae does not assume any economically speculative positions, and therefore all operations carried out within the scope of financial risk management are solely for the purpose of controlling the risks to which the Group is already exposed.

Due to the nature of its business, the Group is particularly active in covering the exchange rate risk that arises essentially from the international sourcing activity, through purchases denominated for the most part in USD. These transactions are generally performed by the hiring of derivative financial instruments, with Sonae's reporting banks and the objective

of permitting stable sourcing negotiations and decision making, by fixing exchange rates. Although with a smaller incidence, in the management of interest rate risk, whenever coverages are contracted, the proceedings are the same. Some companies of the Group have their operation in countries operating a currency different from the Euro, being the risk, in any such cases, managed by the policies defined by each of the businesses.

A substantial part of the Group's resources is obtained from relational banks and, occasionally from the capital markets and, accordingly, Sonae is, inevitably, exposed to its intrinsic volatility. In order to ensure that, at any moment, the Group has financial ability to honour its commitments, it follows financing policies that recommends that the Group's needs are refinanced over a period of 18 months, plus predetermined prudential buffers, thus reducing the impact of a sudden disruption of the capital markets, in the activity of the Group. Additionally, Sonae seeks to reduce liquidity risk, by negotiating contractual clauses that disable the possibility of counterparties to demand unilaterally the anticipated repayment of financing and by negotiating with a diversity of counterparties to reduce the impact that any specific events, in any bank or country, may have in the Group's ability to access funds at the intended amounts and conditions.

Coverage of the clients' risks is an area that has been gaining expression over the past years, considering the growth of the sales channels of the various business units. Although this risk is relatively small, in consolidated terms, the expansion of the wholesale and franchising activities of the business units has forced Sonae to give particular attention to the management of such risks, either throughout the creation of policies suitable to the characteristics and nature of the different businesses, defining credit risk' limits, either throughout credit insurance, bank guarantees and stand-by letters of credit, among other similar instruments. Additionally, the Group has created individualised credit committees per business with a multidisciplinary participation so that the risk of defaults by client is mitigated and monitored systematically and in a timely manner.

Still regarding management of credit risk associated with financial instruments (financial applications and deposits in banks and other financial institutions or resulting from financial derivative instruments executed during the normal course of hedging operations) or loans to related entities, there are principles applicable to all the Sonae companies aiming at reducing the probability of violation of obligations, including, among others, the execution of operations with prestigious and nationally and internationally recognised counterparties, based on their credit rating, considering the nature, the maturity and the dimension of the operations.

The Group is exposed to share price risks arising from the strategic investments made in listed companies. The Group may use derivative instruments associated with its listed financial investments, and these risks are monitored on a recurring basis up to maturity.

The objectives of capital structure management (defined as the proportion between equity and net debt) are to safeguard the Group's ability to ensure the continuity and development of its operating activities, at the same time maximising shareholder returns and optimising financing cost.

The financial risk management policy is determined by each board of directors of each company within the Group, with the support of the Holding's central structure, being the risks identified and monitored in each of the Financial and Treasury departments of the businesses. This ensures a consistent and aggregated approach to the various risks that, at the end, impact on the Group.

Exposure to risks is also monitored by the Corporate Finance and Treasury Committee, where a consolidated risk analysis is reviewed and reported on a monthly basis, and guidelines on risk management policies are analysed and reviewed regularly.

The implemented system ensures that, in each moment, appropriate policies to manage financial risks are adopted, to avoid that such risks impair the achievement of the strategic objectives of the Sonae Group.

Legal, tax and regulatory risks:

Sonae and its businesses have the support of legal and tax departments permanently dedicated to the respective activities and under management's supervision and exercising their competencies in interaction with other functions and departments, in order to pre-emptively ensure the protection of Sonae's and its businesses interests in compliance with their legal obligations and best corporate governance practices.

The teams in these departments have specialised 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 reputation and which have the highest standards of competency, ethics and experience.

The Company's more relevant pending litigation is identified in the notes to Sonae's consolidated financial statements.

Sonae and its businesses are obliged to comply with national and international laws and regulations for each market in which they operate, aiming to ensure: consumer safety and protection, employees' rights, environmental protection and compliance with local and country planning regulations, compliance with sector regulations and the maintenance of open and competitive markets. Due to this fact, Sonae is naturally exposed to the risk of changes in law and regulations that may impact business as usual and consequently affect or impede the achievement of its strategic objectives.

The Sonae Group acts in constant collaboration with the authorities in order to comply with laws and regulations. Such collaboration takes in some cases the form of comments on public consultation launched by national or international authorities. Moreover, the growing international presence of Sonae's companies involves specific risks related to the different nature of local legal frameworks.

Human Resources risks:

In 2019, Sonae and its business units in Portugal experienced a situation of full employment, associated with a highly competitive labour market. This reality puts additional pressure on Sonae's ability to recruit and retain high potential employees. As a way to manage this risk, several initiatives were developed, among which the project Flex it Up (flexibility of working hours), the review of remuneration policies, the implementation of programs aimed at young employees (Contacto, Future Leaders @ Retail), the management and improvement of performance and potential of employees (Improving Our People), and the development of career accelerators for high potential employees.

Sonae companies' heterogeneity, size and stage of development can contribute to the existence of complex and inflexible organisational structures, with an impact on decision making in an agile manner and with a consequent loss of opportunities. Aware of this risk, Sonae has been developing several initiatives that involve promoting projects with mixed and multidisciplinary teams, the development of collaborative IT solutions, the digitalisation of human resources processes, the reduction of organisational silos and the implementation of the KaiZen methodologies. Sonae's Academy (training centre for employees) with the Sonae Management & Leadership program aimed at promoting young talents is another relevant initiative.

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

Risk Management is integrated into Sonae's entire planning process, as a structured and disciplined approach that aligns strategy, processes, people, technologies and knowledge. Its goal is to identify, evaluate and manage uncertainties and threats that Sonae's business units face in the pursuit of their business objectives and value creation.

Sonae's management and monitoring of its main risks are achieved through different approaches, including:

- As part of strategic planning, risks of the existing business portfolio, as well as those of new businesses and of relevant projects, are identified and evaluated, and strategies to manage those risks are defined;
- At the operational level business risks, and planned actions to manage those risks, are identified and evaluated, and are included and monitored in business unit and functional unit parts;
- For risks that cross business unit boundaries, such as large-scale organisational changes and contingency and business continuity plans, structural risk management programmes are developed involving all those responsible for the relevant units and functions;
- As far as risks to tangible assets and people are concerned, audits are carried out at the main business units. Preventive and corrective actions are implemented for the risks identified. The financial cover of insurable risks is reassessed on a regular basis;
- Financial risk management is carried out and monitored as part of the activity of the Company's and its businesses. Their work is reported to, coordinated with, and reviewed by the Corporate Finance and Treasury Committee and the Audit and Finance Committee of the Board of Directors;
- Management of legal risks is carried out and monitored by the legal and tax departments.

The risk management process is supported by a consistent and systematic methodology, based on international standards, including the following:

- Defining and grouping risks (risk dictionary, definition, business risk matrix and a common language);
- Systematically identifying the risks that can potentially affect the organisation (risk sources);
- Evaluating the level of importance and managing the prioritisation of risks as a function of their impact on the objectives of the business, and the likelihood of the risks occurring;
- Identifying the causes for the most important risks;
- Evaluating strategic risk management options (e.g. accept, avoid, treat, and transfer);
- Developing and implementing a risk management action plan to be integrated into the management and planning procedures of the units and functions of Sonae's businesses;
- Monitoring how risks evolve and report on progress made in the implementation of action plans.

Internal audit and risk management training and development

1. With regards to the Internal Audit and Risk Management functions, in 2019 Sonae continued to support employee training for those who voluntarily put themselves forward for international certification programmes promoted by the IIA (The Institute of Internal Auditors) - Certified Internal Auditor (CIA), Certification in Control Self-Assessment (CCSA) and Certified Information System Auditor (ISACA). At the end of 2019, 42 certifications existed as follows:

1		CIA	Certified Internal Auditor (IIA - The Institute of Internal Auditors)	4
2		CCSA	Certified In Control Self-Assessment (IIA - The Institute of Internal Auditors)	5
3		CISA	Certified Information System Auditor (ISACA - Information System Audit and Control Association)	4
4		ISO 27001	Lead Auditor Certification	3
5		CISM	Certified Information Security Management (ISACA - Information System Audit and Control Association)	2
6		CRMA	Certified Risk Management Assurance	3
7		CRISC	Certified in Risk and Information System Control (ISACA - Information System Audit and Control Association)	2
8		CEH	Certified Ethical Hacker	1
9		SCP	Security Certified Program (ISACA - Information System Audit and Control Association)	1
10		COBIT 5	(ISACA - Information System Audit and Control Association)	3
11	—	—	Other certifications	14



2. The importance of continuous training, and the existence within the Group of people with knowledge and skills to train others (some of whom teach regularly outside the Group) were the basis for the establishment of the Internal Audit Academy, which has the following guidelines: definition of functional job descriptions; listing of core skills required for each function (technical and behavioural) and the training strategy for each function. In 2019, 13 training sessions were carried out, involving multidisciplinary teams and a total of 1,860 hours.

Sonae is one of the organisations with the most certified employees in internal audit and risk management in Portugal. In 2020, Sonae will continue to support this important training programme, and the international development and qualification of its internal audit and risk management staff, in line with international best practices.

Actions undertaken in 2019

The year of 2019 was specially focused on the implementation and operationalisation of an Enterprise Wide Risk Management exercise, coordinated by Sonae's corporate risk management department, which ensured the alignment of risk management methodologies, practices and calendar throughout all Sonae companies.

In the first quarter of the year, Sonae SGPS's risks were identified, and a new dictionary and risk taxonomy was developed. During this period, a questionnaire was prepared to support the risk assessment.

During the second quarter, risk assessment was carried out by Sonae SGPS's Executive Committee. After the individual assessment, a calibration session was held with all board members, which led to the approval of Sonae SGPS risk matrix, the identification of critical risks and the appointment of the respective owner.

In the third and fourth quarters, joint work was carried out with each risk owner, where mitigation actions were identified and implemented, and risk indicators started to be monitored. These activities were supported by an application tool, developed internally and based on the international COSO standard.

The Risk Management Department continued to support risk management in the main projects of the organisation, as well as in crises management and business continuity plans.

55. Description of the main features of Sonae's risk management and internal control systems in relation to the preparation and disclosure of financial information

The existence of an effective internal control environment, particularly with regard to financial reporting, is a commitment of the Sonae Board of Directors by way of identifying and improving the critical processes in terms of preparing and reporting financial information, keeping in mind the objectives of transparency, consistency, simplicity, reliability and materiality. The objective of the internal control system is to obtain reasonable assurance relating to the preparation of financial statements, complying with accounting principles and adopted policies, and warranting the quality of financial reporting.

The accuracy of financial information is assured by the clear segregation of duties between the preparers and its users, and the execution of several control procedures during the process of preparing and disclosing financial information.

The internal control system for the accounting department and the preparation of financial statements includes several key controls, namely:

- The process of reporting financial information is documented, the risks and key controls are identified. The criteria used in the process of preparing and reporting financial information is established and periodically reviewed;
- There are three types of control: High-level controls (entity level controls), information system controls and process controls. Those include a group of procedures related to the execution, supervision, monitoring and improvement of processes, with the main objective of preparing the financial reporting of the Company;
- Accounting principles used are disclosed in the notes to the financial statements and are fundamental bases for the internal control system;

- The business plans and budgets, and procedures and records of Group companies allow a reasonable assurance that the transactions executed are properly approved by management, and accounted for in compliance with accounting principles, ensuring that the financial statements respect accounting principles. It also ensures that the Company maintains proper record of its assets with their existence reconciled with the accounting records and adopting appropriate measures whenever differences are detected;
- Financial information is reviewed regularly, by the management of each business unit and by the persons in charge of the profit centres, ensuring continuous monitoring and related budget control;
- During the process of preparing and reviewing financial information, detailed schedules are established and shared with the areas involved, and all documents are reviewed in detail, including the review of principles used, verifying the accuracy of the information and its consistence with principles and policies defined and followed in previous periods;
- With regard to the separate entities, accounting records and financial statements are prepared by the different functions of administrative and accounting services, which warrant the recording of business processes transactions and the recording of balances of assets, liabilities and equity captions. Financial statements are prepared by certified accountants of each company, and reviewed by the Planning and Control and Tax departments;
- Consolidated financial statements are prepared quarterly by the departments of the administrative services (consolidation team) of each sub-holding and holding corporate centre. This process represents an additional control of the reliability of financial information, as regards the consistent application of accounting principles, cut-off procedures and control of related parties' transactions and balances;
- The Management Report is prepared by the Investor Relations department and contributed to, and reviewed by, several business and support departments. The Corporate Governance Report is prepared by the General Counsel and Corporate Governance department;
- The Group financial statements are prepared under the supervision of the Executive Committee. The documents that constitute the Annual Report and Accounts are sent for review and approval by the Sonae Board of Directors. Once approved, the documents are sent to the External Auditor who issues the accounts legal certification and its report;
- The process of preparing separate and consolidated financial information and the Management Report is also supervised by the Statutory Audit Board and by the Board Audit and Finance Committee of the Board of Directors. These bodies meet quarterly to review the individual and consolidated financial statements and the management report. The Statutory External Auditor presents the main conclusions of the work carried out regarding the yearly financial information, directly to the Statutory Audit Board and to the Board Audit and Finance Committee;
- All the persons involved in analysis of company financial information are included in the list of persons with access to inside information, and are informed about the nature of their obligations, as well as possible sanctions resulting from the inappropriate use of such information;
- Internal rules applicable to the disclosure of financial information aim to warrant that information is disclosed to the market in a timely manner, in order to prevent information asymmetry.
- Among the risks that may materially affect the financial and accounting report, the following are worth highlighting:
 - o Accounting estimates – major accounting estimates are described in the Appendix to the financial statements. Estimates are based on information available during the preparation of the financial statements and in the best knowledge and experience of past and present events;

- o Balances and transactions with related parties – balances and transactions with related parties are disclosed in the notes to the financial statements. These transactions are related mainly to the operational activities of the Group, and to the granting and obtaining of loans under arm's length conditions;
- In the Appendix to the financial statements additional information is disclosed regarding the abovementioned risks among others, as well as how they were mitigated.
- Sonae adopts several principles related to continuous improvement of the system of internal control of financial risks, including:
 - o Improvement in the documentation of controls – following action taken in previous years, Sonae continued to improve the documentation and systematization of risks and internal control system related to the preparation of financial information in 2018. This includes the identification of risk causes (inherent risk), the identification of processes of higher material importance, the documentation of controls, and the analysis of residual risk after the execution and implementation of the potential control improvements;
 - o Compliance analysis – the General Counsel and Corporate Governance department, working together with the Administrative Services, Investor Relations, Internal Audit and Risk Management departments, and, if necessary, other departments, coordinate the periodic analysis of compliance with legal requirements and regulations regarding governance processes and corresponding financial information that are reported on the Management Report and in the Company's Corporate Governance Report.

IV. Investor Relations

56. Investor Relations

Investor Relations is responsible for managing Sonae's relationship with the financial community – current and potential investors, analysts and market authorities – with the goal of enhancing their knowledge and understanding of Sonae by providing relevant, timely and reliable information.

In strict compliance with law and regulations, the Company keeps its shareholders and the market informed on all relevant facts concerning its activities, minimising delays between their occurrence and disclosure. The Company has fulfilled this commitment to the market over many years.

Investors Relations regularly prepares presentations to the financial community. Earning announcements covering the quarterly, half-year and annual results, as well as important announcements disclosing or clarifying any relevant event that could influence the share price, are issued to the market. On request, Investor Relations provides clarification about the Company's activities, by answering questions sent by email or by taking phone calls.

In addition to the existence of the Investors Relations team, all information is made publicly available on the Internet via the Portuguese Securities Market Commission site (<http://www.cmvm.pt/en/Pages/homepage.aspx>) and on the Company's own website (<http://www.sonae.pt/en/investors/releases-to-the-market/>). Additionally, at the website <http://www.sonae.pt/en/investors> general information is provided about Sonae, as required by article 3 of the CMVM Regulation no. 4/2013 and recommended by the IPCG Corporate Governance Code (2018), but also other relevant information, including:

- Institutional and other presentations of Sonae to the financial community;
- Quarterly, half yearly and annual results for the last five years;
- Management Reports;
- Corporate Governance Reports;
- Internal Regulation of the Board of Directors, and committees created by the Board, and Internal Regulation of the Statutory Audit Board;
- Names of managers in the investor relations team, as well as their contact details;
- The Company's share performance on the Portuguese Stock Exchange;
- Notices of Shareholders' Annual General Meetings;
- Annual financial calendars, including Shareholders' General Meetings and the dates of disclosure of annual, half-yearly and quarterly results.

To further enhance effective communication with the capital market and guarantee the quality of information provided, the Investor Relations team organises road shows covering the most important financial centres of Europe and United States and participates in a number of conferences. A large number of investors and analysts also have the opportunity to talk to senior management in one-on-one meetings or conference calls.

Any interested party may contact Investor Relations via the following means:

Patrícia Vieira Pinto

Investor Relations Manager

Tel: (+351) 22 010 47 24

Fax: (+351) 22 948 77 22

Email: investor.relations@sonae.pt / pavpinto@sonae.pt

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

Site: <https://www.sonae.pt/en/>

The Company believes that the procedures described above ensure continuous contact with the market, respecting the principles of equal treatment of all shareholders and equal access to information for investors.

57. Legal representative for capital market relations

The legal representative for Capital Market Relations is Luzia Leonor Borges e Gomes Ferreira, with the following contacts:

Tel: (+351) 22 010 47 06

Fax: (+351) 22 948 77 22

Email: investor.relations@sonae.pt

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

58. Information requests

During 2019, Investor Relations received 325 information requests.

The average response time was of 1 business day. Notwithstanding, the complexity of the matter may determine an extended response time in some cases.

V. Website

59. Address

Company's website: <http://www.sonae.pt/en/>.

60. Location of the information mentioned in article 171 of the Portuguese companies act

Website: <https://www.sonae.pt/en/investors/government-of-society/>.

61. Location for the provision of the articles of association, bodies and committees' regulations

Website: <https://www.sonae.pt/en/investors/government-of-society/>.

62. Location for the provision of information about the identity of the statutory governing bodies, the representative for market relations, the investor relations, respective functions and contact details

Website: <https://www.sonae.pt/en/investors/government-of-society/> and at <http://www.sonae.pt/en/contacts>.

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

Accounting Documents - <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/> and <https://www.sonae.pt/en/investors/financial-information/financial-data/>.

Calendar of corporate events- <http://www.sonae.pt/en/investors/financial-calendar/>.

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

Website: <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

65. Location where the historical archives 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: <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

D. Remuneration

I. Power to establish

66. Responsibility for approving the remuneration of the company's statutory governing bodies, executive directors and persons discharging managerial responsibilities ("dirigentes")

The Shareholders' Remuneration Committee is responsible for approving the remuneration of Board members, members of other statutory governing bodies and persons discharging managerial responsibilities, on behalf of shareholders, under the terms specified in the Remuneration and Compensation Policy approved by the shareholders at the Shareholders' General Meeting.

The Board Remuneration Committee, composed of Non-Executive Directors, as described in section 29, supports the Shareholders' Remuneration Committee in carrying out its duties.

II. Remuneration committee

67. Composition of the Remuneration Committee, identification of other individuals and entities hired to provide support and advisors' statement of independence

The Shareholders' Remuneration Committee is composed of three members, elected at the Shareholders' General Meeting for the 2019-2022 four-year mandate. The Shareholders' Remuneration Committee has the following composition:

Shareholders' Remuneration Committee

Artur Eduardo Brochado dos Santos Silva, Chair

Francisco de La Fuente Sánchez

Ramon O'Callaghan

All members of the Shareholders' Remuneration Committee are independent from the Board of Directors and are not connected to any other interests' group.

The Shareholders' Remuneration Committee obtains annual benchmarking studies on remuneration levels and practices prepared by the internationally renowned consultants Mercer and Korn Ferry, in order to ensure that the statutory governing bodies' remuneration policy, to be submitted for the approval of the Shareholders' Annual General Meeting, is in line with the market comparable companies. The Shareholders' Remuneration Committee did not contract any third-party consultants during 2019.

68. Knowledge and experience of the members of the Remuneration Committee

The experience and professional qualifications of the members of the Shareholders' Remuneration Committee allows them to carry out their duties in a rigorous and competent manner, each of them having the appropriate skills to carry out their duties. Their qualifications can be consulted at <https://www.sonae.pt/en/investors/government-of-society/>.

The amount of fixed annual remuneration for members of the Shareholders' Remuneration Committee in 2019 was as follows:

Members of the Shareholders' Remuneration Committee*	2018*	2019*
Artur Eduardo Brochado dos Santos Silva	7,000	9,000
Francisco de La Fuente Sánchez	5,000	6,333
Ramon O'Callaghan (1)	0	4,667
Carlos António Rocha Moreira da Silva (2)	5,000	0
Total	17,000	20,000

*Amounts in euros.

(1) Member elected at the Shareholders' Annual General Meeting held on 30th April 2019, being remunerated since that date.

(2) Member who left office at the Shareholders' Annual General Meeting held on 30th April 2019, having been remunerated up until that date.

During 2019, 2 (two) meeting of the Shareholders' Remuneration Committee were held, with an overall attendance rate of 100%.

III. Remuneration Structure

69. Description of the Remuneration Policy of The Board Of Directors and other Statutory Governing Bodies, as provided for In Article 2 of Law No. 28/2009, of 19th June

69.1 Principles

Sonae'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 for the remuneration of members of the statutory governing bodies are prepared taking into account:

- Overall market comparisons;
- Practices of comparable companies, including other business areas of Sonae that are in comparable situations;
- Each Executive Director's responsibilities and assessments made of their recent performance.

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

The Sonae 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 taking excessive risk. This goal is also achieved by limiting the maximum value of each Key Performance Indicator (KPI).

The remuneration policy applicable to Sonae's statutory governing bodies is approved in advance by the shareholders at the Shareholders' General Meeting. The body responsible for presenting the Remuneration proposal and approving the remuneration of both executive and non-executive members of the Board of Directors and members of the other statutory governing bodies of the Company, is the Shareholders' Remuneration Committee, fully composed of independent members. The Committee's members are also elected, and their remuneration is decided upon by the Shareholders' General Meeting.

The Board Nomination and Remuneration Committee gives support to the Shareholders' Remuneration Committee in the determination of the Executive Directors' remuneration, by presenting remuneration proposals based upon the relevant data requested by the Shareholders' Remuneration Committee.

As part of the Company's principles of corporate governance, guidelines have been established for remuneration policy.

The Remuneration and Compensation Policy currently in operation was approved at the Shareholders' Annual General Meeting held on 30th April 2019, and is based on the following principles, consistent with the policy previously adopted.

Remuneration policy features

Competitiveness:

- In determining the Remuneration and Compensation Policy of the statutory governing bodies of the Company, the main goal is to attract talent with high level of performance that can deliver a valuable and material contribution to the sustainability of the Company's business. The Policy is defined by benchmarking against the global market and with the practices of comparable companies, based on information furnished by the main annual surveys performed for Portugal and other European markets, in particular those prepared by Mercer and Korn Ferry.
- Accordingly, the remuneration parameters for members of the statutory governing bodies are determined and periodically revised in line with the remuneration practices of national and internationally comparable companies, with the aim of aligning with the market practice the potential maximum amount of remuneration, both individually as well as in aggregated terms, to be paid to the members of the statutory governing bodies. When making such analysis, the remuneration of the members of the statutory governing bodies shall take into consideration, namely, alongside other factors, the profile and the background of the member, the nature and the description of the role and the competencies of the statutory governing body and of the individual member, as well as the degree of direct correlation between individual performance and business performance.
- For the assessment of the market practice reference values, it is considered, as reference, the median of the market value for the fixed remuneration and the third quartile for the variable remuneration for Europe's top tier executives. Additionally, and for remuneration purposes, it is considered the compensation practice of comparable companies. The companies that are considered to be comparable companies are those with securities traded at Euronext Lisbon regulated market.

Orientation for performance:

- The Policy establishes the attribution of bonus calculated considering the level of success of the Company. The variable component of the remuneration is structured in a way to establish a connection between the bonus attributed and the level of performance both individual and collective. In the case that the predefined objectives, measured by business and individual KPIs are not accomplished, the amount of short and medium incentives awarded will be totally or partially reduced.

Alignment with the interests of shareholders:

- Part of the variable bonus (the Medium-Term Performance Bonus - MTPB) of the Executive Directors is designed to enhance the sense of connection between the Executive Directors and the Company, aligning their interests with the interests of shareholders and increasing their awareness of their importance to the overall success of the organisation. The MTPB plans remain open for a 4 year period, covering the performance year and the 3 year deferral period that follows attribution. During the deferral period, the initial value awarded under the plans are subject to share price performance until they vest and are also adjusted to reflect the level of achievement of defined medium-term KPIs.

Transparency:

- Every aspect of the remuneration structure is clear and openly published, either internal as well as externally, through the publicity of the documentation in the Company's website. This communication process contributes to promote equity and independency.

Reasonableness:

- The Policy intends to ensure a balance between Sonae's interests, the market position, the members of the governing bodies' expectations and motivations, as well as focusing on talent retention.
- The Remuneration and Compensation Policy of the statutory governing bodies and of other persons discharging managerial responsibilities adheres to European Community directives, to Portuguese national law and to the recommendations of the Portuguese Securities Market Commission (CMVM).
- The Remuneration and Compensation Policy currently in operation was approved at the Shareholders' Annual General Meeting that took place on 30th April 2019, continuing the policy consistently followed previously, and is based on 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 Board of Directors, supervisory bodies and other persons discharging managerial responsibilities;
 - When applying the Remuneration and Compensation Policy, consideration is given to roles and responsibilities performed in subsidiaries.

69.2. Competitiveness of the Remuneration Policy

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

Who are our benchmark/peer group companies?

- At Sonae, 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 independently for Portugal and the principal European markets. Currently, the market surveys conducted by Mercer and Korn Ferry are used as references.
- The median value for top managers in Europe is used to determine the figures of the fixed remuneration for the overall market. Additionally, and for remuneration purposes, it is considered the remuneration practice of comparable companies included in the Portuguese stock market index, the PSI-20.

69.3 Risk Control in relation to remunerations

Sonae 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.

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.

Sonae has in place internal control procedures concerning remuneration policy, which target the identification of potential risks.

The 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 objective KPI constitutes an efficient control mechanism.

The principles that govern the Remuneration and Compensation Policy are embodied in the proposal approved by the Shareholders' Annual General Meeting held on 30th April 2019, which is available at the company's website at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

69.4 Remuneration Policy Approval Process

The Board Remuneration Committee submits remuneration proposals for the members of the Board of Directors to the Shareholders' Remuneration Committee, in accordance with the approved internal procedure, whose description and scheduling is detailed in the Terms of Reference of the Board Remuneration Committee, available at <https://www.sonae.pt/en/investors/government-of-society/>.

Month	Remuneration cycle
January	Reception of market surveys and benchmarking of remuneration trends and expectations using external benchmarking studies.
March	<p>Board Remuneration Committee (BRC) Meeting in mid-March.</p> <p>Closing of prior year of preparation for the current year, reviewing:</p> <ul style="list-style-type: none"> - Annual Appraisal Process; - Remuneration Policy Proposal; - Proposals for the award of variable remuneration for previous year, including the deferred component; - Proposals for fixed remuneration for the current year; - Proposals for variable remuneration target values for the performance in the current year. <p>Shareholders' Remuneration Committee (SRC) Meeting later in March, after the BRC has met.</p> <p>Closing prior year and preparing current year, approving or deciding the following:</p> <ul style="list-style-type: none"> - Proposals for award of variable remuneration for the previous year, including deferred component; - Proposals for fixed remuneration for the current year; - Proposals for variable remuneration target values for performance in the current year.
April	Shareholders' Annual General Meeting in late April: Shareholders vote on Remuneration Policy proposed by SRC
May	SRC Meeting in early May: Only if Board membership or responsibility changed at the Shareholders' Annual General Meeting
June to October	BRC Reporting: Update on current year KPIs (if necessary).
November	SRC Meeting: only if there are any Board membership or responsibility changes. BNC Meeting:

	<ul style="list-style-type: none"> - Progress on the current year KPIs (if required); - Review status of Medium-Term Incentive Plan and shares retained; - Review of Talent Management, Contingency and Succession Planning; - Review Nomination Process (if required); - Review BNC and BRC Terms of Reference and Annual Plan for next year; - Review Remuneration and Compensation Policy, including MTPB.
December	<p>SRC Meeting: only if there are any Board membership or responsibility changes.</p> <p>BNC Reporting and BRC Reporting: Update on current year KPIs (if necessary).</p> <p>SRC Meeting: Only if there are any Board membership changes.</p>

70. Remuneration of the members of the Board of Directors

70.1 Executive Directors

The remuneration of Executive Directors is determined according to the level of responsibility of the member of the Board of Directors involved and is subject to annual review.

Above and beyond the fixed remuneration, Executive Directors are also entitled to a variable remuneration, in accordance with Sonae's Remuneration Policy.

Variable remuneration is awarded in the first quarter following the year to which it relates and linked to performance in the prior year and aims to motivate and compensate Executive Board Directors for achieving predefined objectives. It is divided into two equal parts:

- a) Short Term Performance Bonus (STPB) paid in cash in the first half of the year following the year to which it relates. It may, however, upon the decision of the Shareholders Remuneration Committee, be paid, within the same deadline, in shares, subject to the terms and conditions set forth below for the Medium Term Performance Bonus – see section 71 for further details;
- b) Medium Term Performance Bonus (MTPB), paid after a deferral period of 3 years and on the year that follows - see sections 71, 72 and 73 for further details.

The various components of the annual remuneration – fixed and variable - are summarised in the following table:

	Components	Description	Objective	Market Positioning
FIXED	Base salary	Annual salary (in Portugal the annual fixed salary is paid in 14 monthly amounts)	Appropriate to the hierarchical level and responsibility of the director	Median
VARIABLE	Short Term Performance Bonus (STPB)	Performance bonus paid in the first quarter of the following year, after calculation of the financial results for the performance year	Aims to ensure the competitiveness of the remuneration package and link remuneration to Company's objectives	Third Quartile
	Medium Term Performance Bonus (MTPB)	Compensation deferred for three years, the amount awarded is linked to the share price and business performance	Aims to link remuneration to medium to long-term performance and provide alignment with shareholders	Third Quartile

The obligation to pay in cash the bonus incentive may be fulfilled as permitted by law and by the Company's articles of association.

Currently, no scheme involves the award of share purchase options.

70.2 Non-Executive Directors

The remuneration of Non-Executive members of the Board of Directors is exclusively composed of fixed values determined by reference to market values, accordingly with the following principles: (i) attribution of a Fixed Remuneration; (ii) attribution of an annual responsibility allowance. No variable bonus of any kind is paid to Non-Executive Directors.

This remuneration is paid quarterly in arrears.

71. Variable remuneration of 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, payment is not guaranteed. Variable remuneration is determined annually with the value based on a predefined percentage between 30% and 60% of total annual remuneration (fixed remuneration plus variable remuneration using target values).

The variable component is determined by evaluating a number of performance indicators concerning the different businesses, namely economic and finance indicators – “Key Performance Indicators of Business Activity” (Business KPIs).

Approximately 70% of the variable component is determined by business, economic and financial KPIs, namely, turnover, EBITDA, net profit and share price performance.

The Executive Directors' appraisal is based on the average achievement of said KPIs in each business.

The KPIs and their specific importance in determining the effective remuneration ensure the alignment of the Executive Directors with the strategic objectives defined and the fulfilment of the legal requirements applied to the activity of the Company.

The amount of each bonus has a minimum of 0% and a maximum limit of 140% of the predefined bonus objective.

72. Deferred payment of the remuneration's variable component

The payment of at least 50% (fifty percent) of the remuneration's variable component is deferred after a 3 (three) year period, in a total of 4 years, under the terms described in the previous section 70.1 (Medium Term Performance Bonus).

73. Criteria that underlies the allocation of variable remuneration in shares and their maintenance

1. Main features of the Medium Term Performance Bonus (MTPB)

MTPB is one of the components of Sonae's remuneration policy. This component distinguishes itself from the remaining since it is restricted and voluntary, and its attribution is subject to the eligibility criteria hereby described.

MTPB allows the beneficiaries to share with shareholders the value generated through their involvement in the strategy and management of Sonae's businesses in the just measure of the results of their annual assessment of performance.

2.MTPB Scheme

MTPB aligns the interest of Executive Directors with the organisation’s objectives, reinforcing their commitment and strengthening their understanding of the importance of their performance for Sonae, as expressed in Sonae share market capitalisation.

3.Eligibility

Sonae and Sonae companies’ Executive Directors are eligible for attribution of MTPB. Employees may also be eligible for attribution of the MTPB pursuant to the remuneration policy approved by the Board of Directors specifically for employees.

Eligible Members	Reference value for medium term bonus plan (%total target variable remuneration)
Sonae Executive Directors	At least 50%
Sonae Business Units Executive Directors	At least 50%
Employees	To be defined by each Company’s Board of Directors

4.Duration of the MTPB plan

The MTPB plan contemplates a four-year period, which includes the relevant year (the “performance year”) and a three-year deferral period. As from the third consecutive plan, it will occur in each moment the overlapping of three three-year plans.

5.Valuation of the of MTPB plan

The MTPB is based on the initially attributed value, and is subject to the following variation factors, during the deferral period: (i) the representative share price; (ii) dividend corrective action or share capital variation; and (iii) the degree of achievement of medium term KPIs.

The share price of the Company on the Portuguese stock exchange is used to establish the value of MTPB initially attributed, using as a reference the most favourable price, between the closing price on the first business day after the Shareholders’ General Meeting, or the average price (using for this average the closing price for the 30 days prior to the date of the Shareholders’ General Meeting).

If, subsequently to being awarded the right to this kind of remuneration and before exercising this right, dividends are distributed, changes are made to the nominal value of shares, the Company’s share capital is changed or any other change is made to the Company’s capital structure, then the number of MTPB shares will be adjusted to an equivalent number, taking into account the impact of these changes.

During the deferral period, the value of MTPB, converted in shares, is also adjusted to match the level of success in achieving agreed target medium term KPI, which is designed to ensure the continued alignment with medium term business sustainability objectives. This KPI is based on the target Return on Invested Capital (RoIC).

In line with the policy for enhancing the alignment of Executive Directors with the Company’s medium and long term interests, the Shareholders’ Remuneration Commission may, in its absolute discretion, graduate the discount percentage to be granted to the Executive Directors for the acquisition of Company’s shares, by determining that Executive Directors contribute to the acquisition in an amount corresponding, at the maximum, to 5% of the share market price at the transfer date. The remaining employees to whom such right has been conferred, may acquire shares under the terms defined by each Company’s Board of Directors.

6. Delivery by the Company

At the moment of the exercise of the share acquisition right under MTPB, the Company reserves itself the right of delivering, in substitution of the shares, the cash equivalent amount to the share market value at the date of the exercise of the right.

7. MTPB plan vesting

The MTPB plan contemplates a four-year period, which includes the performance year and a three-year deferral period.

8. Termination of the MTPB plan

The right to acquire shares attributed under the MTPB plan expires when the beneficiary no longer works with Sonae before the end of the vesting period, without prejudice to the provisions set forth in the following paragraphs.

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.

In order to ensure the effectiveness and transparency of the objectives of the Remuneration and Compensation Policy, it was determined that the Executive Directors shall not sign contracts with the Company or with third parties that would have the effect of mitigating the risks inherent in the variable nature of the remuneration that the Company has established for them.

74. Criteria that underlies the allocation of variable remuneration in options

The Company did not establish any variable remuneration in options.

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

Main parameters and reasoning about variable remuneration are detailed in the above paragraph 71.

76. Main characteristics of complementary pension or early retirement schemes for the directors approved at the shareholders' general meeting

The Company does not have any complementary pension or early retirement schemes for Directors, nor does it have in place the attribution of any relevant non-pecuniary benefits.

IV. Disclosure of Remuneration

77. Indication of the annual remuneration earned, in aggregate and individual amount, by the company's members of the Board of Directors

Directors' remuneration, awarded by the Company during the years 2018 and 2019, is summarised in the tables below:

Individual Details	2018*				2019*			
	Fixed Remuneration	STPB	MTPB	TOTAL	Fixed Remuneration	STPB	MTPB	TOTAL
EXECUTIVE DIRECTORS								
Maria Cláudia Teixeira de Azevedo (2) (4)	-	-	-	-	283,800	215,900	215,900	715,600
João Pedro Magalhães da Silva Torres Dolores (4)	-	-	-	-	170,800	94,700	94,700	360,200
Duarte Paulo Teixeira de Azevedo (1) (5)	240,300	209,800	209,800	659,900	68,000	70,400	70,400	208,800
Ângelo Gabriel Ribeirinho dos Santos Paupério (2) (5)	275,300	224,600	224,600	724,500	78,000	75,300	75,300	228,600
Sub-total	515,600	434,400	434,400	1,384,400	600,600	456,300	456,300	1,513,200
NON-EXECUTIVE DIRECTORS								
Duarte Paulo Teixeira de Azevedo (1) (5)	-	-	-	-	214,300	-	-	214,300
Ângelo Gabriel Ribeirinho dos Santos Paupério (2) (5)	-	-	-	-	95,036	-	-	95,036
José Manuel Neves Adelino	66,900	-	-	66,900	69,767	-	-	69,767
Margaret Lorraine Trainer	54,500	-	-	54,500	59,233	-	-	59,233
Marcelo Faria de Lima	51,400	-	-	51,400	52,267	-	-	52,267
Carlos António Rocha Moreira da Silva (6)	-	-	-	-	36,100	-	-	36,100
Fuencisla Clemares (6)	-	-	-	-	35,967	-	-	35,967
Philippe Cyriel Elodie Haspeslagh (6)	-	-	-	-	37,667	-	-	37,667
Andrew Eustace Clavering Campbell (7)	46,500	-	-	46,500	14,600	-	-	14,600
Christine Cross (7)	48,500	-	-	48,500	15,267	-	-	15,267
Tsega Gebreyes (7)	46,500	-	-	46,500	14,600	-	-	14,600
Dag Johan Skattum (3)	18,750	-	-	18,750	0	-	-	0
Sub-Total	333,050	-	-	333,050	644,803	-	-	644,803
TOTAL	848,650	434,400	434,400	1,717,450	1,245,403	456,300	456,300	2,158,003

*Amounts in euros.

(1) Remuneration packages for 2018 and 2019 were reduced proportionally to reflect planned time commitment to Sonae during the respective years.

(2) Also received remuneration from subsidiaries of the Company, as reported in section 78.

(3) Ceased his role as board member as announced to the market in June 2018, having been remunerated until the 31st May 2018.

(4) Member exercising an executive role at the Board of Directors since 8th May 2019.

(5) Member exercising a non-executive role at the Board of Directors since 8th May 2019.

(6) Member of the Board of Directors elected at the Shareholders' Annual General Meeting held on 30th April 2019.

(7) Member who ceased to be a member of the Board of Directors following the beginning of the exercise of the functions of the new Board members elected at the Shareholders' Annual General Meeting held on 30th April 2019.

Open MTPB plans attributed to the Executive Directors:

	Plan (Performance Year)	Award Date	Vested Date	Amount Vested and Paid off in 2019	Open Plans Value at Award Date* **	Open Plans – Value at the date of transfer on 30/04/2019	Open Plans Value at 31st December 2019* **
Maria Cláudia Teixeira de Azevedo	2016	March 2017	March 2020			200,013	186,846
	2017	March 2018	March 2021			154,732	148,687
	2018	March 2019	March 2022			185,749	190,648
	Total			0	0	540,494	526,181
João Pedro Magalhães da Silva Torres Dolores	2016	March 2017	March 2020			9,272	8,910
	2017	March 2018	March 2021			11,250	10,957
	2018	March 2019	March 2022			35,395	36,329
	Total			0	0	55,917	56,196
TOTAL			0	0	596,411	582,377	

*Amounts in euros.

** Calculated considering the share marketing closing price of 2019 last trading day.

Open MTPB plans corresponding to vested rights of former Executive Directors:

	Plan (Performance Year)	Award Date	Vesting Date	Amount Vested and Paid Off in 2019*	Open Plans Value at Award Date* **	Open Plans Value at 31 December 2019* **
Duarte Paulo Teixeira de Azevedo	2015	March 2016	March 2019	193,774		
	2016	March 2017	March 2020		190,500	213,830
	2017	March 2018	March 2021		205,300	157,310
	2018	March 2019	March 2022		209,800	224,833
Total			193,774	605,600	595,973	
Ângelo Gabriel Ribeirinho dos Santos Paupério	2015	March 2016	March 2019	289,722		
	2016	March 2017	March 2020		340,100	384,379
	2017	March 2018	March 2021		361,900	293,993
	2018	March 2019	March 2020		370,200	386,777
Total			289,722	1,072,200	1,065,149	
TOTAL			483,496	1,677,800	1,661,122	

*Amounts in euros.

** Calculated considering the share marketing closing price of 2019 last trading day.

78. Any amounts paid by other controlled or group companies, or those under shared control

Directors' remuneration, awarded by the Company during the year 2018 and 2019, is summarised in the table below:

Individual Detail	2018*				2019*			
	Fixed Remuneration	STPB	MTPB	TOTAL	Fixed Remuneration	STPB	MTPB	TOTAL
EXECUTIVE DIRECTORS								
Maria Cláudia Teixeira de Azevedo (2) (4)	-	-	-	-	96,667	0	0	96,667
João Pedro Magalhães da Silva Torres Dolores (4)	-	-	-	-	30,000	0	0	30,000
Duarte Paulo Teixeira de Azevedo (1) (5)	-	-	-	-	-	-	-	-
Ângelo Gabriel Ribeiro dos Santos Paupério (2) (5)	183,900	145,600	145,600	475,100	98,667	45,500	45,000	189,667
Sub-total	183,900	145,600	145,600	475,100	225,334	45,500	45,000	316,334
NON-EXECUTIVE DIRECTORS								
Duarte Paulo Teixeira de Azevedo (1) (5)	-	-	-	-	-	-	-	-
Ângelo Gabriel Ribeiro dos Santos Paupério (2) (5)	-	-	-	-	158,567	90,900	90,900	340,367
José Manuel Neves Adelino	-	-	-	-	-	-	-	-
Margaret Lorraine Trainer	-	-	-	-	-	-	-	-
Marcelo Faria de Lima	-	-	-	-	-	-	-	-
Carlos António Rocha Moreira da Silva (6)	-	-	-	-	-	-	-	-
Fuencisla Clemares (6)	-	-	-	-	-	-	-	-
Philippe Cyriel Elodie Haspesslagh (6)	-	-	-	-	-	-	-	-
Andrew Eustace Clavering Campbell (7)	-	-	-	-	-	-	-	-
Christine Cross (7)	-	-	-	-	-	-	-	-
Tsega Gebreyes (7)	-	-	-	-	-	-	-	-
Dag Johan Skattum (3)	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	158,567	90,900	90,900	340,367
TOTAL	183,900	145,600	145,600	475,100	383,901	136,400	136,400	656,701

*Amounts in Euros.

(1) Ceased his role as a board member as announced to the market on June 2018.

(2) Member exercising an executive role at the Board of Directors since 8th May 2019.

(3) Member exercising a non-executive role at the Board of Directors since 8th May 2019.

(4) Member of the Board of Directors elected at the Shareholders' Annual General Meeting held on 30th April 2019.

(5) Member who ceased to be a member of the Board of Directors following the beginning of the exercise of the functions of the new Board members elected at the Shareholders' Annual General Meeting held on 30th April 2019.

79. Remuneration paid in the form of profit sharing and/or bonus payments

The variable remuneration of the Executive Directors was determined in accordance with the performance assessment and the remuneration policy approved in the Shareholders' General Meeting held on 30th April 2019, as detailed in section 71 above and in the remuneration table in section 77 above.

The remuneration paid in the form of profit sharing is included in the Short-Term Performance Bonus (STPB), disclosed in section 77 above.

80. Compensation paid or owed to former Executive Directors as a result of Term of Office

During 2019, no compensation was paid or owed to former Executive Directors in relation to term of office.

81. Remuneration of the 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.

The amount of fixed annual remuneration for members of this body in 2018 and 2019 was as follows:

Member of the Statutory Audit Board	2018*	2019*
Maria José Martins Lourenço da Fonseca	10,900	14,900
Daniel Bessa Fernandes Coelho	13,900	13,900
Manuel Heleno Sismeiro	10,900	12,900
Sara Manuel Carvalho Teixeira Mendes (1)	-	-
Total	35,700	41,700

*Amounts in euros.

82. Remuneration of the Chairman of the Board of the Shareholders' General Meeting

The remuneration of the members of the Board of the Shareholders' General Meeting is made up of a fixed fee, as follows:

Board of the Shareholders' General Meeting	2018*	2019*
Carlos Manuel de Brito do Nascimento Lucena (1)	-	5,500
Maria Daniela Farto Baptista Passos (1)	-	1,833
Manuel Eugénio Pimentel Cavaleiro Brandão (2)	7,500	2,500
Maria Conceição Henriques Fernandes Cabaços (2)	2,500	833
Total	10,000	10,667

*Amounts in euros.

(1) Member elected at the Shareholders' Annual General Meeting, held on 30th April 2019, being remunerated since that date.

(2) Member who left office at the Shareholders' Annual General Meeting, held on 30th April 2019, having been remunerated up until that date.

V. Agreements with remuneration implication

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

There are no agreements in place with members of the Board of Directors or persons discharging managerial responsibilities, that establish amounts to be paid in case of any 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 in Company control.

VI. Share Attribution Plans or Stock Options

85. Identification of the plan and recipients

The share attribution plan includes the medium-term variable remuneration and the main recipients are the Executive Directors, in terms detailed in section 73 above, as well as employees of group companies, in accordance to terms and conditions defined by the respective Boards of Directors.

86. Plan features

A thorough description of the share attribution plan is detailed in sections 71, 72 and 73 above.

The remuneration policy for the statutory governing bodies, as well as the current share attribution plan, were approved at the Company's Shareholders' Annual General Meeting, held on 30th April 2019, as per the terms of the proposal presented by the Shareholders' Remuneration Committee, in compliance with article 2, Law no. 28/2009, of 19 June and Recommendations V.2.1 and V.22 of the IPCG Corporate Governance Code 2018.

The remuneration policy under proposal of the Shareholders' Remuneration Committee, approved the non-transfer of shares accessed by the Company's Executive Directors via MTPB, in accordance with the 2013 CMVM Recommendation III.6.

Information on resolutions taken at the Shareholders' Annual General Meeting can be found in <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

The movements in the open MTPB plans of the Company's Executive Directors, during 2019, can be summarised as follows:

	Total		
	Aggregated number of plans	Number of Shares	Euros
Outstanding at 31.12.2018:	6	1,319,866	1,069,091
Movements in the year:	6	676,106	747,244
Awarded	2	456,302	434,400
Vested	-2	-353,240	-333,282
Cancelled/Lapsed/Adjustments (1)	0	-26,967	49,716
Transfers in from other companies (2)	6	600,011	596,410
Outstanding at 31.12.2019:	12	1,995,972	1,816,335

(1) Changes in the number of shares due to dividends paid and to the effects of the Medium Term KPIs. Changes to the values are for the same reason, as well as from the effect of changes in the Sonae Share price.

(2) Open Plans transferred from other Group companies on 30th April 2019.

The present chart does not include information regarding share plans that may be attributed to the directors of Sonaecom and Sonae Sierra

Summary of the MTPB Plans of the Company's Executive Directors, including the MTPB Plans of Sonae Business Units' executive directors, by reference to the year ended on 31st December 2019:

Sonae SGPS Share Plans Outstanding during 2019	Vesting Period			At 31 December de 2019	
	Share Price at Award Date	Award Date	Vesting Date	Aggregate number of participants	Number of Shares
2015-2019 Plan	0.970	March 2016	March 2019	-	-
2016-2020 Plan	0.906	March 2017	March 2020	24	2,648,069
2017-2021 Plan	1.124	March 2018	March 2021	24	2,119,548
2018-2022 Plan	0.952	March 2019	March 2022	24	2,745,744

The present chart does not include information regarding share plans that may be attributed to the directors of Sonaecom and Sonae Sierra.

Ongoing plans includes the ones of former Executive Directors, currently exercising non-executive roles

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

No option rights to acquire shares were granted.

88. Control mechanisms in any system of employee participation in the share capital

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

E. Relevant Transactions with Related Parties

I. Mechanism of control procedures

89. Mechanisms for monitoring transactions with related parties

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

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

90. Transactions subjected to control during 2019

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, as described in the Appendix to the Consolidated Financial Statements' according to the information provided in section 92.

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 of a value exceeding 100 million euros 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 Board Audit and Finance Committee and the Statutory Audit Board.

In addition, all transactions with related parties in excess of 10 million euros, are also reported to these two entities every six months by the Secretary of the Executive Committee.

II. Elements related to Transactions

92. Information on transactions with related parties

Information on transactions with related parties, in accordance with IAS 24, can be found in note 44 of the 2019 Consolidated Financial Statements' Appendix.

Part II

Statement of Compliance

1. Identification of the adopted Corporate Governance Code

The Corporate Governance Report provides a description of the Corporate Governance structure and practices followed by the Company under the terms of article 245-A of the Portuguese Securities Code and information duties required by the Portuguese Securities Commissions (CMVM) Regulation no. 4/2013, of the 1st of August. The Report additionally discloses, in light of the principle of comply or explain, the terms of compliance by the Company with the Recommendations contained in the IPCG Corporate Governance Code (2018).

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

The requirements for the provision of information as per article 3 of Law no. 28/2009, of 19th June, articles 447 of the Portuguese Companies Act and 245-A of the Portuguese Securities Code and of CMVM Regulation no. 7/2018, have also been fulfilled.

All of the rules and regulations mentioned in this Report are publicly available at www.cmvm.pt and at <https://cgov.pt/>

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

2. Analysis of compliance with the adopted Corporate Governance Code

I. General Provisions

General Principle:

Corporate Governance should promote and enhance the performance of companies, as well as of the capital markets, and strengthen the trust of investors, employees and the general public in the quality and transparency of management and supervision, as well as in the sustained development of the companies.

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

Principle:

Companies, in particular its directors, should treat shareholders and other investors equitably, namely by ensuring mechanisms and procedures are in place for the suitable management and disclosure of information.

Recommendations:

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 FULLY ADOPTED

The Company has, in its corporate structure, departments with specific competencies for the production, treatment and timely disclosure of information to its governing bodies, shareholders, investors and other stakeholders, to the financial analysts and the market in general: the Investor Relation Department and the Communication, Brand and Sustainability

Department, more detailed in point 21 of this Report. The Investor Relations' Department has the main following tasks: i) ensure the symmetry of the information disclosed to the market and the correspondent equal treatment of the shareholders, investors and other stakeholders with the production and immediate disclosure to the market of inside information; ii) ensure the compliance with the mandatory periodic disclosure of financial information; iii) analyse, actively and in a timely manner, the information publicly disclosed by the financial analysts that assess the Company's performance, acting, whenever necessary, by providing clarifications regarding inaccurate or outdated information disclosed by any such analysts. The Communication, Brand and Sustainability Department permanently follows-up the information disclosed in any media about the Company, promoting a transparent, up to date and consistent line of communication with the activity developed by the Company addressed to the public in general.

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

Principle:

1.2.A. Companies ensure diversity in the composition of its governing bodies, and the adoption of requirements based on individual merit, in the appointment procedures that are exclusively within the powers of the shareholders.

1.2.B. Companies should be provided with clear and transparent decision structures and ensure a maximum effectiveness of the functioning of their governing bodies and commissions.

Recommendations:

1.2.1. 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 FULLY ADOPTED

The Company approved, at the Shareholders' Extraordinary General Meeting held on 16th December 2015, the Selection and Assessment Policy for Membership of the Statutory Governing Bodies in compliance with articles 30 to 32 of the General Regime of Credit Institutions and Financial Companies (RGICSF), which terms comply with the goals of this recommendation. The full content of the policy is available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/shareholders-extraordinary-general-meeting-16th-december-2015/> and is described in section 15 of this Report.

Additionally, as described in section 15 of this Report, among all of the diversity requirements, the Company has given particular consideration to gender equality by having in place a Plan for Gender Equality which is applicable to the employees and members of the governing bodies of the Group, available at <https://www.sonae.pt/en/sonae/culture/>.

1.2.2. 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 FULLY ADOPTED

The Board of Directors and its internal committees, as well as the Statutory Audit Board have internal regulations governing the exercise of their respective competencies and the framework of the duties of its members, as well as their internal functioning. Minutes of all the meetings are recorded. The composition of these governing bodies and committees, including the chairmanship, are permanently available at the Company's website at

<https://www.sonae.pt/en/investors/government-of-society/>, and is described in sections 17, 18, 29, III a) and 31 of this Report.

The Board of Directors' Internal Regulation, where it is included the regulation of its internal committees, and the Statutory Audit Board's Internal Regulation are available, both in the Portuguese and in the English versions, at the Company's website at <https://www.sonae.pt/en/investors/government-of-society/>, being also drawn up minutes of all the meetings held.

1.2.3. 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 FULLY ADOPTED

The Board of Directors' Internal Regulation, where it is included the regulations of the respective internal committees as well as the Statutory Audit Board's Internal Regulation are available, both in the Portuguese and English versions, at the Company's website at <https://www.sonae.pt/en/investors/government-of-society/>.

1.2.4. 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 FULLY ADOPTED

The composition of the Board of Directors, including the internal committees created by the Board, and the composition of the Statutory Audit Board are permanently available, both in the Portuguese and the English version, at the Company's website at <https://www.sonae.pt/en/investors/government-of-society/>.

1.2.5. 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 FULLY ADOPTED

The Ethics Committee, appointed by the Board of Directors, and chaired by the Lead Non-Executive Director ("Lead Director"), has as one of its main duties, to verify the existence of internal mechanisms for the communication of irregularities, ensuring that any such mechanisms comply with the applicable law, namely regarding confidentiality, treatment of the information and the non-existence of reprisals against the whistleblower (as detailed in section 29 of this Report and at

https://www.sonae.pt/fotos/governo_sociedade/cod_etica_en_int_1902_v02_8870871625c791fafa05f1.pdf).

The Statutory Audit Board, in line with its competencies and with its Internal Regulation available at https://www.sonae.pt/fotos/governo_sociedade/statutory_audit_board_internal_regulation_106323265c127984e0a26.pdf, receives the claims of irregularities presented by, among other, shareholders and employees of the Company, and keeps record of the claims of irregularities sent to it, promoting, whenever it deems convenient, the necessary proceedings with the Board of Directors, the internal and/or external audit or with any other body and prepares a report about such irregularities, adopting the measures it deems convenient in light of the Statutory Audit Board's duties. With the same purpose, the Statutory Audit Board receives and analyses the quarterly report of the Ombudsman, requesting from the Ombudsman all the necessary information for its clarification, also receiving the reports made to the

Company's Ethics Committee, that constitute irregularities subject to its competency in accordance with the legal and recommendatory applicable terms.

The Ombudsman has the duty, in accordance with the terms set forth in the Board of Directors' Internal Regulation, available at https://www.sonae.pt/fotos/governo_sociedade/bod_regulationset2015_953163875570ce7ea9023f.pdf to receive, analyse and reply to any irregularities claims involving employees, customers, suppliers and other service providers, as well as to forward any such claims to the competent bodies.

The Company has permanent contacts available for the communication of irregularities to the Statutory Audit Board (see section 49 of this Report), to the Ethics Committee and to the Ombudsman (see section 29 of this Report). The contacts are available at <https://www.sonae.pt/en/sonae/contacts/>.

In order to ensure that the detection and prevention of irregularities is conducted in a permanent and proactive manner, the Company has put in place suitable mechanisms for risk identification and prevention, being such mechanisms monitored by the Internal Audit Department, as well as by all the departments responsible for the prevention of irregularities. The setting and monitoring of these systems and mechanisms are consistently made by the management and supervisory bodies of the Company.

I.3. Relationship between the company bodies

Principle:

Members of the company's boards, especially directors, should create, considering the duties of each of the boards, the appropriate conditions to ensure balanced and efficient measures to allow for the different governing bodies of the company to act in a harmonious and coordinated way, in possession of the suitable amount of information in order to carry out their respective duties.

Recommendations:

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 FULLY ADOPTED

The Chair of the Board of Directors, the Chairmen of the internal committees created by the Board, and the Senior Non-Executive Directors (Lead Director and SID Director), ensure, in a time-efficient manner, the flow of information necessary for the execution of the legal and statutory duties of the remaining bodies and committees, providing the necessary resources for the disclosure of all convening notices, minutes and documentation supporting the decision-making process, in accordance with the set forth in the Board of Directors' Internal Regulation available at <https://www.sonae.pt/en/investors/government-of-society/>.

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 FULLY ADOPTED

All the information mentioned in this recommendation is made available to all the members of the Board of Directors and the Chair of the Statutory Audit Board.

The Board of Directors has appointed two Senior Non-Executive Directors (Lead Director and SID Director) whom, under the terms of the Board of Directors' Internal Regulation and Corporate Governance best practices, ensure, in a timely and suitable manner, the proper flow of information for the exercise of the legal and statutory role of all the remaining governing bodies and committees, as described in section 18 of this Report.

1.4. Conflict of interest**Principle:**

The existence of current or potential conflicts of interest, between members of the company's boards or committees and the company, should be prevented. The non-interference of the conflicted member in the decision process should be guaranteed.

Recommendations:

1.4.1. 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 FULLY ADOPTED

The Conflict of Interest' Policy approved by the Company and the Board of Directors' Internal Regulation establish internal mechanisms regarding potential conflict of interests involving members of the Board of Directors, including internal committees and employees. The policy sets out an obligation to immediately notify, to the competent governing body, any situation of real or potential conflict of interest.

The Board of Directors' Internal Regulation, available at <https://www.sonae.pt/en/investors/government-of-society/>, imposes the immediate notification to the Board of any fact that may constitute or give rise to a conflict of interest, as well as any circumstance that may affect the Directors' independence and impartiality.

The Statutory Audit Board's Internal Regulation imposes, in article 5, paragraph 3, subparagraph a), the obligation of any member of the Statutory Audit Board to inform the Chair of the Statutory Audit Board and the Company of any circumstance that affect his/her independence and impartiality or that determines a legal incompatibility for the exercise of their role.

The Statutory Audit Board's Internal Regulation is available at: <https://www.sonae.pt/en/investors/government-of-society/>.

1.4.2. 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 FULLY ADOPTED

The Conflict of Interest' Policy adopted by the Company and the Board of Directors' Internal Regulation, available at <https://www.sonae.pt/en/investors/government-of-society/>, determine that any member who has a conflict of interest regarding any item of the agenda of any meeting of a governing body or internal committee, shall not intervene in the decision-making process, without prejudice to the duty to provide information and clarifications to the body, the committee or the other members, if required to do so.

The measures in place for the prevention of conflict of interest regarding the members of the Statutory Audit Board are described above in recommendation 1.4.1., without prejudice to the general legal rules on this subject, namely those regarding ineligibility on any of the grounds for incompatibility, incapacity or other prohibitions established by the applicable regulations, which shall remain applicable.

I.5. Related parties' transactions

Principle:

Due to the potential risks that they may hold, transactions with related parties should be justified by the interest of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.

Recommendations:

1.5.1. 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 FULLY ADOPTED

The Board of Directors and the Statutory Audit Board have in place a formal internal procedure embodied in both of their Internal Regulations, established by an individual deliberation of each of these statutory governing bodies, that determines that the Executive Committee shall necessarily notify and obtain a prior opinion from the Statutory Audit Board and from the Board Audit and Finance Committee (an internal committee created by the Board of Directors, composed of Non-Executive Directors, the majority of which are independent), being this prior opinion a requirement for the approval by the Board of Directors, and further execution by the Executive Committee, of any transaction with qualified shareholders or any related parties, when such transactions are in an amount higher than the one determined in these Regulations. Additionally, all the transactions executed with the aforementioned entities that reach the threshold respectively established in the abovementioned Regulations shall be reported, on a half-year basis, to the Statutory Audit Board and to the Board Audit and Finance Committee.

Hence, the execution of any transactions with the characteristics detailed in the Board of Directors Internal Regulation and in the Statutory Audit Board Internal Regulation requires both the intervention of the management body and that of the supervisory body, being the issuance of the opinion by the latter a condition to the execution of such transactions.

1.5.2. The managing body should report all the transactions contained in Recommendation 1.5.1. to the supervisory body, at least every six months.

RECOMMENDATION FULLY ADOPTED

All the transactions in the amount determined in the Board of Directors' Internal Regulation and in the Statutory Audit Board's Internal Regulation shall be notified to the Statutory Audit Board and to the Board Audit and Finance Committee on a half-year basis.

II.Shareholders and General Meetings

Principles:

II.A. As an instrument for the efficient functioning of the company and the fulfilment of the corporate purpose of the company, the suitable involvement of the shareholders in matters of corporate governance is a positive factor for the company's governance.

II.B. The company should stimulate the personal participation of shareholders in general meetings, which is a space for communication by the shareholders with the company's boards and committees and also of reflection about the company itself.

II.C. The company should also allow the participation of its shareholders in the general meeting through digital means, postal votes and, especially, electronic votes, unless this is deemed to be disproportionate, namely taking into account the associated costs.

Recommendations:

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 FULLY ADOPTED

The Company encourages its shareholders to participate in General Meetings, in particular by assigning to each share one vote and by not limiting the number of votes that may be held or exercised by each shareholder.

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 FULLY ADOPTED

The Company's Articles of Association do not set a resolution-fixing quorum that exceeds that fixed by law.

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

RECOMMENDATION FULLY ADOPTED

The Company makes available to shareholders the means necessary to exercise written voting and voting by electronic means.

Additionally, the Company publishes on its website, from the date of notice for convening each Shareholders' General Meeting, standard documentation for attending the Shareholders' General Meeting, thereby facilitating the shareholders' compliance with the applicable legal attendance requirements. To this effect, the Company also makes available a specific email address to answer shareholders' enquiries. The Company allocates, as well, a work team especially dedicated to providing assistance to the Chairman of the Shareholders' General Meeting and to shareholders overall.

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

RECOMMENDATION ADOPTED ACCORDING TO THE BELOW EXPLANATION

The Company makes available to shareholders the means necessary to exercise written voting and voting by electronic means. Digital means for attending Shareholders' General Meeting are not available, being deemed non-appropriate by the Company considering the experience collected up until this date which is emphasized either by the low participation through electronic means as well as by the proportion of in person attendance to the General Meetings.

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

RECOMMENDATION NOT APPLICABLE

The Company's Articles of Association do not establish any limitation on the number of votes that may be held or exercised by a shareholder.

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 FULLY ADOPTED

The Company does not adopt policies leading to any of the restrictions mentioned in this recommendation. The contracts executed by the Company reflect the defence of the Company's corporate purpose, bearing in mind the long-term sustainability of the business within the market conditions' context.

III. Non-Executive Management, Monitoring and Supervision

Principles:

III.A. The members of governing bodies who possess non-executive management duties or monitoring and supervisory duties should, in an effective and judicious manner, carry out monitoring duties and incentivise executive management for the full accomplishment of the corporate purpose, and such performance should be complemented by committees for areas that are central to corporate governance.

III.B. The composition of the supervisory body and the non-executive directors should provide the company with a balanced and suitable diversity of skills, knowledge, and professional experience.

III.C. The supervisory body should carry out a permanent oversight of the company's managing body, also in a preventive perspective, following the company's activity and, in particular, the decisions of fundamental importance.

Recommendations:

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 FULLY ADOPTED

The Board of Directors, in compliance with the set forth in article 1, paragraph 3 of its Internal Regulation, has appointed two Non-Executive Directors, to ensure the objectives described in this recommendation, as detailed in section 18 of this Report.

For this purpose, it was appointed the Director Margaret Lorraine Trainer as Senior Independent Non-Executive Director (“SID Director”) who also chairs the Remuneration Committee (which is responsible for the performance assessment, as described in this recommendation) and is, as well, member of both the Board Nomination Committee and the Board Audit and Finance Committee. It was also appointed the Director José Manuel Neves Adelino as Lead Non-Executive Director (“Lead Director”) who also chairs the Board Audit and Finance Committee.

Thus, the means required for the coordination of the work of the Non-Executive Directors are ensured, both at Board level as well at the Board’s specialised committees, to guarantee the existence of the necessary conditions to underpin an independent and informed performance of their non-executive role, being provided the continuous and timely flow of information and being ensured the quality and fairness of the performance assessment.

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 FULLY ADOPTED

The number of non-executive members of the Board of Directors, as well as the number of members of the Statutory Audit Board (as detailed in sections 18 and III a) of this Report, respectively), both comply with this recommendation.

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

RECOMMENDATION FULLY ADOPTED

The Board of Directors is composed of ten members, eight of which are non-executive, as described in section 18 of this Report.

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 FULLY ADOPTED

The Board of Directors is composed of ten members, eight of which are Non-Executive directors, being composed of a number of independent Non-Executive directors that fulfill the independence criteria of this recommendation, as described in section 18 of this Report.

The maintenance of the independence criteria is periodically assessed, having the independent directors the duty to immediately notify any fact or situation that may determine the loss of their independence.

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

RECOMMENDATION NOT APPLICABLE

By reference to the mandate ended on 31st December 2019, there is no member of the Board of Directors subject to the cooling-off period established in this recommendation (see sections 17 and 18 of this Report).

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 FULLY ADOPTED

Non-Executive Directors bring an independent perspective to the continuous monitoring of the Executive Committee's activity, exercising an important influence in the decision-making process in key matters, namely regarding the development of the corporate strategy, main policies, corporate structure and assessment of the compliance thereof. Such contribution of the Non-Executive Directors is given both within the Board of Directors as well as in the specialised committees of the Board of which they are members to (Board Audit and Finance Committee, Board Remuneration Committee and Board Nomination Committee), and corresponds to the matters that fall outside the delegation of powers by the Board of Directors to the Executive Committee, which is determined in the Board of Directors' Internal Regulation and described in section 27.1 of this Report.

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 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 FULLY ADOPTED

The Board of Directors, as the body responsible for deciding the strategy and the main policies of the Company, proactively ensures the working of the internal control and risk management systems. The Statutory Audit Board evaluates the effectiveness of these systems, proposing measures to optimise their performance, as deemed necessary, and giving its opinion on these systems in its annual report and opinion, as attached to the Company's Annual Management Report and accounts available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

In addition to the described in this Report, these duties are also embodied in the Board of Directors' Internal Regulation, in the terms of reference of the Board Committees, as well as in the Statutory Audit Board's Internal Regulation, all available at <https://www.sonae.pt/en/investors/government-of-society/>.

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 FULLY ADOPTED

The Board of Directors has set-up three specialised committees that continuously exercised their attributions during the mandate, to ensure the effectiveness and the quality of the work performed. The Committees currently in existence are the Board Audit and Finance Committee, the Board Remuneration Committee and the Board Nomination Committee, being their respective competencies detailed in section 29 of this Report and their terms of reference are available at <https://www.sonae.pt/en/investors/government-of-society/>.

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 FULLY ADOPTED

The risk management, internal control and internal audit systems fully comply with this recommendation as described in sections 21, 50 to 55 and 69.3 of this Report.

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 FULLY ADOPTED

The Statutory Audit Board establishes, together with the internal audit department, a plan of action, supervises its activities, receives periodic reports on the work performed, assesses the results and conclusions drawn, checks for possible irregularities, and gives guidelines as it deems necessary (see section 38 of this Report).

The Statutory Audit Board evaluates the effectiveness of the internal control and risk management systems, proposing measures to optimise their performance, as deemed necessary, and giving its opinion on these systems in its annual report and opinion, as attached to the Company's Annual Management Report and accounts available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

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 FULLY ADOPTED

The Statutory Audit Board establishes, together with the internal audit department, a plan of action, supervises its activities, assesses its suitability in terms of means and objectives, and receives periodic report on the work performed, namely regarding financial information and reporting, conflict of interests' prevention and evaluation of the existence of irregularities. The Statutory Audit Board also reviews the results and conclusions drawn and gives guidelines as it deems necessary, as described in section 38 of this Report.

IV – Executive Management**Principles:**

IV.A. As way of increasing the efficiency and the quality of the managing body's performance and the suitable flow of information in the board, the daily management of the company should be carried out by directors with qualifications, powers and experience suitable for the role. The executive board is responsible for the management of the company, pursuing the company's objectives and aiming to contribute towards the company's sustainable development.

IV.B. In determining the number of executive directors, it should be taken into account, besides the costs and the desirable agility in the functioning of the executive board, the size of the company, the complexity of its activity, and its geographical spread.

Recommendations:

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 FULLY ADOPTED

The Board of Directors has delegated in the Executive Committee the day-to-day management of the Company, being the Executive Committee's competencies described in the Company's Annual Corporate Governance Report (see sections 27 and 28 of this Report), having approved as well its internal regulation.

The Board of Directors' Internal Regulation available at <https://www.sonae.pt/en/investors/government-of-society/>, and the Conflict of Interests Policy in force determine that the acceptance of any roles, by any member of the Board of Directors, either as a member of a governing body or for the exercise of any other significant activity in a Company outside Sonae Group, not authorised by the Shareholders' General Meeting, shall be previously approved by the Board of Directors, with the opinion of the Board Nomination Committee as described in section 29 of this Report and in the Board of Directors' Internal Regulation available at <https://www.sonae.pt/en/investors/government-of-society/>.

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 FULLY ADOPTED

The Board of Directors has delegated in the Executive Committee the day-to-day management of the Company, being the Executive Committee's competencies described in the Company's Annual Corporate Governance Report (see

sections 27 and 28 of this Report). The matters excluded from the terms of the delegation by the Board of Directors are also described in this Report and comply with the rules set forth in this recommendation (see section 27.1 of this Report).

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

RECOMMENDATION FULLY ADOPTED

The Board of Directors sets objectives regarding risk management, in particular risk taking, and ensures its continuous monitoring (see sections 21, 50 to 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 FULLY ADOPTED

The Statutory Audit Board evaluates the effectiveness of risk management systems, supervising and proposing measures to optimise their performance, as deemed necessary, acting, namely in interaction with the Board of Directors, through the Board Audit and Finance Committee, and giving its opinion on these systems in its annual report and opinion, as attached to the Company's Annual Management and Report and Accounts, available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/> (see section 38 of this Report).

V – Evaluation of Performance, Remuneration and Appointment

V.1. Annual evaluation of performance

Principle:

The company should promote the assessment of performance of the executive board and of its members individually, and also the assessment of the overall performance of the managing body and its specialized committees.

Recommendations:

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 ACCORDING TO THE BELOW EXPLANATION

The appraisal of the performance of the individual members of the Board of Directors is carried out in line with the principles, valuation criteria and processes set out in the Remuneration and Compensation Policy proposed by the Shareholders' Remuneration Committee and approved on an annual basis by the Shareholders' General Meeting.

The Shareholders' Remuneration Committee, which is appointed at the Shareholders' General Meeting, is responsible for the approval of the remuneration of the individual members of the Board of Directors and other statutory governing bodies, in representation of the shareholders and in accordance with the Remuneration and Compensation Policy approved by the Shareholders General Meeting. The Board Remuneration Committee supports the Shareholders' Remuneration Committee in carrying out its duties in relation to the assessment of the performance and remuneration of the Executive Members of the Board of Directors (see sections 24, 29, 66 and 67 of this Report).

The Board of Directors, as set out in its Internal Regulation, periodically self-assesses its performance and the performance of its committees. A full formal assessment is made about half-way through each mandate, which is considered the most suitable frequency and timing for a full self-assessment of the performance of the Board of Directors as a whole, and of the contribution of individual members of the Board of Directors. In the remaining years of the mandate, other than the year where the full formal assessment is executed, there is always, at least, one meeting of the Board of Directors and one meeting of each of its committees which respectively include an agenda item covering a brief and informal self-assessment to be carried out. If deemed necessary to improve performance, internal regulations are accordingly amended.

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 FULLY ADOPTED

The Statutory Audit Board carried out its tasks, as described in section 38.1 of this Report, having, in compliance with the set forth in its Internal Regulation available at <https://www.sonae.pt/en/investors/government-of-society/>, supervised the management of the Company, according to best corporate governance practices and in line with the Statutory Audit Board's competencies, regarding the Board of Directors' compliance with the strategic plan, risk management, as well as the Board's other responsibilities, including those related to the required interaction with the auditing and management bodies, in order to prevent conflict of interests. The Statutory Audit Board has not issued any report, nor has it made any admonishment, regarding the compliance with the Company's strategic plan and budget, having acted in accordance with the legal applicable rules determining its competency, capacity and duty to intervene.

V.2. Remuneration

Principle:

The remuneration policy of the members of the managing and supervisory boards should allow the company to attract qualified professionals at an economically justifiable cost in relation to its financial situation, induce the alignment of the member's interests with those of the company's shareholders — taking into account the wealth effectively created by the company, its financial situation and the market's — and constitute a factor of development of a culture of professionalization, promotion of merit and transparency within the company.

Recommendations:

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

RECOMMENDATION FULLY ADOPTED

The remunerations are set by the Shareholders' Remuneration Committee, appointed by the Shareholders' General Meeting. The three appointed members of the Shareholders' Remuneration Committee are independent and act in that capacity, thus fulfilling the necessary conditions for the body's independent performance and decision-making process. All the members of the Shareholders' Remuneration Committee have relevant and sufficient knowledge and experience in the field of remuneration policies.

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 confirm 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 FULLY ADOPTED

The statement on the Company's Remuneration and Compensation policy was presented to the Shareholders' Annual General Meeting held on the 30th April 2019, and includes the information referred to in this recommendation.

The statement on the Remuneration and Compensation policy is available at

<https://www.sonae.pt/en/investors/shareholder-s-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 specific 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 FULLY ADOPTED

The statement on the Company's Remuneration and Compensation policy presented to the Shareholders' Annual General Meeting includes the information referred to in this recommendation. Payments for the dismissal or termination of appointment of directors are not, subject to the applicable legal provisions, enforceable.

The statement on the Remuneration and Compensation Policy is available at

<https://www.sonae.pt/pt/investidores/assembleia-geral-de-acionistas/>.

The detail of the Remuneration and Compensation Policy's features is described in sections 66 to 82 of this Report.

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

RECOMMENDATION NOT APPLICABLE

The Company does not grant pension or early retirement schemes for Directors, nor does it grant payments for the dismissal or termination of appointment of Directors without prejudice to the applicable legal provisions.

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 FULLY ADOPTED

The Shareholders' Remuneration Committee is aligned with this recommendation and appoints, among its members, the one that shall represent the Committee at the Shareholders' General Meeting, which could be either the Chair or any of its two other members.

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 FULLY ADOPTED

The principles applicable to the hiring of consulting services are described in section 24 of this Report. The Committee is subject to the undertaking of ensuring the proportionality of the level of independence of the specialised experts in light of the specific scope of engagement of services, and that their independence is not jeopardised by the provision of significant other services to the Company or to any related parties.

V.3. Directors' Remuneration

Principle:

Directors should receive compensation:

- i) that suitably remunerates the responsibility taken, the availability and the competences placed at the disposal of the company;*
- ii) that guarantees a performance aligned with the long-term interests of the shareholders, as well as others expressly defined by them; and*
- iii) that rewards performance.*

Recommendations:

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 FULLY ADOPTED

The remuneration components are disclosed in the Company's Remuneration and Compensation Policy, which was approved by the Shareholders' Annual General Meeting, being available at the Company's website at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>, and is further described in sections 69-76 of this Report.

The Remuneration and Compensation policy provides for solid relationship between the fixed and variable components of the remuneration which is suitable to the Company and Group profile, as perceived by the shareholders who approve it on an annual basis at the Shareholders' General Meeting.

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 FULLY ADOPTED

The Remuneration and Compensation Policy, proposed by the Shareholders' Remuneration Committee and approved at the Shareholders' Annual General Meeting held on 30th April 2019, respects the deferral period contained in this recommendation and its vesting value is dependent upon the Company's performance during said period, as detailed in sections 69-76 of this Report, and is available at <https://www.sonae.pt/pt/investidores/assembleia-geral-de-acionistas/>.

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 approved remuneration policy does not include the allocations of options.

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 FULLY ADOPTED

The remuneration of the non-executive members of the Board of Directors consists solely of a fixed amount, without any connection to the Company's performance or its value.

The Company's Remuneration and Compensation Policy is available at <https://www.sonae.pt/pt/investidores/assembleia-geral-de-acionistas/> and is further described in sections 69 to 76 of [this Report](#).

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 FULLY ADOPTED

The Company's Remuneration and Compensation Policy approved at the Shareholders' Annual General Meeting held on 30th April 2019, embodies the principle of not attributing any compensation to members of the Board of Directors or members of the statutory governing bodies, related to the loss of office, whether their resignation occurs according to their original mandate or whether it is anticipated for whatever cause or reason, without prejudice to the obligation of the Company to comply with any relevant legislation in force in this area.

V.4. Appointments

Principle:

Regardless of the manner of appointment, the profile, the knowledge, and the curriculum of the members of the company's governing bodies, and of the executive staff, should be suited to the functions carried out.

Recommendations:

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

RECOMMENDATION FULLY ADOPTED

The Company approved at the Shareholders' Extraordinary General Meeting, held on 16th December 2015, the Selection and Assessment Policy for Membership of the Statutory Governing Bodies, in compliance with Articles 30 to 32 of the General Regime of Credit Institutions and Financial Companies, applicable to the Company for as long as it holds the majority of the share capital and voting rights of the financial entity Sonaegest – Sociedade Gestora de Fundos de Investimento, S.A., (currently "SFS – Gestão de Fundos, SGFI, SA") available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/shareholders-extraordinary-general-meeting-16th-december-2015/>, and which complies with this recommendation. This policy was applied in the appointment of the members of the statutory governing bodies elected at the Shareholders' General Meeting held on 30th April 2019.

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 FULLY ADOPTED

The Board of Directors created an internal committee specialised in this matter, the Board Nomination Committee, with the nomination competencies described in section 29 of this Report and with the assignments established in the Board of Directors' Internal Regulation, which comply with this recommendation.

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

RECOMMENDATION FULLY ADOPTED

The Board Nomination Committee is composed of a majority of non-executive independent members, as detailed in section 29 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 FULLY ADOPTED

The terms of reference of the Board Nomination Committee are included in the Board of Directors' Internal Regulation and is further detailed, in its main features and in its procedure schedule embodied in its Terms of Reference, available at the Company's website at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

The Board Nomination Committee can, in particular, and together with the Shareholders' Remuneration Committee, engage the services of external specialised consultants with market recognised international experience and reliability.

VI – Risk Management**Principle:**

Based on its mid and long-term strategies, the company should establish a system of risk management and control, and of internal audit, which allow for the anticipation and minimization of risks inherent to the company's activity.

Recommendations:

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 FULLY ADOPTED

The Board of Directors determines the strategy and risk policy of the Company, defining and monitoring the existence of acceptable risk levels. The Board Audit and Finance Committee (BAFC) regularly reports to the Board of Directors about its work, the conclusions that it has reached and proposes plans of action with the goal of proactively ensuring internal control and the functioning of the Company's risk management system (see section 29 of this Report).

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 FULLY ADOPTED

The Board of Directors has established internal risk control systems with appropriate components (please refer to sections 50 to 55 of this Report).

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 FULLY ADOPTED

The Board of Directors has established an ongoing assessment system of the risk management system performance, aiming to adapt it to new circumstances and contingencies (see sections 38.1 A and B, 50 to 52 and 54 to 55 of this Report).

VII – Financial Statements and Accounting

VII.1. Financial Information

Principles:

VII.A. The supervisory body should, with independence and in a diligent manner, ensure that the managing body complies with its duties when choosing appropriate accounting policies and standards for the company, and when establishing suitable systems of financial reporting, risk management, internal control, and internal audit.

VII.B. The supervisory body should promote an adequate coordination between the internal audit and the statutory audit of accounts.

Recommendations:

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 FULLY ADOPTED

The Statutory Audit Board's Internal Regulation includes these responsibilities and is available at <https://www.sonae.pt/en/investors/government-of-society/>.

VII.2. Statutory audit of accounts and supervision

Principle:

The supervisory body should establish and monitor clear and transparent formal procedures on the form of selection of the company's statutory auditor and on their relationship with the company, as well as on the supervision of compliance, by the auditor. with rules regarding independence imposed by law and professional regulations.

Recommendations:

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 FULLY ADOPTED

The Statutory Audit Board's Internal Regulation, available at the Company's website at <https://www.sonae.pt/en/investors/government-of-society/> defines the Statutory Audit Board's competencies, including the ones referred to in this Recommendation, and in compliance hereof.

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 FULLY ADOPTED

The Statutory Audit Board is responsible for proposing the appointment and dismissal of the Statutory External Auditor and of the External Auditor, approving the remuneration, overseeing the work performed and verifying their independence. The Statutory Audit Board is also primarily responsible for receiving the Statutory External Auditor and the External Auditor's reports and for the direct interaction with both of them, pursuant to Statutory Audit Board's competencies and its respective Regulation, available at the Company's website <https://www.sonae.pt/en/investors/government-of-society/>.

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 FULLY ADOPTED

The assessment of the work performed by the Statutory External Auditor can be checked in the Statutory Audit Board's annual report and opinion.

The Statutory Audit Board has the competencies described in this recommendation, in accordance with the applicable law and as described in its Internal Regulation.

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 FULLY ADOPTED

The Statutory External Auditor has evaluated the activities carried out during 2019 financial year in its annual audit report, which is subject to approval by the Shareholders' Annual General Meeting and is available at <https://www.sonae.pt/en/investors/shareholder-s-general-meeting/>.

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 FULLY ADOPTED

The Statutory External Auditor is aligned with this Recommendation.

The Statutory Audit Board is responsible for overseeing the work performed by the Statutory External Auditor and primordially receives its reports, directly interacting with the Statutory External Auditor, pursuant to the Statutory Audit Board's competencies and the rules set forth in its Internal Regulation available at <https://www.sonae.pt/en/investors/government-of-society/>.

Appendix I

Board of Directors

Professional qualifications and curricular references

Duarte Paulo Teixeira de Azevedo	
Date of birth	
31st December 1965	
Education	
1986	Graduate Degree in Chemical Engineering – Federal Polytechnic School of Lausanne
1989	Master in Business Administration - Porto Business School
Executive Education	
1994	Executive Retailing Program - Babson College
1996	Strategic Uses of Information Technology Program - Stanford Business School
2002	Breakthrough Program for Senior Executives - IMD Lausanne
2008	Proteus Programme - London Business School
2012	Corporate Level Strategy – Harvard Business School
Professional Experience	
	Sonae Group
1988-1990	Project manager and analyst of new investments at Sonae Tecnologias de Informação
1990-1993	Organisational Development Project Manager and New Business Commercial Manager for Portugal at Sonae Indústria, SGPS, SA (Wood Based Panels)
1993-1996	Head of Strategic Planning and Control Organisational Development of Sonae Investimentos - SGPS, SA (currently Sonae - SGPS, SA)
1996-1998	Executive Member of the Board of Directors of Modelo Continente Hipermercados, SA (Merchandising, IT and Marketing Retail)
1998-2000	CEO of Optimus - Telecomunicações, SA (Mobile Operator)
2000-April 2007	Executive Director of Sonae - SGPS, SA
2000-2007	CEO of Sonaecom, SGPS, SA
2002-2007	Chair of the Supervisory Board of Público - Comunicação Social, SA
2003-2007	Chair of the Supervisory Board of Glunz, AG
2004-2007	Chair of the Board of Directors of Tableros de Fibras, SA (Tafisa)
2007-2014	Chair of the Board of Directors of Sonaecom, SGPS, SA
2007-April 2015	CEO of Sonae - SGPS, SA
2007-March 2015	Vice-Chair of the Board of Directors of Sonae Indústria, SGPS, SA
2007-2019	Chair of the Board of Directors of Sonae Sierra, SGPS, SA
2007-2018	Chair of the Board of Directors of Sonae Investimentos, SGPS, SA (currently Sonae MC, SGPS, SA)
2008-2014	Chair of the Board of Directors of MDS, SGPS, SA
2009-2013	Chair of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, SA (currently SFS – Gestão de Fundos, SGFI, S.A.)
2010-2016	Chair of the Board of Directors of Sonae – Specialized Retail, SGPS, SA
2010-January 2019	Chair of the Board of Directors of Sonae MC – Modelo Continente, SGPS, SA (currently Modelo Continente, SGPS, SA)
2013-2018	Chair of the Board of Directors of Sonae Center Serviços II, SA (currently Sonae MC, Serviços Partilhados, SA)
2015-April 2019	Chair of the Board of Directors and Co-CEO of Sonae - SGPS, SA
2018-2019	Chair of the Board of Directors of Sonae Corporate, SA
Since March 2015	Chair of the Board of Directors of Sonae Capital, SGPS, SA
Since March 2015	Chair of the Board of Directors of Sonae Indústria, SGPS, SA
Since May 2016	Chair of the Board of Directors of Sonae Arauco Portugal, SA

Since April 2019	Chair of the Board of Directors of da Sonae - SGPS, SA
	Other Entities
2001-2002	Chair of Apritel - Associação dos Operadores de Telecomunicações (Association of Electronic Telecommunication Companies)
2001-2008	Member of the Supervisory Board of Porto Business School
2004-2011	Member of the Supervisory Board of IPCG – Instituto Português de Corporate Governance
2006-2013	Member of the Board of the Founding Members of Casa da Música Foundation
2008-2009	Member of the Supervisory Board of AEP - Associação Empresarial de Portugal (Portuguese Entrepreneurship Association)
2009-2014	Member of the Board of Curators of AEP - Associação Empresarial de Portugal (Portuguese Entrepreneurship Association)
2009-2015	Chair of the Board of Curators of Oporto University
2012-2015	Director of Cotec
2012-2017	Member of the Board of Curators of Fundação Belmiro de Azevedo
2015-2018	Member of Consejo Iberoamericano para la Productividad y la Competitividad
Since 2008	Member of the ERT - European Round Table of Industrialists
Since 2013	Member of the International Advisory Board of Allianz SE
Since 2019	Member of the Board of Directors and Member of the Executive Committee of Fundação Belmiro de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

Date of Birth

14th September 1959

Education

1982	Graduate Degree in Civil Engineering – FEUP
1988-1989	Master in Business Administration – Porto Business School

Professional Experience

1982-1984	Structural Design Project Manager at Tecnopor (Civil Engineering)
1984-1989	Manager at EDP (Energy)
1989-1991	Leader of the Television Project Team at Sonae Tecnologias de Informação, SA
1989-2007	Member of the Board of Directors of Modelo Continente Hipermercados, SA
1991-1994	Head of Planning and Management Control at Sonae Investimentos – SGPS, SA (currently Sonae – SGPS, SA)
1994-1996	Director of several companies within Sonae Distribuição, SGPS, SA (currently Sonae MC, SGPS, SA) – Retail
1996-2007	CFO of Sonae Distribuição, SGPS, SA (currently Sonae MC, SGPS, SA)
1996-2007	Executive Member of the Board of Directors of Sonae Capital, SGPS, SA
2000-2007	Executive Member of the Board of Directors, CFO and Chair of the Finance Committee of Sonae – SGPS, SA
2004-2009	Member of the Board of Directors of MDS – Corretor de Seguros, SA
2005-2016	Executive Member of the Board of Directors of Sonae Investments BV
2006-2016	Executive Member of the Board of Directors of Sontel BV
2007- April 2015	Vice-CEO of Sonae – SGPS, SA
2007- March 2018	Member of the Board of Directors of MDS, SGPS, SA (Chair of the Board of Directors since October 2014)
2009-2019	Chair of the Board of Directors of Modelo Continente, SGPS, SA (Merger Sonae MC, SGPS, SA)
2010-2016	Vice Chair of the Board of Directors of Sonae – Specialized Retail, SGPS, SA (Merger Sonae MC – Modelo Continente, SGPS, SA)

2010-2016	Chair of the Board of Directors of Sonaerp – Retail Properties, SA
2010-2016	Chair of the Board of Directors of MDS Auto, Mediação de Seguros, SA
2010-2016	Member of the Supreme Counsel of Universidade Católica Portuguesa
2010-2018	Member of the Board of Directors of Sonae Center Serviços II, SA (currently Sonae MC – Serviços Partilhados)
2011-2015	Member of the Supreme Counsel of Porto Business School
2012-2016	Chair of the Board of Directors of Sonaecom – Serviços Partilhados, SA
2013-2016	Chair of the Board of Directors of Sonae RE, SA
2013-2016	Chair of the Board of Directors of Sonaegest – Sociedade Gestora de Fundos de Investimento, SA (currently SFS – Gestão de Fundos, SGFI, S.A)
2014-2019	Chair of the Board of Directors of Sonae Financial Services, SA (currently SFS – Financial Services, IME, SA)
2015-2019	Co-CEO da Sonae – SGPS, SA
2016-2019	Chair of the Board of Directors of SFS, Gestão e Consultoria, SA
2018-2019	Member of the Board of Directors of Sonae Corporate, SA
Since 2007	Non-Executive Member of the Board of Directors of Sonae Sierra, SGPS, SA
Since 2007	Member of the Board of Directors of Sonae MC, SGPS, SA
Since 2007	Executive Chair of the Board of Directors of Sonaecom, SGPS, SA
Since 2007	Non-Executive Chair of the Board of Directors of Sonae Investment Management – Software and Technology, SA
Since 2007	Non-Executive Chair of the Board of Directors of Público – Comunicação Social, SA
Since 2012	Member of the Board of Directors of ZOPT, SGPS, SA
Since 2013	Non-Executive Member of the Board of Directors of NOS, SGPS, SA
Since 2018	Vice- Chair of the Board of Directors of Iberian Sports Retail Group, S.L.
Since 2018	Chair of the Board of Directors of Sonae Holdings, SA
Since 2018	Member of the Board of Directors of Efanor Investimentos, SGPS, SA
Since April 2019	Non-Executive Member of the Board of Directors of Sonae – SGPS, SA
Since 2019	Chairman of the Board of Directors of Sonae FS, SA
Since 2019	Non-Executive Member of the Board of Directors of Sonae Capital, SGPS, SA
Since 2019	Member of the Board of Directors of Fundação Manuel Cargaleiro

José Manuel Neves Adelino

Date of Birth

19th March 1954

Education

1976	Graduate Degree in Finance, Universidade Técnica de Lisboa
1981	DBA, Finance, Kent State University

Professional Experience

1978-1981	Assistant Professor, Kent State University
1981-1986	Member of the Director Council, Faculty of Economics, Universidade Nova de Lisboa
1981-2012	Professor, Faculty of Economics, Universidade Nova de Lisboa
1986-1989	Assistant Professor, Universidade Católica Portuguesa
1987-1989	Assistant Professor, Bentley College
1988	Assistant Professor, ISEE
1990-1996	Dean, MBA Program and Executive Program, Faculty of Economics, Universidade Nova de Lisboa

1992-1994	Non-Executive Member of the Board of Directors, BPA
1994-2002	Member of the Management Board of the Deposit Guarantee Fund
1999-2002	Dean, Faculty of Economics, Universidade Nova de Lisboa
1999-2004	Member of the Global Advisory Board of Sonae – SGPS, SA
2003-2006	Non-Executive Member of the Board of Directors and Chair of the Audit Committee of EDP
2003-2006	Member of the Strategy Advisory Board of PT
2003-2007	Member of the Remuneration Committee of Sonae – SGPS, SA
2003-2010	Member of the Investment Committee of Fundo Caravela
2008-2014	Member of the Statutory Audit Board of Banco BPI
2010-2014	Non-Executive Member of the Board of Directors of Cimpor
2012-2014	Finance and Investment Director – Calouste Gulbenkian Foundation

Margaret Lorraine Trainer

Date of Birth

13th March 1952

Education

1970-1971	Diplome Superieur, Sorbonne Paris
1971-1975	M.A. (2i) French, St Andrews University

Professional Experience

1975-1990	Citibank NA
1975-1986	H.R. roles of both specialist and generalist natures Chief of Staff to Head of UK Treasury
1986-1988	A non-HR role including assignments in capital hedging, risk assessment, speech writing, and foreign exchange and funding limits management
1988-1989	Head of HR UK and N.Europe, London
1989-1990	Head of HR for EMEA based in Frankfurt London Stock Exchange
1990-1994	Head of Human Resources and member of the Executive Board, responsible for formulating strategy and leading the Exchange from being a trade association to an organisation using current commercial practices Coutts Natwest Group
1994-2000	Head of Human Resources and Organisation Development responsible for all HR activities in International Private Banking De Beers LV Ltd
2001-2006	Member of the start-up team for this joint venture created in 2001 between LVMH and De Beers to launch a global retail diamond jewelry business, advising on organisation and people strategy Aegis PLC
2005-2013	Non-Executive Member of the Board of Directors and Chair of the Remuneration Committee (since 2010) Manchester Square Partners
2006-2008	Working with the founding partners to support them in developing a search-based business mentoring practice at board level Sonae – SGPS, SA
2008-2015	Advise to Chairman Providing board level succession planning services, and director development Colt SA
2013-2015	Non-Executive Member of the Board of Directors and since 2014 Chair of the Remuneration Committee

	Member of the Nomination Committee. After Fidelity purchased all the independent shareholdings, the independent directors stood down Jupiter Fund Management PLC
2010-2018	Non-Executive Member of the Board of Directors and Member of the Audit Committee and the Nomination Committee. Member of the Remuneration Committee TP ICAP
2018-March 2020	Non-Executive Member of the Board of Directors, Chair of the Nomination and Remuneration Committee and Member of the Audit Committee Essentra PLC
Since 2013	Non-Executive Member of the Board of Directors and, since 2014, Chair of the Nomination and Remuneration Committee and Member of the Audit Committee

Marcelo Faria de Lima	
Date of Birth	
1st December 1961	
Education	
1981-1985	Graduate Degree in Economics, Pontifical Catholic University of Rio de Janeiro, Rio de Janeiro, Brazil
Professional Experience	
1988-1989	Professor, Pontifical Catholic University of Rio de Janeiro, Rio de Janeiro, Brazil
1989-1996	Commercial Banker of ABN AMRO Bank, São Paulo, Brasil/Chicago, Estados Unidos
1996-1998	Vice- Chair of Banco Garantia, São Paulo, Brazil Investment Bank
1998-2000	Manager of Donaldson, Lufkin&Jenrette, São Paulo, Brazil Investment Bank
2000	Co-founder and CEO of Areautil, São Paulo, Brazil Internet gateway for property business
2000-2003	Co-founder and CEO of EugênioWG, São Paulo, Brazil Advertising Agency
2002-2005	Member of the Board of Directors of Neovia Telecomunicações, SA, São Paulo, Brazil Wi-Fi Company/WiMax at São Paulo State
2007-2016	Vice- Chair of the Board of Directors of Produquímica Indústria e Comércio, SA, São Paulo, Brazil Leadership company in the solutions for the production in micronutrient for agriculture and animal food, which also produces ingredients for the treatment of water for industrial processes
2009-2016	Member of the Board of Directors of C1 Financial Inc., Saint Petersburg, Florida, United States Public company registered in the Securities and Exchange Commission of the United States, being its shares admitted to trading at NYSE under the ticker BNK. Commercial Bank acting in Florida, United States, with total assets in an amount higher than US\$ 1.500 million. This company was incorporated by another bank in 2016
Since February 2003	Shareholder and Co-founder of Artesia Gestão de Recursos, SA, São Paulo, Brazil Company authorised by CVM – Securities and Exchange Commission of Brazil for the professional exercise of the Management of the Securities Investors Portfolio
Since January 2004	Chair of the Board of Directors of Metalfrio Solutions SA, São Paulo, Brazil Public company, with shares admitted to trading at BM&FBovespa under the ticker FRIO3, it is a Brazilian multinational company, and one of the world's largest manufacturers of commercial refrigeration equipment Plug-In type, operating in Brazil, United States of America, Mexico, Denmark, Turkey, Russia, Ukraine, Indonesia and India
Since January 2008	Vice- Chair of the Board of Directors of Restoque Comércio e Confecções de Roupas SA, São Paulo, Brazil (since June 2018 Chair of the Board of Directors)

Public company, with shares admitted to trading at BM&FBovespa under the ticker LLIS3, it is one of the largest retail companies in the high pattern apparel and accessories sector, cosmetics and decoration articles, in Brazil, with annual income of over R\$ 1.000 million

Since March 2008 Chair of the Board of Directors of Klimasan Klima Sanayi ve Ticaret A.Ş. Izmir, Turkey
Public company, duly registered in Turkey's Capital Markets Board, being its shares negotiated at Istanbul Stock Exchange under the ticker KLMSN. Company controlled by Metafrio Solutions SA, Klimasan operates in the commercial refrigeration sector, Plug-In type

Carlos António Rocha Moreira da Silva

Date of Birth

12th September 1952

Education

1975	Graduate Degree in Mechanical Engineering, University of Oporto
1978	MSc in Management Sci. and Operation Research (University of Warwick – UK)
1982	Ph in Management Sciences (University of Warwick – UK)

Professional Experience

1975-1987	Assistant Professor of Faculty of Engineering, University of Porto
1987-1988	Member of the Board of Directors of EDP, Eletricidade de Portugal, E.P
1993-1996	Chair of the Board of Directors of Sonae Indústria, SGPS, S.A. and Chief Executive Officer of Tafisa – Tableros de Fibras, SA
1993-1998	Chair of the Board of Directors of Sonae Tecnologias de Informação
1997-1998	Chair of the Board of Directors of Sonae Retalho Especializado, SGPS, SA
1998-1998	Chair of the Board of Directors of TVI – Televisão Independente, SA
1998-2000	Chair of the General Council of Público – Comunicação Social, SA
1998-2003	Chair of the Board of Directors of BA Vidro
2003-2005	Chair of the Executive Committee of Sonae Indústria, SGPS, SA
2005-2012	Member of the Advisory Board of 3i Spain
2006-2014	Member of the Board of Directors of Banco BPI
2009-2012	Member of the Advisory Board of Jerónimo Martins Dystrybucja, SA
2010-2014	Chair of the Board of Directors of La Seda Barcelona

Fuencisla Clemares

Date of Birth

7th January 1974

Education

1992-1996	Bachelor in Business Administration, European Business Program
1999	Exchange Program at the MBA of Kellogg Graduate School of Management, Chicago, USA
2000	MBA – IESE Business School, Universidad de Navarra, Barcelona

Professional Experience

2000-2007	Senior Associate at Mckinsey & Company
2007-2009	Manger of Carrefour Spain

2009-2009	Head of Retail of Google Spain
2010-2011	Head of Retail and FMCG of Google Spain
2012-2015	Member of the Board of Directors of Adigital
2013-2016	Sales Director at Google Spain
2013-2016	Leader of “Mobile Initiative” in Google Spain
2013-2018	Member of the Advisory Council of Mckinsey Alumni Advisory Council
2015-2016	Member of the Board of Directors of MMA (Mobile Marketing Association) in Spain
2015-2017	Mentor at Impact Program: a mobile star-up accelerator program in Madrid
2016-2016	Member of the Board of Directors of Adolfo Dominguez
Since 2013	Teacher of Digital Marketing of ISDI (Instituto Superior para el Desarrollo de Internet) with participation at MIB, DIBEX and In-Company Programs
Since 2015	Member of the junta Territorial de Madrid (Alumni council) at IESE
Since 2015	Visiting Teacher at IESE
Since 2016	Member of the Academic advisory Board of Internet Academy, the online training platform of ISDI
Since 2016	Country Manager for Spain and Portugal of Google LLC
Since 2018	Advisor to the Board of Directors of Cosentino, SA

Philippe Cyriel Elodie Haspeslagh

Date of Birth

11th May 1950

Education

1968-1972	Commercial Engineer, Management, Distinction – University of Leuven
1972-1973	Master, General Management, High Distinction – Vlerick Business School
1975-1977	Master of Business Administration (MBA), Baker Scholar, Highest Distinction – Harvard Business School
1977-1979	Doctor of Business Administration (MBA) (1983), Highest Distinction – Harvard Business School
2008-2009	Consulting and Coaching for Change – INSEAD

Professional Experience

1979-2008	INSEAD, Fontainebleau and Singapore – Visiting Professor at Stanford Business School (1984-1985), and at Harvard Business School (1990)
1985-2006	Co-founder, Non-Executive Partner and Chair of Procuritas, AB, Stockholm, Sweden
1985-2014	Chair of the Board of Directors of Dujardin Foods, NV
1998-2000	Chair of the Board of Directors of Pieters Visbedrijf
1998-2016	Co-Founder and Member of the Board of Directors of Quest for Growth NV
2010-2013	Independent Director of Governance for Owners Ltd, London, UK
2011-2014	Independent Director of Sioen Industries
2015-2018	Member of the Board of Directors of MyMicroInvest
Since 1993	Co-founder and Non-Executive Chair of the Board of Directors of Capricorn Venture Partners
Since 2006	Non-Executive Director of Vandemoortele NV
Since 2008	Dean (2008-2016), Professor and Honorary Dean (2016-present) at Vlerick Business School
Since 2009	Non-Executive Chair of the Board of Directors of Ardo NV
Since 2016	Non-Executive Chair of the Board of Directors of FBN Belgium – The Family Business Network

	Other Non-Profit Activities
2008-2015	Member of the Board of Directors of EABIS – European Academy of Business in Society
2008-2015	Member of the Board of Directors of Vlerick Business School
Since 2008	Member of the Board of Directors of Guberna
Since 2019	Member of the Board of Directors of Strongroots Limited
Since July 2019	Member of the Board of Directors of Awacs3 Enterprises NV
Since August 2019	Member of the Board of Directors of Deltronic NV

Maria Cláudia Teixeira de Azevedo

Date of Birth

11th January 1970

Education

1989-1994	Degree in Management, Universidade Católica do Porto
1999-2000	MBA, INSEAD, Fontainebleau, France

Professional Experience

Since 1990	Chair of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, SA
Since 1992	Member of the Board of Directors of Efanor Investimentos, SGPS, SA
Since 2000	Chair of the Board of Directors of Linhacom, SGPS, SA
Since 2002	Chair of the Board of Directors of Praça Foz – Sociedade Imobiliária, SA
Since 2006	Member of the Board of Directors of SONAECOM – SGPS, SA
Since 2008	Member of the Board of Directors of Efanor – Serviços de Apoio à Gestão, SA
Since 2009	Member of the Board of Directors of Público – Comunicação Social, SA
Since 2011	Member of the Board of Directors of Sonae Capital, SGPS, SA
Since 2011	Sole Director of Sekiwi, SGPS, SA
Since 2012	Member of the Board of Directors of ZOPT, SGPS, SA
Since 2013	Member of the Board of Directors of NOS, SGPS, SA
Since 2018	Chair of the Board of Directors of Sonae MC, SGPS, SA
Since 2018	Member of the Board of Directors of Sonae Holdings, SA
Since 2018	Member of the Board of Directors of Sonae Sierra, SGPS, SA (Since May 2019, Chair of the Board of Directors)
Since 2018	Member of the Board of Directors of Sonae Investment Management – Software and Technology, SGPS, SA
Since 2018	Member of the Board of Directors of Vistas da Foz – Sociedade Imobiliária, SA
Since 2018	Member of the Board of Directors of Setimanale, SGPS, SA
Since 2018	Member of the Board of Directors of Casa Agrícola de Ambrães, SA
Since 2018	Member of the Board of Directors of Realejo – Sociedade Imobiliária, SA
Since 2018	Member of the Board of Directors of and Member of the Executive Committee of Fundação Belmiro de Azevedo
2018-2019	Member of the Board of Directors of BA – Business Angels, SGPS, SA
2018-2019	Member of the Board of Directors of BA – Capital, SGPS, SA
Since abril 2019	CEO of Sonae – SGPS, SA
Since 2019	Member of the Board of Directors of Sonae FS, SA

João Pedro Magalhães da Silva Torres Dolores**Date of Birth**

21st December 1980

Education

1998-2003	Degree in Economics, FEP – Faculdade de Economia (University of Oporto)
2004-2004	Postgraduate Program in Business Management – New York University, New York
2007-2009	MBA – London Business School, London (United Kingdom)

Professional Experience

2003-2004	Brand manager – JW Burmester, S.A., New York (United States)
2005-2007	Business Analyst at McKinsey & Company
2009-2011	Associate at McKinsey & Company
2011-2013	Manager – Innovation Management at Portugal Telecom
2013-2014	Head of Cloud Business Unit at Portugal Telecom
2014-2015	Head of Corporate Strategy at Sonae – SGPS, SA
2015-2018	Head of Group Strategy, Planning and Control at Sonae – SGPS, SA
2016-2018	Strategy Professor – Executive MBA – Porto Business School
2018-2019	Chief Corporate Center Officer at Sonae – SGPS, SA
Since 2016	Non-Executive Member of the Board of Directors of NOS, SGPS, SA
Since 2018	Non-Executive Member of the Board of Directors of Sonae MC, SGPS, SA
Since 2018	Member of the Board of Directors of Sonae Corporate, SA (since December 2019, Chair of the Board of Directors)
Since 2018	Member of the Board of Directors of Sonae Holdings, SA
Since 2018	Executive Member of the Board of Directors of Sonae Investments, BV
Since 2018	Executive Member of the Board of Directors of Sontel, BV
Since 2018	Non-Executive Chairman of the Board of Directors of MKTPlace – Comércio Eletrónico, SA
Since 2019	Executive Member of the Board of Directors of Sonaecom, SGPS, SA
Since April 2019	Member of the Board of Directors and Member of the Executive Committee of Sonae – SGPS, SA
Since 2019	Non-Executive Member of the Board of Directors of Sonae Sierra, SGPS, SA
Since 2019	Member of the Board of Directors of Sonae FS, SA

Positions held in other entities**Duarte Paulo Teixeira de Azevedo****Offices held in other companies within Sonae**

None

Offices held in other companies outside Sonae

Chair of the Board of Directors of Sonae Indústria, SGPS, SA
Chair of the Board of Directors of Sonae Arauco Portugal, SA
Chair of the Board of Directors of Sonae Capital, SGPS, SA
Chair of the Board of Directors of Efanor Investimentos, SGPS, SA
Chair of the Board of Directors of Migracom, SA

Member of the Board of Directors of Imparfin – Investimentos e Participações Financeiras, SA

Member of the Board of Directors of Efanor – Serviços de Apoio à Gestão, SA

Member of the Board of Directors of BA Glass I – Serviços de Gestão e Investimentos, SA

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

Managing Partner of OKUK, Lda

Member of the European Round Table of Industrialists (ERT)

Member of International Advisory Board of Allianz SE

Chair of Installation Committee of project BIOPOLIS

Ângelo Gabriel Ribeirinho dos Santos Paupério

Offices held in other companies within Sonae

Executive Chair of the Board of Directors of Sonaecom, SGPS, SA

Non-Executive Chair of the Board of Directors of Sonae Investment Management – Software and Technology, SA

Non-Executive Chair of the Board of Directors of Público – Comunicação Social, SA

Member of the Board of Directors of ZOPT, SGPS, SA

Non-Executive Member of the Board of Directors of NOS, SGPS, SA

Member of the Board of Directors of Sonae MC, SGPS, SA

Vice- Chair of the Board of Directors of Iberian Sports Retail Group, S.L.

Chair of the Board of Directors of Sonae Holdings, SA

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

Chairman of the Board of Directors of Sonae FS, SA

Offices held in other companies outside Sonae

Non-Executive Member of the Board of Directors of Sonae Capital, SGPS, SA

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

Member of the Board of Directors of Love Letters – Galeria de Arte, SA

Chair of the Board of Directors of Enxomil – Consultoria e Gestão, SA

Chair of the Board of Directors of Enxomil – Sociedade Imobiliária, SA

Chair of the Board of Directors of APGEI (Associação Portuguesa de Gestão e Engenharia Industrial)

Member of the Board of Directors of Fundação Manuel Cargaleiro

José Manuel Neves Adelino

Offices held in other companies within Sonae

None

Offices held in other companies outside Sonae

Member of the Board of Directors of Fundação Calouste Gulbenkian

Margaret Lorraine Trainer

Offices held in other companies within Sonae

None

Offices held in other companies outside Sonae

Non-Executive Member of the Board of Directors, Chair of the Nomination and Remuneration Committee and Member of the Audit

Committee of Essentra PLC

Marcelo Faria de Lima**Offices held in other companies within Sonae**

None

Offices held in other companies outside Sonae

Shareholder and Co-founder of Artesia Gestão de Recursos SA

Member of the Board of Directors of Amber International LLC

Member of the Board of Directors of Alper Consultoria e Corretora de Seguros, SA

Manager of Baixo Augusta Hotel, Lda

Managing Partner of CBM Holding Qualified Family, LP (Canada)

Member of the Board of Directors of CBM Holding Qualified Family, LP (New Zealand)

Managing Partner of CBM Holding Subsidiary, LP (Canada)

Chair of Colfax Participações, SA

Director of Dover Participações, SA

Manager of GCR Administração e Participações, Lda

Chair of the Board of Directors of Klimasan Klima Sanayi ve Ticaret AŞ

Managing Partner of Lima & Smith Ltda

Chair of the Board of Directors of Metalfrio Servicios SA de CV

Member of the Board of Directors of Metalfrio Solutions AS

Chair of the Board of Directors of Metalfrio Solutions SA

Chair of the Board of Directors of Metalfrio Solutions SA Sogutma Sanayi Ve Ticaret AS

Director of Nova Bahia Empreendimentos

Member of the Board of Directors of Peach Tree LLC

Chair of the Board of Directors of Restoque Comércio e Confeções de Roupas SA

Manager of Rio Verde Consultoria e Participações Ltda

Manager of Tira-Chapéu Empreendimentos Ltda

Member of the Board of Directors of Turquoise Capital CV

Chair of Winery Participações Ltda

Carlos António Rocha Moreira da Silva**Offices held in other companies within Sonae**

None

Offices held in other companies outside Sonae

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

Non-Executive Vice- Chair of the Board of Directors of Sonae Indústria, SGPS, SA

Non-Executive Member of the Board of Directors of Sonae Arauco, SA

Non-Executive Member of the Board of Directors of BA Glass BV

Non-Executive Chair of the Board of Directors of BA Glass I – Serviços de Gestão e Investimentos, SA

Non-Executive Chair of the Board of Directors of Fim do Dia, SGPS, SA

Non-Executive Member of the Board of Directors of Lynx Finance GP, LLC

Member of the Board of Directors of Teak BV

Member of the Board of Directors of Fundação de Serralves

Fuencisla Clemares

Offices held in other companies within Sonae

None

Offices held in other companies outside Sonae

Teacher of Digital Marketing of ISDI (Instituto Superior para el Desarrollo de Internet)

Visiting teacher at IESE

Member of the Academic advisory Board of Internet Academy of ISDI

Country Manager for Spain and Portugal of Google LLC

Advisor to the Board of Cosentino, SA

Philippe Cyriel Elodie Haspeslagh

Offices held in other companies within Sonae

None

Offices held in other companies outside Sonae

Co-Founder and Non-Executive Chair of the Board of Directors of Capricorn Venture Partners

Non-Executive Director of Vandemoortele NV

Professor and Honorary Dean of Vlerick Business School

Non-Executive Chair of the Board of Directors of Ardo NV

Non-Executive Chair of the Board of Directors of FBN Belgium - The Family Business Network

Member of the Board of Directors of Guberna

Member of the Board of Directors of Strongroots Limited

Member of the Board of Directors of Awacs3 Enterprises NV

Member of the Board of Directors of Deltronic NV

Maria Cláudia Teixeira de Azevedo

Offices held in other companies within Sonae

Member of the Board of Directors of SONAECOM - SGPS, SA

Member of the Board of Directors of Público - Comunicação Social, SA

Member of the Board of Directors of ZOPT, SGPS, SA

Member of the Board of Directors of NOS, SGPS, SA

Member of the Board of Directors of Sonae Investment Management - Software and Technology, SGPS, SA

Chair 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 FS, SA

Member of the Board of Directors of Sonae Sierra, SGPS, SA (since May 2019 Chairman of the Board of Directors)

Offices held in other companies outside Sonae

Member of the Board of Directors of Sonae Capital, SGPS, SA

Chair of the Board of Directors of Impárfim - Investimentos e Participações Financeiras, SA

Member of the Board of Directors of Efanor - Investimentos, SGPS, SA
 Chair of the Board of Directors of Linhacom, SGPS, SA
 Chair of the Board of Directors of Praça Foz - Sociedade Imobiliária, SA
 Member of the Board of Directors of Efanor - Serviços de Apoio à Gestão, SA
 Sole Director of Sekiwi, SGPS, SA
 Member of the Board of Directors of Vistas da Foz - Sociedade Imobiliária, SA
 Member of the Board of Directors of Setimanale, SGPS, SA
 Member of the Board of Directors of Casa Agrícola de Ambrães, SA
 Member of the Board of Directors of Realejo - Sociedade Imobiliária, SA
 Member of the Board of Directors and Member of the Executive Committee of Fundação Belmiro de Azevedo

João Pedro Magalhães da Silva Torres Dolores

Offices held in other companies within Sonae

Non-Executive Member of the Board of Directors of NOS, SGPS, SA
 Non-Executive Member of the Board of Directors of Sonae MC, SGPS, SA
 Member of the Board of Directors of Sonae Corporate, SA (since December 2019 Chair of the Board of Directors)
 Member of the Board of Directors of Sonae Holdings, SA
 Executive Member of the Board of Directors of Sonae Investment, BV
 Executive Member of the Board of Directors of Sontel, BV
 Non-Executive Chairman of the Board of Directors of MKTPlace – Comércio Eletrónico, SA
 Executive Member of the Board of Directors of Sonaecom, SGPS, SA
 Non-Executive Member of the Board of Directors of Sonae Sierra, SGPS, SA
 Member of the Board of Directors of Sonae FS, SA

Offices held in other companies outside Sonae

None

Statutory Audit Board

Professional qualifications and curricular references

Maria José Martins Lourenço da Fonseca	
Date of Birth	
4th September 1957	
Education	
1984	Graduate Degree in Economics at Oporto University, Faculty of Economics – <i>Prize Doutor António José Sarmento</i>
1987	Postgraduate Program in European Studies at European Studies Center, Universidade Católica Portuguesa (Centro Regional do Porto)
1992	Participation in Young Managers Programme at INSEAD – European Institute of Business Administration, Fontainebleau
2002	Master in Business Administration, with specialisation in Accounting and Management Control at Oporto University, Faculty of Economics
2015	PhD in Business Administration, with specialisation in Accounting and Management Control at Oporto University, Faculty of Economics
Professional Experience	
1984-1985	Invited Assistant at Oporto University, Faculty of Economics
1985-1990	Technician in the Department of Economics Studies and Planning of BPI – Banco Português de Investimentos, SA
1990-1992	Senior Analyst at the Corporate Banking Department of BPI – Banco Português de Investimento, SA
1991-1999	Invited Assistant at Oporto University, Faculty of Economics, in the Accounting area
1992-1996	Vice-manager at the Corporate Banking Department of BPI – Banco Português de Investimento, SA
1996-2006	Cooperation with the Portuguese Institute of Statutory Auditors (OROC), as trainer for the External Auditor Preparatory Course
2002-2008	Cooperation with the Certified Public Accountant Association (OTOC), in the field of professional formation
2008-2009	Cooperation with the Portuguese Institute of Statutory Auditors (OROC), in the field of professional formation
2015	Member of the Selection Board of 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
Since 1996	Lecturer at Católica Porto Business School (Universidade Católica Portuguesa), in the Accounting area. Responsible Master Course Degree in Auditing and Taxation
Since 2008	Consulting activity through the Centro de Estudos de Gestão e Economia Aplicada (CEGEA) of Católica Porto Business School (Universidade Católica Portuguesa)
Since 2016	Member of the Statutory Audit Board of Sonaecom, SGPS, SA
Since 2017	Chair of the Statutory Audit Board of AEGE – Associação para a Escola de Gestão Empresarial
Since 2017	Member of the Statutory Audit Board of Ibersol, SGPS, SA
Since 2018	Member of the Statutory Audit Board of Sonae MC, SGPS, SA
Since 2018	Chair of the Statutory Audit Board of SDSR – Sports Division SR, SA

Daniel Bessa Fernandes Coelho

Date of Birth

6th May 1948

Education

1970 Graduate Degree in Economics – University of Oporto

1986 PhD in Economics – Universidade Técnica de Lisboa

Professional Experience

<p>1970-2009 1970-1999 1988-2000 1989-2002 2000-2008 2008-2009 2009-2009</p>	<p>Lecturer at the University of Oporto: - Faculty of Economics - ISEE (Institute for Entrepreneurship Studies) - Faculty of Engineering - EGP – Escola de Gestão do Porto (currently Porto Business School) - EGP – University of Porto Business School (currently Porto Business School) - Faculty of Economics</p>
<p>1978-1979</p>	<p>Dean of the Faculty of Economics of the University of Oporto</p>
<p>1989-1990</p>	<p>Chair of the Founding Committee of the School of Technology and Management (ESTG) of the Polytechnic Institute of Viana do Castelo (IPVC)</p>
<p>1990-1995</p>	<p>Vice-Dean for the Financial Management Guidance of the University of Oporto</p>
<p>1995-1996</p>	<p>Minister of Economy of the Portuguese Government</p>
<p>1996-2000</p>	<p>Executive Director of AURN – Associação das Universidades da Região Norte</p>
<p>1996-2006</p>	<p>Non-Executive Member of the Board of Directors of Celulose Beira Industrial (Celbi), SA</p>
<p>1997-1999</p>	<p>Non-Executive Member of the Board of Directors of INPARSA – Indústrias e Participações, SGPS, SA</p>
<p>1997-2007</p>	<p>Chair of the Statutory Audit Board of SPGM – Sociedade de Investimentos</p>
<p>1997-2008</p>	<p>Member of the Board of Directors of Finibanco, SA</p>
<p>1999-2002</p>	<p>Chair of the Board of the Shareholders' General Meeting of APDL – Administração dos Portos do Douro e Leixões</p>
<p>1999-2006</p>	<p>Member of the Advisory Boards of Sonae – SGPS, SA and of Sonae Indústria, SA</p>
<p>2000-2012</p>	<p>Chair of the Advisory Board of IGFCSS – Portuguese Institute for Welfare Funds Management</p>
<p>2001-2003</p>	<p>Advisory member of the Consulting Council of Electric and Telephone Conductors Industries F. Cunha Barros, SA</p>
<p>2001-2011</p>	<p>Member of the Board of Directors of Finibanco Holdings, SGPS, SA</p>
<p>2003-2014</p>	<p>Responsible for the Mission PRASD – Program for the rehabilitation of sectors within the Ministry of Economics, Ministry of Social Security and Ministry of Labour of the Portuguese Government</p>
<p>2004-2013</p>	<p>Non-Executive Member of the Board of Directors of Efacec Capital, SGPS, SA</p>
<p>2007-2011</p>	<p>Non-Executive Member of the Board of Directors of the Agency for Investment and External Commerce of Portugal - AICEP, E.P.E.</p>
<p>2007-April 2019</p>	<p>Chair of the Statutory Audit Board of Sonae – SGPS, SA</p>
<p>2009-2016</p>	<p>Managing Director of COTEC Portugal, Business Association for Innovation</p>
<p>2011-2012</p>	<p>Member of the Supervisory Board of Banco Comercial Português, SA</p>
<p>2016-2019</p>	<p>Non-Executive Member of the Board of Directors of Amorim Turismo, SGPS, SA</p>
<p>2016-2019</p>	<p>Non-Executive Member of the Board of Directors of Sociedade Figueira Praia, SA</p>
<p>2017-2019</p>	<p>Non-Executive Member of the Board of Directors of SFP OnLine, SA</p>
<p>Since January 2003</p>	<p>Member of the Board of Directors and Member of the Executive Committee of Fundação Bial</p>

Since October 2008	Member of the Investment Committee of PVCI - Portuguese Venture Capital Initiative, entity created by FEI – Fundo Europeu de Investimento
Since November 2017	Chair of the Board of Trustee of the Belmiro de Azevedo Foundation Previously (January 2014 to November 2017), he joined this body as a vowel.
Since April 2019	Member of the Statutory Audit Board of Sonae – SGPS, SA

Manuel Heleno Sismeiro

Date of Birth

5th January 1945

Education

1964	Accountant, ICL – Lisboa
1971	Graduate Degree in Finance, ISCEF – Lisboa

Professional Experience

1965-1966	Industrial and Commercial School of Leiria: Accounting and Commercial Calculus teacher in the general commerce course
1970-1971	Banco da Agricultura: performed functions at the Organisation and Methods division
1971-1981	Instituto Superior de Economia de Lisboa: assistant, having lectured Mathematics, Statistics, Econometry and Operational Investigation
1974-1975	Arthur Young & Co: Statutory Auditor and audit assistant
1974-1976	Universidade Católica Lisboa: assistant (first year) and regente (second year) of Accountancy in the Business Administration course
1976-1977	Banco Borges & Irmão: performed functions at the Economics Studies Department and at the Control Department of Associated Companies
1977-1980	CTT – Correios e Telecomunicações de Portugal: Responsible for the Warehouse Management and Control division. Responsible for stock management of central warehouses and of a project aimed at implementing a computer tool for stock management and control Partner of Coopers & Lybrand and of Bernardes, Sismeiro & Associados, since 1998 PricewaterhouseCoopers - auditors and statutory auditors
1980-2008	Responsible for the audit and statutory audit in several industries. Most important companies: Sonae (group); Amorim (group); Unicer (group); Sogrape (group); Barros (group); TMG (group); Lactogal (group); Aveleda (group); RAR (group); Cires; Ford; REN Responsible for the management of the Oporto office of the mentioned companies – since 1982 and until 2008 Manager of the Audit department in the period 1998-2002 and member of the management board of PricewaterhouseCoopers, in the same period
2009-2017	Chair of the Statutory Audit Board of Sonae Indústria, SGPS, SA
2010-2017	Chair of the Statutory Audit Board of Segafredo Zanetti (Portugal) – Comercialização e Distribuição de Café, SA
2014	Chair of the Statutory Audit Board of Sonae Investimentos, SGPS, SA (currently Sonae MC, SGPS, SA)
2015	Chair of the Statutory Audit Board of Banif – Banco de Investimento, SA
Since 2008	Consultant in internal audit and internal control fields
Since 2009	Chair of the Statutory Audit Board of OCP Portugal – Produtos Farmacêuticos, SA
Since 2009	Member of the Statutory Audit Board of Sonae Capital, SGPS, SA
Since 2018	Chair of the Statutory Audit Board of Sonae Arauco Portugal, SA

Positions held in other entities**María José Martins Lourenço da Fonseca****Offices held in other companies within Sonae**

Chair of the Statutory Audit Board of SDSR – Sports Division SR, SA

Member of the Statutory Audit Board of Sonae MC, SGPS, SA

Member of the Statutory Audit Board of Sonaecom, SGPS, SA

Offices held in other companies outside Sonae

Member of the Statutory Audit Board of Ibersol, SGPS, SA

Chair of the Statutory Audit Board of AEGE – Associação para a Escola de Gestão Empresarial

Lecturer at Católica Porto Business School (Universidade Católica Portuguesa)

Consultant at CEGEA – Centro de Estudos de Gestão e Economia Aplicada (Universidade Católica Portuguesa)

Daniel Bessa Fernandes Coelho**Offices held in other companies within Sonae**

None

Offices held in other companies outside Sonae

Chair of the Statutory Audit Board at Galp Gás Natural Distribuição, SA

Chair of Statutory Audit Board at Bial – Portela e Companhia, SA

Member of the Statutory Audit Board of Banco L.J. Carregosa, SA

Member of the Board of Directors of SPI – Sociedade Portuguesa de Inovação, SA

Chair of the Board of Trustee of the Fundação Belmiro de Azevedo

Member of the Board of Directors and Member the Executive Committee of Fundação Bial

Chair of the Board of the Shareholder's General Meeting of Amkor Technology Portugal, SA

Member of the Investment Committee of PVCI – Portuguese Venture Capital Initiative

Chair of the Teaching Council of Mast3r Academia Efacec, da Efacec Serviços Corporativos, SA

Manuel Heleno Sismeiro**Offices held in other companies within Sonae**

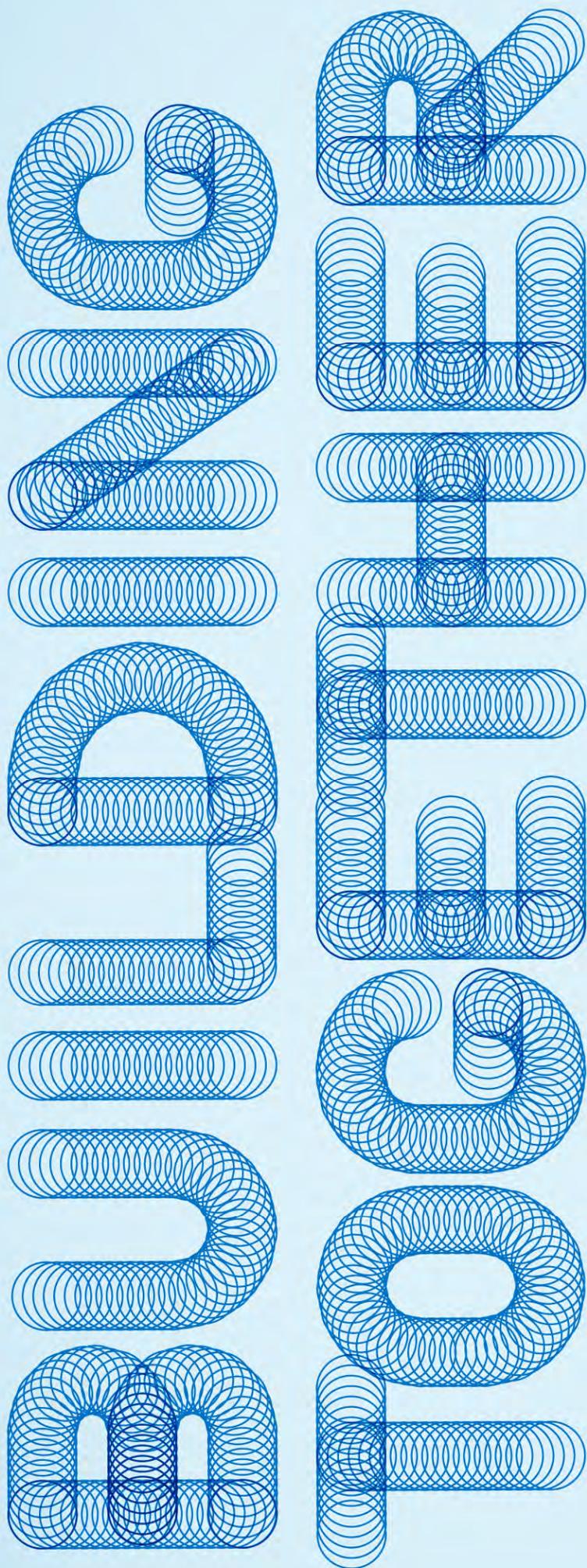
None

Offices held in other companies outside Sonae

Member of the Statutory Audit Board of Sonae Capital, SGPS, SA

Chair of the Statutory Audit Board of Sonae Arauco Portugal, SA

Chair of the Statutory Audit Board of OCP Portugal - Produtos Farmacêuticos, SA



**Financial
Statements**
2019
SONAE

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019 AND 2018

(Amounts expressed in euro)

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

ASSETS	Notes	31 Dec 2019	31 Dec 2018 Restated Note 5	01 Jan 2018 Restated Note 5
NON-CURRENT ASSETS:				
Property, plant and equipment	8	1,688,284,139	1,656,150,305	1,650,873,072
Intangible assets	9	401,667,381	365,568,045	367,924,247
Right of use assets	10	1,060,191,250	968,967,250	868,027,109
Investment properties	11	347,859,459	998,577,368	-
Goodwill	12	678,895,512	779,450,545	634,363,213
Investments in joint ventures and associates	13	1,607,581,376	1,979,366,453	1,402,950,260
Other investments	7 and 14	79,248,786	47,195,341	19,423,774
Deferred tax assets	21	331,385,376	311,493,905	284,646,869
Other non-current assets	7 and 15	53,982,880	80,286,911	22,667,618
Total Non-Current Assets		6,249,096,159	7,187,056,123	5,250,876,162
CURRENT ASSETS:				
Inventories	16	663,919,735	671,321,594	713,253,625
Trade receivables	7 e 17	115,052,834	141,935,385	130,075,290
Other receivables	7 e 18	102,069,694	79,832,822	62,551,346
Income tax assets	43	42,283,336	48,363,429	45,775,260
Other tax assets	19	42,600,020	48,719,966	40,846,104
Other current assets	20	92,433,621	80,001,977	56,292,694
Investments	7 e 14	665,213	1,558,683	179,881
Cash and bank balances	7 e 22	609,830,153	696,243,071	364,589,115
Total Current Assets		1,668,854,606	1,767,976,927	1,413,563,315
Assets classified as held for sale	23	1,126,364,434	-	782,540
TOTAL ASSETS		9,044,315,199	8,955,033,050	6,665,222,017
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	24	2,000,000,000	2,000,000,000	2,000,000,000
Own shares	24	(99,806,645)	(104,204,112)	(108,567,192)
Legal reserve	2.25	268,028,145	251,937,767	247,276,603
Reserves and retained earnings	24	(201,594,204)	(286,047,204)	(248,636,860)
Profit/(Loss) for the period attributable to the equity holders of the Parent Company		165,221,904	207,127,067	-
Equity attributable to the equity holders of the Parent Company		2,131,849,200	2,068,813,519	1,890,072,552
Equity attributable to non-controlling interests	25	974,714,342	1,125,755,368	166,321,819
TOTAL EQUITY		3,106,563,542	3,194,568,887	2,056,394,371
LIABILITIES:				
NON-CURRENT LIABILITIES:				
Loans	7 and 26	1,030,106,845	1,071,821,181	573,440,551
Bonds	7 and 26	560,329,333	513,293,183	643,667,042
Other loans	7 and 26	1,871,274	2,753,318	3,126,749
Lease liabilities	7 and 10	1,088,290,449	990,623,896	875,760,948
Other non-current liabilities	7 and 28	89,970,758	103,637,968	54,544,767
Deferred tax liabilities	21	472,289,494	502,279,121	326,860,349
Provisions	33	42,652,254	41,375,212	18,955,625
Total Non-Current Liabilities		3,285,510,407	3,225,783,879	2,496,356,031
CURRENT LIABILITIES:				
Loans	7 e 26	191,449,849	287,144,891	207,748,007
Bonds	7 e 26	2,846,335	210,841,257	57,970,806
Other loans	7 e 26	1,972,286	2,722,507	3,359,640
Lease liabilities	7 e 10	102,781,525	73,331,108	70,997,863
Trade payables	7 e 30	1,337,962,023	1,286,775,817	1,192,156,615
Other payables	7 e 31	215,620,696	243,475,081	221,189,665
Income tax liabilities	43	13,464,954	18,212,113	12,978,589
Other tax liabilities	19	100,751,716	99,761,468	85,417,153
Other current liabilities	32	294,369,773	306,493,021	255,042,895
Provisions	33	4,405,596	5,923,022	5,610,383
Total Current Liabilities		2,265,624,753	2,534,680,285	2,112,471,615
Liabilities directly associated with assets classified as held for sale	23	386,616,497	-	-
TOTAL LIABILITIES		5,937,751,657	5,760,464,164	4,608,827,646
TOTAL EQUITY AND LIABILITIES		9,044,315,199	8,955,033,050	6,665,222,017

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated Note 5
Sales	6	6,051,906,738	5,669,357,873
Services rendered	6	382,881,623	221,541,668
Changes in value of investment properties	11	4,924,364	3,815,651
Income or expense relating to investments	37	(29,875,177)	(16,872,069)
Gains and losses on investments recorded at fair value through results	14	92,668	4,327,175
Financial income	38	17,672,582	9,662,321
Other income	39	130,924,872	176,619,274
Cost of goods sold and materials consumed	16	(4,338,366,013)	(4,052,834,412)
(Increase) /Decrease in production	16	(3,986,301)	(259,411)
External supplies and services	40	(674,007,879)	(616,372,568)
Employee benefits expense	41	(868,327,447)	(767,900,104)
Depreciation and amortisation expenses	6, 8, 9 and 10	(330,753,851)	(290,617,528)
Impairment losses	33 and 49	(28,756,262)	(27,805,760)
Provisions	33 and 49	(9,804,518)	(8,417,624)
Financial expense	38	(127,769,691)	(107,700,171)
Other expenses	42	(84,947,664)	(83,173,845)
Share of results of joint ventures and associates	13.3	142,867,063	155,654,309
Profit/(Loss) before taxation from continuing operations		234,675,108	269,024,779
Income tax expense	43 and 49	(18,495,386)	(24,316,605)
Profit/(Loss) after taxation from continuing operations		216,179,722	244,708,174
Profit/(Loss) from discontinued operations after taxation	5	17,821,080	(5,133,386)
Consolidated profit/(Loss) for the period		234,000,802	239,574,788
Attributable to equity holders of the Parent Company:			
Continuing operations		149,398,410	212,126,482
Discontinued operations		15,823,494	(4,999,415)
		165,221,904	207,127,067
Attributable to non-controlling interests			
Continuing operations		66,781,314	32,581,690
Discontinued operations		1,997,584	(133,969)
	25	68,778,898	32,447,721
Profit/(Loss) per share			
From continuing operations			
Basic	45	0.078465	0.111905
Diluted	45	0.075249	0.108321
From discontinued operations			
Basic	45	0.008311	(0.002637)
Diluted	45	0.007775	(0.002458)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018
(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated Note 5
Net Profit / (Loss) for the period		234,000,802	239,574,788
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(16,919,844)	9,779,725
Share of other comprehensive income of joint ventures and associates	13.3	(15,514,519)	41,723,824
Changes in cash flow hedging reserve	27	(1,185,169)	(156,453)
Income tax relating to items that may be reclassified subsequently to profit or loss		156,570	8,310
Others		(201,158)	(213,288)
		(33,664,120)	51,142,118
Items that were reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations related to discontinued operations		203,283	201,588
Items that were reclassified subsequently to profit or loss:		203,283	201,588
Items that won't be reclassified subsequently to profit or loss:		-	-
Changes value of financial assets at fair value	14	2,213,554	2,385,907
Total other comprehensive income for the period		(31,247,283)	53,729,613
Total comprehensive income for the period		202,753,519	293,304,401
Attributable to:			
Equity holders of parent company		141,610,545	252,882,445
Non controlling interests		61,142,973	40,421,956

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails.)

(Amounts expressed in euro)	Notes	Reserves and Retained Earnings											Non controlling Interests (Note 25)	Total Equity
		Share Capital	Own Shares	Legal Reserve	Currency Translation Reserve	Investments Fair Value Reserve	Cash-flow Hedging Reserve	Option Premium Convertible Bonds	Other Reserves and Retained Earnings	Total Reserves and Retained Earnings	Net Profit/(Loss)	Total		
		Attributable to Equity Holders of Parent Company												
Balance as at 1 January 2018 - Published		2,000,000,000	(108,567,192)	247,276,603	4,003,432	-	174,419	22,313,000	(363,726,038)	(337,235,187)	165,753,915	1,967,228,139	167,809,994	2,135,038,133
Impact of IFRS 16 application	5	-	-	-	-	-	-	-	(77,155,588)	(77,155,588)	-	(77,155,587)	(1,488,175)	(78,643,762)
Balance as at 1 January 2018 - Restated		2,000,000,000	(108,567,192)	247,276,603	4,003,432	-	174,419	22,313,000	(440,881,626)	(414,390,775)	165,753,915	1,890,072,552	166,321,819	2,056,394,371
Impact of IFRS 15 implementation		-	-	-	-	-	-	-	(285,344)	(285,344)	-	(285,344)	(73,934)	(359,278)
Total comprehensive income for the period		-	-	-	156,953	2,146,500	(50,804)	-	43,502,729	45,755,378	207,127,067	252,882,445	40,421,956	293,304,401
Appropriation of consolidated net profit of 2017		-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings		-	-	4,661,164	-	-	-	-	161,092,751	161,092,751	(165,753,915)	-	-	-
Dividends distributed	24 and 25	-	-	-	-	-	-	-	(79,790,935)	(79,790,935)	-	(79,790,935)	(17,980,912)	(97,771,847)
Income distribution from investment funds		-	-	-	-	-	-	-	-	-	-	-	(405,352)	(405,352)
Obligation fulfilled by share attribution to employees		-	-	-	-	-	-	-	720,374	720,374	-	720,374	(2,468)	717,906
Medium and long-term variable remuneration policy - reclassification of equity to liabilities		-	-	-	-	-	-	-	(578,200)	(578,200)	-	(578,200)	-	(578,200)
Partial cancellation of Cash Settled Equity Swap	24	-	4,363,080	-	-	-	-	-	262,240	262,240	-	4,625,320	-	4,625,320
Variation in percentage of subsidiaries		-	-	-	-	-	-	-	1,995,735	1,995,735	-	1,995,735	(1,995,735)	-
Aquisitions of affiliated companies		-	-	-	-	-	-	-	-	-	-	-	89,063	89,063
Capital increase		-	-	-	-	-	-	-	-	-	-	-	2,053,149	2,053,149
Change of the consolidation method	25	-	-	-	-	-	-	-	-	-	-	-	937,126,154	937,126,154
Others		-	-	-	-	-	-	-	(828,428)	(828,428)	-	(828,428)	201,628	(626,800)
Balance as at 31 December 2018 Restated		2,000,000,000	(104,204,112)	251,937,767	4,160,385	2,146,500	123,615	22,313,000	(314,790,704)	(286,047,204)	207,127,067	2,068,813,519	1,125,755,368	3,194,568,887
Balance as at 1 January 2019		2,000,000,000	(104,204,112)	251,937,767	4,160,385	2,146,500	123,615	22,313,000	(236,063,188)	(208,063,188)	221,653,131	2,161,323,598	1,127,493,090	3,288,816,688
Impact of IFRS 16 application	5	-	-	-	-	-	-	-	(78,727,516)	(78,727,516)	(14,526,064)	(92,510,079)	(1,737,722)	(94,247,801)
Balance as at 1 January 2019 - Restated		2,000,000,000	(104,204,112)	251,937,767	4,160,385	2,146,500	123,615	22,313,000	(314,790,704)	(286,047,204)	207,127,067	2,068,813,519	1,125,755,368	3,194,568,887
Total comprehensive income for the period		-	-	-	(11,560,822)	1,991,442	(797,362)	-	(13,244,617)	(23,611,359)	165,221,904	141,610,545	61,142,973	202,753,518
Appropriation of consolidated net profit of 2018		-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserves and retained earnings		-	-	16,090,378	-	-	-	-	191,036,689	191,036,689	(207,127,067)	-	-	-
Dividends distributed	24 and 25	-	-	-	-	-	-	-	(83,964,892)	(83,964,892)	-	(83,964,892)	(224,201,060)	(308,165,952)
Income distribution from investment funds		-	-	-	-	-	-	-	-	-	-	-	(236,205)	(236,205)
Transfer to Other Reserves at Maturity Date		-	-	-	-	-	-	(22,313,000)	22,313,000	-	-	-	-	-
Obligation fulfilled by share attribution to employees		-	-	-	-	-	-	-	1,132,509	1,132,509	-	1,132,509	6,626	1,139,135
Partial cancellation of Cash Settled Equity Swap	24	-	4,397,467	-	-	-	-	-	(501,887)	(501,887)	-	3,895,580	-	3,895,580
Variation in percentage of subsidiaries		-	-	-	-	-	-	-	(188,445)	(188,445)	-	(188,445)	(80,762)	(269,207)
Aquisitions of affiliated companies	4.1	-	-	-	-	-	-	-	-	-	-	-	22,306,079	22,306,079
Capital increase		-	-	-	-	-	-	-	-	-	-	-	1,687,365	1,687,365
Change of the consolidation method		-	-	-	-	-	-	-	-	-	-	-	(2,721,067)	(2,721,067)
Share of Sonae Sierra goodwill	12	-	-	-	-	-	-	-	-	-	-	-	(7,875,300)	(7,875,300)
Others		-	-	-	-	-	-	-	550,385	550,385	-	550,384	(1,069,675)	(519,291)
Balance as at 31 December 2019		2,000,000,000	(99,806,645)	268,028,145	(7,400,437)	4,137,942	(673,747)	-	(197,657,962)	(201,594,204)	165,221,904	2,131,849,200	974,714,342	3,106,563,542

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019 AND 2018

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated Note 5
OPERATING ACTIVITIES			
Receipts from customers		6,490,676,396	5,995,280,882
Payments to suppliers		(4,960,171,370)	(4,587,498,209)
Payments to employees		(880,670,306)	(795,426,129)
Cash generated from operations		649,834,720	612,356,544
Income taxes (paid) / received		(13,768,165)	(19,298,938)
Other cash receipts and (payments) relating to operating activities		(25,097,282)	(7,045,373)
Net cash generated from operating activities (1)		610,969,273	586,012,233
INVESTMENT ACTIVITIES			
Receipts arising from:			
Investments	46	155,093,659	212,485,544
Property, plant and equipment and intangible assets		32,376,006	162,005,286
Interests and similar income		4,873,788	3,355,044
Loans granted		658,122	587,444
Dividends	13	141,114,478	50,277,352
Others	24	28,107,198	50,178,105
		362,223,251	478,888,775
Payments arising from:			
Investments	46	(120,848,607)	(231,964,915)
Property, plant and equipment and intangible assets		(315,923,066)	(310,558,131)
Loans granted		(5,793,463)	(5,546)
Others	24	(22,965,006)	(23,838,433)
		(465,530,142)	(566,367,025)
Net cash used in/ generated by investment activities (2)		(103,306,891)	(87,478,250)
FINANCING ACTIVITIES			
Receipts arising from:			
Loans, bonds and finance leases	34	7,802,719,119	6,647,588,977
Capital increases, additional paid in capital and share premiums		5,516,946	2,133,149
Others		17,800	1,503,670
		7,808,253,865	6,651,225,796
Payments arising from:			
Contratos de locação		(165,939,103)	(146,190,346)
Loans, bonds and finance leases	34	(7,867,842,468)	(6,489,300,449)
Interests and similar charges		(40,069,885)	(29,143,429)
Dividends		(309,067,010)	(144,744,047)
Others		-	(406,772)
		(8,385,795,928)	(6,809,785,043)
Net cash used in financing activities (3)		(577,542,063)	(158,559,247)
Net increase (decrease) in cash and cash equivalents (4) = (1) + (2) + (3)		(69,879,681)	339,974,736
Effect of exchange rate changes on the balance of cash held in foreign currencies		(63,175)	10,371
Effect of discontinued operations	4.2	(2,535,126)	(6,113,132)
Cash and cash equivalents at the beginning of the period	22	695,621,240	361,770,007
Cash and cash equivalents at the end of the period	22	623,269,608	695,621,240

The accompanying notes are part of these financial statements.

SONAE, SGPS, SA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Translation of consolidated financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)
(Amounts stated in euros)

1. Introduction

SONAE, SGPS, SA ("Sonae Holding") has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal, and is the parent company of a group of companies, as detailed in Notes 52 and 53 as Sonae Group("Sonae"). Sonae's operations and operating segments are described in Note 6.

2. Principal accounting policies

The principal accounting policies adopted in preparing the accompanying consolidated financial statements are described below. These policies have been consistently applied in comparative periods.

2.1. Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and applicable to economic periods beginning on 1 January 2019, issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the IFRS Interpretations Committee ("IFRS - IC") or by the previous Standing Interpretations Committee ("SIC"), as adopted by the European Union as at the consolidated financial statements issuance date.

The accompanying condensed consolidated financial statements have been prepared from the books and accounting records of the company and subsidiaries, joint ventures and associates companies, adjusted in the consolidation process, on a going concern basis. In preparing the consolidated financial statements, the Group used the historical cost adjusted, when applicable, to measure the fair value of i) financial assets at fair value through profit or loss, ii) financial assets at fair value through other comprehensive income and iii) investment properties measured at fair value.

The preparation of the consolidated financial statements according to IFRS requires the use of estimates, assumptions and critical judgments in the process of determining the accounting policies to be adopted by the Entity, with a significant impact on the book value of assets and liabilities, as well as income and expenses of the period.

Although these estimates are based on the best experience of the Board of Directors and their best expectations regarding current and future events and actions, current and future results may differ from these estimates. Areas that involve a greater degree of judgment or complexity, or areas where assumptions and estimates are significant are presented in Note 2.22.

Additionally, for financial reporting purposes, fair value measurement is categorized in Level 1, 2 and 3, according to the level in which the used assumptions are observable and its significance for estimating the fair value, used in the measurement of assets/liabilities or for disclosure purposes.

Level 1 – Fair value is determined based on active market prices for identical assets/liabilities;

Level 2 – Fair value is determined based on other data other than market prices identified in Level 1, but they are possible to be observable; and

Level 3 – Fair value measurements derived from valuation techniques, whose main inputs are not based on observable market data.

New accounting standards and their impact in these consolidated financial statements:

- Up to the date of approval of these consolidated financial statements, the European Union endorsed the following standards, interpretations, amendments and revisions some of which become mandatory during the year 2019:

With mandatory application during the year 2019:		Effective date (for financial years beginning on or after)
IFRS 16	Leases (New definition of lease, recognition and measurement principles; New accounting of lease contracts for tenants. There are no changes to the accounting of leases by lessors.)	01 Jan 2019
IFRS 9 (amendment)	Financial Instruments (Exemption from the classification of financial assets at amortized cost for financial assets with prepayment features with negative compensation).	01 Jan 2019
IAS 19 (amendment)	Employee benefits (Obliges to use updated assumptions for the calculation of remaining liabilities after updating, benefit cut or settlement, with an impact on the income statement, except for the decrease of any excess within the asset ceiling)	01 Jan 2019
IAS 28 (amendment)	Investments in associates and joint ventures (Clarification regarding long-term investments in associates and joint ventures that are not being measured using the equity method)	01 Jan 2019
IFRIC 23	Uncertainty over income tax treatments (Clarification regarding the application of the recognition and measurement principles of IAS 12 when there is uncertainty about the tax treatment of an income tax transaction)	01 Jan 2019
	Improvements to International Financial Reporting Standards (2015-2017 cycle) (Several clarifications: IAS 23, IAS 12, IFRS 3 and IFRS 11)	01 Jan 2019

These standards were applied by the Group in 2019. The Group carried out an analysis of the changes introduced and their impact on the financial statements and concluded that the application of those standards part from of IFRS16, did not produce material effects in the financial statements.

IFRS 16 adoption impact

Sonae adopted IFRS 16 using the full retrospective approach, therefore, the information from the financial statements of 2018 were restated, as if this standard had been applied since the beginning of the lease contracts.

The Group opted to make the " grandfather " of the leases, that is, it only considered in the transition the contracts that were already considered operating leases in the light of IAS 17, having excluded the contracts with a duration of 12 months and those of reduced value.

Recognition

Sonae recognize a right of use of an asset and a lease liability on the start date of the lease. The right of use of the asset is initially measured at the cost, comprising the initial value of the lease liability adjusted for any lease payments made on or before the start date, in addition to any initial direct costs incurred, as well as an estimate of the dismantling costs and removal of the underlying asset (if applicable), deducted from any incentive granted.

The lease responsibility is initially recognized by the present value of the rents to be paid at the date of the lease, discounting the implied interest rate in the lease, or in the event that it is not possible to easily determine this rate, using the Group's incremental interest rate.

In general, Sonae uses its incremental interest rate as the discount rate to be applied. Lease payments included in the measurement of lease liabilities include fixed payments, deducted from any incentives already received.

The lease liability is measured at amortized cost, using the effective interest method, being remeasured when changes in future payments derived from a change in the rate or index are verified, as well as the possible modifications of lease agreements.

When the liability is remeasured, the value of the right of use is also adjusted, or if the carrying amount of the asset of the right of use was already reduced to zero, a profit or loss is recorded in the income statement.

Sonae presents the rights of use of assets and responsibilities for leases in duly segregated captions in the statement of the financial position.

Depreciation

The right of use of the asset is depreciated using the linear depreciation method, based on the lease term.

The quantitative impacts of the application of this standard are detailed in Note 5.

- The following standards, interpretations, amendments and revisions have been endorsed by the European Union and are binding for future economic years:

With mandatory application after 2019		Effective date (for financial years beginning on or after)
IAS 1 E IAS 8 (amendment)	Presentation of financial statements and accounting policies, changes in accounting estimates and errors (Updating the material definition when applying the standards to the financial statements as a whole)	01 Jan 2020
	Concetual structure - Changes in reference to other IFRS (Amendment to some IFRS regarding cross references and clarifications on the application of the new definitions of assets / liabilities and expenses / income)	01 Jan 2020

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2019 due to the fact that their application is not mandatory, lying in the process of analysing expected effects of those standards.

- The following standards, interpretations, amendments and revisions were not at to the date of approval of these consolidated financial statements endorsed by the European Union:

With mandatory application after 2019		Effective date (for financial years beginning on or after)
IFRS 3 (amendment)	Business combinations (Change of business definition)	01 Jan 2020
IFRS 9, IAS 39 and IFRS 7 (amendment)	Reform of reference interest rates ((Introduction of exemptions from hedge accounting so that the reform of the reference interest rates does not lead to the termination of hedge accounting)	01 Jan 2020
IFRS 17	Insurance contracts (New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation features).	01 Jan 2021

The Group did not proceed with the early implementation of any of these standards in the financial statements for the year ended 31 December 2019 due to the fact that their application is not mandatory, lying in the process of analysing expected effects of those standards.

2.2. Consolidation Principles

The consolidation methods adopted by Sonae are as follows:

(a) Investments in controlled companies

Investments in companies in which Sonae owns, directly or indirectly, control are included in the consolidated financial statements using the full consolidation method.

Sonae has control of the subsidiary when the company fulfils the following conditions cumulatively: i) has power over the subsidiary; ii) is exposed to, or has rights, to variable results from its involvement with the subsidiary; and iii) the ability to use its power to affect its returns.

When the Group has less than a majority of a subsidiary voting rights, it has power over the investee when the voting rights are sufficient to decide unilaterally on the relevant activities of its subsidiary. The Group considers all the facts and circumstances relevant to assess whether the voting rights in the subsidiary are sufficient to give it power.

Sonae reassesses both whether it controls an entity or not if facts and circumstances indicate that there are changes to one or more of the control conditions listed above.

Equity and net profit attributable to minority shareholders are shown separately, under the caption non-controlling interests, in the consolidated statement of financial position and in the consolidated income statement, respectively. Companies included in the consolidated financial statements are listed in Note 52.

The comprehensive income of an associated is attributable to the Sonae Group owners and non-controlling interests, even if the situation results in a deficit balance at the level of non-controlling interests.

Assets and liabilities of each Sonae subsidiary are measured at their fair value at the acquisition date or control assumption, such measurement can be completed within twelve months after the date of acquisition. The excess of the consideration transferred plus the fair value of any previously held interests and non-controlling interests over the fair value of the identifiable net assets acquired is recognized as goodwill (Note 2.2.c)). If the difference between the acquisition price plus the fair value of any interests previously held and the value of non-controlling interests and the fair value of identifiable net assets and liabilities acquired is negative, it is recognized as income for the year under "Other Income "after reconfirmation of the fair value attributed to the net assets acquired. The Sonae Group will choose on transaction-by-transaction basis, the fair measurement of non-controlling interests, (i) according to the non-controlling interests share assets, liabilities and contingent liabilities of the acquired, or (ii) according to their fair value.

Subsequent transactions in the disposal or acquisition of interests in non-controlling interests that do not imply a change in control do not result in the recognition of gains, losses or goodwill. Any difference between the transaction and book value of the traded interest is recognized in Equity, in other equity instruments.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of gain of control or up to the effective date of loss of control, as appropriate.

Adjustments to the financial statements of Sonae companies are performed, whenever necessary, in order to adapt accounting policies to those used by Sonae. All intra-group transactions, balances, income and expenses and distributed dividends are eliminated on the consolidation process. Unrealized losses are also eliminated if they do not show an impairment of the transferred asset.

(b) Investments in the joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement instead of rights to the assets and obligations for the liabilities of the joint arrangement. Joint control is obtained by contractual provision and exists only when the associated decisions must be taken unanimously by the parties who share control.

In situations where the investment or financial interest and the contract concluded between the parties allows the entity holds joint control directly on the active or detention rights obligations inherent liabilities related to this agreement, it is considered that such joint agreement does not correspond to a joint venture but rather a jointly controlled operation. As at 31 December 2019 and 2018 the Group did not hold jointly controlled operations.

Financial investments in associates are investments where Sonae has significant influence, but in which it does not have control or joint control. Significant influence (presumed when contributions are above 20%) is the power to participate in the financial and operating decisions of the entity, without, however, holding control or joint control over those decisions.

Investments in joint ventures and associates are recorded under the equity method.

Under the equity method, investments are recorded at cost, adjusted by the amount corresponding to Sonae in comprehensive income (including net profit for the period) of jointly controlled entities and associates, against the Group's comprehensive income or gains or losses for the year as applicable, and dividends received.

The excess of cost of acquisition over the fair value of identifiable assets and liabilities of each joint venture and associate at the acquisition date is recognized as goodwill and is kept under which is included in the caption Investment in joint ventures and associates companies (Note 2.2.c)). Any excess of Sonae's share in the fair value of the identifiable net assets acquired over cost are recognized as income in the profit or loss for the period of acquisition, after reassessment of the estimated fair value of the net assets acquired under the caption "Share of results of joint ventures and associates".

An assessment of investments in jointly controlled and associated companies is performed when there is an indication that the asset might be impaired being any impairment loss recorded in the income statement. Impairment losses recorded in prior years that are no longer justifiable are reversed.

When the proportion of Sonae in the accumulated losses of the associate and joint ventures exceeds the value by which the investment is registered, the investment is reported at zero value, except when Sonae has entered into commitments with the investee.

Sonae's share in not performed gains, not related to business activities arising from transactions with jointly controlled and associated companies are eliminated in proportion to Sonae's interest in the above-mentioned entities against the investment on the same entity. Unrealized losses are as well eliminated, but only to the extent that there is no evidence of impairment of the asset transferred.

When the not performed gains or losses on transactions correspond to business activities and taking into consideration the inconsistency existing between currently the requirements of IFRS 10 and IAS 28, Sonae, taking into account the defined in amendment to IFRS 10 and IAS 28 proceeds to full gain/loss recognition in situations where there is loss of control of that business activity as a result of a transaction with a joint venture.

If the financial holding in a joint venture or an associate is reduced, maintaining significant influence, only a proportionate amount of the amounts previously recognized in other comprehensive income is reclassified to the income statement.

The accounting policies of joint ventures and associates are amended, where necessary, to ensure that they are consistently applied by all Group companies.

Investments in jointly controlled and associates are disclosed in Note 53.

(c) Goodwill

The excess of consideration transferred in the acquisition of investments in subsidiaries, jointly controlled and associated companies plus the amount of any non-controlling interests (in the case of affiliated companies) over Sonae's share in the fair value of the identifiable assets, liabilities and contingent liabilities of those companies at the date of acquisition, when positive, is shown as goodwill (Note 12) or as Investments in jointly controlled and associated entities (Note 13). The excess of the consideration transferred in the acquisition of investments in foreign companies the amounts of any non-controlling interests (in the case of affiliated companies) over the fair value of their identifiable assets, liabilities and contingent liabilities at the date of acquisition is calculated using the functional currency of each of those companies. Translation to the Sonae's functional currency (Euro) is made using the closing exchange rate. Exchange rate differences arising from this translation are recorded and disclosed in "Currency translation reserves".

Future contingent consideration is recognized 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 prior to that existed at the acquisition date, otherwise these changes must be recognized in profit or loss on the income statement.

Transactions regarding the acquisition of additional interests in a subsidiary after control is obtained, or the partial disposal of an investment in a subsidiary while control is retained, are accounted for as equity transactions impacting the shareholders' funds captions, and without giving rise to any additional goodwill and without any gain or loss recognised.

When a disposal transaction generates a loss of control, assets and liabilities of the entity are derecognised, any interest retained in the entity sold is be remeasured at fair value and any gain or loss calculated on the sale is recorded in results.

Goodwill is not amortised, but it is subject to impairment tests on an annual basis or whenever there are indications of impairment to check for impairment losses to be recognized. The analysis of the impairment losses is made based on the valuation of the accounting value of the cash generating unit ("UGC") to which the goodwill was allocated, which is compared to its recoverable value, i.e., the highest between fair value deducted from estimated costs of sale and the value of use of the UGC. Net recoverable amount is determined based on business plans used by Sonae management or on valuation reports issued by independent entities namely for real estate operations and related assets. Goodwill impairment losses recognized in the period are recorded in the income statement under the caption "Provisions and impairment losses".

When the Group reorganizes its activities, implying a change in the composition of its cash generating units, implying a to which goodwill has been imputed, a review of goodwill's allocation to the new cash-generating units is carried out, whenever there is a rational. The reallocation is done through a relative value approach, of the new cash-generating units that result from the reorganization.

Impairment losses relating to Goodwill recognized with the acquisition of subsidiaries business cannot be reversed, unlike Goodwill recognized with the acquisition of jointly controlled companies and associated companies.

The goodwill, if negative is recognized as income in the profit or loss for the period, at the date of acquisition, after reassessment of the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

(d) Translation of financial statements of foreign companies

Assets and liabilities denominated in foreign currencies in the financial statements of foreign companies are translated to euro using exchange rates at date of the statement of financial position. Profit and loss and cash flows are converted to euro using the average exchange rate for the period. Exchange rate differences originated after 1 January 2004 are recorded as equity under "Currency Translation Reserves" in "Other Reserves and Retained Earnings". Exchange rate differences that were originated prior to 1 January 2004 (date of transition to IFRS) were written-off through "Reserves and Retained Earnings".

Goodwill and fair value adjustments arising from the acquisition of foreign companies are recorded as assets and liabilities of those companies and translated to euro using exchange rates at the statement of financial position date.

Whenever a foreign company is sold (totally or partially), accumulated exchange rate differences are recorded in the income statement as a gain or loss on the disposal, in the caption Investment income, when there is a control loss; in the case where there is no control loss, it is transferred to non-controlling interests.

Exchange rates used on translation of foreign group, jointly controlled and associated companies are listed below:

	31 Dec 2019		31 Dec 2018	
	End of exercise	Average of exercise	End of exercise	Average of exercise
US Dollar	0.89015	0.89342	0.87336	0.84753
Swiss Franc	0.92132	0.89898	0.88739	0.86610
Pound Sterling	1.17536	1.14051	1.11791	1.13038
Brazilian Real	0.22145	0.22676	0.22502	0.23289
Australian Dollar	0.62520	0.62109	0.61652	0.63302
Mexican Peso	0.04712	0.04642	0.04446	0.04408
Turkish Lira	0.14960	0.15734	0.16505	0.17953
Mozambican Metical	0.01445	0.01430	0.01422	0.01406
Angolan Kwanza	0.00185	0.00250	0.00283	0.00342
Polish Zloty	0.23492	0.23275	0.23248	0.23472

2.3. Property, plant and equipment

Property, plant and equipment acquired up to 1 January 2004 (transition date to IFRS) are recorded at acquisition or production cost, or revalued acquisition cost, in accordance with generally accepted accounting principles in Portugal until that date, net of depreciation and accumulated impairment losses.

Property, plant and equipment acquired after that date is recorded at acquisition cost, net of depreciation and accumulated impairment losses.

The acquisition cost includes the purchase price of the asset, the expenses directly attributable to its acquisition and the costs incurred with the preparation of the asset so that it is placed in its condition of use. Qualified financial costs incurred on loans obtained for the construction of Property, plant and equipment assets are recognized as part of the construction cost of the asset.

Subsequent costs incurred with renewals and major repairs resulting in an increase in the useful life or the ability to generate economic benefits from the assets are recognized in the cost of the asset.

Depreciation is calculated on a straight line basis, according to the estimated life cycle for each group of goods, starting from the date the asset is available for use in the necessary conditions to operate as intended by the management, and recorded against the consolidated income statement caption "Depreciation and amortisation expenses" in the consolidated income statements.

Impairment losses identified in the recoverable amounts of property, plant and equipment are recorded in the year in which they arise, by a corresponding charge against, the caption "Provisions and impairment losses" in the profit and loss statement.

The depreciation rates used correspond to the following estimated useful lives:

	Years
Buildings	10 to 50
Plants and machinery	10 to 20
Vehicles	4 to 5
Tools	4 to 8
Fixture and fittings	3 to 10
Other property, plants and equipment	4 to 8

The useful lives of the assets are reviewed in each financial report so that the depreciations practiced are following the consumption patterns of the assets. Land is not depreciated. Changes in useful lives are treated as a change in accounting estimates and are applied prospectively.

Maintenance and repair costs are recorded directly as expenses in the year they are incurred.

Property, plant and equipment in progress represent fixed assets still under construction or development and are stated at acquisition cost net of impairment losses. These assets are depreciated from the date they are completed or become ready for use.

Gains or losses on sale or disposal of property plant and equipment are computed as the difference between the selling price and the carrying amount of the asset at the date of its sale-disposal. Gains and losses are recorded in the consolidated income statement under either "Other income" or "Other expenses".

2.4. Investment properties

The group's investment properties are mainly property held by Sonae Sierra and its subsidiaries which are recorded under the equity method (Note 13).

Investment properties consist, mainly, in buildings and other constructions held to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or for sale in the ordinary course of business.

Investment properties are recorded at their fair value based on appraisals made by independent specialised entities (fair value model). Changes in fair value of investment properties are accounted for in the directly in the income statement caption "Value created on investment properties".

Assets which qualify as investment properties are recognized as such when they start being used or, in the case of the investment properties in progress, when their development is considered irreversible, as mentioned in the above conditions. Until the moment the asset is qualified as investment property, the same asset is booked at acquisition or production cost in the same way as a property plant and equipment (Note 2.3). Since that moment, the investment properties in progress are recorded at their fair value. The difference between cost (of acquisition or production) and the fair value at that date is recorded directly in the income statement under the caption "Variation in fair value of investment properties".

Expenses incurred with investment properties in use, namely maintenance, repairs, insurance and property taxes are recognised as an expense in the statement of profit and loss for the year to which they relate. The improvements estimated to generate additional economic benefits are capitalised.

Fit out contracts are contracts under which the Group supports part of the expenses incurred with the fit-out expenses and the tenant assumes the responsibility to reimburse the Group by the amount invested over the term of the contract, in terms and conditions specific to each contract. The amounts paid by the Group on each fit-out contract are initially recorded at cost under

the caption "Investment properties", being subsequently adjusted to the corresponding fair value, at each reporting date, as determined by specialised independent entities. The methodology used to determine the fair value of the fit-out contracts is identical to the one used in determining the fair value of the investment property to which these contracts relate. Variations in fair value of the fit-out contracts are recorded in the income statement under the caption "Value created on investment properties".

2.5. Intangible assets

Intangible assets are stated at acquisition or production cost, net of depreciation and accumulated impairment losses. Intangible assets are only recognized if it is probable that future economic benefits will flow from them, if they are controlled by Sonae and if their cost can be reasonably measured.

When individually purchased, intangible assets are recognized at cost, which comprises: (i) the purchase price, including intellectual property costs and fees after deduction of any discounts; and (ii) any costs directly attributable to the preparation of the asset for its intended use.

When acquired within the scope of a business combination, separable from goodwill, intangible assets are initially valued at fair value determined in the application of the purchase method, as provided by IFRS 3 – Business Combinations.

Research expenditure associated with new technical knowledge are recognized in the income statement when incurred.

Expenditure on development is recognized as an intangible asset if Sonae demonstrates the technical feasibility and its intention to complete the asset, its ability to sell or use it and the probability that the asset will generate future economic benefits, are capitalized. Expenditure on development which does not fulfil these conditions is recorded as an expense in the period in which it is incurred.

Internal costs associated with maintenance and development of software is recorded as an expense in the period in which they are incurred, except in the situation where these expenses are directly associated with projects for which future economic benefits are likely to be generated for Sonae. According to this assumption, the costs are initially accounted for as expenses, being capitalized as intangible assets by means of "Own work capitalized" (Note 39).

The expenses incurred with the acquisition of client portfolio's (attributed value relating to the allocation of the purchasing price in business activity concentration) are stated as intangible assets and amortized on straight-line bases, during the average estimated period of portfolio's client retention.

Brands and patents are recorded at their acquisition cost and are amortized on a straight-line basis over their respective estimated useful life. In the case of brands and patents with indefinite useful lives, no amortisation is calculated, and their value is tested for impairment on an annual basis, or whenever there are impairment signs.

Amortization is calculated on a straight-line basis, as from the date the asset is first used, over the expected useful life which usually is between 3 to 12 years and recorded in the caption of " Depreciations and Amortizations expenses", in the income statement.

The useful lives of the assets are reviewed in each financial report, so that the amortizations practiced are following the consumption patterns of the assets. Changes in useful lives are treated as a change in accounting estimates and are applied prospectively.

2.6. Rights of use and leases

A lease is defined as a contract, or part of a contract, that transfers the right to use an asset (the underlying asset), for a period, in exchange for a value. At the start of each contract, it is evaluated and identified whether it is or contains a lease. This assessment involves an exercise of judgment on whether each contract depends on a specific asset, whether the Sonae Group companies, as lessees, 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 constituting a lease are accounted for by the lessee based on a single model for recognition in the statement of financial position.

At the starting date of the lease, the Group recognises the liability related to the 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 - "right-of-use" or "RoU"). The interest cost on the lease liability and the depreciation of the RoU are recognized separately.

The lease liability is remeasured when certain events occur (such as the change of lease period), a change in future payments resulting from a change in the reference index or rate used to determine those payments). This remeasurement of the lease liability is recognised as an adjustment to the RoU.

Rights of use of assets

The Group recognizes the right to use the assets at the starting date of the lease (i.e. the date on which the underlying asset is available for use).

The right to use the assets is recorded at acquisition cost, net of 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 initial value of the lease liability, any direct costs initially incurred, and payments already made before the date of commencement of the lease, deducted from any incentives received and plus restoration costs, if they exist.

Whenever the Group incurs an obligation to dismantle and remove a leased asset, restore it to its original location, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised in accordance with IAS 37. The expenses are included in the respective right of use.

Lease incentives (e.g. lease grace periods) are recognized as elements of the measurement of the right to use and lease liabilities. Variable rents that are not dependent on an index or rate are recognized as expenses in the year in which they are ascertained, or payment occurs.

The rights of use are depreciated over the lease term on a straight-line basis or over the estimated useful life of the asset under the right of use, when this is longer than the lease term and management intends to exercise the purchase option.

Unless it is reasonably certain that the Group will obtain ownership of the leased asset at the end of the lease term, the right to use the assets recognized is depreciated on a straight-line basis over the lease term.

The impairment of rights of use is tested in accordance with IAS-36 in substitution of the recognition of provisions for onerous lease contracts.

The Group does not recognize the right to use assets or responsibility under lease leases, recognizing the expenses associated with these leases as expenses during the life of the contracts.

Lease-outs can contain rental and non-location components. However, the expedient rule of not separating the service components from the rental components by accounting for them as a single rental component has been considered.

Lease liabilities

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

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

Payments for non-lease components are not recognised as lease liabilities. Variable payments that are not dependent on an index or a rate are recognised as an expense in the year in which the event giving rise to them occurs.

In calculating the present value of lease payments, the Group uses the incremental loan rate at the starting date of the lease if the implicit interest rate is not easily determinable.

Extension and termination options are provided for in various lease agreements and their application is based on operational maximization. In determining the term of the lease, the Board of Directors considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Most of the extension options were not included in the lease liability and, when exercised, are by the Group and not by the lessor.

The deadline is reviewed only if a significant event or a significant change in circumstances occurs that affects this assessment and is under the control of the tenant.

After the rental start date, the value of the rental liability increases to reflect the accrued interest and reduces by 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, in the fixed payments or in the decision to purchase the underlying asset.

The accounting treatment of Sale and Leaseback operations

The accounting treatment of Sale and Leaseback operations depends on the substance of the transaction by applying the principles explained in the revenue recognition (Note 2.17). According to IFRS 16, if the transfer of the asset complies with the requirements of IFRS 15, then it shall be accounted for as a sale of an asset, and the seller-lessee shall measure the right of use (RoU) of the asset as a proportion of the previous book value of the asset that is related to the right of use, recognizing as gain and loss only that which relates to the rights transferred to the purchaser-leaser, i.e. those which run beyond the lease period.

In accordance with IFRS 16 the value of the right of use to be recognised (RoU) is lower than it would be if the lease contract were entered into without the previous sale transaction. In effect, the value of the RoU is calculated as the proportion of the value retained over the value of the asset sold.

In situations where the Group receives a price higher than its fair value as compensation for expenses to be incurred that are traditionally the responsibility of the owner, such amounts are deferred for the period of the lease.

2.7. Leases from the perspective of the lessor

Lease contracts are classified as (i) a finance lease if the risks and rewards incidental to ownership lie with the lessee and (ii) as an operating lease if the risks and rewards incidental to ownership do not lie with the lessee.

The leases where Sonae acts as lessor under operating leases, the values of the allocated assets are maintained in the statement of financial position of Sonae and income is recognised on a straight-line basis over the period of the lease contract.

2.8. Non-current assets and liabilities held for sale

The non-current assets and liabilities classified as held for sale if it is expected that the book value will be recovered through the sale and not through the use in the operations. This condition is achieved only if the sale is highly probable and the asset is available for immediate sale in the actual conditions. In addition, there must be in progress actions that should allow conclude that is expectable that will be effective the sale within 12 months counting from the classification's date in this caption. The non-current assets and liabilities recorded as held for sale are booked at the lower amount of the historical cost of sell or the fair value deducted from costs, not being subject to depreciation or amortisation after being classified as held for sale.

With regard to the classification of financial holdings as held for sale:

- i) in the case of subsidiaries they continue to be consolidated until the date of their disposal, but all their assets and liabilities must be classified as held for sale and recorded at the lowest between the book value and the fair value minus costs of selling, terminating the recording of depreciation/amortization;
- ii) in the case of joint ventures and associates measured by the equity method, they are measured at the lower of book value and fair value less costs to sell, and the application of the equity method is terminated.

When, due to changes in the Group's circumstances, non-current assets, and/or Disposal Groups fail to comply with the conditions to be classified as held for sale, these assets and/or Groups for disposal shall be reclassified according to the underlying nature of the assets and shall be remeasured by the minor between (i) the book value before they were classified as held for sale, adjusted for any depreciation/amortization expenses, or revaluation amounts that have been recognized, if those assets

had not been classified as held for sale, and (ii) the recoverable values of the items on the date on which they are reclassified according to their underlying nature. These adjustments will be recognized in the results of the financial year.

In the case of investments in joint ventures and associates measured under the equity method, the termination of the classification as held for sale implies the replacement of the equity method retrospectively.

2.9. Government grants and other public entities

Government grants are recorded at fair value when there is reasonable assurance that they will be received, and that Sonae will comply with the conditions attaching to them.

Grants received as compensation for expenses, namely grants for personnel training, are recognised as income in the same period as the relevant expense.

Investment grants related to the acquisition of fixed assets are included in "Other non-current liabilities" and are credited to the income statement on a straight-line basis over the estimated useful lives of the assets acquired.

2.10. Impairment of non-current assets, except for Goodwill

Assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement under "Provisions and impairment losses".

The recoverable amount is the higher of an asset's fair value deducted from costs to sell and its value in use. Fair value deducted from costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction deducted from the costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

In situations where the use of the asset will be expectedly discontinued (stores to be closed or on the remodelling processes) the Group performs a review of the asset's useful life after considering its impact on the value of use of that asset far terms of impairment analysis, particularly on the net book value of the assets to derecognise.

Reversal of impairment losses recognised in prior years is only recorded when it is concluded that the impairment losses recognised for the asset no longer exist or have decreased. This analysis is performed whenever there is an indication that the impairment loss previously recognised has been reversed. The reversal is recorded in the income statement as Operational income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for that asset in prior years.

2.11. Financial expenses relating to loans obtained

Financial expenses related to loans obtained directly attributable to the acquisition, construction or production of property, plant and equipment and intangible assets, are capitalized as part of the cost of the qualifying asset. Financial expenses related to loans obtained are capitalized from the beginning of preparation of the activities to construct or develop the asset up to the time the production or construction is complete or when asset development is interrupted. Any income earned on funds temporarily invested pending their expenditure on the qualifying asset, is deducted from the financial expenses that qualify for capitalization. Other borrowing costs are recognized as an expense in the period in which they are incurred.

2.12. Inventories

The goods are recorded at acquisition cost deducted from the value of the respective quantity discounts granted by the suppliers and net realizable value of the two lowest, using as costing method the average cost.

Finished goods and intermediate and work in progress are stated at the lower of cost of the weighted average production cost or net realizable value. Production cost includes cost of raw materials, labour costs and overheads based on the normal level of production. The difference in capitalised charges recognized in this nature of inventories during the year is recognized as a change in production in the income statement.

Differences between cost and net realizable value, if negative, are shown as expenses under the caption "Cost of goods sold and materials consumed", as well as impairment reversals. Inventories is derecognised when it is considered obsolete by the Group, and its book value is derecognised by counterpart of "Other expenses".

2.13. Provisions

Provisions are recognised when, and only when, Sonae has an obligation (legal or constructive) resulting from a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of that obligation. Provisions are reviewed and adjusted at the balance sheet date to reflect the best estimate as of that date.

Restructuring provisions are recorded by Sonae whenever a formal and detailed restructuring plan exists, and that plan has been communicated to the parties involved.

2.14. Financial instruments

Sonae classifies the financial instruments in the categories presented and conciliated with the combined statement of financial position disclosed in Note 7.

(a) Financial assets

Recognition

All purchases and sales of investments in financial assets are recognized on the trade date, the date when the Group commits to buy or sell the asset.

The classification of the financial assets depends on the business model followed by the Group in managing the financial assets (receipt of cash flows or appropriation of changes in fair value) and the contractual terms of the cash flows to be received.

Changes in 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, which are equity instruments, which can never be reclassified to another category.

Financial assets may be classified in the following measurement categories:

(i) Financial assets at amortized cost: includes financial assets that correspond only to the payment of nominal value and interest and whose business model followed by the management is the receipt of contractual cash flows;

(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) the case 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 punctually their sale; b) in the case of equity instruments, this category includes the percentage of interest held in entities over which the group does not exercise control, joint control or significant influence, and that the group has irrevocably chosen, on the date of initial recognition, to designate the fair value through other comprehensive income;

(iii) Financial assets at fair value through profit or loss: includes assets that do not meet the criteria for classification as financial assets at amortized cost or at fair value through other comprehensive income, whether they refer to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

Measurement

The group initially measures financial assets at fair value, added to the transaction costs directly attributable to the acquisition of the financial asset, for financial assets that are not measured at fair value through profit or loss. Transaction costs of financial assets at fair value through profit or loss are recorded in the income statement when incurred.

Financial assets at amortized cost are subsequently measured in accordance with the effective interest rate method and deducted from impairment losses. Interest income on these financial assets is included in "Interest income" on financial income.

Financial assets at fair value through other comprehensive income that constitute equity instruments, are measured at fair value on the date of initial registration and subsequently, and fair value changes are recorded directly in the other comprehensive income, in Equity, and there is no future reclassification even after derecognition of the investment.

Impairment losses

Sonae assesses prospectively the estimated credit losses associated with financial assets, which are debt instruments, classified at amortized cost and at fair value through other comprehensive income. Impairment methodology applied considers the credit risk profile of the debtors, and different approaches are applied depending on the nature of the debtors.

With regard to the balances receivable under "Trade receivables" and "Other receivables" and Assets of customer contracts, the Group applies the simplified approach allowed by IFRS 9, according to which estimated credit losses are recognized from the initial recognition of the balances receivable and for the entire period up to their maturity, considering a matrix of historical default rates for the maturity of the balances receivable, adjusted by prospective estimates.

Regarding to accounts receivable from related entities, which are not considered as part of the financial investment in these entities, credit impairment is assessed against the following criteria: i) if the receivable balance is immediately due ("on demand"); ii) if the balance receivable is low risk; or (iii) if it has a term of less than 12 months.

In cases where the amount receivable is immediately due 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, Sonae 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 was no increase in credit risk, the Group calculates an impairment corresponding to the amount expected to be expected within 12 months. If there has been an increase in credit risk, an impairment is calculated corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

Derecognition of financial assets

Sonae derecognize financial assets when, and only when, the contractual rights to the cash flows have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of property of the asset.

(b) Loans granted

Loans granted and non-current accounts receivables are measured at amortised cost using the effective interest method, deducted from any impairment losses and are recorded under IFRS 9 - Financial assets at amortized cost.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when Sonae provides money, goods or services directly to a debtor with no intention of trading the receivable.

Balances are classified as current assets when collection is estimated within 12 months. The balances are classified as non-current if the estimated charge occurs more than 12 months after the reporting date. These financial assets are included in the caption presented in Note 7.

Impairment losses on loans and accounts receivable are recorded in accordance with the principles described in Note 2.14.a). As at 31 December 2019, when there was evidence that they were impaired, the corresponding adjustment to profit and loss was recorded.

(c) Trade receivables and Other receivables

These captions mainly include the balances of customers resulting from services provided under the Group's activity and other balances related to operating activities.

"Trade receivables" and "Other receivables" captions are initially recognized at fair value and are subsequently measured at amortized cost, net of impairment adjustments.

Impairment losses of trade receivables and other receivables are recorded in accordance with the principles described in Note 2.14.a).

(d) Cash and bank balance

Amounts included under the caption "Cash and bank balance" correspond to cash on hand, cash at banks, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the balance sheet caption "Other loans", in the consolidated statement of financial position.

All the amounts included in this caption can be reimbursed at demand as there are no pledges or guarantees over these assets.

(e) Classification as equity or liabilities

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

Equity instruments are contracts that evidence a residual interest in the assets of Sonae after deducting all its liabilities. Equity instruments issued by Sonae are recorded at the proceeds received, net of direct issue costs.

(f) Financial liabilities

Financial liabilities are classified into two categories: i) Financial liabilities at fair value through profit or loss; and ii) Financial liabilities at amortized cost.

The "Financial liabilities at amortized cost" category includes liabilities presented under "Loans", "Bonds", "Other loans", "Other non-current liabilities", "Trade payables" and "Other payable". These liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost at the effective interest rate.

As at 31 December 2019, Sonae has only recognized liabilities classified as "Financial liabilities at amortized cost".

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are cancelled or expire.

(g) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments. Financial expenses are calculated based on the effective interest rate and are recorded in caption "Financial income"

and "Financial expenses" in the income statement on an accruals basis, in accordance with the accounting policy defined in Note 2.18. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

Funding on the form of commercial paper are classified as non-current, when they have guarantees of placing for a period exceeding one year and it is the intention of the group to maintain the use of this form of financing for a period exceeding one year.

(h) Loans convertible into shares

The component parts of compound instruments, namely convertible bonds, issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option is classified as Equity and its value is estimated by deducting from the value of the instrument the amount allocated to the liability component, this amount being recognized directly in equity. This amount will remain in Equity until the end of the contract being transferred to retained earnings in the situation where the instrument reaches maturity without the conversion option being exercised.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds.

(i) Trade payables and Others payables

Trade payables and other payables generally include balances of suppliers of goods and services that the group acquired, in the normal course of its activity. The items that compose it will be classified as current liabilities if the payment is due within 12 months or less, otherwise the accounts of "Trade payables" will be classified as non-current liabilities.

These financial liabilities are initially recognized at fair value. Subsequent to its initial recognition, the liabilities presented under "Trade payables" are measured at amortized cost using the effective interest method. Accounts payable are stated at their nominal value, as they do not bear interests and the effect of discounting is considered immaterial.

(j) Confirming

Some subsidiaries within the retail business maintain agreements with financial institutions in order to enable its suppliers to an advantageous tool for managing its working capital by the confirmation by these subsidiaries of the validity of invoices and credits that these suppliers hold over these companies.

Under these agreements, some suppliers freely engage into contracts with these financial institutions that allow them to anticipate the amounts receivable from these retail subsidiaries, after confirmation of the validity of such receivables by these subsidiaries.

These retail subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as accounts payable to "Suppliers" until the normal maturity of these instruments under the general supply agreement established between the company and the supplier, whenever (i) the maturity corresponds to a term used by the industry in which the company operates, this means that there are no significant differences between the payment terms established with the supplier and the industry, and (ii) the company does not have net costs related with the anticipation of payments to the supplier when compared with the payment within the normal term of this instrument. In some situations, such subsidiaries receive a commission from the financial institutions.

In the due date of such invoice, the amount is paid by the subsidiaries to the financial institution regardless whether or not it anticipated those amounts to the suppliers.

(k) Derivatives

Sonae uses derivatives in the management of its financial risks to hedge such risks and-or to optimize the "funding costs", not being used with speculative purposes.

Derivative financial instruments are initially recorded at the fair value of the transaction date and subsequently measured at fair value. The method of recognizing fair value gains and losses depends on the designation of derivative financial instruments as trading or hedging instruments.

The criteria for classifying a derivative instrument as a cash flow hedge instrument is met when:

- i) there is an economic relationship between the hedged item and the hedging instrument, the value of the hedged item and the hedging instrument move in opposite directions;
- ii) changes in fair value do not result mainly from credit risk; and
- iii) the hedge ratio designated by Sonae, in each transaction is the amount of the hedged item and the amount of the hedging instrument that the entity effectively uses to cover that amount of the hedged item.

Derivatives classified as cash flow hedging instruments are used by Sonae mainly to hedge interest risks on loans obtained and exchange rate. Conditions established for these cash flow hedging instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. The inefficiencies, if any, are accounted under "Financial income" or "Financial expenses" in the consolidated income statement.

Sonae also uses financial instruments with the purpose of cash flow hedging, that essentially refer to exchange rate hedging ("forwards") of loans and commercial operations. If they configure a perfect hedging relation, hedge accounting is used. In certain situations, such as loans and other commercial operations, they do not configure perfect hedging relations, and so do not receive hedge accounting treatment, although they allow in a very significant way, the reduction of the loan and receivable-payable exchange volatility, nominated in foreign currency.

In specific situations, Sonae may enter into derivatives on exchange rates in order to hedge the risk of fluctuations in future cash flows caused by changes in those exchange rates, which may not qualify as hedging instruments in accordance with IFRS 9, being the effect of revaluation at fair value of such derivatives recorded in the income statement.

Derivatives, although contracted for the purposes mentioned above (mainly foreign exchange forwards and derivatives in the form of or including interest rate options), for which the company has not applied hedge accounting, are initially recorded at cost, which corresponds to their fair value, if any, and subsequently revaluated at fair value, the changes in which, calculated using specific IT tools, directly affect the "Financial income" and "Financial expenses" items in the consolidated income statement.

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics of the host contract, and these are not stated at fair value, gains and losses which are not realizable are recorded in the Income Statement.

Sonae may agree to become part of a derivative transaction in order to fair value hedge some interest rate exposure. In these cases, derivatives are recorded at fair value through profit or loss when the hedge instrument is not measured at fair value (namely loans recorded at amortised cost) the effective portion of the hedging relationship is adjusted in the carrying amount of the hedged instrument, through profit or loss.

(I) Own shares

Own shares are recorded at acquisition cost as a reduction to equity. Gains or losses arising from sales of own shares are recorded in "Other reserves", included in "Others reserves and retained earnings".

2.15. Contingent assets and liabilities

Contingent assets are not recorded in the consolidated financial statements but disclosed when future economic benefits are probable.

Contingent liabilities are not recorded in the consolidated financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

2.16. Income tax and other tax

The tax charge for the year is determined based on the taxable income of companies included on consolidation and considers deferred taxation.

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation.

Deferred taxes are calculated using the statement of financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually remeasured using the tax rates that have been enacted or substantively enacted and therefore are expected to apply when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each statement of financial position date, a review is made of the deferred tax assets recognized, being reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction do not affect the accounting or tax result.

Deferred tax assets and liabilities are recorded in the income statement, except if they relate to items directly recorded in equity. In these cases, the corresponding deferred tax is recorded in equity.

The value of taxes recognised in the financial statements correspond to the understanding of Sonae on the tax treatment of specific transactions being recognised liabilities relating to income taxes or other taxes based on interpretation that is performed and what is meant to be the most appropriate.

In situations where such positions will be challenged by the tax authorities as part of their skills by their interpretation is distinct from Sonae, such a situation is the subject of review. If such a review, reconfirm the positioning of the Group concluded that the probability of loss of certain tax process is less than 50% Sonae treats the situation as a contingent liability, i.e. is not recognized any amount of tax since the decision more likely is that there will be no place for the payment of any tax. In situations where the probability of loss is greater than 50% is recognized a provision, or if the payment has been made, it is recognized the cost associated.

In situations in which payments were made to Tax Authorities under special schemes of regularization of debts, in which the related tax is Income Tax, and that cumulatively keep the respective lawsuits in progress and the likelihood of success of such lawsuits is greater than 50%, such payments are recognized as assets, as these amounts correspond to determined amounts, which will be reimbursed to the entity, (usually with interests) or which may be used to offset the payment of taxes that will be due by the group, in which case the obligation in question is determined as a present obligation. In situations where payments

correspond to other taxes, such amounts are recorded as expenses, although the Group's understanding is that they will be reimbursed plus interest.

2.17. Revenue

Revenue corresponds to the fair value of the amount received or receivable from transactions with customers in the normal course of the Group's activity. Revenue is recorded net of any taxes, commercial discounts and other costs inherent to its realization, at the fair value of the amount received or receivable.

In determining the value of revenue, Sonae evaluates for each transaction its performance obligations to the 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.

Income from sales of products 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 remaining economic benefits associated with it.

The Group considers that, given the nature of the product or service that is associated with the assumed performance obligations, the transfer of control occurs mostly on a specific date, but there may be transactions in which the transfer of control occurs continuously over the defined contractual period.

Revenue associated with extended warranties operations, which are granted for a period of 1 to 3 years, after the legally binding warranty of 2 years, by the specialized retail operating Segment, and are recognized in a straight-line basis over the warranty lifetime period. The revenue associated with warranties sold but for which the legal binding warranty hasn't yet expired is accounted under the captions of the Statement of Financial Position "Other non-current liabilities" and "Other current liabilities" (Notes 28 and 32).

Services rendered include the income from consulting projects, developed in the area of information systems, which are recognized, in each year, in accordance with the performance obligation to which they relate, according to the percentage of performance. The group recognizes revenue over time by measuring progress towards full compliance with that performance obligation.

Deferral of revenue associated with customer loyalty programs through the allocation of discounts on future purchases by the Food retail segment is quantified taking into account the probability of their exercise and are deducted from the revenue at the time they are generated, being corresponding liability in the caption "Other payables".

2.18. Accrual basis

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

"Other current assets" and "Other current liabilities" include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but will only correspond to income or expenses of future years, when they will be recognized in the income statement.

2.19. Commercial revenue

Commercial revenues, which includes amounts relating to supplier's agreements that have the objective of carrying out an in-store service (flyers, product placement, in store advertising, etc. ...) or contribution in promotional campaigns for partner's products, they are recorded as a deduction in the cost of goods sold, caption "Cost of goods sold and materials consumed". Commercial revenues are to be formally agreed, with the identification of the dates of the service or for the promotional campaign and value agreement with the partner. These amounts are accounted as other operating income considering in particular the dates of execution of the campaigns, except when directly related to sales of specific products. Commercial revenue agreements lead to the issuance of financial document(s) to suppliers, which are discounted in future invoice payments

or through direct collection to partners. The amounts that have not yet been invoiced to the supplier are recorded under "Other current assets".

2.20. Balances and transactions expressed in foreign currencies

Transactions are recorded in the separate financial statements of the subsidiaries in the functional currency of the subsidiary, using the rates in force on the date of the transaction.

At each statement of financial position date, all monetary assets and liabilities expressed in foreign currencies are translated to the functional currency of each foreign company at the exchange rates as at that date. All non-monetary assets and liabilities recorded at fair value and stated in foreign currencies are converted to the functional currency of each company, using the exchange rate at the date the fair value was determined.

Exchange gains and losses arising from differences between historical exchange rates and those prevailing at the date of collection, payment or the date of the statement of financial position, are recorded as income or expenses of the period, except for those related to non-monetary assets or liabilities, for which adjustments to fair value are directly recorded under equity.

When Sonae wants to reduce currency exposure, it negotiates hedging currency derivatives (Note 2.14.k)).

2.21. Subsequent events

Events after the statement of financial position date that provide additional information about conditions that existed at the statement of financial position date are reflected in the consolidated financial statements. Events after the statement of financial position date that are non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

2.22. Judgements and estimates

The estimates and judgments with impact on the Group's financial statements are continuously evaluated, representing at each reporting date the Management's best estimate, taking into account historical performance, accumulated experience and expectations about future events that, under the circumstances, if they believe they are reasonable.

The nature of the estimates may lead to the actual reflection of the situations that had been estimated, for the purposes of financial reporting, would differ from the estimated amounts. The most significant accounting estimates reflected in the financial statements include:

- a) Useful lives of the property, plant and equipment and intangible assets;
- b) Impairment analysis of goodwill in investments in associated companies and jointly controlled entities and of property, plant and equipment and intangible assets;
- c) Recognition of adjustments on assets, provisions and contingent liabilities;
- d) Determining the fair value of derivative financial instruments;
- e) Recoverability of deferred tax assets;
- f) Valuation at fair value of assets, liabilities and contingent liabilities in business combination transactions;
- g) Impairment of financial assets;
- h) Recognition of contract revenue;
- i) Investments at fair value through other comprehensive income or results;
- j) Fair value of investment properties.

k) Incremental interest rate on lease contracts.

Estimates used are based on the best information available during the preparation of consolidated financial statements and are based on best knowledge of past and present events. Although future events are neither controlled by Sonae nor foreseeable, some could occur and have impact on the estimates. Changes to estimates that occur after the date of these consolidated financial statements, will be recognized in net income, in accordance with IAS 8 – “Accounting policies, changes in accounting estimates and errors”, using a prospective methodology.

2.23. Insurance and reinsurance contacts

In order to optimise insurance costs, Sonae, through a wholly owned subsidiary, enters into reinsurance operations over non-life insurance contracts entered into by subsidiaries and related of the Efanor Group.

The subsidiary of Sonae acts like an intermediate in the assurance operations as a way to optimise insurance coverage and retention levels in accordance with the needs of each business, ensuring effective insurance management worldwide. The retained risk is immaterial in the context of reinsurance carried out.

Premiums written on non-life insurance contracts and associated acquisition costs are recognized as income and cost on a prorata basis over the term of the related risk periods, through changes in the provision for unearned premiums.

The provision for unearned premiums reflects the portion of non-life insurance premiums written attributable to future years, namely the portion corresponding to the period between the statement of financial position date and the end of the period to which the premium refers. It is calculated, for each contract in force.

In Provision for claims (Note 33) is recorded the estimated amounts payable for claims, including claims that have been incurred but not reported and future administrative costs to be incurred on the settlement of claims under management. Provisions for claims recorded by Sonae are not discounted.

Reinsurer's share of technical provisions are determined by applying the above described criteria for direct insurance, taking into considering the percentages ceded, in addition to other clauses existing in the treaties in force.

At each statement of financial position date, Sonae assess the existence of evidence of impairment on assets originated by insurance or reinsurance contracts.

2.24. Segment information

Information regarding operating segments identified is included in Note 6.

2.25. Legal reserves, other reserves and retained earnings

Legal reserves

Portuguese commercial legislation requires that at least 5% of 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 the case of liquidation of the company, but it may be used to absorb losses, after all the other reserves are exhausted, or to increase the share capital.

Cash flow hedging reserve

The Hedging reserve reflects the changes in fair value of “cash flow” hedging derivatives that are considered as effective (Note 2.14.k)) and is not distributable or used to cover losses.

Currency translation reserve

The currency translation reserve corresponds to exchange differences relating to the translation from the functional currencies of the Sonae's foreign subsidiaries and joint ventures into Euro, in accordance with the accounting policy described in Note 2.2.d).

Fair value reserve

This reserve includes the positive and negative effects of the revaluation on the fair value of available-for-sale as mentioned in Notes 2.22 and 23.

Reserves for the medium-term incentive plan are included in “other reserves”

According to IFRS 2 – “Share-based Payments”, responsibility with the medium-term incentive plans settled through delivery of own shares is recorded, the credit, under the caption “Reserves for the medium-term incentive plan” and is not distributable or used to cover losses.

2.26. Share-based payments

Share-based payments result from deferred performance bonus plans that are referenced to Sonae SGPS share price and/or that of its publicly listed affiliated companies and vest within a period of 3 years after being granted.

When the plans set out by Sonae are settled through the delivery of treasury shares, the value of this responsibility is determined at the time of assignment based on the fair value of shares allotted and recognized during the period of deferment of each plan. The responsibility is posted in equity, in the caption “Other reserves and retained earnings” against “Employee benefits expense”.

When the settlement is made in cash, the value of these responsibilities are determined on the grant date (usually in April of each year) and subsequently remeasured at the end of each reporting period, based on the number of shares or options granted and the corresponding fair value at the closing date. These obligations are stated as “Staff costs” and “Other liabilities” on a straight-line basis, between the date the shares are granted and their vesting date, taking into consideration the time elapsed between these dates.

2.27. Option premium embedded in convertible bonds

The balance recognized in equity corresponds to the initial fair value valuation of the equity component that fulfils with the definition of equity instrument (Note 2.14.h)). This reserve is not distributable, being transferred to retained earnings or to other reserves, at maturity date, or being recognized as premium in the event of conversion into the company’s own shares.

3. Financial risk management

3.1. Introduction

The ultimate purpose of financial risk management is to support Sonae in the achievement of its strategy, reducing unwanted financial risk and volatility and mitigate any negative impacts in the income statement arising from such risks. Sonae's attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae does not apply into derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

Due to its diversified nature Sonae is exposed to a variety of financial risks, consequently each Sub-holding is responsible for, where applicable, setting its own financial risk management policies, to monitor their own exposure and to implement their approved policies. Therefore, for some risks there are not Sonae global risk management policies, but rather, where appropriate, customized risk management policies at Sub-holding level, existing, however, common guiding principles. Financial risk management policies are approved by each Executive Committee and exposures are identified and monitored by each Sub-holding Finance Department. Exposures are also monitored by the Finance Committee as mentioned in the Corporate Governance Report.

The Finance Committee coordinates and reviews, amongst other responsibilities, global financial risk management policies. The Finance Department of Sonae Holding is responsible for consolidating and measuring the Company’s financial risk exposure, being also responsible for assisting each Sub-holding in managing their own currency, interest rate, liquidity and refinancing risks through the Corporate Dealing Desk. Exposures are recorded in a main system (Treasury Management System). Risk control and reporting is carried out both at Sub-holding level, on a daily basis and on a consolidated basis for the monthly Finance Committee meeting.

3.2. Credit Risk

Credit risk is defined as the probability of a counterparty defaulting on its contractual obligations resulting in a financial loss. It is shown in two major ways:

3.2.1. Credit risk arising from Financial Instruments

The credit risk management related to the Financial Instruments (investments and deposits in banks and other financial institutions or resulting from derivative financial instruments entered during the normal hedging activities) or loans to subsidiaries and associates, there are principles for all Sonae companies:

- In order to reduce the probability of counterparties defaulting on their payment contractual obligations, Sonae companies only enter into transactions (short term investments and derivatives) with counterparties that present a high degree of prestige and national and international recognition and are based on their rating notations, taking into consideration the nature, maturity and size of the transactions;
- No financial instruments shall be contracted unless they have been authorised in advance. The definition of instruments eligible for both excess and derivatives has been defined on a conservative basis (mainly short-term money market instruments for treasury applications, and instruments which can be broken down into their integral parts and duly valued, with a maximum loss identifiable in the case of derivatives);
- In relation to excess funds: i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by existing relationships banks in order to reduce exposure on a net basis, and ii) may only be applied in pre-approved instruments;
- In some cases, Sub-holdings can define more strict rules regarding counterparty exposure or more conservative policies;
- Any departure from the above-mentioned policies needs to be pre-approved by the respective Executive Committee/Board of Directors.

Regarding to the policies and minimum credit rating, Sonae does not expect any material failure in contractual obligation from its external counterparties nevertheless exposure to each counterparty resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Sub-holding Finance Department and any departure is promptly reported to the respective Executive Committee/Board of Directors and to the Sonae Finance Committee.

"Loans granted to related entities" balances are considered to have low credit risk and, therefore, impairment losses recognized during the period were 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. The gross accounting value of the items classified as "Loans granted to related entities" reflects the Company's maximum credit risk relative to this item, totalizing 37,2 million euro as at 31 December 2019 (66,8 million euro as at 31 December 2018) (Note 44).

3.2.2. Credit risk in operational and commercial activities of each business

In this case due to each business characteristics and consequently of different credit risk typology, each sub-holding determines the most appropriate policy, as described above. However, the policies follow the same wide principles of: prudence, conservatism, and the implementation of control mechanism.

- Sonae MC, Worten and Sonae Fashion

Credit risk is very low, considering that most transactions are made in cash. In the remaining, in the relationship with customers is controlled through a system of collecting quantitative and qualitative information, provided by high prestige and liable entities that provide information on risks by obtaining suitable guarantees, aimed at reducing the risk of granting credit. Credit risk arises in the relationship with suppliers as a result of advances or debits for discounts and is mitigated by the expectation to maintain the business relationship.

- Sonae IM

The technology business exposure to credit risk is mainly associated with the accounts receivable related to current operational activities. The credit risk management purpose is to guarantee that the amounts owed by debtors are effectively collected within the periods negotiated without influencing the financial health of the Sub-holding. Sonaecom uses credit rating agencies and has specific departments responsible for risk control, collections and management of processes in litigation, which all contribute to the mitigation of credit risk.

- Sonae Sierra

The credit risk results essentially of the risk of credit of the tenants of the commercial centers managed by Sub holding and of the other debtors. Shopping Centre storekeepers credit risk monitoring is made by the adequate assessment of risk before the storekeepers are accepted and by the establishment of conservative credit limits for each storekeeper.

- NOS – Joint venture

NOS is subject to credit risk in its operating and treasury activities. The credit risk associated with operations is essentially related to services provided to customer's credits. This risk is monitored on a regular basis business, with the goal of management is: i) limit the credit granted to customers, considering the average collection period of each client; ii) monitor the evolution of the level of credit granted; and iii) perform impairment tests to receivables on a regular basis.

- Sonae Holding

Sonae Holding does not have any relevant commercial or trade activity, other than the normal activities of a portfolio manager. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalents instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered into in the normal course of its hedging activities in accordance with the principles mentioned in note 3.2.1).

Additionally, Sonae Holding may also be exposed to credit risk as a result of its portfolio manager activities (buying or selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis under the supervision of the Executive Committee (requesting bank guarantee, escrow accounts, obtaining collaterals, amongst others).

The group applies the simplified approach to calculate and record the estimated credit losses required by IFRS 9, which allows the use of estimated impairment losses for all "Trade receivables" and "Other receivables" balances. In order to measure estimated credit losses, the balances of "Customers" and "Other receivables" were aggregated on the basis of shared credit risk characteristics, as well as on days of delay. As mentioned in note 2.14.c). The amount related to customers and other debtors represents maximum Sonae exposure to credit risk of the assets included in these captions.

3.3. Liquidity risk

Sonae has the need, regularly, to raise external funds to finance its activities and investing plans. It holds a long-term diversified portfolio, essentially made of, loan's and structured facilities, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2019, the total gross debt (excluding shareholders loans) was 1,789 million euro (on 31 December 2018 was 2,089 million euro) excluding the contributions of excluding contributions from joint ventures measured by the equity method.

The purpose of liquidity risk management is to ensure, at all times, that Sonae has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy. Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining with its relationship banks, a combination of short and medium term committed credit facilities, with sufficiently comfortable previous notice cancellation periods with a range that goes (up to 360 days);
- Maintenance of commercial paper programs with different periods and terms, that allow, in some cases, to place the debt directly in institutional investors;

- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments in order to forecast cash requirements;
- Diversification of financing sources and counterparties;
- Ensuring an adequate average debt maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. In 2019, Sonae's average debt maturity was approximately 4.4 years (2018: 3.8 years) excluding the contributions of the joint ventures which consolidated by the equity method;
- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;
- Where possible, by pre-financing forecasted liquidity needs, through transactions with an adequate maturity;
- Management procedures of short-term applications, assuring that the maturity of the applications will match with foreseen liquidity needs (or with a liquidity that allows to cover unprogrammed disbursements, concerning investments in assets), including a margin to hedge forecasting deviations. The margin of error needed in the treasury department prediction, will depend on the confidence degree and it will be determined by the business. The reliability of the treasury forecasts is an important variable to determinate the amounts and the periods of the market applications-borrowings.

The maturity of each major class of financial liabilities is disclosed in Notes 26, 30, and 31, based on the undiscounted cash flows of financial liabilities based on the earliest date on which Sonae can be required to pay ("worst case scenario").

Sonae maintains a liquidity reserve in the form of credit lines together with the banks with which there are activities. This is to ensure the ability to meet its commitments without having to refinance itself in unfavourable terms. In 31 December 2019, the consolidated loan amount maturing in 2020 is of 196 million euro (504 million euro maturing in 2018) and in 31 December 2019 Sonae had 235 million euro available in consolidated credit lines (231 million euro in 2018) with commitment less than or equal to one year and 352 million euro (231 million euro in 2018) with a commitment greater than one year.

Additionally, Sonae held, as at 31 December 2019, cash and cash equivalents and current investments amounting to 610 million euro (696 million euro as at 31 December 2018).

Consequentially, although current liabilities are higher than current assets, a natural situation due to the fact that its main business has negative working capital requirements, Sonae expects to meet all its obligations by means of its operating cash flows and its financial assets as well as from drawing existing available credit lines, if needed.

3.4. Interest rate risks

3.4.1. Policies

As each business operates in different markets and in different business environments, there is no single policy applicable to Sonae, but rather policies adjusted to each Sub-holding exposure which one described below. As previously mentioned, Sonae exposure is regularly monitored by the Finance Committee, at a group level, and at each Sub-holding level. Although there is no wide risk management interest rate policy in what concerns the derivatives negotiation, there are principles that have to be followed by all the companies and that are referred below:

- Sonae hedging activities do not constitute a profit-making activity and derivatives are entered into without any speculation purpose;
- For each derivative or financial instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be consistent with the settlement dates of the hedging instruments to avoid any mismatch and hedging inefficiencies;
- For each derivative or financial instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be a perfect match between the base rate: the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction;

- Since the beginning of the transaction, the maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate);
- The counterparties of hedging instruments are limited to institutions of high prestige, national and international recognition and based on respective credit ratings, as described in 3.2. above. It is Sonae policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's relationships, whilst at the same time obtaining quotes from a sufficient large sample of banks to ensure optimum conditions;
- In determining the fair value of hedging operations Sonae uses certain methods, such as option valuation and discounted future cash flow models, using assumptions based on market interest rates, foreign exchange rates, volatility among others prevailing at the statement of financial position date. Comparative financial institution quotes for specific or similar instruments are used as benchmark for the valuation;
- All transactions have to be documented under ISDA's Agreements (International Swaps and Derivatives Association);
- All transactions which do not follow the rules mentioned above have to be individually approved by the respective Executive Committee Board of Directors, and reported to Finance Committee, namely transactions entered into with the purpose of optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

- Sonae MC, Worten and Sonae Fashion

Business exposure to interest rates arises mainly from long term loans which bear interests at Euribor.

The purpose of these holdings is to limit cash-flows volatility and results, considering the profile of its operational activity, by using an appropriate mix of fixed and variable interest rate debt. Sonae Group policy allows the use of interest rate derivatives to decrease the exposure to Euribor fluctuations but does not allow for trading purpose.

- Sonae Sierra

Sonae Sierra's income and operating cash-flows are substantially independent of changes in market interest rates, as its cash and cash equivalents and its financing granted to other companies of the Group are dependent only of the evolution of the interest rates in Euro, which have had a minimum change.

In relation to long-term borrowings and in order to hedge the volatility of long-term interest rates, Sonae Sierra uses, whenever appropriate, cash flow hedge instruments (swaps or zero cost collars), which represent perfect hedges of those long-term borrowings. In certain long-term borrowings Sonae Sierra chose to have a fixed interest rate in the first years of the financing agreement and will study afterwards the possibility to negotiate interest rate swaps or zero cost collars for the remaining period.

- NOS – Joint ventures

The borrowings of NOS, except bonds, have variable interest rates, which exposes the group to the risk of cash flows interest rates. NOS has adopted a hedging policy by hiring "swap" interest rate to cover future payments of interest bonds and other loans.

- Sonae IM

In the technology business 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 result or on its shareholders' equity is mitigated by the effect of the following factors (i) relatively low level of financial leverage; (ii) possibility of using interest rate hedging derivative instruments, as mentioned below; (iii) possible correlation between the market interest rates levels and economic growth, the latter having a positive effect on other lines of the Sub-holding consolidated results (namely operational), thus partially offsetting the increase of financial costs ("natural hedge"); and (iv) the availability of consolidated liquidity or cash, also bearing interests at variable rates.

- Sonae Holding and others

Sonae Holding is exposed to interest rate risk in relation to the statement of financial position (loans and short-term investments) and the fair value of interest rate derivatives (swaps and options). A significant part of Sonae Holding's debt is indexed at variable rates, and interest rate derivatives can be used to convert part of the fixed rate floating rate debt (generally using interest rate swaps), or to limit the rate maximum to pay (usually using cap's).

Sonae Holding mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve, since hedging interest rate risk usually has an opportunity cost associated. Therefore, a more flexible approach is considered preferable to a stricter traditional approach. Part of the risk is also mitigated by the fact that Sonae Holding grants loans to its subsidiaries as part of its normal activities and thus there may be some degree of natural hedging on a company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae Holding hedging activities do not constitute a profit-making activity and derivatives are deemed to be without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered into.

3.4.2. Sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest rate financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). As a consequence, these instruments are included in the calculation of income-related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognized at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7;
- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the income statement in the same period, these financial instruments are also not exposed to interest rate risk;
- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity;
- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense (gain/loss in change of the derivatives fair value) therefore it has taken into consideration in the sensitivity calculations for changes in interest rate;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;
- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under these assumptions, if euro interest rate of denominated financial instruments had been 75 basis points higher, the consolidated net profit before tax of Sonae for the period ended as at 31 December 2019 would decrease by approximately 13.9 million euro (12.5 million euro decrease as at 31 December 2018).

3.5. Exchange rate risk

3.5.1. Policies

Sonae operates at an international level, having subsidiaries that operate in different jurisdictions, and so it is exposed to foreign exchange rate risk. As each Sub-holding operates in different markets and in different business environments, there is no standard policy for Sonae, but rather individual policies for each Sub-holding which are stated below. Sonae's currency exposures are divided into two levels: transaction exposures (foreign exchange exposures relating to contracted cash flows and statement of financial position items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (equity in foreign subsidiaries). Although there is not global management exchange rate risk policy in what concerns hiring derivatives to managing exchange interest risk, it also applies to all group companies, with the necessary adaptations, the principles referred at 3.4.1).

- Sonae MC, Worten and Sonae Fashion

The impact on the financial statements of changes in exchange rate is immaterial, as the most part of the transactions are denominated in euro. These holdings are mainly exposed to exchange rate risk through transactions relating to acquisitions of goods in international markets, which are mainly in US Dollars.

The exchange risk management purpose is to provide a stable decision platform when deciding and negotiating the purchases of inventories establishing fixed exchange rates. The hedging accompanies all the purchase process, since procurement up to the formal agreement of purchase.

The exchange risk exposure is monitored through the purchase of forwards with the goal of minimizing the negative impacts of volatility in exposure level as a consequence of changes of the amounts of imports denominated in other currencies rather than euro.

- Sonae Sierra

The main activity of each company included in consolidation is developed inside its country of origin and consequently the majority of the company transactions are maintained in its functional currency. The policy to hedge this specific risk is to avoid, if possible, the contracting of services in foreign currency.

- NOS – joint ventures

The risk of exchange rate is mainly related to exposure resulting from payments made to terminal equipment suppliers and producers of audio-visual content for the TV business by subscription and audio-visual, respectively. Commercial transactions between NOS and these suppliers are denominated mostly in American dollars.

Considering the balance of accounts payable resulting from transactions denominated in currencies other than the functional currency of the group, NOS hires or can hire financial instruments such as short-term currency forwards to hedge the risk associated with these balances.

- Sonae IM

In the Business Multimedia and Information Systems operates internationally, having subsidiaries that operate in Brazil, United Kingdom, United States of America, Mexico, Malaysia, Chile and Panama, among others and so it is exposed to foreign exchange rate risk.

Foreign exchange risk management seeks to minimize the volatility of investments and transactions made in foreign currency and contributes to reduce the sensitivity of Sonaecom results to changes in foreign exchange rates.

Whenever possible, Sonaecom uses natural hedges to manage exposure, by offsetting credits granted and credits received expressed in the same currency. When such procedure is not possible, Sonaecom adopts derivatives financial hedging instruments.

Sonae's exposure to exchange rate risk results mainly from the fact that some of its subsidiaries report in currencies other than the Euro, the risk relating to the operations being insignificant.

- Sonae Holding

Due to the nature of holding company, Sonae Holding, has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise foreign exchange risk management seeks to minimize the volatility of such transactions made in foreign currency and to reduce the impact on the Profit and loss of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae Holding hedges such exposures mainly through forward exchange rate contracts. For uncertain exposures, options may be considered, subject to previous approval from the company's Executive Committee.

3.5.2. Exposure and sensitivity analyses

As at 31 December 2019 and 2018 Sonae amounts of assets and liabilities (in euro) denominated in a currency different from the subsidiary functional currency were the following:

	Assets		Liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Brazilian Real	-	-	1,905	1,936
British Pound	128,719	901,574	258,856	69,710
US Dollar	6,090,855	11,608,041	23,387,527	21,775,775
Other Currencies	909,743	506,438	2,765,916	20,375,456

The amounts presented above, only include assets and liabilities expressed in different currency than the functional currency used by the affiliated or jointly controlled company. Therefore, it does not represent any risk of financial statements translation. Due to the short-term character of the majority of monetary assets and liabilities and the magnitude of its net value, the exposure to currency risk is immaterial and therefore a sensitivity analysis to changes in the exchange rate isn't disclosed.

3.6. Price risk

Sonae is exposed to equity price risk arising from equity investments, held for strategic rather than for trading purposes as the group does not actively trade these investments, which are disclosed in Note 13 and 14.

Sonae is exposed to risks arising from changes in Sonae Holding share price due responsibilities related with the remuneration policy described in Sonae Corporate Governance report, as explained in Note 29.

In 2007, Sonae entered into a Total Return Swap (TRS) with Sonae Holding shares as underlying. As explained in Note 24, the Total Return Swap precluded the derecognition of those own shares, and as such, a change in the Sonae Holding share price will have an impact on the cash flows by means of TRS cash settlements. If, as at 31 December 2019, Sonae price had been 1% higher/lower, Sonae would have receiving/ payments additional of 874 thousand euro (at 31 December 2018 Sonae would have additional receiving/payments amounting to 812 thousand euros).

3.7. Capital risk

The capital structure of Sonae, determined by the proportion of equity and net debt is managed in order to ensure continuity and development of its operations, maximize the return on shareholders and optimize financing costs.

Sonae periodically monitors its capital structure, identifying risks, opportunities and the necessary adjustment measures for the achievement of these objectives.

Sonae presented in 2019 an average gearing (countable) of 0.5 x (0.5 x in 2018). The average gearing at market values in 2019 was 0.9 x (0.7 x in 2018).

4. Changes in the consolidation scope

4.1. Main acquisition of subsidiaries in the period ended at 31 December 2019

The subsidiaries acquired can be analysed as follows:

COMPANY	Head Office	Date of acquisition	Proportion of voting equity interests acquired	
			Direct	Total
Sonae MC				
Arenal Perfumarias, S.L.U.	Lugo (Spain)	jan 2019	100.00%	60.00%
Tomenider, S.L.	Lugo (Spain)	jan 2019	60.00%	60.00%
Worten				
Iservices, Lda	Lisbon (Portugal)	dez 2019	100.00%	100.00%

On September 2018, Sonae SGPS, SA reported that its subsidiary Modelo Continente Hipermercados SA sucursal en España, concluded an agreement with Corpin Capital in order to acquire 60% of the capital of Tomenider SL ("society"), which holds 100% of the Arenal Perfumeries SLU ("Arenal"). The Arenal is a retail company of pharmacies and perfumeries with a network of 41 stores in the north of Spain.

On 11 December 2018, this transaction was approved by the competent competition authorities. The operation was completed in January 2019 and will allow Sonae MC to significantly enhance the combined assets and competences of Well's and Arenal, reinforcing its position in the Health & Wellness segment, one of its main development strategies pillars.

In the 4th quarter of 2019, Worten reached an agreement to acquire 100% of the share capital of iServices, a leading company in the repair of smartphones in Portugal through a network of 15 stores. This acquisition, which took place in December 2019 after receiving the mandatory approvals (including from the competition) for such a transaction, will strengthen Worten's capabilities in its service offering and contribute to improving the customer experience and its ecosystem.

The effects of these acquisitions on the consolidated financial statements can be analysed as follows:

Amounts in euro	Sonae MC			Worten		
	At date of acquisition	Fair Value	Total	31 Dec 19	At date of acquisition	31 Dec 19
Net assets acquired						
Property, plant and equipment and intangible assets (Notes 8 and 9)	19,258,447	58,400,000	77,658,447	82,706,838	454,324	454,324
Rights-of-use assets (Note 10)	43,149,710	-	43,149,710	54,900,827	-	-
Inventories (Note 16)	23,861,179	-	23,861,179	31,062,411	887,582	887,582
Loans	1,339,504	-	1,339,504	-	-	-
Trade receivables and other assets	636,373	-	636,373	-	-	-
Other assets	10,054,933	-	10,054,933	25,123,866	1,251,332	1,573,609
Cash and cash equivalents	1,982,432	-	1,982,432	4,585,525	324,296	324,296
Loans	(67,601,107)	-	(67,601,107)	(56,338,077)	(338)	(338)
Passivos por impostos diferidos (Note 21)	-	(14,600,000)	(14,600,000)	-	-	-
Trade payables and other current liabilities	(19,850,347)	-	(19,850,347)	(28,478,548)	(118,594)	(118,594)
Other liabilities	(3,630,799)	-	(3,630,799)	(33,345,200)	(856,495)	(856,495)
Total net assets acquired	7,224,448	43,800,000	51,024,448	80,217,642	1,942,107	2,264,384
Goodwill (Note 12)	44,720,000	(25,280,000)	19,440,000	-	6,354,827	-
Non- controlling interests (Note 25)	(2,922,727)	(17,520,000)	(20,442,727)	-	-	-
Acquisition cost	49,021,721	1,000,000	50,021,721	-	8,296,934	-
Cash payment	49,021,721	-	49,021,721	-	2,500,000	-
Consideration to be paid	-	-	-	-	5,796,934	-
	49,021,721	-	49,021,721	-	8,296,934	-
Net cash flow arising from acquisition (Note 46)						
Cash payment	49,021,721	-	49,021,721	-	2,500,000	-
Cash and bank balances acquired	1,982,432	-	1,982,432	-	324,296	-
	47,039,289	-	47,039,289	-	2,175,704	-

Amounts in euro	Sonae MC		Worten	
	From the date of acquisition	12 months	From the date of acquisition	12 months
Sales and services	129,156,555	129,156,555	-	6,274,105
Other income	2,978,005	2,978,005	-	651,581
Cost of sales	(93,213,978)	(93,213,978)	-	(2,206,571)
Supplies and external services	(6,513,082)	(6,513,082)	-	(1,500,156)
Employee benefits expense	(14,586,996)	(14,586,996)	-	(1,732,537)
Depreciation and amortization	(7,875,897)	(7,875,897)	-	(65,874)
Others	(241,399)	(241,399)	-	(96,847)
Net financial income	(3,754,667)	(3,754,667)	-	463
Results for associated companies	15,920	15,920	-	-
Profit/loss before taxation	5,964,461	5,964,461	-	1,324,164
Income tax expense	(1,272,310)	(1,272,310)	-	(167,072)
Profit/(Loss) for the period	4,692,151	4,692,151	-	1,157,092

Following the Arenal acquisition, the Group carried out an assessment of the fair value of the assets acquired and liabilities assumed, resulting in an increase in net assets of 43.8 million euros, which results from the recognition of the Arenal brand (58.4 million euros) valued using the methodology of royalties released, using discount rates based on the weighted average cost of capital of the segment in which the companies operate (10%) and a 4% royalty rate, and for which no defined life was identified, and the recording of the respective deferred tax liabilities in the amount of Euro 14.6 million. The acquisition cost was increased by 1 million euro for the contingent amount payable dependent on the company's performance.

As usually happens in business combinations, also in the case of the acquisition of this subsidiary, it was not possible to attribute, in accounting terms, to the fair value of identified assets and assumed liabilities, a part of the acquisition cost, being recognized as Goodwill. Goodwill will be related to elements, which cannot be isolated or quantified in a reliable manner.

Regarding the acquisition of Iservices, at the date of presentation of these financial statements it has not yet been possible to finalize the analysis to attribute, in accounting terms, the fair value of identified assets and assumed liabilities. However, the purchase price allocation will be made until the end of the period of one year from the acquisition date, as permitted by IFRS 3 - Business Combinations.

4.2. Disposals during the period

The disposed subsidiaries can be analysed as follows:

Company	Head Office	At the disposal date	
		Direct	Total
Sonae IM			
Tecnológica Telecomunicações, Ltda	Rio de Janeiro (Brazil)	99.99%	89.87%
We Do Brasil Soluções Informáticas, Ltda	Rio de Janeiro (Brazil)	99.91%	89.88%
We Do Chile	Santiago do Chile (Chile)	100.00%	89.97%
We Do Consulting - Sistemas de Informação, S.A	Maia (Portugal)	100.00%	89.97%
WE DO Technologies España, SL	Madrid (Spain)	100.00%	89.97%
We Do Technologies (UK) Limited	Berkshire (U.K.)	100.00%	89.97%
We Do Technologies Americas, Inc.	Delaware (USA)	100.00%	89.97%
We Do Technologies Australia PTY Limited	Sydney (Australia)	100.00%	89.97%
We Do Technologies Egypt Limited Liability Company	Cairo (Egypt)	100.00%	89.97%
We Do Technologies Mexico S. de RL	City of Mexico (Mexico)	100.00%	89.97%
We Do Technologies B.V	Amsterdam (Netherlands)	100.00%	89.97%
Cape Technologies Limited	Dublin (Ireland)	100.00%	89.97%
Saphety Level - Trusted Services, S.A.	Maia (Portugal)	86.99%	78.27%
Saphety Brasil Transações Eletrônicas Ltda.	São Paulo (Brazil)	100.00%	78.27%
Saphety - Transacciones Electronicas SAS	Bogotá (Colombia)	100.00%	78.27%
Sonae Sierra			
Dos Mares - Shopping Centre, S.A.	Madrid (Spain)	100.00%	35.07%

As at March 2019, the Group sold the capital held in Saphety. Saphety is a group of three companies that provides services, training and consultancy in communication, processing and certification of electronic data; distribution, development and representation of software, for the amount of 8.6 million euro.

As at June 2019, the Group sold 100% of the capital held in the subsidiary Dos Mares Shopping Centre, S.A. ("Dos Mares"), for the amount of 15.1 million euro.

In August 2019, with effect from 31 July 2019, the companies that make up the We Do Group were sold for the amount of 62.1 million euro to Mobileum, Inc., 11.1 million in shareholder loans. Based on the best estimate at the date of presentation of these financial statements, the amount recorded as consideration received did not include any amount related to deferred variable payments.

The impact of these transaction on the consolidated financial statements can be analysed as follows:

Amounts in euro	We Do Group	Others
	At the disposal date	At the disposal date
Net assets		
Investment properties (Note 11)	-	31,710,000
Property, plant and equipment and intangible assets (Note 8 and 9)	15,154,029	2,583,502
Rights of use (Note 10)	6,448,306	1,487,795
Deferred tax assets (Note 21)	6,090,251	123,408
Other assets	12,828,116	5,461,496
Cash and cash equivalents	1,671,522	2,701,789
Loans	(3,440,756)	(13,629,202)
Trade payables	(3,040,818)	(1,482,353)
Other current liabilities	(7,501,759)	(7,955,845)
Total net assets	28,208,891	21,000,590
Goodwill (Note 12)	12,097,074	1,298,307
Non Controlling Interests	-	(571,288)
Currency Translation Reserve	(203,283)	314,703
Costs arising from the sale	(5,118,257)	(1,075,406)
Capital Gain on the disposal (Note 5)	16,870,708	1,988,207
Disposal cost	62,091,647	25,105,925
Amounts received	62,091,647	20,178,166
Cash and bank balances to be received	-	4,927,759
	62,091,647	25,105,925
Net cash flow arising from the disposal (Note 46)		
Amounts received	62,091,647	20,178,166
Cash and bank balances disposed	(1,671,522)	(2,701,789)
	60,420,125	17,476,377

Amounts in euro	Sonae IM	Others
	At disposal date	At disposal date
Turnover	28,427,769	4,427,210
Other operational income	562,876	75,711
Operational income	28,990,645	4,502,921
External supplies and service	(8,317,891)	(1,707,006)
Amortisation	(3,943,742)	(463,932)
Other operational expenses	(19,697,980)	(877,754)
Operational expenses	(31,959,613)	(3,048,692)
Income and financial income	2,706,175	15,522
Financial expenses	(1,747,833)	(289,799)
Financial results	958,342	(274,277)
Profit/(Loss) before tax	(2,010,626)	1,179,952
Income tax expense	(170,103)	(167,387)
Consolidated profit/(loss) for the period	(2,180,729)	1,012,565
Other comprehensive income for the period	-	-
Total comprehensive income for the period	(2,180,729)	1,012,565

The detail of discontinued operations in the cash flow statement can be analysed as follows:

Cash Flows from Discontinued Operations	At disposal date
Flows of operational activities	2,276,954
Flows of investment activities	1,492,266
Flows of financing activities	(1,234,094)
Variation of cash and cash equivalents	2,535,126

4.3. Allocation of fair value to assets acquired and liabilities assumed in obtaining control of Sonae Sierra in 2018

In September 2018, following the approval by the competent competition authorities, the agreement was concluded with the Grosvenor Group to acquire a 20% participation in Sonae Sierra, SGPS, SA.

This acquisition resulted in the amendment of the shareholders agreement and the acquisition of control of this joint venture. Accordingly, as provided by IFRS 3, Sonae Sierra, SGPS, S.A. and as of the acquisition date, is now consolidated using the full consolidation method.

Following this acquisition, the group recognized a goodwill of 121.1 million euro, which can be detailed as follows:

Amounts in euro	Sonae Sierra		
	Statement of financial position value before acquisition	Adjustments for fair value	Fair Value
Net assets acquired			
Investment properties (Note 11)	806,124,576	-	806,124,576
Property, plant and equipment and intangible assets (Note 8 and 9)	3,100,687	9,700,000	12,800,687
Investments in joint ventures and associates (Note 13.3)	1,208,735,741	38,550,000	1,247,285,741
Deferred tax assets (Note 21)	1,336,664	-	1,336,664
Trade and other receivables	229,620,324	-	229,620,324
Cash and bank balances	117,614,568	-	117,614,568
Loans	(386,979,196)	-	(386,979,196)
Deferred tax liabilities (Note 21)	(140,142,627)	(2,200,000)	(142,342,627)
Trade and other payables	(134,005,805)	-	(134,005,805)
Total net assets acquired	1,705,404,932	46,050,000	1,751,454,932
Goodwill (Note 12)	121,135,648	(46,050,000)	75,085,648
Currency Translation Reserve	74,319,831	-	74,319,831
Non Controlling Interests (Note 25)	930,762,305	-	930,762,305
Change in consolidation method (financial participation at equity method)	593,987,852	-	593,987,852
Recycling from currency translation reserve results (Note 37)	(74,319,831)	-	(74,319,831)
Capital Gain on revaluation to fair value of the financial participation (Note 37)	45,853,773	-	45,853,773
Acquisition cost	255,936,650	-	255,936,650

The Group performed a fair value assessment of the assets acquired and liabilities assumed, which resulted in the allocation of 77 million euro to the most resilient properties, 26 million euro to the assets of Brazil and 26 million euro related to the valuation of the Property management business area which includes 9.7 million euro related to the valuation of the portfolio of property management contracts existing at the date of obtaining control of Sonae Sierra. This portfolio will be depreciated on a straight-line basis based on the estimated average retention period of the contracts (6 years);

The contributions of the subsidiaries that constitute the Sonae Sierra Group to the net profit attributable to equity holders of Sonae for the period ended 31 December 2019 were 3.3 million euro. The detail of these contributions is as follows:

Amounts in euro	31 Dec 2019	From the date of acquisition in 2018
Turnover	165,533,575	44,090,725
Changes in value of investment properties	4,924,364	3,815,651
Other operational income	2,576,821	28,969,601
	173,034,760	76,875,977
External supplies and service	(55,560,601)	(18,220,831)
Employee benefits expense	(51,368,594)	(12,875,737)
Amortisation	(2,963,636)	(232,633)
Other operational expenses	(6,786,616)	(11,038,876)
	(116,679,447)	(42,368,077)
Income and financial income	4,144,929	845,383
Financial expenses	(16,304,747)	(6,449,251)
Financial results	(12,159,818)	(5,603,868)
Gains or losses related to joint ventures and associated undertaking	74,122,902	8,143,072
Other income / expenses	(31,311,437)	13,742,357
Profit/(Loss) before tax	87,006,960	50,789,461
Income tax expense	5,158,894	(6,691,872)
Consolidated profit/(loss) for the period	92,165,854	44,097,589
Attributable to:		-
Equity attributable to shareholders of parent company	3,317,105	30,868,312
Non-controlling interests	88,848,749	13,229,277
	92,165,854	44,097,589
Other comprehensive income for the period	(3,115,731)	9,800,770
Total comprehensive income for the period	89,050,123	53,898,359

4.4. Allocation of fair value to assets acquired and liabilities assumed in the 2018 acquisitions of Sonae IM

The companies that are part of the Excellium Group were acquired by the Sonae IM 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.

Nextel and Mxtel were acquired in June 2018 and their main activity is the provision of engineering and consulting services in information systems, specialized in information security and telecommunications service management.

The acquired companies can be analysed as follows:

Company	Head Office	Proportion of voting equity	
		Direct	Total
On the date of acquisition			
Sonae IM			
Excellium Group, S.A.	Contem (Luxembourg)	59.20%	53.26%
Excellium Services, S.A.	Contem (Luxembourg)	59.20%	53.26%
Excellium Services Belgium, S.A.	Wavre (Belgium)	59.20%	53.26%
Excellium Factory SARL	Raouad Ariana (Tunisia)	59.20%	53.26%
Nextel, S.A.	Bilbao (Spain)	100.00%	80.90%
Mxtel, S.A.	Cidade do Mexico (Mexico)	99.93%	80.90%

Following these acquisitions, the Group recognized a Goodwill (after adjustment to fair value) of 12.4 million euros, which can be detailed as follows:

Amounts in euro	Grupo Excellium			Nextel e Mxtel		
	Value of statement of financial position before acquisition	Adjustments to fair value	Fair Value	Value of statement of financial position before acquisition	Adjustments to fair value	Fair Value
Acquired Assets						
Property, plant and equipment	2,032,187	3,953,198	5,985,385	187,611	2,545,991	2,733,602
Investments in associated companies and companies jointly controlled	34,893	(8,102)	26,791	-	-	-
Deferred tax assets	-	-	-	3,930,008	(1,684,536)	2,245,472
Other current assets	4,725,033	1,284,487	6,009,520	5,605,676	(279,711)	5,325,965
Cash and bank balances	2,125,602	1,955	2,127,557	1,186,530	(73,807)	1,112,723
	8,917,715	5,231,538	14,149,253	10,909,825	507,937	11,417,762
Acquired liabilities						
Loans	3,089,140	-	3,089,140	4,676,304	(98,164)	4,578,140
Deferred tax liability	-	710,207	710,207	-	-	-
Other liabilities	4,158,185	1,624,681	5,782,866	3,876,697	551,600	4,428,297
	7,247,325	2,334,888	9,582,213	8,553,001	453,436	9,006,437
Total net assets	1,670,390	2,896,650	4,567,040	2,356,824	54,501	2,411,325
Total net assets acquired	988,871	1,714,817	2,703,688	2,356,824	54,501	2,411,325
Total of non-controlling interests (Note 25)	681,519	1,181,833	1,863,352	-	-	-
Acquisition price	14,404,358	-	13,973,716	4,053,149	-	4,053,149
Adjustments to estimated price	-	-	(236,918)	-	-	-
Financial update	-	-	(211,796)	-	-	-
Goodwill (Note 12)	13,415,487		10,821,314	1,696,325		1,641,824

During the year ended 31 December 2019, the Group performed an assessment of the fair value of the assets acquired and liabilities assumed from the above-mentioned acquisitions resulting in:

- in the Excellium Group, an increase in total assets and total liabilities of 5,231,539 euro and 2,334,888 euro, respectively, which includes the recognition of the customer portfolio for 3,945,593 euro, with the adjustment to the total net assets acquired by the Group (59.2%) of 2,703,688 euro.

The acquisition price of Excellium includes a contingent amount (6,973,716 euro) to be paid during 2 years, depending on the company's performance.

- in Nextel and Mxtel, an increase in total assets and total liabilities of 507,937 euro and 453,436 euro, respectively, which includes the recognition of the customer portfolio of 2,548,521 euro, included in Intangible Assets.

As usually happens in business combinations, also in the case of the acquisition of these eight subsidiaries, it was not possible to attribute, in accounting terms, to the fair value of identified assets and assumed liabilities, part of the acquisition cost, being recognized as Goodwill. Goodwill will be related to elements, which cannot be reliably isolated and quantified and include, among others, synergies, qualified workforce, technological capabilities and market reputation.

The contributions of the above-mentioned subsidiaries to the net profit attributable to equity holders of Sonae for the year ended 31 December 2019 can be analysed as follows:

Amounts in euro	Grupo Excellium		Nextel e Mxtel	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Operational profit	14,813,734	13,679,937	3,900,088	9,211,758
Cost of good sold and materials consumed	(2,378,035)	(3,366,982)	(1,740,604)	(5,440,160)
External supplies and service	(4,739,514)	(3,669,895)	(239,990)	(662,348)
Employee benefits expense	(8,427,331)	(6,870,654)	(1,854,208)	(2,750,197)
Amortisation	(2,857,762)	(700,291)	(387,980)	(454,780)
Other operational expenses	(52,016)	(84,476)	(21,307)	(4,911)
Operational expenses	(18,454,658)	(14,692,298)	(4,244,089)	(9,312,396)
Financial results	(176,100)	(107,161)	(53,909)	(81,623)
Profit/(Loss) before tax	(3,817,024)	(1,119,522)	(397,910)	(182,261)
Income tax expense	231,386	(5,350)	-	-
Consolidated profit/(loss) for the period	(3,585,638)	(1,124,872)	(397,910)	(182,261)
Attributable to :				
Equity holders of the Parent Company:	(2,064,914)	1,123,862	(354,913)	(214,274)
Non-controlling interests	(1,520,724)	1,010	(42,997)	32,013
	(3,585,638)	1,124,872	(397,910)	(182,261)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	(3,585,638)	1,124,872	(397,910)	(182,261)

*In May 2019 Nextel was merged with S21 Sec Gestion and its contribution, since 30 April 2019, is included in this company.

The respective contributions on Sonae's consolidated balance sheet as at 31 December 2019, are as follows:

Amounts in euro	Grupo Excellium		Nextel e Mxtel	
	31 Dec 2019	31 Dec 2018	31 Dec 2019 *	31 Dec 2018
Assets				
Property, plant and equipment	4,810,059	2,032,187	2,049,343	2,346,772
Rights of use	1,584,381	2,200,917	164,987	218,352
Goodwill	150,000	150,000	(1,023,098)	-
Deferred tax assets	-	-	2,245,472	2,245,472
Trade receivables	2,315,011	2,754,330	2,315,011	4,940,194
Other receivables	75,124	90,115	892,991	1,104,663
Other current assets	3,871,815	2,125,602	2,254,073	2,469,200
Cash and cash equivalents	831,350	1,765,885	383,365	481,705
	13,637,740	11,119,036	9,282,144	13,806,358
Liabilities				
Non-current liabilities	3,122,711	2,541,784	1,269,730	1,304,169
Current liabilities	8,161,445	7,015,779	4,689,630	9,987,007
	11,284,156	9,557,563	5,959,360	11,291,176
Total net assets	2,353,584	1,561,473	3,322,784	2,515,182

*In May 2019 Nextel was merged with S21 Sec Gestion and its contribution, since 30 April 2019, is included in this company.

5. Restatement of consolidated income statements

The restatement of the consolidated financial statements for the years ended 31 December 2018 results from the following facts:

- Application of IFRS 16 Leases as referred to in Note 2.1.a and 2.6; and

- As required by IFRS 5, changes to the consolidated income statements by nature for the years ended 31 December 2019 and 2018 were made to reflect in a single caption (Consolidated net income for the period from discontinued operations), on the income statement face, the post-tax profit or loss from discontinued operations. The Tlantic group sold on 26 September 2018,

the Saphety group and the We Do group sold in 2019 and some operations that are in liquidation were considered as discontinued operations. In 2018, Sport Zone is still included in discontinued operations.

The impacts on the consolidated financial statements as at 1 January 2018 and 31 December 2019 are as follows:

Amounts in thousands of euro	01 Jan 2018 Restated			
	Before the restatement	IFRS 16 Adjustments	Adjustments	After the restatement
Assets				
Property, plant and equipment and intangible assets	2,018,797,319	-	-	2,018,797,319
Right-of-use (Note 10)	-	868,027,109	-	868,027,109
Goodwill	634,363,213	-	-	634,363,213
Investments	1,414,450,837	(11,500,577)	-	1,402,950,260
Other investments	19,423,774	-	-	19,423,774
Deferred tax assets	71,883,593	212,763,276	-	284,646,869
Other non-current assets	23,611,943	(944,325)	-	22,667,618
Non-current assets	4,182,530,679	1,068,345,483	-	5,250,876,162
Inventories	713,253,625	-	-	713,253,625
Other receivables	343,316,395	(7,775,701)	-	335,540,694
Investments	179,881	-	-	179,881
Cash and bank balances	364,589,115	-	-	364,589,115
Current assets	1,421,339,016	(7,775,701)	-	1,413,563,315
Total assets	5,604,652,235	1,060,569,782	-	6,665,222,017
Liabilities				
Loans	1,220,234,342	-	-	1,220,234,342
Lease liabilities (Note 8)	-	875,760,948	-	875,760,948
Other non-current liabilities	13,449,318	(1,093,708)	42,189,157	54,544,767
Deferred tax liabilities	132,200,898	194,659,451	-	326,860,349
Provisions	18,955,625	-	-	18,955,625
Non current liabilities	1,384,840,183	1,069,326,691	42,189,157	2,496,356,031
Loans	269,078,453	-	-	269,078,453
Lease liabilities (Note 10)	-	70,997,863	-	70,997,863
Suppliers and other current liabilities	1,815,695,466	(1,111,010)	(42,189,157)	1,772,395,300
Current liabilities	2,084,773,919	69,886,853	(42,189,157)	2,112,471,615
Total liabilities	3,469,614,102	1,139,213,544	-	4,608,827,646
Shareholders' funds excluding non-controlling interests	1,967,228,139	(77,155,587)	-	1,890,072,552
Non-controlling interests	167,809,994	(1,488,175)	-	166,321,819
Total shareholders' funds	2,135,038,133	(78,643,762)	-	2,056,394,371
Total shareholders' funds and liabilities	5,604,652,235	1,060,569,782	-	6,665,222,017

Amounts in thousands of euro	31 Dec 2018 Restated			
	Before the restatement	IFRS 16 Adjustments	Adjustments	After the restatement
Assets				
Property, plant and equipment and intangible assets	2,021,718,350	-	-	2,021,718,350
Right-of-use (Note 10)	-	968,967,250	-	968,967,250
Investment properties	998,577,368	-	-	998,577,368
Goodwill	779,450,545	-	-	779,450,545
Investments	1,992,454,216	(13,087,763)	-	1,979,366,453
Other investments	47,195,341	-	-	47,195,341
Deferred tax assets	73,372,923	238,120,982	-	311,493,905
Other non-current assets	82,828,050	(2,541,139)	-	80,286,911
Non-current assets	5,995,596,793	1,191,459,330	-	7,187,056,123
Inventories	671,321,594	-	-	671,321,594
Other receivables	407,773,589	(8,920,010)	-	398,853,579
Investments	1,558,683	-	-	1,558,683
Cash and bank balances	696,243,071	-	-	696,243,071
Current assets	1,776,896,937	(8,920,010)	-	1,767,976,927
Total assets	7,772,493,730	1,182,539,320	-	8,955,033,050
Liabilities				
Loans	1,587,867,682	-	-	1,587,867,682
Lease liabilities (Note 10)	-	990,623,896	-	990,623,896
Other non-current liabilities	57,438,677	(1,622,709)	47,822,000	103,637,968
Deferred tax liabilities	285,988,650	216,290,471	-	502,279,121
Provisions	41,375,212	-	-	41,375,212
Non current liabilities	1,972,670,221	1,205,291,658	47,822,000	3,225,783,879
Loans	500,708,655	-	-	500,708,655
Lease liabilities (Note 10)	-	73,331,108	-	73,331,108
Suppliers and other current liabilities	2,010,298,166	(1,835,645)	(47,822,000)	1,960,640,521
Current liabilities	2,511,006,821	71,495,463	(47,822,000)	2,534,680,284
Total liabilities	4,483,677,042	1,276,787,121	-	5,760,464,163
Shareholders' funds excluding non-controlling interests	2,161,323,598	(92,510,079)	-	2,068,813,519
Non-controlling interests	1,127,493,090	(1,737,722)	-	1,125,755,368
Total shareholders' funds	3,288,816,688	(94,247,801)	-	3,194,568,887
Total shareholders' funds and liabilities	7,772,493,730	1,182,539,320	-	8,955,033,050

Amounts in euro	31 Dec 2018				
	Before the restatement	IFRS16	IFRS15	Discontinued operations	After the restatement
Sales	5,670,549,206	-	267,902	(1,459,235)	5,669,357,873
Services rendered	280,146,684	-	-	(58,605,016)	221,541,668
Changes in value of investment properties	-	-	-	-	3,815,651
Income or expenses related to investments	(16,872,069)	-	-	-	(16,872,069)
Gains and losses on investments recorded at fair value through profit or loss	4,327,175	-	-	-	4,327,175
Other income and financial income	11,657,628	-	-	(1,995,307)	9,662,321
Other income	178,772,140	(427,370)	-	(1,725,496)	176,619,274
Cost of good sold and materials consumed	(4,050,718,345)	-	-	(2,116,066)	(4,052,834,412)
(Increase) /Decrease in production	(58,763)	-	-	(200,648)	(259,411)
External supplies and service	(776,592,575)	138,401,043	(267,902)	22,086,866	(616,372,568)
Employee benefits expense	(800,223,989)	-	-	32,323,885	(767,900,104)
Depreciation and amortisation expenses	(205,160,593)	(92,517,391)	-	7,060,456	(290,617,528)
Provisions and impairment losses	(36,911,584)	-	-	688,199	(36,223,384)
Financial expenses	(47,413,353)	(62,627,583)	-	2,340,765	(107,700,171)
Other expenses	(83,350,974)	54,561	-	122,568	(83,173,845)
Share of results of joint ventures and associates	157,241,495	(1,587,186)	-	-	155,654,309
Profit (loss) from continuing operations, before tax	289,207,734	(18,703,926)	-	(1,479,029)	269,024,779
Income tax expense	(28,778,374)	3,726,687	-	735,082	(24,316,605)
Consolidated profit (loss) for the period from continuing operations	260,429,360	(14,977,239)	-	(743,947)	244,708,174
Profit/(Loss) from discontinuing operations, after tax	(5,877,333)	-	-	743,947	(5,133,386)
Consolidated profit / (loss) for the period	254,552,027	(14,977,239)	-	-	239,574,788

The detail of discontinued activities can be analysed as follows:

Amounts expressed in euro	31 Dec 2019		
	Sonae Fashion	Sonae IM	Total discounting operations
Turnover	7,168	37,127	44,295
Other income	1,228	1,470	2,698
Cost of goods sold and materials consumed	(4,662)	-	(4,662)
External supplies and services	(2,339)	(15,282)	(17,621)
Employee benefits expense	(1,890)	(18,570)	(20,460)
Depreciation and amortisation expenses	(330)	(4,836)	(5,166)
Other expenses	(745)	(1,819)	(2,564)
Financial income	(567)	397	(170)
Profit/(Loss) before tax	(2,137)	(1,513)	(3,650)
Income tax expense	690	673	1,363
Profit/(Loss) after tax	(1,447)	(840)	(2,287)
Income or expenses related to loss control	(1,794)	21,902	20,108
Profit/(Loss) for period from discounting operations	(3,241)	21,062	17,821

Amounts expressed in euro	31 Dec 2108 Restated			
	Sonae Fashion	Sonae IM	Others	Total discounting operations
Turnover	32,719	71,566	5,040	109,325
Other income	603	2,761	657	4,021
Cost of goods sold and materials consumed	(22,423)	-	-	(22,423)
External supplies and services	(12,670)	(31,939)	(2,763)	(47,371)
Employee benefits expense	(6,906)	(31,290)	(2,786)	(40,982)
Depreciation and amortisation expenses	(1,239)	(7,023)	(276)	(8,537)
Other expenses	(1,093)	(1,848)	(5,403)	(8,344)
Financial income	633	4,380	34	5,048
Financial expenses and losses	(3,113)	(4,727)	(4)	(7,845)
before tax	(13,486)	1,880	(5,501)	(17,108)
Income tax expense	239	(772)	66	(467)
s) after tax	(13,248)	1,108	(5,435)	(17,575)
Income or expenses related to loss control	11,091	-	1,351	12,442
Profit/(Loss) for period from discounting operations	(2,157)	1,108	(4,084)	(5,133)

6. Segment information

Sonae has in its portfolio 8 business segments:

- Sonae MC is a food retail unit with insignis Continente, Continente Modelo, Continente Bom Dia, Go Natural, Well's, Arenal and franchising stores Meu Super; and also covers the Maxmat and the operational assets of Sonae RP;
- Worten is one of the Iberian electronic players;
- Sonae Fashion with a network of own stores of sports and clothing products, combined with a franchising network store;
- Iberian Sports Retail Group (ISRG), a partnership with a network of sports stores in Spain and Portugal;
- Sonae FS aims to boost retail financial services;
- Sonae IM has the objective of building and managing a portfolio of technology-based companies related to retail and telecommunications;
- Sonae Sierra is the subsidiary dedicated to the activity of development and management of shopping malls; and

- NOS is the partnership that the group holds through Zopt dedicated to telecommunications.

These operating segments have been identified taking into consideration that each of these segments have separate identifiable revenues and costs, separate financial information is produced, and its operating results are reviewed by management on which it makes decisions.

Sonae is present in 62 countries, including operations, third party services, representative offices, franchising and partnerships.

The list of Group companies and their respective businesses are detailed in Notes 52 and 53.

6.1. Financial information per business segment

The main operating segment information as at 31 December 2019 and 2018 can be detailed as follows:

31 Dec 2019	Turnover	Depreciation and amortisation ⁽³⁾	Provisions and impairment losses ⁽³⁾	EBIT ⁽³⁾	Financial results ⁽²⁾	Income tax ⁽²⁾
Sonae MC	4,702,014,125	(237,406,668)	(5,427,304)	233,752,253	(74,160,088)	(22,418,049)
Worten	1,087,633,957	(38,665,631)	(6,996,307)	(3,854,930)	(6,882,011)	(2,813,890)
Sonae Fashion	394,935,973	(37,181,490)	(6,419,762)	(12,796,890)	(5,682,483)	3,386,548
Sonae Sierra	165,560,350	(3,227,201)	(1,652,502)	96,527,529	(11,996,463)	(4,653,499)
NOS	-	-	-	31,874,695	-	-
ISRG	-	-	-	6,960,067	-	-
Sonae IM	115,779,139	(7,294,486)	(1,388,212)	5,452,116	19,838	1,272,951
Sonae FS	38,060,469	(1,239,759)	-	8,576,683	98,592	405,456
Other, eliminations and adjustments ⁽¹⁾	(69,195,652)	(5,738,616)	(933,676)	(21,436,429)	(11,494,494)	4,992,491
Total consolidated - Direct	6,434,788,361	(330,753,851)	(22,817,763)	345,055,094	(110,097,109)	(19,827,993)

31 Dec 2018 - Restated	Turnover	Depreciation and amortisation ⁽³⁾	Provisions and impairment losses ⁽³⁾	EBIT ⁽³⁾	Financial results ⁽²⁾	Income tax ⁽²⁾
Sonae MC	4,307,504,540	(206,344,973)	(15,600,729)	231,089,708	(88,901,998)	(9,225,612)
Worten	1,095,328,241	(34,782,236)	(1,120,651)	5,279,891	(4,845,182)	(5,690,879)
Sonae Fashion	376,359,094	(36,470,707)	(3,681,223)	(22,874,277)	(7,474,977)	4,917,609
Sonae Sierra	44,090,725	(232,633)	(5,396,552)	80,453,012	(5,603,868)	(5,573,707)
NOS	-	-	-	32,486,814	-	-
ISRG	-	-	-	(5,230,940)	-	-
Sonae IM	92,745,576	(6,702,211)	(322,923)	32,522,109	175,169	(8,192,381)
Sonae FS	31,668,181	(1,032,193)	-	1,791,636	94,199	399,326
Other, eliminations and adjustments ⁽¹⁾	(56,796,816)	(5,052,575)	(170,995)	(21,317,990)	8,518,807	4,548,204
Total consolidated - Direct	5,890,899,541	(290,617,528)	(26,293,073)	334,199,963	(98,037,850)	(18,817,440)

	31 Dec 2019			31 Dec 2018		
	Investment (CAPEX)	Invested capital	Financial net debt ^{(2) (4)}	Investment (CAPEX)	Invested capital	Financial net debt ^{(2) (4)}
Sonae MC	279,439,365	2,422,891,242	1,596,657,426	241,600,000	2,213,843,795	1,465,400,000
Worten	42,810,000	13,092,560	-	37,148,227	22,097,522	-
Sonae Fashion	17,710,524	335,228,795	-	26,807,832	337,648,085	-
Sonae Sierra	17,223,650	1,735,324,736	69,527,165	81,196,481	2,011,938,933	114,779,269
Sonae IM	34,506,991	188,071,797	25,277,573	39,830,982	197,600,437	41,355,900
NOS	-	642,224,343	-	-	706,589,215	-
ISRG	-	81,540,598	-	-	74,580,531	-
Sonae FS	373,000	11,210,189	-	1,243,847	11,679,752	-
Other, eliminations and adjustments ⁽¹⁾	6,895,797	17,988,583	649,547,117	274,247,935	(776,496)	759,097,704
Total consolidated	398,959,327	5,447,572,843	2,341,009,281	702,075,304	5,575,201,774	2,380,632,873

1) Includes Sonae individual accounts;

- 2) These captions are accompanied by management in more aggregated form, and not allocated to individual operating segments identified above;
- 3) Reconciled information in note 49;
- 4) Include lease liabilities.

The intercompany of the turnover can be analysed by following:

Turnover	31 Dec 2019 Inter-segment	31 Dec 2018 Inter-segment
Sonae MC	(58,052,087)	(50,351,893)
Worten	(1,976,188)	(10,422,073)
Sonae Fashion	(27,590,661)	(12,450,225)
Sonae IM	(15,900,255)	(12,708,884)
Sonae FS	(2,304,924)	(2,566,410)
Other, eliminations and adjustments	6,598,240	3,796,076
Total consolidated	(99,225,875)	(84,703,409)

The caption "Others, eliminations and adjustments" can be analysed as follows:

	Turnover		EBIT	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Inter-segment intercompany	(99,225,875)	(84,703,409)	(12,168,912)	(11,625,235)
Contributions of entities not included in the segments	30,030,223	27,906,593	(9,267,516)	(9,692,755)
Others	-	-	-	-
Other, eliminations and adjustments	(69,195,652)	(56,796,816)	(21,436,429)	(21,317,990)

	Investment		Invested capital	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Inter-segment intercompany and contributions of entities non-individualized entities as segments	6,895,797	274,247,935	105,471,129	83,099,888
Cash settled equity swap ⁽³⁾	-	-	(87,482,546)	(83,876,384)
	6,895,797	274,247,935	17,988,583	(776,496)

- 5) Financial Instrument reported in Note 24.

All performance measures are reconciled to the financial statements in Note 49.

Non-current assets and sales and services by geographic segment are detailed as follows:

Destination market	31 Dec 2019		31 Dec 2018 Restated	
	Non-current assets	Sales and services rendered by destination market	Non-current assets	Sales and services rendered by destination market
Portugal	4,778,016,277	5,718,451,554	5,413,197,430	5,369,006,353
Spain	358,032,155	520,026,351	223,198,453	382,596,294
France	-	40,177,182	-	49,291,219
United Kingdom	-	2,737,921	-	2,055,159
Germany	629,797	18,863,152	176,025	8,558,733
Italy	89,238,370	28,721,703	95,536,163	16,957,409
Romania	297,558,082	23,490,354	295,685,998	6,451,817
Brazil	13,279,290	123,612	13,885,548	183,941
Mexico	307,428	6,303,792	5,782,716	6,239,341
Netherlands	323,507,901	2,613,038	1,035,586,112	3,017,538
Rest of the world	388,526,859	73,279,702	104,007,678	46,541,737
	6,249,096,159	6,434,788,361	7,187,056,123	5,890,899,541

Glossary:

Net Invested capital = Net debt + Shareholder funds;

Total net debt = Bonds + bank loans + other loans + finance leases - cash, bank deposits, current investments, excluding other long-term investments + lease liabilities

Others, eliminations and adjustments = Intra-groups + consolidation adjustments + contributions from other companies not included in the disclosed segments by do not fit in any reportable segment, i.e. are included in addition to Sonae SGPS companies identified as "Others" in Note 52;

Investments (CAPEX) = Gross investments in Property, Plant and equipment and intangible assets and investments in Acquisitions.

6.2. Zopt financial information

The consolidated financial statements of ZOPT (joint venture that controls NOS) and NOS as at 31 December 2019 and 2018, incorporated into the financial statements of Sonae through ZOPT by the equity method (Note 13.2).

The value of ZOPT's income statement arises from the net income for the year of NOS, the net income for the year of the ZOPT and the impacts on the results of the process of allocation of the fair value of the assets and liabilities acquired by ZOPT.

The consolidated financial statements of NOS as at 31 December 2019 and 2018, incorporated in the consolidated financial statements of Sonaecom through ZOPT by the equity method can be summarized as follows:

Amounts in thousands of euros	31 Dec 2019	31 Dec 2018 Restated
Assets		
Property, plant and equipment	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 receivables	361,712	382,100
Cash and bank balances	12,819	2,182
Other current assets	179,303	145,834
Current assets	553,834	530,116
Total assets	3,088,176	3,058,800
Liabilities		
Loans	1,201,064	1,014,364
Provisions	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
Total 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 Equity	1,012,323	1,053,611
Total equity and liabilities	3,088,176	3,058,800
Amounts in thousands of euros	31 Dec 2019	31 Dec 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 and amortisation	(421,318)	(421,434)
Other operating costs	(339,160)	(321,171)
	(1,397,399)	(1,374,277)
Share of results of joint ventures and associates	(1,022)	(6,441)
Financial results	(24,768)	(30,691)
Income tax expense	(32,796)	(27,479)
Consolidated net income/(loss) for the year	143,245	137,273
Attributed to non-controlling interests	(251)	(497)
Attributed to shareholders' of parent company	143,496	137,770

7. Financial instruments by class

As at 31 December 2019 and 2018, the categories and fair value of the financial instruments were classified as follows:

Financial assets	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statement	Others non-financial assets	Total
As at 31 December 2019						
Non-current assets						
Other investments	14	-	58,367,022	20,881,764	-	79,248,786
Other non-current assets	15	53,175,101	1,954	-	805,825	53,982,880
		53,175,101	58,368,976	20,881,764	805,825	133,231,666
Current assets						
Trade receivables	17	115,052,834	-	-	-	115,052,834
Other debtors	18	102,069,694	-	-	-	102,069,694
Investments	14	76,466	588,747	-	-	665,213
Cash and bank balances	22	609,830,153	-	-	-	609,830,153
		827,029,146	588,747	-	-	827,617,894
		880,204,247	58,957,723	20,881,764	805,825	960,849,560
Financial assets	Notes	Financial assets recorded at amortized cost	Assets at fair value through the other comprehensive income	Assets at fair value through the income statement	Others non-financial assets	Total
As at 31 December 2018						
Non-current assets						
Other investments	14	-	28,101,681	19,093,660	-	47,195,341
Other non-current assets	15	79,794,422	492,489	-	-	80,286,911
		79,794,422	28,594,170	19,093,660	-	127,482,252
Current assets						
Trade receivables	17	141,935,385	-	-	-	141,935,385
Other debtors	18	79,832,822	-	-	-	79,832,822
Investments	14	104,291	1,454,392	-	-	1,558,683
Cash and bank balances	22	696,243,071	-	-	-	696,243,071
		918,115,569	1,454,392	-	-	919,569,961
		997,909,991	30,048,562	19,093,660	-	1,047,052,213
Financial liabilities	Notes	Liabilities at amortized cost	Liabilities recorded at fair value through other comprehensive income	Liabilities recorded at fair value through profit or loss	Other non-financial liabilities	Total
As at 31 December 2019						
Non-current liabilities						
Loans	26	1,030,106,845	-	-	-	1,030,106,845
Bonds	26	560,329,333	-	-	-	560,329,333
Obligations under finance leases	26	164,472	-	-	-	164,472
Other loans	26 and 27	1,706,802	-	-	-	1,706,802
Lease liability	10	1,088,290,449	-	-	-	1,088,290,449
Other non-current liabilities	28	14,602,967	-	-	75,367,791	89,970,758
		2,695,200,868	-	-	75,367,791	2,770,568,659
Current liabilities						
Loans	26	191,449,849	-	-	-	191,449,849
Bonds	26	2,846,335	-	-	-	2,846,335
Obligations under finance leases	26	289,839	-	-	-	289,839
Other loans	26 and 27	908,663	773,784	-	-	1,682,447
Lease liability	10	102,781,525	-	-	-	102,781,525
Trade payables	30	1,337,962,023	-	-	-	1,337,962,023
Other payables	31	215,620,696	-	-	-	215,620,696
		1,851,858,930	773,784	-	-	1,852,632,714
		4,547,059,798	773,784	-	75,367,791	4,623,201,373

Financial liabilities	Notes	Liabilities at amortized cost	Liabilities recorded at fair value through other comprehensive income	Liabilities recorded at fair value through profit or loss	Other non-financial liabilities	Total
As at 31 December 2018						
Non-current liabilities						
Loans	26	1,071,821,181	-	-	-	1,071,821,181
Bonds	26	513,293,183	-	-	-	513,293,183
Obligations under finance leases	26	535,812	-	-	-	535,812
Other loans	26 and 27	2,217,506	-	-	-	2,217,506
Lease liability	10	990,623,896	-	-	-	990,623,896
Other non-current liabilities	28	26,589,135	-	-	77,048,833	103,637,968
		2,605,080,713	-	-	77,048,833	2,682,129,546
Current liabilities						
Loans	26	287,144,891	-	-	-	287,144,891
Bonds	26	210,841,257	-	-	-	210,841,257
Obligations under finance leases	26	873,513	-	-	-	873,513
Other loans	26 and 27	1,664,567	184,427	-	-	1,848,994
Lease liability	10	73,331,108	-	-	-	73,331,108
Trade payables	30	1,286,775,817	-	-	-	1,286,775,817
Other payables	31	243,475,081	-	-	-	243,475,081
		2,104,106,235	184,427	-	-	2,104,290,662
		4,709,186,947	184,427	-	77,048,833	4,786,420,207

Financial Instruments recognized at fair value

In accordance with the requirements of IFRS 13, the fair value of financial assets and liabilities measured at fair value correspond to the following fair value hierarchy levels (see Note 2.1)):

	31 Dec 2019			31 Dec 2018 Restated		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Investments (Note 14)	-	-	79,248,786	-	-	47,195,341
Derivatives	-	590,701	-	-	1,946,881	-
	-	590,701	79,248,786	-	1,946,881	47,195,341
Financial liabilities measured at fair value						
Derivatives	-	773,784	-	-	184,427	-
	-	773,784	-	-	184,427	-

8. Property, plant and equipment

During the periods ended as at 31 December 2019 and 2018, the movements in Property, plant and equipment as well accumulated depreciation and impairment losses are made up as follows:

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Tangible assets in progress	Total tangible assets
Gross costs:							
Opening balance as at 1 January 2018	1,370,528,263	1,521,434,347	26,872,475	151,681,955	47,583,870	39,949,699	3,158,050,609
Discontinued operations	(51,161)	(110,624,380)	(89,971)	(5,783,677)	(2,431,080)	(712,317)	(119,692,586)
Investment	29,699,417	6,698,047	283,182	741,671	475,160	233,281,460	271,178,937
Acquisitions of subsidiaries	89,516	2,181,271	397,673	430,059	108,964	219,627	3,427,110
Change in method	2,269,123	995,916	41,630	3,033,111	891,042	(6,810)	7,224,012
Disposals	(61,407,368)	(62,399,558)	(1,275,911)	(6,745,218)	(3,367,053)	(7,399,600)	(142,594,708)
Exchange rate effect	(38,510)	8,316	(3,420)	(71,473)	(4,013)	10	(109,090)
Transfers	12,756,777	179,933,484	2,154,892	15,949,356	4,079,182	(218,797,294)	(3,923,603)
Opening balance as at 1 January 2019	1,353,846,057	1,538,227,443	28,380,550	159,235,784	47,336,072	46,534,775	3,173,560,681
Discontinued operations (Note 4.2)	(2,132,348)	(598,051)	-	(3,256,378)	(41,791)	(3,239)	(6,031,807)
Investment	16,178,805	10,053,596	105,564	5,137,232	1,510,411	212,483,602	245,469,210
Acquisitions of subsidiaries (Note 4.1)	357,476	17,119,126	635,387	15,537,935	4,088,573	1,203,550	38,942,047
Disposals	(24,231,489)	(77,009,827)	(1,620,582)	(14,260,026)	(3,020,248)	(2,425,143)	(122,567,315)
Exchange rate effect	1,340	7,487	-	34,790	(303)	50	43,364
Assets available for sale (Note 23)	(34,138,680)	(2,034,607)	(2,951)	(484,438)	(173,583)	-	(36,834,259)
Transfers	38,738,508	162,260,304	1,825,407	15,245,592	4,172,132	(229,079,327)	(6,837,384)
Closing balance as at 31 December 2019	1,348,619,669	1,648,025,471	29,323,375	177,190,491	53,871,263	28,714,268	3,285,744,537
Accumulated depreciation and impairment losses							
Opening balance as at 1 January 2018	415,435,082	920,710,779	19,723,002	112,320,814	38,854,871	132,989	1,507,177,537
Discontinued operations	(35,641)	(63,883,637)	(54,420)	(3,872,266)	(2,266,511)	-	(70,112,475)
Depreciation of period	23,619,452	113,257,392	1,777,158	13,705,165	3,776,596	-	156,135,763
Impairment losses of the period	13,567,883	1,663,222	-	273,087	2,540	22,165	15,528,897
Reversals of impairment losses	(8,010,808)	(2,134,774)	(2,196)	(14,180)	(1,051)	-	(10,163,009)
Acquisitions of subsidiaries	10,836	1,315,763	345,562	310,842	21,506	-	2,004,509
Change in method	962,411	810,415	25,467	2,883,096	857,095	-	5,538,484
Disposals	(22,616,863)	(54,286,661)	(1,246,311)	(6,324,148)	(3,207,518)	-	(87,681,501)
Exchange rate effect	(33,121)	5,819	(927)	(46,902)	(3,378)	-	(78,509)
Transfers	(154,347)	(351,540)	2,007	(415,879)	(19,561)	-	(939,320)
Opening balance as at 1 January 2019	422,744,884	917,106,778	20,569,342	118,819,629	38,014,589	155,154	1,517,410,376
Discontinued operations (Note 4.2)	(1,243,406)	(538,391)	-	(2,944,347)	(30,536)	-	(4,756,680)
Depreciation of the period	23,257,714	118,265,232	1,798,083	16,021,612	4,320,647	-	163,663,288
Impairment losses of the period (Note 33)	2,515,207	2,754,521	6,052	38,644	9,549	22,165	5,346,138
Acquisitions of subsidiaries (Note 4.1)	85,590	7,998,228	426,831	9,254,765	2,053,298	-	19,818,712
Disposals	(8,996,777)	(64,698,484)	(1,546,571)	(13,732,744)	(2,923,369)	-	(91,897,945)
Exchange rate effect	(1,669)	5,308	-	27,641	(453)	-	30,827
Depreciation of assets available for sale (Note 23)	(6,936,637)	(1,641,746)	(2,375)	(470,829)	(170,222)	-	(9,221,809)
Transfers	(7,636)	(1,656,732)	(462,046)	(778,076)	(28,019)	-	(2,932,509)
Closing balance as at 31 December 2019	431,417,270	977,594,714	20,789,316	126,236,295	41,245,484	177,319	1,597,460,398
Carrying amount							
As at 31 December 2018	931,101,173	621,120,665	7,811,208	40,416,155	9,321,483	46,379,621	1,656,150,305
As at 31 December 2019	917,202,399	670,430,757	8,534,059	50,954,196	12,625,779	28,536,949	1,688,284,139

The investment includes the acquisition of assets of approximately 212 million euro (233 million euro in 2018), associated with the opening and remodelling of stores of Sonae Group retail operating segments.

The caption "Depreciation for the year" of Property, plant and equipment and intangible assets includes 3.8 million euro (8.4 million as at 31 December 2018) transferred to discontinued operations.

Disposal in the years 2019 and 2018 can be analysed as follow:

	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Tangible assets in progress	Total tangible assets
Gross assets:							
Disposals	(5,766,651)	(76,243,981)	(1,620,582)	(14,260,026)	(3,020,248)	(2,425,143)	(103,336,631)
Sale and Leaseback	(18,464,838)	(765,846)	-	-	-	-	(19,230,684)
Closing balance as at 31 December 2019	(24,231,489)	(77,009,827)	(1,620,582)	(14,260,026)	(3,020,248)	(2,425,143)	(122,567,315)
Accumulated depreciation and impairment losses							
Disposals	(2,496,740)	(64,244,585)	(1,546,571)	(13,732,744)	(2,923,369)	-	(84,944,009)
Sale and Leaseback	(6,500,037)	(453,899)	-	-	-	-	(6,953,936)
Closing balance as at 31 December 2019	(8,996,777)	(64,698,484)	(1,546,571)	(13,732,744)	(2,923,369)	-	(91,897,945)
Carrying amount							
Disposals	(3,269,911)	(11,999,396)	(74,011)	(527,282)	(96,879)	(2,425,143)	(18,392,622)
Sale and Leaseback	(11,964,801)	(311,947)	-	-	-	-	(12,276,748)
	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Tangible assets in progress	Total tangible assets
Gross assets:							
Disposals	(8,959,882)	(60,371,987)	(1,275,911)	(6,731,006)	(3,367,053)	(7,393,502)	(88,099,341)
Sale and Leaseback	(52,447,486)	(2,027,571)	-	(14,212)	-	(6,098)	(54,495,367)
Closing balance as at 31 December 2018	(61,407,368)	(62,399,558)	(1,275,911)	(6,745,218)	(3,367,053)	(7,399,600)	(142,594,708)
Accumulated depreciation and impairment losses							
Disposals	(6,020,443)	(52,964,972)	(1,246,311)	(6,311,155)	(3,207,518)	-	(69,750,399)
Sale and Leaseback	(16,596,420)	(1,321,689)	-	(12,993)	-	-	(17,931,102)
Closing balance as at 31 December 2018	(22,616,863)	(54,286,661)	(1,246,311)	(6,324,148)	(3,207,518)	-	(87,681,501)
Carrying amount							
Disposals	(2,939,439)	(7,407,015)	(29,600)	(419,851)	(159,535)	(7,393,502)	(18,348,942)
Sale and Leaseback	(35,851,066)	(705,882)	-	(1,219)	-	(6,098)	(36,564,265)

During the period ended at 31 December 2019 and 31 December 2018, several sale and leaseback transactions were accounted by the Group. The accounting values of the disposed assets, approximately, 12.5 million euro (36.6 million euro as at 31 December 2018), corresponds to 2 real estate food retail assets located in Portugal (6 real estate food retail assets located in Portugal in 2018). These operations resulted in a cash inflow of 24.4 million euro (82.8 million euro as at 31 December 2018) and generated a net capital gain of approximately, 3.2 million euro (37.4 million euro as at 31 December 2018) (Note 39) and a right to use of 8.5 million euro.

As described in note 2.6), with the adoption of IFRS 16 and if the transfer of the asset complies with the requirements of IFRS 15, the sale of the asset in a sale and leaseback transaction should be recognized and the asset "Rights of use", which must be measured by the proportion of the transferred asset. The gains or losses on these transactions should also be recognized only in proportion to the transferred Rights.

These assets have an initial period of 20 years, and the lease term can be extended, with market conditions, by four additional periods of 10 years, and it was considered by the Board of Directors that only the initial which is less than the remaining useful life of the assets subject to the transaction. It was also considered that there is no type of obligation to repurchase the assets subject to leasing, and the Group's current call options are exercisable based on market prices, as well as the present value of the minimum lease payments location.

Disposal in 2019 also includes about 9.2 million euro related to the restructuring process of the new store concepts, of Worten (around 6.2 million euro) and of the Sonae Fashion (around 3 million euro).

Most real estate assets from Sonae MC (Note 8), as at 31 December 2019 and 2018, which are recorded at acquisition cost deducted of amortization and impairment charges, were evaluated by independent appraisers (Jones Lang LaSalle). These evaluations were performed using the income method, using yields between 6.75% and 9.00 % (6.75% and 9.00 % in 2018), where the fair value of the property is in "Level 3" hierarchy - according to the classification given by IFRS 13. Such assessments support the value of the assets as at 31 December 2019.

The most significant values under the caption "Property, plant and equipment in progress" refer to the following projects:

	31 Dec 2019	31 Dec 2018
Refurbishment and expansion of stores in the retail businesses located in Portugal	24,514,225	34,453,775
Refurbishment and expansion of stores in the retail businesses located in Spain	313,387	3,994,223
Projects "Continente" stores for which advance payments were made	750,391	1,996,471
Others	2,958,946	5,935,151
	28,536,949	46,379,621

The caption "Impairment losses for Property, plant and equipment" can be detailed as follows:

Impairment Losses	Land and Buildings	Plant and Machinery	Vehicles	Fixtures and Fittings	Others tangibles assets	Total tangible assets
Opening balance as at 1 January 2018	90,556,668	23,168,012	21,582	322,378	310,371	114,379,011
Discontinued operations	-	(4,451,474)	-	(36,386)	(22,315)	(4,510,175)
Impairment losses of the period (Note 33)	13,567,883	1,663,222	-	273,087	24,705	15,528,897
Disposals (Note 33)	(8,208,119)	(5,072,953)	(2,312)	(60,096)	(4,398)	(13,347,878)
Transfers	-	(90,581)	-	-	(14,914)	(105,495)
Opening balance as at 1 January 2019	95,916,432	15,216,226	19,270	498,983	293,449	111,944,360
Impairment losses of the period (Note 33)	2,515,207	2,754,521	6,052	38,644	31,713	5,346,137
Disposals (Note 33)	(578,821)	(2,568,986)	(1,494)	(49,769)	(10,385)	(3,209,455)
Transfers	-	-	-	-	-	-
Closing balance as at 31 December 2019	97,852,818	15,401,761	23,828	487,858	314,777	114,081,043

9. Intangible Assets

In the years ended at 31 December 2019 and 2018, the movement occurred in intangible assets and in the corresponding accumulated amortisation and impairment losses, was as follows:

	Patents and other similar rights	Software	Other intangible assets	Intangible assets in progress	Total intangible assets
Gross assets:					
Opening balance as at 1 January 2018	178,064,353	427,506,929	69,748,285	29,512,753	704,832,320
Discontinued operations	(2,324,340)	(7,772,153)	(3,117,295)	(532,751)	(13,746,539)
Investment	166,645	1,118,172	823,225	53,837,459	55,945,501
Acquisitions of subsidiaries	-	3,027,568	11,930	52,348	3,091,846
Change in method	1,913,567	4,899,253	9,849,676	398,301	17,060,797
Disposals	(100,534)	(1,172,607)	-	(1,117,567)	(2,390,708)
Exchange rate effect	215,544	132,770	(35,773)	4,602	317,143
Transfers	2,678,561	47,799,448	221,193	(47,624,875)	3,074,327
Opening balance as at 1 January 2019	180,613,796	475,539,380	77,501,241	34,530,270	768,184,687
Discontinued operations (Note 4.2)	(10,897,695)	(49,206,340)	(1,333,690)	(1,410,401)	(62,848,126)
Investment	32,183	2,210,014	283,153	46,331,512	48,856,862
Acquisitions of subsidiaries (Note 4.1)	35,988	2,477,264	5,785	4,000	2,523,037
Fair Value of the Acquired Assets (Note 4.3 and 4.4)	72,045,592	-	-	-	72,045,592
Disposals	(60,948)	(11,550,320)	(24,749)	(459,732)	(12,095,749)
Exchange rate effect	144,633	136,378	(2,943)	-	278,068
Transfers	(57,396)	46,617,875	1,322,943	(46,106,050)	1,777,372
Closing balance as at 31 December 2019	241,856,153	466,224,251	77,751,740	32,889,599	818,721,743
Accumulated depreciation and impairment losses					
Opening balance as at 1 January 2018	40,973,388	274,870,461	21,064,224	-	336,908,073
Discontinued operations	(2,239,835)	(2,481,860)	(2,700,212)	-	(7,421,907)
Depreciation of the period	4,137,652	42,315,606	3,900,171	-	50,353,429
Impairment losses of the period	33,074	6,709,968	-	-	6,743,042
Acquisitions of subsidiaries	-	1,930,210	29,646	-	1,959,856
Change in method	1,909,581	3,893,507	9,842,550	-	15,645,638
Disposals	(100,757)	(1,384,905)	-	-	(1,485,662)
Exchange rate effect	237,500	29,116	(33,741)	-	232,875
Transfers	(27,459)	(495,056)	203,813	-	(318,702)
Opening balance as at 1 January 2019	44,923,144	325,387,047	32,306,451	-	402,616,642
Discontinued operations (Note 4.2)	(11,493,396)	(34,892,326)	-	-	(46,385,722)
Depreciation of the period	4,253,195	41,044,612	3,920,501	-	49,218,308
Impairment losses of the period (Note 33)	12,646,017	1,933,682	7,039,800	-	21,619,499
Acquisitions of subsidiaries (Note 4.1)	35,988	1,895,632	1,981	-	1,933,601
Disposals	(60,948)	(11,526,664)	(1,657)	-	(11,589,269)
Exchange rate effect	156,024	91,791	(2,742)	-	245,073
Transfers	(426,379)	(130,602)	(46,789)	-	(603,770)
Closing balance as at 31 December 2019	50,033,645	323,803,172	43,217,545	-	417,054,362
Carrying amount					
As at 31 December de 2018	135,690,652	150,152,333	45,194,790	34,530,270	365,568,045
As at 31 December de 2019	191,822,508	142,421,079	34,534,195	32,889,599	401,667,381

As at 31 December 2019 the Investment related to intangible assets in progress includes 46 million euro related to IT projects and development software (53 million euro at 31 December 2018). Within that amount it is included 16.8 million euro of capitalizations of personnel costs related to own work (about 14.6 million euro in 31 December 2018) (Note 39).

Additionally, the caption "Patents and other similar rights" include the acquisition cost of a group of brands with indefinite useful lives among which the "Continente" brand, acquired in previous years, amounting to 75 million euro, the Salsa brand amounting to 51 million euro, Losan brand amounting to 11.6 million euro and Arenal brand amounting to 58.4 million euro (Note 4.1), previously mentioned valued in the acquisition process.

Sonae performs annual impairment tests over the brands and obtained for this purpose an independent assessment of Continente brand made by independent appraisers (Interbrand). As at 31 December 2019, the external evaluation performed at the beginning of 2016 was internally updated and the value more than supports the accounting value of the asset as at 31 December 2019, and no impairment was recorded in the year.

Regarding the impairment analysis of the Salsa and Losan brands, these were performed through the tests described in Note 12 regarding the recovery of non-current assets. Impairment was recorded for the entire value of the Losan brand, included in the caption "Impairment losses for the year" in Industrial Property.

10. Right of use assets

During the years ended on 31 December 2019 and 2018, the detail and the movement in the value of the rights of use, as well as in the respective depreciations, was as follows:

	Land and Buildings	Vehicles	Others tangible assets	Total tangible assets
Cost				
Opening balance as at 1 January 2018	1,147,440,810	22,068,097	502,887	1,170,011,794
Additions	194,152,068	6,552,584	12,635	200,717,287
Write-offs and decreases	(27,452,876)	(5,494,094)	-	(32,946,970)
Closing balance as at 31 December 2018	1,314,140,002	23,126,588	515,522	1,337,782,111
Acquisition of subsidiaries (4.1)	43,149,710	-	-	43,149,710
Discontinued Operations (4.2)	(6,647,470)	(4,603,920)	(1,171,541)	(12,422,931)
Transfer to Assets classified as held for sale	(325,982)	(171,168)	-	(497,150)
Additions	108,256,464	84,756,782	1,750,182	194,763,428
Effect of foreign currency exchange differences	37,386	4,026	186	41,598
Write-offs and decreases	(23,566,676)	(4,035,771)	(22,208)	(27,624,655)
Closing balance as at 31 December 2019	1,435,043,433	99,076,538	1,072,141	1,535,192,112
Accumulated depreciation and impairment				
Opening balance as at 1 January 2018	293,273,768	8,494,148	216,769	301,984,685
Depreciation of the period	86,256,143	6,165,390	95,858	92,517,391
Write-offs and transfers	(20,229,751)	(5,457,463)	-	(25,687,215)
Closing balance as at 31 December 2018	359,300,160	9,202,075	312,627	368,814,861
Discontinued Operations (4.2)	(1,638,335)	(2,399,208)	(449,287)	(4,486,830)
Transfer to Assets classified as held for sale	(230,642)	(103,720)	-	(334,363)
Depreciation of the period	97,773,601	23,678,198	204,173	121,655,972
Effect of foreign currency exchange differences	18,721	1,695	100	20,516
Write-offs and transfers	(15,310,051)	2,873,041	676,819	(11,760,191)
Impairment losses of the period	1,090,897	-	-	1,090,897
Closing balance as at 31 December 2019	441,004,350	33,252,081	744,431	475,000,862
Carrying amount as at 31 December 2018	954,839,842	13,924,513	202,895	968,967,250
Carrying amount as at 31 December 2019	994,039,083	65,824,457	327,710	1,060,191,250

In the consolidated income statement, 121.7 million euros were recognized for depreciation of the period (92.5 million euro in 2018) and 71.9 million of euros of interest relating to the adjusted debt (62.6 million euro in 2018).

The responsibilities related to Right of use were recorded under the caption Non-Current and current Lease Liabilities, in the amount respectively of 1,088 million euro and 103 million euro (991 million and 73 million euro in 31 December 2018) (Note 38).

The repayment plan for lease liabilities, as at 31 December 2019 and 2018, can be analysed as follows:

	31 Dec 2019			31 Dec 2018 Restated		
	Equity	Interest	Updated Liabilities	Equity	Interest	Updated Liabilities
N+1	173,320,584	70,539,059	102,781,525	138,771,867	65,440,759	73,331,108
N+2	165,154,454	65,669,733	99,484,722	131,832,405	61,518,939	70,313,465
N+3	154,612,246	60,995,616	93,616,630	125,144,087	57,565,200	67,578,887
N+4	130,531,031	56,570,503	73,960,528	117,471,097	53,681,799	63,789,297
N+5	122,038,440	52,220,137	69,818,303	110,762,118	49,897,391	60,864,727
After N+5	1,045,134,812	293,724,545	751,410,267	1,025,342,974	297,265,456	728,077,518
	1,790,791,567	599,719,593	1,191,071,974	1,649,324,548	585,369,544	1,063,955,004

11. Investment Properties

During the years ended 31 December 2019 and 2018, movements in investment properties, accumulated depreciation and impairment losses were as follows:

	Investment properties				
	In Operation	"Fit Out"	under development at cost	Advances	Total
Balance as at 1 October 2018 (Note 4.3)	763,652,025	16,000	40,731,551	1,725,000	806,124,576
Increases	7,451,935	-	3,373,441	-	10,825,376
Impairments and write-off	-	-	(2,540,000)	-	(2,540,000)
Disposals	(15,370,001)	(4,585)	(31,832,649)	-	(47,207,235)
Variation in fair value on the investment properties between years:					
- Gains	8,313,788	(1,569)	-	-	8,312,219
- Losses	(4,486,722)	(9,846)	-	-	(4,496,568)
Increases through business combination	223,349,000	-	4,210,000	-	227,559,000
Closing balance as at 31 December 2018	982,910,025	-	13,942,343	1,725,000	998,577,368
Increases	11,053,611	-	3,578,546	-	14,632,157
Disposal of subsidiaries (Note 4.2)	(31,500,000)	-	(210,000)	-	(31,710,000)
Variation in fair value on the investment properties between years:					
- Gains	8,688,963	-	-	-	8,688,963
- Losses	(3,764,599)	-	-	-	(3,764,599)
Transfer to available for sale assets (Note 23)	(635,120,000)	-	(3,444,430)	-	(638,564,430)
Closing balance as at 31 December 2019	332,268,000	-	13,866,459	1,725,000	347,859,459

At 31 December 2019 and 2018 investment properties in operation and the information about the fair value assessment are as follows:

	31 Dec 2019		31 Dec 2018	
	Portugal / Spain	Other European Countries	Portugal / Spain	Other European Countries
10 yr discount rate				
Floor	n.a	8.70%	6.95%	8.65%
Weighted average	n.a	8.78%	6.92%	8.69%
Cap	n.a	9.00%	8.10%	8.70%
10 yr cap rate				
Floor	n.a	6.90%	5.20%	6.75%
Weighted average	n.a	6.98%	3.54%	6.86%
Cap	n.a	7.20%	5.20%	6.90%
Annual rent per sqm (€)				
Floor	17	18	17	15
Weighted average	31	19	31	18
Cap	55	21	54	21
Fair value (Level 3)	-	332,268,000	645,115,025	337,795,000

The fair value of each investment property was determined by means of a valuation as of the reporting date made by independent specialised entities (Cushman & Wakefield and Jones Lang LaSalle).

The valuation of these investment properties was made in accordance with the Practice Statements of the RICS Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors ("Red Book"), located in England.

The methodology used to compute the market value of the investment properties consists in preparing 10 years' projections of income and expenses of each shopping centre added to the residual value, corresponding to a projected net income at year 11 and a return market rate ("Exit yield" or "cap rate"). These projections are then discounted to the valuation date using a discount market rate. Projections are intended to reflect the actual best estimate of the valuer regarding future revenues and costs of each shopping centre. Both the return rate and discount rate are defined in accordance to the local real estate and institutional

market conditions, being the reasonableness of the market value obtained in accordance to the methodology referred above, tested also in terms of initial return using the estimated net income for the first year of projections.

In the valuation of investment properties, some assumptions, that in accordance with the Red Book are considered to be special, were in addition considered, namely in the case of recently inaugurated shopping centres, in which the possible costs still to be incurred were not considered, as the accompanying financial statements already include a provision for them.

IFRS 13 (Fair value measurement) requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable; and
- Level 3: Inputs that are not based on observable market data (that is, unobservable inputs).

Considering the above hierarchy investments properties of the Group are all within Level 3.

The relationship of unobservable inputs to fair value can be described as follows:

- a decrease in the estimated annual rent will decrease the fair value;
- an increase in the discount rates and the capitalization rates will decrease the fair value.

As mentioned in the valuation reports of the investment properties prepared by independent specialised entities, the assessment of their fair value considered the definition of fair value in IFRS 13, which is consistent with the definition of market value defined by the investment properties valuation international standards.

During the years ended on 31 December 2019 and 2018, the income (fixed rents net of discounts, turnover rents, mall income, key income and transfer fees) and the corresponding direct operating expenses (property tax, insurance expense, maintenance expense, management fee and asset management fee and other direct operating expenses), relating to the investment properties of the Group, was as follows:

	31 Dec 2019		31 Dec 2018	
	Rents	Direct operating expenses	Rents	Direct operating expenses
Portugal / Spain	37,701,419	2,160,103	39,711,826	2,640,443
Other European Countries	22,085,030	3,533,069	11,884,455	1,383,148
	59,786,449	5,693,172	51,596,281	4,023,591

At 31 December 2019 and 2018 the following investment properties had been given in guarantee of bank loans:

Cascaishopping	Plaza Mayor Parque de Ócio
Gli Orsi	Plaza Mayor Shopping
	Parklake

At 31 December 2019 and 2018 there were no material contractual obligations to purchase, construct or develop investment properties or for repairs or maintenance, other than those referred to above, except for the obligations mentioned in notes 35 and 47.

Investment properties under development at 31 December 2019 and 2018 are made up as follows:

	31 Dec 2019	31 Dec 2018
Investment properties at cost:		
Portugal / Spain	12,831,098	15,098,100
Other European Countries	68,982,297	68,836,173
	81,813,395	83,934,273
Impairment for assets at risk	(66,221,936)	(68,266,930)
	15,591,459	15,667,343

The amounts of 66.2 million euro and 68.3 million euro at 31 December 2019 and 2018, respectively, recorded under caption "Impairment for assets at risk", relates to the provision made to anticipate losses due to the delays on the development pipeline due to market uncertainty. In the year ended in 31 December 2019, the Group decreased the impairment for assets at risk in the amount of 2 million euro in order to reflect the expected outcome of the developments.

12. Goodwill

Goodwill is allocated to each operating segment and within each segment to each of the homogeneous groups of cash generating units as follows:

- Sonae MC, Worten and Sonae Fashion - Goodwill is allocated to each operating business segment, being afterwards distributed by each homogenous group of cash generating units, namely to each insignia within each segment distributed by country and each of the properties in case of operating segment Sonae MC;
- Sonae Sierra-the value of the Goodwill of this segment is allocated to the assets held and the operation of management property; and
- Sonae IM - In this segment the Goodwill is mainly related to the technology business.

As at 31 December 2019 and 2018, the caption "Goodwill" was made up as follows by segment and country:

	31 Dec 2019				
Insignia	Portugal	Spain	Brazil	Other countries	Total
Sonae MC	497,451,096	19,440,000	-	-	516,891,096
Worten	71,638,359	-	-	-	71,638,359
Sonae Fashion	53,182,336	-	-	-	53,182,336
Sonae IM	2,059,740	1,641,824	-	10,971,314	14,672,878
Sonae Sierra	22,510,844	-	-	-	22,510,844
	646,842,375	21,081,824	-	10,971,314	678,895,513
	31 Dec 2018				
Insignia	Portugal	Spain	Brazil	Other countries	Total
Sonae MC	497,451,096	-	-	-	497,451,096
Worten	65,283,532	-	-	-	65,283,532
Sonae Sports & Fashion	53,928,075	245,817	-	-	54,173,892
Sonae IM	2,686,758	1,641,824	7,090	23,577,196	27,912,868
Sonae Sierra	134,629,157	-	-	-	134,629,157
	753,978,618	1,887,641	7,090	23,577,196	779,450,545

During the year ended in 31 December 2019 and 2018, movements occurred in Goodwill as well as in the corresponding impairment losses, are as follows:

	31 Dec 2019	31 Dec 2018
Gross value:		
Opening balance	788,864,968	645,031,970
Recalculation of goodwill as a result of changes in the fair value of assets acquired (Note 4.3 and 4.4)	(8,523,098)	-
Disposal of subsidiaries (Note 4.2)	(13,395,381)	(527,725)
Acquisition of subsidiaries (Note 4.1)	25,794,827	150,447,227
Discontinued operations	-	(5,082,341)
Restructuring of Sonae Sierra Brasil (Note 13.3 and 37)	(18,375,700)	-
Transfer to joint ventures of Sonae Sierra Brasil (Note 4.3 and 13.3)	(38,550,000)	-
Other variations	(273,852)	(1,004,163)
Transfers to "Non-controlling interests" (Note 25)	(7,875,300)	-
Transfers to "Held for Sale" (Note 23)	(38,550,000)	-
Closing balance	689,116,464	788,864,968
Accumulated impairment		
Opening balance	9,414,423	10,668,757
Discontinued operations (Note 4.1)	385,070	-
Increases	606,520	185,061
Disposals	-	-
Transfers to "Transfers to "Assets classified as held for sale"	-	(1,439,395)
Closing balance	10,220,952	9,414,423
Carrying amount	678,895,512	779,450,545

The evaluation of the existence, or not, of impairment losses in goodwill is made by taking into account the cash-generating units, based on the most recent business plans duly approved by the Group's Board of Directors, which are made on an annual basis prepared with cash flow projections for periods of five years, unless there is evidence of impairment, in which case the analysis is done in shorter periods of time.

The main assumptions used in the above-mentioned business plans are detailed as follows for each of Sonae operating segments.

Sonae MC, Worten and Sonae Fashion

For this purpose, the Sonae MC, Worten and Sonae Fashion operating segments in Portugal use internal valuation of its business concepts, using annual planning methodologies, supported in business plans that consider cash flow projections for each unit which depend on detailed and properly supported assumptions. These plans take into consideration the impact of the main actions that will be carried out by each business concept as well as a study of the resource's allocation of the company.

The recoverable value of cash generating units is determined based on its value in use, which is calculated taking into consideration the last approved business plans which are prepared using cash flow projections for periods of 5 years.

The case scenarios are elaborated with a weighted average cost of capital and with a growth rate of cash-flows in perpetuity that can be detailed as follows:

	Basis of recoverable amount	31 Dec 2019			31 Dec 2018		
		Average capital cost	Growth rate in perpetuity	Compound growth rate sales	Average capital cost	Growth rate in perpetuity	Compound growth rate sales
Sonae MC	value of use	9% a 10%	<=2%	-0,3% a 2,1%	9% to 10%	<=2%	0,1% a 2,17%
Worten	value of use	9% a 11%	<=1%	3.3%	9% to 11%	<=1%	4.2%
Sonae Sports & Fashion	value of use	9% a 11%	<=2%	7.1%	9% to 11%	<=1%	8.5%

Sonae Sierra

For purposes of the impairment test made to Goodwill, Sonae Sierra uses the Net Asset Value (NAV) at the reporting date, of the participations held supported in the valuations of investment properties as described in Note 11.

Sonae IM

The main assumptions used in segment of Sonae in Technologies are:

- Business plans were prepared using the method of discounted cash flows for the period of 5 years.

As at 31 December 2019 and 2018, the assumptions used are based on the various businesses of this segment and the growth of the various geographic areas where it operates:

31 Dec 2019				
	Basis of recoverable amount	Discount rates	Growth rate in perpetuity	Average sales growth rate
Tecnology				
Telecommunications	value of use	-	-	-
Retail	value of use	7.25%	3%	18.00%
Cybersecurity	value of use	7% - 11,07%	3%	18.00%
Others	value of use	7,25%	2%	18.00%
Media	value of use	7,25%	0%	2.40%
31 Dec 2018				
	Basis of recoverable amount	Discount rates	Growth rate in perpetuity	Average sales growth rate
Tecnology				
Telecommunications	value of use	6,25% - 17%	2%	6.27%
Retail	value of use	10.5%	3%	6.27%
Cybersecurity	value of use	6,75% - 11,25%	3%	6.27%
Others	value of use	7% - 13,75%	1% - 2%	6.27%
Media	value of use	7%	0%	2.60%

The analyses of the impairment indices and the review of the impairment projections and tests of Sonae have not lead to the account of losses, during the year ended at 31 December 2019. For the sensitivity analyses made, required in the IAS 36 - Impairment of Assets, have not lead to material changes of the recoverable value, and therefore no additional material impairment would result.

13. Joint ventures and associated companies

13.1. Detail of book value of investments in joint ventures and associates

The value of investments in joint ventures and associates can be analysed as follows (Note 53):

Investments in joint ventures and associates	31 Dec 2019	31 Dec 2018 Restated Note 5
Investments in joint ventures	976,280,761	1,611,324,767
Investments in associates	631,300,615	368,041,686
Total	1,607,581,376	1,979,366,453

Detail by company is as follows:

COMPANY	31 Dec 2019	31 Dec 2018 Restated Note 5
Sonae MC		
Sohi Meat Solutions - Distribuição de Carnes, SA	3,356,985	3,006,331
Sohi Meat Solutions - Distribuição de Carnes, SA	120,649	-
Sonae Sierra		
Arrábidasshopping- Centro Comercial, S.A.	29,991,113	30,393,218
1) DOC Malaga Holdings S.L	2,070,074	3,591,217
Gaiashopping I- Centro Comercial, S.A.	35,358,528	35,009,254
2) Harvey Dos Iberica, S.L.	-	4,395,212
Madeirasshopping- Centro Comercial, S.A.	15,670,288	15,127,930
1) Norte Shopping Retail and Leisure Centre B.V.	32,206,931	161,222,523
Pantheon Plaza B.V.	4,994,201	10,263,665
Park Avenue Development of Shopping Centres S.A.	(461,277)	(463,459)
Parque Atlântico Shopping - Centro Comercial, S.A.	17,754,571	17,670,436
Proyecto Cúcuta S.A.S.	8,467,686	8,344,371
Pud Srl	5,695,813	5,987,801
SC Aegean B.V.	4,907,766	4,926,261
1) Shopping Centre Colombo Holding B.V.	63,277,363	255,362,940
Sierra Central S.A.S.	57,222	56,883
3) Sierra Balmain Asset Management sp. zo.o.	1,708,766	-
3) Sierra LM, SGPS, S.A.	774,000	-
4) Sonae Sierra Brazil B.V. Sarl	-	241,178,416
5) Solingen Shopping Centre GmbH	-	(4,157,349)
1) VdG Holding BV	28,429,747	112,144,202
Via Catarina- Centro Comercial, S.A.	10,043,274	8,774,648
L.C. Malheiro II, SGPS, SA	1,818,083	-
1) Zenata Commercial Project	38,550,000	-
NOS		
ZOPT, SGPS, SA (consolidated)	642,224,343	670,686,685
Sonae IM		
Unipress - Centro Gráfico, Lda	604,053	618,102
Sonae FS		
MDS SGPS, S.A. (consolidated)	25,936,780	26,246,269
Sonae SGPS		
Mktplace- Comércio Eletrónico, SA	2,723,802	939,211
Investments in joint ventures	976,280,761	1,611,324,767

- 1) Company classified as "Companies held for sale"; the Group will retain 12.55% of ownership in these companies;
- 2) Company liquidated during 2019;
- 3) Companies acquired in 2019;
- 4) During the third quarter of 2019, the business in Brazil was restructured: in August 2019, Aliansce Shopping Centers, S.A. merged with Sonae Sierra Brasil, S.A. that changed its name to Aliansce Sonae Shopping Centers, S.A.; afterwards Sierra Brazil 1 S.à r.l. and Sonae Serra Brazil S.à r.l. were demerged, and the resulting companies were included in the consolidated accounts of Sonae Sierra. During the second semester Aliansce Sonae Shopping Centers, S.A. increased its capital. Following this restructuring, Sonae Sierra interests in the merged company was 6.3%. The translation reserves generated up to the restructuring date were recognized in the consolidated statement of profit or loss;
- 5) Joint venture sold in the period.

COMPANY	31 Dec 2019	31 Dec 2018 Restated Note 5
Sonae MC		
Sempre a Postos - Produtos Alimentares e Utilidades, Lda	960,282	1,078,484
S2 Mozambique, SA	-	-
1) Ulabox, SL	-	-
Sonae Sierra		
3shoppings - Holding, SGPS, S.A.	12,749,317	11,730,360
2) ALEXA Asset GmbH & Co, KG	-	39,128,706
3) Aliansce Sonae Shopping Centers, S.A.	118,535,408	-
Area Sur Shopping, S.L.	7,469,872	7,655,180
4) Fundo Investimento Imobiliário Parque Dom Pedro Shopping Center ("FIIPDPSH")	15,784,000	-
4) Fundo Investimento Imobiliário Shop. Parque Dom Pedro ("FIISHPDP")	153,438,522	-
Le Terrazze - Shopping Centre 1 Srl	7,196,941	8,236,533
2) Loop5 Shopping Centre GmbH & Co KG	-	10,423,800
Iberia Shop.C. Venture Coöperatief U.A. ("Iberia Coop")	16,112,511	23,368,651
Sierra Portugal Real Estate ("SPF")	21,655,244	45,506,314
Olimpo Real Estate SOCIMI, S.A.	7,932,798	7,768,532
5) Olimpo Real Estate Portugal, SIGI, S.A.	2,528,224	-
Serra Shopping- Centro Comercial, S.A.	1,050,037	1,013,274
Sierra Cevital Shopping Center, Spa	38,543	38,079
Sierra Portugal Feeder 1	3,491,812	-
Trivium Real Estate Socimi, S.A.	30,707,669	31,895,992
Zenata Commercial Project	2,041,966	1,967,259
Sonae SGPS		
Iberian Sports Retail Group (ISRG)	81,540,597	74,580,531
Sonae IM		
Armilar Venture Partners - Sociedade de Capital de Risco, SA (Armilar)	1	1
Fundo de Capital de Risco Armilar Venture Partners II (Armilar II)	94,176,915	52,265,707
Fundo de Capital de Risco Armilar Venture Partners III (Armilar III)	32,707,854	30,135,509
Fundo de Capital de Risco Espirito Santo Ventures Inovação e Internacionalização (AVP I+I)	17,056,948	16,978,359
Secucloud GMBH	3,731,809	3,833,921
Probe.ly - Soluções de Cibersegurança, Lda	342,497	401,600
Alfaros SARL	10,379	17,715
Suricate Solutions	25,843	17,179
Suricate Solutions	14,626	-
Investment in associates companies	631,300,615	368,041,686

- 1) Associate liquidated in the period;
- 2) Associate disposal in the period;
- 3) During the third quarter of 2019, the business in Brazil was restructured: in August 2019, Aliansce Shopping Centers, S.A. merged with Sonae Sierra Brasil, S.A. that changed its name to Aliansce Sonae Shopping Centers, S.A.; afterwards Sierra Brazil 1 S.à r.l. and Sonae Serra Brazil S.à r.l. were demerged, and the resulting companies were included in the consolidated accounts of Sonae Sierra. During the second semester Aliansce Sonae Shopping Centers, S.A. increased its capital. Following this restructuring, Sonae Sierra interests in the merged company was 6.3%. The translation reserves generated up to the restructuring date were recognized in the consolidated statement of profit or loss
- 4) After restructuring in Brazil in the component held by Parque Dom Pedro I Sarl in FIIPDPSH and FIISHPDP is presented separately;
- 5) Associate creates in the period.

13.2. Financial indicators of participations

13.2.1. Joint ventures

As at 31 December 2019 and 2018, summary financial information of joint ventures of the group can be analysed as follows:

	31 Dec 2019				
Joint ventures	Joint ventures of Sonae Sierra (Note 53.1)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
Assets					
Investment properties	3,000,895,316	653,000	813,252	-	9,836
Property, plant and equipment	-	1,069,277,000	3,670,061	18,832,996	225,932
Intangible assets	-	2,154,260,000	8,528,766	476,543	995,175
Intangible assets	-	218,383,000	7,536,399	2,708,727	-
Goodwill	-	-	44,537,102	-	-
Investments in joint ventures and associates	-	69,849,000	984,540	-	3,326
Other non-current assets	3,475,546	257,796,000	3,625,096	656,974	1,206,787
Non-current assets	3,004,370,862	3,770,218,000	69,695,216	22,675,240	2,441,056
Cash and bank balances	120,058,411	12,960,000	18,826,847	175,853	4,183,845
Other current assets	16,015,099	541,025,000	20,706,043	44,284,537	2,474,483
Current assets	136,073,510	553,985,000	39,532,890	44,460,390	6,658,328
Total assets	3,140,444,372	4,324,203,000	109,228,106	67,135,630	1,949,796
Liabilities					
Loans	1,012,357,267	1,216,847,000	22,939,309	-	-
Other non-current liabilities	696,696,277	168,349,000	15,851,666	1,921,427	(174,085)
Non-current liabilities	1,709,053,544	1,385,196,000	38,790,975	1,921,427	(174,085)
Loans	53,337,942	143,281,000	10,649,799	-	475,978
Other current liabilities	109,991,691	599,264,000	30,948,495	59,331,987	2,204,110
Total current liabilities	163,329,633	742,545,000	41,598,294	59,331,987	2,680,088
Total liabilities	1,872,383,177	2,127,741,000	80,389,269	61,253,414	2,506,003
Equity attributable to the equity holders of the Parent Company	1,268,061,195	1,140,645,000	26,771,065	5,882,216	6,593,381
Non-controlling interests	-	1,055,817,000	2,067,772	-	-
Total equity	1,268,061,195	2,196,462,000	28,838,837	5,882,216	6,593,381
Total equity and liabilities	3,140,444,372	4,324,203,000	109,228,106	67,135,630	1,949,796

	31 Dec 2018				
Joint ventures	Joint ventures of Sonae Sierra (Note 53.1)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
Assets					
Investment properties	4,081,868,697	659,000	835,256	-	-
Property, plant and equipment	-	1,063,631,000	2,831,424	19,454,900	874,646
Intangible assets	-	2,173,982,000	37,256,681	789,101	981,823
Intangible assets	-	200,483,000	-	-	-
Other non-current assets	27,695,465	391,555,000	9,737,037	41,994	240,774
Non-current assets	4,109,564,162	3,830,310,000	50,660,398	20,285,995	2,097,243
Cash and cash equivalents	180,821,457	2,319,000	14,054,322	408,471	2,286,696
Other current assets	67,484,235	527,942,000	16,290,124	49,723,048	1,635,358
Current assets	248,305,692	530,261,000	30,344,446	50,131,519	3,922,054
Total assets	4,357,869,854	4,360,571,000	81,004,844	70,417,514	6,019,297
Liabilities					
Loans	1,048,957,786	1,014,364,000	11,216,534	-	-
Other non-current liabilities	970,696,094	207,169,000	8,057,086	-	500,000
Non-current liabilities	2,019,653,880	1,221,533,000	19,273,620	-	500,000
Loans	75,441,328	283,061,000	9,496,077	-	-
Other current liabilities	114,774,245	558,011,000	25,766,741	65,021,799	2,652,142
Total current liabilities	190,215,573	841,072,000	35,262,818	65,021,799	2,652,142
Total liabilities	2,209,869,453	2,062,605,000	54,536,438	65,021,799	3,152,142
Equity attributable to the equity holders of the Parent Company	1,817,910,360	1,193,809,000	22,171,422	5,395,715	2,867,155
Non-controlling interests	330,090,041	1,104,157,000	4,296,984	-	-
Total equity	2,148,000,401	2,297,966,000	26,468,406	5,395,715	2,867,155
Total equity and liabilities	4,357,869,854	4,360,571,000	81,004,844	70,417,514	6,019,297

31 Dec 2019					
Joint ventures	Joint ventures of Sonae Sierra (Note 53.1)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
Turnover	282,864,283	1,575,076,000	70,892,126	267,877,312	3,165,195
Other operating income	2,394,135	24,155,000	1,965,896	823,108	21,987
Total revenue	285,258,418	1,599,231,000	72,858,022	268,700,420	3,187,182
Cost of sales	-	-	-	(241,235,444)	(608,006)
External supplies and services	(87,904,491)	(115,478,000)	(29,285,026)	(12,067,094)	(3,881,125)
Amortisation	(317,995)	(438,663,000)	(5,452,144)	(5,113,810)	(316,035)
Other operating costs	(17,191,921)	(860,096,000)	(29,951,069)	(8,262,688)	(2,874,859)
Expenses and losses	(105,414,407)	(1,414,237,000)	(64,688,239)	(266,679,036)	(7,680,025)
Financial income	4,843,153	-	206,487	-	-
Financial expense	(36,232,058)	(24,765,000)	(1,532,420)	(403,453)	(6,243)
Financial results	(31,388,905)	(24,765,000)	(1,325,933)	(403,453)	(6,243)
Results of joint ventures and associated companies	464,995	(20,297,000)	13,333	-	-
Income tax expense	(38,759,796)	(27,183,000)	1,189,161	(361,182)	921,681
Consolidated net income/(loss) for the year	110,160,305	112,749,000	8,046,344	1,256,749	(3,577,405)
Attributable to:	-	-	-	-	-
Equity holders of the Parent Company	100,566,006	58,909,000	7,885,120	1,256,749	(3,577,405)
Non-controlling interests	9,594,299	53,840,000	161,224	-	-
	110,160,305	112,749,000	8,046,344	1,256,749	(3,577,405)

31 Dec 2018					
Joint ventures	Joint ventures of Sonae Sierra (Note 53.1)	ZOPT, SGPS, SA (consolidated)	MDS,SGPS,SA (consolidated)	Sohimeat, SA	Others
Turnover	353,297,819	1,552,031,000	55,658,650	272,777,578	2,586,857
Other operating income	152,765,963	24,131,000	1,208,066	23,465,026	11,215
Total revenue	506,063,782	1,576,162,000	56,866,716	296,242,604	2,598,072
Cost of sales	-	-	-	(263,028,955)	(644,184)
External supplies and services	(117,536,508)	(121,918,000)	(26,604,495)	(14,282,149)	(1,653,341)
Amortisation	(494,040)	(442,317,000)	(3,077,546)	(3,791,345)	(82,687)
Other operating costs	(29,373,111)	(824,937,000)	(24,044,924)	(13,287,174)	(1,212,947)
Expenses and losses	(147,403,659)	(1,389,172,000)	(53,726,965)	(294,389,623)	(3,593,159)
Financial income	6,638,787	284,000	136,787	-	-
Financial expense	(52,091,436)	(31,518,000)	(600,750)	(238,814)	(4,805)
Financial results	(45,452,649)	(31,234,000)	(463,963)	(238,814)	(4,805)
Results of joint ventures and associated companies	1,551,547	(7,110,000)	7,013	-	-
Income tax expense	(136,428,761)	(22,562,000)	(130,335)	(323,595)	205,445
Consolidated net income/(loss) for the year	178,330,260	126,084,000	2,552,466	1,290,571	(794,447)
Attributable to:	-	-	-	-	-
Equity holders of the Parent Company	144,467,692	65,717,000	1,886,471	1,290,571	(794,447)
Non-controlling interests	33,862,568	60,367,000	665,995	-	-
	178,330,260	126,084,000	2,552,466	1,290,571	(794,447)

As of 31 December 2019, the summary financial information of the joint ventures of Sonae Sierra can be analysed as follows:

31 Dec 2019						
Joint Ventures of Sonae Sierra						
Joint ventures	Investment		Developments	Brazil	Services	Total
	Companies owned by Sierra BV	Other investment companies				
Assets						
Investment properties	2,838,804,314	16,597,000	145,494,002	-	-	3,000,895,316
Other non-current assets	2,200,449	2,870	858,846	-	413,381	3,475,546
Non-current assets	2,841,004,763	16,599,870	146,352,848	-	413,381	3,004,370,862
Trade account receivables	-	-	-	-	-	-
Cash and cash equivalents	116,023,445	474,837	2,576,607	-	983,522	120,058,411
Other current assets	9,369,026	1,011,655	2,077,927	-	3,556,491	16,015,099
Current assets	125,392,471	1,486,492	4,654,534	-	4,540,013	136,073,510
Total assets	2,966,397,234	18,086,362	151,007,382	-	4,953,394	3,140,444,372
Liabilities						
Loans	955,842,487	6,664,484	49,550,270	-	300,026	1,012,357,267
Other non-current liabilities	654,714,956	169,628	41,057,705	-	753,988	696,696,277
Non-current liabilities	1,610,557,443	6,834,112	90,607,975	-	1,054,014	1,709,053,544
Loans	52,693,612	(35,520)	647,991	-	31,859	53,337,942
Other current liabilities	81,649,657	1,299,370	24,166,360	-	2,876,304	109,991,691
Total current liabilities	134,343,269	1,263,850	24,814,351	-	2,908,163	163,329,633
Total liabilities	1,744,900,712	8,097,962	115,422,326	-	3,962,177	1,872,383,177
Equity attributable to the equity holders of the Parent Company	1,221,496,522	9,988,400	35,585,056	-	991,217	1,268,061,195
Non-controlling interests	-	-	-	-	-	-
Total equity	1,221,496,522	9,988,400	35,585,056	-	991,217	1,268,061,195
Total equity and liabilities	2,966,397,234	18,086,362	151,007,382	-	4,953,394	3,140,444,372

31 Dec 2019						
Joint Ventures of Sonae Sierra						
Joint ventures	Investment		Developments	Brazil	services	Total
	Companies owned by Sierra BV	Other investment companies				
Turnover	190,801,889	5,671,151	2,517,427	52,491,921	7,889,535	259,371,923
Value created on investment properties	30,274,689	(9,350,873)	2,568,544	-	-	23,492,360
Other operating income	1,181,863	115,595	385,702	345,673	365,302	2,394,135
External supplies and services	222,258,441	(3,564,127)	5,471,673	52,837,594	8,254,837	285,258,418
External supplies and services	(67,855,842)	(4,936,275)	(2,098,969)	(9,905,144)	(3,108,261)	(87,904,491)
Amortisation	(9,428)	-	(11,567)	(194,157)	(102,843)	(317,995)
Other operating costs	(2,260,700)	(838,943)	(351,215)	(9,137,050)	(4,604,013)	(17,191,921)
Financial results	(70,125,970)	(5,775,218)	(2,461,751)	(19,236,351)	(7,815,117)	(105,414,407)
Financial results	(23,068,783)	(1,321,143)	(2,272,567)	(4,680,399)	(46,013)	(31,388,905)
Results of joint ventures and associated companies	-	-	-	464,995	-	464,995
Income tax expense	(31,650,650)	(9,070)	(874,423)	(5,971,865)	(253,788)	(38,759,796)
Consolidated net income/(loss) for the year	97,413,038	(10,669,558)	(137,068)	23,413,974	139,919	110,160,305
Attributable to:						
Equity holders of the Parent Company	97,413,038	(10,669,558)	(137,068)	13,819,675	139,919	100,566,006
Non-controlling interests	-	-	-	9,594,299	-	9,594,299
Total	97,413,038	(10,669,558)	(137,068)	23,413,974	139,919	110,160,305

The reconciliation of financial information with the joint ventures carrying amount can be analysed as follows:

31 Dec 2019							
Joint Ventures	Equity	Percentage of share capital held	Share of the net assets	Goodwill recognized in financial investment	Transfer to held for sale	Other effects	Financial investment
Sonae Sierra's joint ventures (Note 53.1)	1,268,061,195	50%	634,030,598	42,355,241	(375,944,633)	872,944	301,314,149
ZOPT, SGPS, SA (consolidated)	1,140,645,000	50%	570,322,500	87,527,500	-	(15,625,657)	642,224,343
MDS, SGPS, SA (consolidated)	26,771,065	50%	13,385,533	-	-	12,551,248	25,936,780
Sohimeat, SA	5,882,216	50%	2,941,108	-	-	415,877	3,356,985
Others	6,593,381	50%	3,296,691	-	-	151,814	3,448,504
Total							976,280,761

As of 31 December 2019, the summary financial information of the associates of Sonae Sierra can be analysed as follows:

31 Dec 2019							
Sonae Sierra's Associates	Participation %	Assets	Liabilities	Equity	Revenue	Operational profit	Net profit
3shoppings	20.00%	115,874,353	52,127,763	63,746,590	13,488,910	7,111,757	5,094,790
Alexa Asset	9.00%	-	-	-	14,690,325	8,888,612	8,552,757
Área Sur	15.00%	120,267,599	70,468,452	49,799,147	8,084,408	3,747,784	1,264,611
Le Terrazze	10.00%	138,142,389	71,613,491	66,528,898	(2,543,238)	(6,528,273)	(6,224,660)
Iberia Coop	10.00%	212,999,744	55,902,789	157,096,955	17,415,620	11,801,653	9,378,588
SPF	22.50%	120,116,339	40,987,712	79,128,627	1,988,015	5,685,128	3,999,913
Feeder	7.45%	47,110,810	247,145	46,863,665	-	-	(5,583)
SIGI	5.13%	50,051,438	763,351	49,288,087	-	(761,913)	(761,913)
ORES	3.75%	398,286,374	186,745,169	211,541,205	25,300,112	20,184,169	15,848,151
Serra Shopping	5.00%	35,411,449	14,410,709	21,000,740	4,896,238	2,644,763	1,935,260
Trivium	12.50%	541,027,171	293,418,808	247,608,363	27,474,374	13,350,980	6,944,698
Aliance	6.30%	2,869,077,777	987,563,363	1,881,514,414	164,162,795	103,752,048	45,666,052
FIIPDPS	7.97%	198,773,773	657,162	198,116,611	10,106,771	18,091,069	18,157,063
FIIPSDP	31.52%	488,484,852	1,625,964	486,858,888	50,817,951	48,480,750	48,618,647
Sierra Cevital	49.00%	457,059	378,399	78,660	-	-	946
Zenata	11.00%	50,015,021	31,452,563	18,562,458	3,081,921	1,021,115	350,674

31 dec 2018							
Sonae Sierra's Associates	Participation %	Assets	Liabilities	Equity	Revenue	Operational profit	Net profit
3shoppings	20.00%	109,990,644	51,338,843	58,651,801	27,899,758	21,527,594	16,335,692
Alexa Asset	9.00%	461,859,656	32,861,962	428,997,694	29,593,243	16,506,612	41,409,517
Área Sur	15.00%	119,976,638	68,942,103	51,034,535	9,523,922	4,982,926	2,343,805
Le Terrazze	10.00%	151,031,978	74,107,160	76,924,818	13,709,450	9,758,267	6,779,857
Loop 5	9.00%	250,394,242	134,574,237	115,820,005	(9,723,816)	(17,326,051)	(16,335,183)
Iberia Coop	10.00%	390,293,733	160,635,366	229,658,367	31,288,821	17,041,977	10,219,998
SPF	22.50%	265,664,313	80,535,597	185,128,716	33,107,555	29,818,727	23,441,692
ORES	3.75%	378,318,359	171,157,496	207,160,863	25,796,269	21,244,062	16,121,867
Serra Shopping	5.00%	34,796,280	14,530,800	20,265,480	7,518,171	5,404,009	3,805,340
Trivium	12.50%	548,536,932	293,369,174	255,167,758	38,345,118	22,054,961	14,273,036
Sierra Cevital	49.00%	451,560	373,846	77,714	-	-	-
Zenata	11.00%	50,318,474	32,435,168	17,883,306	3,313,872	550,132	(475,174)

The reconciliation of financial information with the associates carrying amount can be analysed as follows:

31 Dec 2019						
Associates	Equity	Percentage of share capital held	Share of the net assets	Goodwill recognized in financial investment	Other effects	Financial investment
Sonae MC						
Sempre a Postos	3,841,127	25.00%	960,282	-	-	960,282
Sonae Sports & Fashion						
ISRG	155,277,767	29.99%	46,567,802	36,016,741	(1,043,946)	81,540,597
Sonae Sierra's associates	3,577,733,308		401,007,146	4,798,700	(5,072,982)	400,732,864
Sonae IM						
Armilar II	185,331,544	50.74%	94,037,225	-	139,690	94,176,915
Armilar III	76,699,274	42.73%	32,773,600	-	(65,746)	32,707,854
AVP I+II	44,579,665	38.25%	17,051,722	-	5,226	17,056,948
Others	(2,087,877)		7,124	4,935,120	(831,715)	4,110,529
						631,285,989

Associates	31 Dec 2018 restated					
	Equity	Percentage of share capital held	Share of the net assets	Goodwill recognized in financial investment	Other effects	Financial investment
Sonae MC						
Sempre a Postos	4,313,935	25.00%	1,078,484	-	-	1,078,484
Ulabox	533,964	40.41%	215,775	-	(215,775)	-
S2 Mozambique	2,514,038	30.00%	754,211	-	(754,211)	-
Others	1,152,813		-	-	-	-
Sonae Sports & Fashion						
ISRG	140,663,494	29.99%	42,184,982	36,016,741	(3,621,192)	74,580,531
Sonae Sierra's associates	1,646,771,057		183,414,795	5,317,300	585	188,732,680
Sonae IM						
Armillar II	102,724,894	50.74%	52,122,611	-	143,096	52,265,707
Armillar III	70,934,360	42.70%	30,288,972	-	(153,463)	30,135,509
AVP I+II	45,209,903	37.54%	16,971,798	-	6,561	16,978,359
Others	53,294		7,124	4,935,120	(671,828)	4,270,416
						368,041,686

Following the partnership in ISRG resulting from the combination of Sport Zone and JD Sprinter Holdings, a preliminary assessment was made of the fair value of the assets acquired and liabilities assumed. Of this valuation, 6 brands owned by the group, the brands Sprinter, Sport Zone, among others, were valued at a value of 33.7 million euro, considering the group's holding percentage. As a result of these evaluations, the group still has a goodwill of 10.6 million euro. These valuations were based on the royalty-free methodology, using discount rates based on ISRG's average cost of capital (11%) and a royalty rate of 3%.

13.3. Movements occurred in the period

13.3.1. Joint Ventures

During the year ended at 31 December 2019 and 2018, movements in investments in joint ventures and associates are as follows:

	31 dez 2019			31 dez 2018		
	Proportion on equity	Goodwill	Total investment	Proportion on equity	Goodwill	Total investment
Investments in joint ventures						
Balance as at 1 January - Published	1,086,662,345	524,662,422	1,611,324,767	757,716,434	565,777,065	1,323,493,499
IFRS 16 Impact	-	-	-	(11,535,473)	-	(11,535,473)
Balance as at 1 January - Restated	1,086,662,345	524,662,422	1,611,324,767	746,180,961	565,777,065	1,311,958,026
Incorporation of Sonae Sierra's joint ventures, due to change of consolidation method	-	-	-	1,040,058,136	7,346,030	1,047,404,166
Transfers to subsidiaries	-	-	-	(32,552,098)	-	(32,552,098)
Restructuring of Brazil						
Transfer to Associates (13.3.2)	(282,185,475)	-	(282,185,475)	-	-	-
Transfers to subsidiaries	31,980,905	-	31,980,905	-	-	-
Transfer to available for sale (Note 23)	(375,944,631)	-	(375,944,631)	-	-	-
Transfer of subsidiaries (Note 4.3 and 12)	-	-	-	-	-	-
Increases during the period	8,873,735	-	8,873,735	1,583,950	-	1,583,950
Constitutions during the period	(11,668,986)	-	(11,668,986)	-	-	-
Acquisitions during the period	428,511	3,805,241	4,233,752	-	-	-
Period disposals	4,017,663	-	4,017,663	(143,596,491)	(6,471,343)	(150,067,834)
Settlement effect						
Derecognition of financial participation due to loss of significant influence	-	-	-	7,228,382	-	7,228,382
Change in consolidation method by obtaining control in Sonae Sierra	-	-	-	(551,998,522)	(41,989,330)	(593,987,852)
Equity method:	34,896	-	34,896	-	-	-
Effect in gains or losses in joint controlled						
Effect on gains and losses related to joint ventures	77,945,427	-	77,945,427	101,954,027	-	101,954,027
Distributed dividends	(121,585,960)	-	(121,585,960)	(49,572,396)	-	(49,572,396)
Effect in equity capital and non-controlling interests	(4,844,893)	-	(4,844,893)	41,854,601	-	41,854,601
Other effects in net income	-	-	-	(74,478,205)	-	(74,478,205)
	413,713,538	528,467,663	942,181,201	1,086,662,345	524,662,422	1,611,324,767

In the caption "Acquisitions in the year" are included the following acquisitions:

- In January 2019, the subsidiary Sierra Services Holland B.V. acquired 50% of the share capital of the joint ventures Sierra Balmain Asset Management sp. zo.o. that owns 100% of Sierra Balmain Services sp. zo. o. sp. k. ("Sierra Balmain") 1.7 million euro. This transaction generated a goodwill of 2 million; and

- In May 2019, the subsidiary Sierra Services Holland B.V. acquired 50% of the share capital of the joint venture SIERRA LM, SGPS, S.A. (the parent company of a Group ("LM Group") that owns directly or indirectly 100% of LMSA - Engenharia de Edifícios, S.A., LMGE - Gestão de Edifícios LDA and LMIT - Innovation & Technology, LDA.) for 2.5 million euro. This transaction generated a goodwill of 1.8 million euro.

In the caption "Disposal in the financial year" included the sale of the entire capital (50%) and the shareholder loans granted (including interest) of the joint venture Solingen Shopping Centre GmbH ("Solingen") for 2.9 million euro. This transaction generated a net loss of 12.6 million euro (Note 37).

During the third quarter of 2019, the business in Brazil was restructured: in August 2019, Aliansce Shopping Centers, S.A. merged into Sonae Sierra Brasil, S.A. that changed its name to Aliansce Sonae Shopping Centers, S.A.; afterwards Sierra Brazil 1 S.à r.l. and Sonae Serra Brazil S.à r.l. were demerged, being the new companies included in the consolidated accounts of Sonae. During the second half, Aliansce Sonae Shopping Centers, S.A. increased its share capital. Following this restructuring, Sonae Sierra interests in the merged company is 6.3%, and is considered as associate. This transaction generated a total net loss of 14.3 million euro (Note 37) (including the translation reserves generated up to the restructuring date in the amount of 17 million euro that were recognized in the consolidated statement of profit or loss and an adjustment to the deferred tax recognised in 2018 in the amount of 14.5 million euro).

In the year ended in 31 December 2018, the amount in "Transfer to subsidiaries" is related to the subsidiaries Project Sierra 10, B.V. and Project Sierra 11, B.V., acquired the remaining share capital of the joint ventures Parklake Shopping S.A. and Plenerg SRL for 39.6 million euro. Parklake Shopping S.A. is holder of 100% of the share capital of Parklake Business Centre SRL. Since 1 October 2018, these subsidiaries are included by the integral method.

In 2018, the amount included in the caption "Disposals during the year" in joint ventures is related to the sale of the entire share capital (50%) of the joint venture Iberian Assets, S.A. to the associate Trivium Real Estate Socimi, S.A. for 164.3 million euro. Trivium holder 100% of Iberian and since that date Iberian started to be considered an associate.

The effect on equity and non-controlling interests results mainly from the effect of currency translation reserve of companies with a functional currency other than the euro.

The amount of distributed dividends related to Investments in Joint Ventures is essentially related to Sonae Sierra 74,218,921 euro (24,873,210 euro in December 2018) and ZOPT 46,991,559 euro (19,755,883 euro in December 2018).

The assessment of whether investments in joint ventures are impaired is determined:

- with regard to the telecommunications sector (ZOPT), the assessment of the existence or not of impairment for the values of investments including Goodwill recorded in the accompanying consolidated financial statements for the telecommunications sector (Zopt), is determined taking into consideration several information such as the business plan approved by the Board of Directors of NOS for 5 years, whose implicit average growth rate of the operating margin amounts to 2.4%, and of its associates and the average evaluation made by external analysts (researches), the discount rate is 6.1% and the growth rate in perpetuity is 1.7%; e
- regarding the joint ventures and associates owned by Sonae Sierra the impairment tests are made by comparison with the "Net Asset Value", which results from the valuation of the investment properties at market values not including the deduction of deferred taxes on unrealized capital gains.

ZOPT's consolidated financial statements show significant exposure to the African market, namely through financial investments that the group holds in associates operating in the Angolan and Mozambican markets, which are essentially dedicated to the provision of satellite and fibre television services. The net book value of the African associates in the company's financial statements as of 31 December 2019 amounts to approximately 53 million euro.

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. Eng^a 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 24 million euro in ZAP's investment. 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 ZAP (holder of interests in Angola) and in Mstar (Mozambique), which are expressed in the currencies of those countries, Kwanzas and Meticaís, 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 period 5 years, 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 convicted that the recent patrimony seizure to Mrs. Eng^a 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 were unavailable, which may have resulted from requests for international judicial cooperation issued by the Angolan State in the context of processes underway in Angola and in which it is targeted, among others, Mrs. Engr Isabel dos Santos. The amounts seized were not materially relevant and the balances and shares (of NOS) recorded in ZOPT's accounts with CGD, remained always available. Such apprehension was not judicially notified to ZOPT, so it was not possible to take any action on it, namely for the purpose of eventual pronouncement. On March 27, 2020, ZOPT was informed that its bank accounts at Novo Banco and BCP were once again available.

13.3.2. Investment in associates

During the year ended at 31 December 2019 and 2018, movements in the value of investments in associates was as follows:

	31 dez 2019			31 dez 2018		
	Proportion on equity	Goodwill	Total investment	Proportion on equity	Goodwill	Total investment
Investments in associates companies						
Initial balance as at 1 January	347,180,711	20,860,975	368,041,686	84,335,315	6,622,023	90,957,338
Restructuring of Brazil						
Transfer from joint ventures (13.3.1)	282,185,475	-	282,185,475	-	-	-
Increases during the period	5,535,297	-	5,535,297	796,501	-	796,501
Acquisitions during the period	-	-	-	31,940,561	-	31,940,561
Capital reduction in associated companies	(19,462,112)	-	(19,462,112)	(1,340,259)	-	(1,340,259)
Period disposals	(49,331,370)	-	(49,331,370)	-	-	-
Incorporation of Sonae Sierra's associated, due to change of consolidation method	-	-	-	156,014,275	5,317,300	161,331,575
Change in consolidation method due to loss of control	-	-	-	67,477,201	10,608,555	78,085,756
Deferred taxes - transfer from Alexa Holding to Alexa KG	-	-	-	(4,737,438)	-	(4,737,438)
Discontinued operations	-	-	-	(858,339)	-	(858,339)
Others variations	2,206,046	-	2,206,046	-	-	-
Equity method						
Effect in gains or losses in associated companies	74,684,196	-	74,684,196	73,831,518	-	73,831,518
Distributed dividends	(21,889,001)	-	(21,889,001)	(647,127)	-	(647,127)
Effect in equity capital and non-controlling interests	(10,669,602)	-	(10,669,602)	(130,777)	-	(130,777)
Return of invested capital	-	-	-	(16,477,366)	-	(16,477,366)
Impairment in associated companies	-	-	-	(1,714,529)	(1,686,903)	(3,401,432)
Others	-	-	-	(41,308,825)	-	(41,308,825)
	610,439,640	20,860,975	631,300,615	347,180,711	20,860,975	368,041,686

The main transactions in 2019 and 2018 included under the heading "Disposals for the year" were:

- In January 2019 the Group, through its subsidiary Weiterstadt Shopping B.V. sold the entire share capital (9%) of the associate Loop5 Shopping Centre GmbH & Co KG ("Loop 5") for 9.8 million euro, this transaction generated a net loss of 0.6 million euro (Note 37);
- In July 2019 the Group, through its subsidiary Sierra Investments Holdings B.V. sold the entire share capital (9%) of the associate ALEXA Asset GmbH & Co, KG ("ALEXA") for 40.8 million euro. This transaction generated a net loss of 0.9 million euro (including transaction costs of 2.5 million euro (Note 37)).

The main operations in 2019 and 2018 included under the heading "Capital reductions in associates" were:

- In April 2019 the Group, through its associate Sierra Portugal Real Estate (SPFRE), sold the entire share capital (100%) of the associate LCC LeiriaShopping Centro Comercial S.A. ("Leiria Shopping") for 80.3 million euro. This transaction generated a net gain in the consolidated accounts of the Group of 1.2 million euro;
- In July 2019 the Group, through its associate Iberia Shop.C. Venture Coöperatief U.A. ("Iberia Coop"), sold the entire share capital (100%) of the associates ALBRP Albufeira Retail Park, Lda, Algarveshopping- Centro Comercial, SA, Imoconti - Sociedade Imobiliária, SA and Project Guia, S.A. for 120.9 million euro. This transaction generated a net gain in the consolidated accounts of the Group of 0.7 million euro.

- In December 2019 the Group, through its associate Sierra Portugal Real Estate (SPFRE), sold the entire share capital of the associates 8ª Avenida Centro Comercial, S.A. (100%) (“8Avenida”), Loureshopping- Centro Comercial, S.A. (50%) (“Loureshopping”) and Rio Sul- Centro Comercial, S.A. (50%) (“Rio Sul”) for 33.1 million euro. This transaction generated a net gain in the consolidated accounts of the Group close to zero;

In the year ended 31 December 2018, the subsidiary Sonae IM disposal the entire shareholding (35%) of the venture capital company Armilar I. In the year ended 31 December 2018, the variation in the ratio of invested capital and others amounting to approximately 58 million euro is the result of the distribution of capital of the Armillary Fund II following the last round of financing by Outsystems.

The caption "Share of results of joint ventures and associates" in the income statement includes a reinforcement of 8,912,438 euro (20,130,786 euro as at 31 December 2018) recorded in Provisions for other risks and charges relating to an incentive in favour of Armilar as the Funds have exceeded the defined return barrier (Note 33).

The amount of “Change in consolidation method due to loss of control” in 31 December 2018 refers to the ISRG by the agreement signed in 2018 between Sonae and JD Group. From the end of January, the participation in the new partnership, the Iberian Sports Retail Group, has been included by the equity method;

The financial investments, including shareholder loans and accrued interest, in Armilar II, Armilar III and Armilar I+I are valued at fair value and classified in the corresponding fair value hierarchy defined in IFRS 13 - Fair Value, as shown in the table below:

(Amounts in thousand euros)	31 Dec 2019		
	Armilar II	Armilar III	AVP I+I
Fair value hierarchy			
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:

- 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
- Revenues comparable Market Multiples and in the range 1.0x to 18.1x and in the range 1.7x to 12.8x for the Information Technology industry and Clean Technology respectively.

Armilar II include 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, in 2019. Armilar III and Armilar I+I include a level 3 share with an accounting value of approximately 40 million euro and 52 million, 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 31 million euro (19 million euro 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.

The sensitivity analysis carried out did not lead to material variations in the recovery values, so no impairment would result.

Contingent liabilities relating to joint ventures are disclosed in Note 48, as well as more detailed information about them.

14. Other investments

Other non-current investments, their head offices, percentage of share capital held and book value as at 31 December 2019 and 2018, are as follows:

Company	Head Office	Statement of financial position	
		31 Dec 2019	31 Dec 2018
Sonae MC			
Dispar - Distrib. de Participações, SGPS, SA	Lisbon	9,976	9,976
Inscó - Insular de Hipermerc., SA	Ponta Delgada	5,345,040	5,252,372
Other financial assets		15,526,748	13,831,312
Financial assets at fair value through profit or loss		20,881,764	19,093,660
Sonae IM			
Arctic Wolf Networks, Inc	Delaware	12,101,193	7,751,174
Ometria, Ltd.	Londres	8,095,985	2,228,029
Sixgill Ltd	Israel	5,415,162	-
CelllWise	Singapura	5,357,593	-
ViSenze	Singapura	5,260,238	4,384,811
CB4	Israel	4,368,720	-
Case on IT	Madrid	2,930,744	2,280,000
Daisy Intelligence	Canadá	2,406,623	-
Reblaze	St. Louis	2,352,438	2,352,438
Nextail Labs, SL	Madrid	2,300,000	2,300,000
ciValue	Yokneam (Israel)	1,970,097	1,970,097
StyleSage, Inc.	Delaware	1,848,578	1,848,578
Jscrambler	Porto	1,250,000	1,250,000
Whitefantasy	Évora	640,804	640,804
Fyde	Califórnia	443,687	-
Other financial assets		1,625,160	1,095,750
Financial assets at fair value through other comprehensive income		58,367,022	28,101,681
		79,248,786	47,195,341

As at 31 December 2019, these investments correspond to investments in unlisted companies in which the Group does not have significant influence.

The investments described above are valued at fair value and classified in 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 29 million euros correspond to subsidiaries valued on the basis of the last non-active market transaction that took place during 2019. The acquisitions of new subsidiaries for the year correspond to 18.4 million euro and, around 11.2 million euro, correspond to participations valued on the basis of the last transaction which, despite having occurred more than a year ago, still represents the best estimate of fair value of the company. It should be noted that these values fit perfectly with those that would be obtained if the valuation methodology adopted was the use of market multiples.

During the period ended at 31 December 2019, the major acquisitions of Sonae IM are:

- 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 beginning of 2020 with a significantly higher appreciation. Sonae IM participated in both rounds, reinforcing its participation.
- Ometria is a english company-based AI powered customer marketing platform with the vision to become the central hub that powers all the communication between retailers and their customers. 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.

- 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.
- Cellwise provides network orchestration and automation solutions for global telecom operators, located in Israel. Cellwise, 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 led by Deutsche Telekom Capital Partners.
- 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.
- Daisy Intelligence 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 USD 10 million Canadian (about 7 million euro).

As at 31 December 2019 the caption "Other investments" includes, among others, 9.823.569 euro (9.872.807 euro in 31 December 2018) related to deposited amounts on an Escrow Account which is applied in investment funds with superior rating, which is a guarantee for contractual liabilities assumed in the disposal of a Brazil Retail business and for which provisions were recorded in the applicable situations (Note 33 and 35).

As at 31 December 2019, with the exception of Escrow Account, these amounts represent financial investments of immaterial value in unlisted companies and in which the Group does not hold significant influence.

Under IFRS 9 these investments are classified as 'Investments at fair value through other comprehensive income' or 'Investments at fair value through profit or loss', as explained in note 2.14.a) ii) and iii).

As at 31 December 2019 and 2018, the movements in "Other investments" made up as follows:

	31 Dec 2019		31 Dec 2018	
	Non current	Current	Non current	Current
Other investments:				
Fair value (net of impairment losses) as at 1 January	47,195,341	-	19,423,775	-
Acquisitions in the period	30,652,291	-	21,801,235	-
Disposals in the period	(731,915)	-	(814,303)	-
Increase/(decrease) in fair value through profit and loss	2,213,554	-	4,492,336	-
Increase/(decrease) in fair value through other comprehensive income	(173,153)	-	2,385,907	-
Transfers	(173,153)	-	(11,639)	-
Discontinued operations	-	-	(81,970)	-
Fair value (net of impairment losses) as at 31 December	79,248,786	-	47,195,341	-
Derivative financial instruments (Note 27)				
Fair value as at 1 January	-	1,454,392	-	179,881
Increase/(decrease) in fair value	-	(865,645)	-	1,274,511
Fair value as at 31 December	-	588,747	-	1,454,392
Financial instruments others				
Justo valor em 1 de janeiro	-	104,291	-	-
Aumento/(diminuição) do justo valor	-	(27,825)	-	104,291
Fair value as at 31 December	-	76,466	-	104,291
	79,248,786	665,213	47,195,341	1,558,683

15. Other non-current assets

As at 31 December 2019 and 2018, "Other non-current assets" are detailed as follows:

	31 Dec 2019			31 Dec 2018 Restated		
	Gross Value	Accumulated impairment losses (Note 33)	Carrying Amount	Gross Value	Accumulated impairment losses (Note 33)	Carrying Amount
Loans granted to related parties (Note 44)	20,122,862	-	20,122,862	54,497,134	-	54,497,134
Trade accounts receivable and other debtors						
Receivables from disposal of financial investments	8,400,000	-	8,400,000	5,900,000	-	5,900,000
Cautions	5,846,848	-	5,846,848	4,163,529	-	4,163,529
Special regime for payment of tax and social security debts	4,489,601	-	4,489,601	4,527,309	-	4,527,309
Legal deposits	3,446,508	-	3,446,508	3,502,069	-	3,502,069
Debt to receive related to Armilar Funds	1,274,358	-	1,274,358	1,274,358	-	1,274,358
Amount retained on acquisition of Salsa group	-	-	-	2,463,875	-	2,463,875
Rent deposits from tenants	311,819	-	311,819	3,037,324	-	3,037,324
Others	1,041,551	-	1,041,551	428,824	-	428,824
	33,052,239		33,052,239	25,297,288		25,297,288
Non-current derivatives (Note 27)	1,954	-	1,954	492,489	-	492,489
Total financial instruments (Note 7)	53,177,055		53,177,055	80,286,911		80,286,911
Other non-current assets	805,825	-	805,825	-	-	-
	53,982,880		53,982,880	80,286,911		80,286,911

The amount included in "Loans to related companies" relates almost entirely to supplies granted to joint ventures and associates of the Sonae Sierra. These supplies bear interest at normal market rates.

The amount disclosed as Special Regime for Payment of Tax and Social Security Debts corresponds to taxes paid, voluntarily, related to settlements of income tax on corporate income, which were already in judicial process. The judicial processes are still in progress, however the guarantees provided for the said processes were cancelled. It is the Board of Directors understanding that the claims presented will have a favourable end to Sonae, reason why they were not object of provision (Note 35).

16. Inventories

As at 31 December 2019 and 2018, "Inventories" are detailed as follows:

	31 Dec 2019	31 Dec 2018
Raw materials and consumables	1,625,256	2,739,033
Goods for resale	682,151,573	686,247,529
Finished and intermediate goods	10,477,152	14,029,390
Work in progress	908,936	1,540,926
	695,162,917	704,556,878
Accumulated adjustments in inventories	(31,243,182)	(33,235,284)
	663,919,735	671,321,594

Cost of goods sold as at 31 December 2019 and 2018 amounted to 4,338,366,013 euro and 4,052,834,411 euro, respectively, and may be detailed as follows:

	31 Dec 2019	31 Dec 2018
Opening balance	688,986,562	735,050,224
Acquisitions of subsidiaries (Note 4.1)	24,748,761	134,878
Discontinued operations	-	(57,655,263)
Purchases	4,323,498,981	4,078,202,821
Adjustments	(10,999,636)	(16,514,129)
Closing balance	683,776,829	688,986,562
	4,342,457,839	4,050,231,969
Adjustments in inventories	(4,091,826)	2,602,442
	4,338,366,013	4,052,834,411

As at 31 December 2019 and 2018, the caption Regularization of inventories refers essentially to regularizations resulting from offers to social solidarity institutions carried out by retail.

The Caption Increase/ decrease in Production, as at 31 December 2019 and 2018 amounted to (3,986,301) euro and (259,411) euro, respectively, and may be detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Opening balance	15,570,316	13,156,629
Adjustments	(757,479)	1,816,455
Closing balance	11,386,088	15,570,316
	(3,426,749)	597,232
Adjustments in inventories	(559,552)	(856,643)
	(3,986,301)	(259,411)

17. Trade receivables

As at 31 December 2019 and 2018, "Trade receivables" are detailed as follows:

Trade receivable and doubtful accounts	31 Dec 2019			31 Dec 2018		
	Gross Value	Impairment losses (Note 33)	Carrying Amount	Gross Value	Impairment losses (Note 33)	Carrying Amount
Sonae MC	40,175,363	(3,157,289)	37,018,074	37,029,139	(2,960,631)	34,068,508
Worten	8,279,047	(511,965)	7,767,082	10,178,229	(460,952)	9,717,277
Sonae Fashion	32,557,254	(2,707,659)	29,849,595	36,121,961	(3,457,414)	32,664,547
Sonae Sierra	17,246,428	(7,635,257)	9,611,171	24,510,307	(9,653,330)	14,856,977
Sonae IM	25,000,146	(1,055,456)	23,944,690	48,798,586	(3,468,102)	45,330,484
Sonae SF	4,988,285	-	4,988,285	2,858,082	-	2,858,082
Others	3,464,188	(1,590,251)	1,873,937	4,027,373	(1,587,863)	2,439,510
	131,710,711	(16,657,877)	115,052,834	163,523,677	(21,588,292)	141,935,385

At 31 December 2019, impairment losses are calculated based on the expected credit loss, the calculation of which results from the application of expected losses based on receipts from sales and services rendered and from historical credit losses. We also consider that there are amounts for which there is no credit risk and as such the expected credit loss is null, namely balances with letters of credit, sureties, credit insurance and balances with related entities.

18. Other receivables

As at 31 December 2019 and 2018, Other debtors are detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated Note 5
Granted loans to related companies (Note 44)	16,689,211	11,129,142
Other debtors		
Trade creditors - debtor balances	36,413,542	27,831,663
Advances to suppliers	11,575,971	9,517,585
Accounts receivable resulting from promotional campaigns developed with partnerships	7,147,774	7,685,381
VAT recoverable on real estate assets and vouchers discounts	5,617,222	4,116,518
Advances to suppliers of property, plant and equipment	4,529,542	404,505
Escrow account	2,224,081	2,224,210
Disposal of financial investments	2,177,963	1,300,000
Vouchers and gift cards	1,893,576	1,227,577
Subsidies	1,080,206	2,730,669
Disposal of property, plant and equipment	183,604	1,489,845
Other current assets	22,509,861	19,025,562
	95,353,342	77,553,515
Accumulated impairment losses in receivables (Note 33)	(9,972,859)	(8,849,835)
	85,380,483	68,703,680
Total of financial instruments (Note 7)	102,069,694	79,832,822

The amount included in the caption "Loans to related companies" relates almost entirely to supplies granted to joint ventures and associates of Sonae Sierra. These supplies bear interest at normal market rates.

The amounts disclosed as "Trade payables - debtor balances" relate with commercial discounts billed to suppliers, to be net settled with future purchases - mainly in the retail segment.

At 31 December 2019, impairment losses relating to other receivables are calculated based on the expected credit loss based on the non-existence of credit risk for balances with public entities, sureties, subsidies and related entities and as such the expected loss is considered null.

19. Income tax

As at 31 December 2019 and 2018, "Other tax assets", and "Other tax liabilities" are made up as follows:

	31 Dec 2019	31 Dec 2018
Debtors values		
VAT	39,067,323	46,134,853
Other taxes	3,532,697	2,585,113
	42,600,020	48,719,966
Creditors values		
VAT	74,192,837	72,864,281
Staff income taxes withheld	6,560,135	10,335,492
Social security contributions	17,636,231	16,115,361
Other taxes	2,362,513	446,334
	100,751,716	99,761,468

20. Other current assets

As at 31 December 2019 and 2018, "Other current assets" is made up as follows:

	31 Dec 2019	31 Dec 2018 Restarted
Commercial discounts	49,413,508	36,866,309
Deferred costs - supplies and services	17,280,288	14,545,487
Invoices to be issued	9,059,787	12,726,484
Key money	332,436	320,822
Management fees to be received	774,004	1,970,601
Deferred costs - rents	727,291	20,757
Insurance indemnities	519,662	-
Other current assets	14,326,645	13,551,517
	92,433,621	80,001,977

The caption "Commercial discounts" refers to promotional campaigns carried out in the retail operating segment stores and reimbursed by Sonae suppliers and recognized under "Cost of sales".

21. Deferred taxes

Deferred tax assets and liabilities as at 31 December 2019 and 2018 may be described as follows considering the different natures of temporary differences:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Difference between fair value and acquisition cost	4,468,688	5,247,517	102,130,077	179,858,651
Temporary differences on property, plant and equipment and intangible assets	1,208,423	1,437,193	78,169,489	68,518,308
Temporary difference of negative goodwill and equity method	-	-	21,804,204	13,930,732
Provisions and impairment losses not accepted for tax purposes	15,808,902	18,007,749	-	-
Write off of deferred income relating entrance fees (key money) and expenses relating the opening of shopping centres	-	-	(404,094)	(813,440)
Impairment of assets	-	-	639,053	652,100
Valuation of hedging derivatives	107,345	39,451	67,639	86,360
Amortisation of Goodwill for tax purposes in Spain	-	-	27,919,963	22,103,283
Revaluation of property, plant and equipment	-	-	684,588	748,212
Tax losses carried forward	31,966,592	36,903,134	-	-
Reinvested capital gains/losses	-	-	267,585	265,898
Tax Benefits	6,732,857	9,248,776	-	-
Rights of use	267,892,456	238,120,982	240,187,489	216,290,471
Others	3,200,113	2,489,103	823,501	638,546
	331,385,376	311,493,905	472,289,494	502,279,121

During the periods ended 31 December 2019 and 2018, movements in deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Opening balance	311,493,905	71,883,593	502,279,121	132,200,898
Effects in net income:				
Difference between fair value and acquisition cost	(805,176)	314,375	(15,059,554)	(266,809)
Temporary differences on property, plant and equipment and intangible assets	(48,009)	(381,214)	9,742,686	1,596,823
Temporary difference of negative goodwill and equity method	-	-	7,873,472	3,687,284
Provisions and impairment losses not accepted for tax purposes	(821,402)	(4,221,949)	44	804
Write-off of deferred accrued costs	-	-	227,606	276,328
Revaluation of tangible assets	-	-	(61,998)	(167,936)
Constitution / reversal of deferred tax assets over tax losses	(2,198,092)	4,179,858	-	-
Amortization of goodwill for fiscal purposes in Spain	-	-	5,816,680	5,816,680
Reinvested capital gains/(losses)	-	-	(30,760)	(392,818)
Effect of change of tax rate	(42)	47,231	(93,132)	(13,512)
Tax Benefits	(2,515,922)	8,262,090	-	-
Discontinued operations (Note 4.2)	(1,546,910)	386,597	-	-
Rights of use	29,726,552	25,357,706	23,897,018	21,631,020
Others	8,707,598	(3,467,183)	(240,865)	(1,157,724)
	30,498,597	30,477,511	32,071,197	31,010,140
Effects in equity:				
Valuation of hedging derivatives	62,204	35,596	(18,721)	42,145
Exchange rate effect	111,897	-	439	-
Rights of use	-	212,763,276	-	194,659,451
Others	(103,057)	231,623	(3,091,896)	71,458
	71,044	213,030,495	(3,110,178)	194,773,054
Allocation of fair value on companies acquisitions (4.1 and 4.3)	-	-	16,800,000	-
Acquisitions of subsidiaries (4.1)	202,263	3,692,521	7,914	145,277,273
Change of consolidation percentage	-	-	47,340,580	-
Loss control in subsidiaries (4.2)	(6,213,659)	-	-	-
Transfer to assets held for sale (Note 23)	-	-	(123,099,140)	-
Non-current assets held for sale (Note 23)	(26)	-	-	-
Discontinued operations (Note 4.2)	(4,666,749)	-	-	(982,244)
Closing Balance	331,385,376	311,493,905	472,289,494	502,279,121

As at 31 December 2018, the amount of deferred tax liabilities and deferred tax assets related to "Acquisitions of subsidiaries" includes 140.1 million euro and 1.3 million euro related to the change in the method of Sierra. In 2019 with the attribution of the fair value to the acquired assets and liabilities, the deferred tax liabilities were reinforced in 2.2 million euro (Note 4.3).

As at 31 December 2019, the amount of deferred tax liabilities related to the caption "Variation in consolidation percentage" refers to deferred taxes in the amount of 21.1 million euro and 26.3 million euro, that were booked in the companies Parque D. Pedro 1 S.à r.l. and Sonae Sierra Brazil Holdings, S.à r.l., that during the second half were included in the consolidated accounts of Sonae.

As at 31 December 2019, the tax rate to be used in Portuguese companies, for the calculation of the deferred tax assets relating to tax losses is 21%. The tax rate to be used to calculate deferred taxes in temporary differences in Portuguese companies is 22.5% increased by the state surcharge in companies in which the expected reversal of those deferred taxes will occur when those rates will be applicable. For companies or branches located in other countries, rates applicable in each jurisdiction were used.

In 2016 and in a new decision occurred in 2018, the Spanish Supreme Court decided in favour of Sonae considering that goodwill amortization for tax purposes in 2008 was applicable. During 2017, the Group recognized 17.5 million euro in deferred tax liabilities related to the tax deduction of the amortization of the years 2008, 2016 and 2017 and in 2018 the recognition of 5.8 million euro relating to this exercise.

Taking into account the tax proceedings pending before the court in Spain for the financial years 2008 to 2011, as well as for the fact that the Group was prevented from recognizing the tax depreciation of goodwill for the financial years 2012 to 2015, the right of the entity to deduct tax depreciation of goodwill amounting to 69.8 million euro might be given in the future.

As at 31 December 2019 and 2018, and in accordance with the tax statements presented by companies that recorded deferred tax assets arising from tax losses carried forward and using exchange rates effective at that time, tax losses carried forward can be summarized as follows:

	Country	31 Dec 2019			31 Dec 2018		
		Tax losses carried forward	Deferred tax assets	Time limit	Tax losses carried forward	Deferred tax assets	Time limit
With limited time use							
Generated in 2014	Portugal	975,798	204,918	2026	1,273,815	267,501	2026
Generated in 2015	Portugal	216,056	45,372	2027	604,829	127,014	2027
Generated in 2016	Portugal	19,265,590	4,045,774	2028	20,046,006	4,209,661	2028
Generated in 2017	Portugal	17,469,023	3,668,495	2022	24,622,425	5,170,709	2022
Generated in 2018	Portugal	13,751,708	2,887,859	2023	10,018,691	2,103,925	2023
Generated in 2019	Portugal	1,041,860	218,791	2024	-	-	
		52,720,035	11,071,209		56,565,766	11,878,810	
With a time limit different from the above mentioned							
	Spain	3,904,573	976,144	2028 to 2029	3,912,524	978,131	2028 to 2029
	Netherlands	896,655	214,164	2020 to 2025	-	-	
	United States of America	-	-	2030 to 2035	8,194,754	2,335,505	2030 to 2035
	Mexico	-	-	2021 to 2027	2,838,428	851,528	2021 to 2027
		4,801,228	1,190,308		14,945,706	4,165,164	
Without limited time use							
	Spain	78,654,739	19,695,128		83,396,849	20,849,212	
	Italy	41,445	9,947		41,445	9,948	
	Malta	-	-		-	-	
		78,696,184	19,705,075		83,438,294	20,859,160	
		136,217,447	31,966,592		154,949,766	36,903,134	

As at 31 December 2019 and 2018, the deferred taxes to be recognized arising from tax losses were evaluated. In the cases in which they originated deferred tax assets, they were only recorded to the extent that it is probable that future taxable income will occur that could be used to recover the tax losses or tax differences that reverted in the same period and considering the limit of compensation existing by law in the applicable cases. This assessment was based on the business plans of Sonae's companies, which are periodically reviewed and updated. The main assumptions used in those business plans are described in Note 12 with the exception of Retail operations in Spain.

As at 31 December 2019, the Group had an amount of 13.1 million euro (13.1 million euro as at 31 December 2018) in the Retail segment of deferred tax assets related to tax losses for this and previous years of the Spanish Tax Group and which can be recovered by it in Spain. The Modelo Continente Hipermercados, SA branch in Spain was, on 31 December 2019 and 2018, the representative entity of the Tax Group in Spain, whose dominant entity is Sonae SGPS, S.A.

The recoverability of the above mentioned deferred tax assets, regarding Sonae operations in Spain is supported by the analysis of the recoverable amount of the cash-generating units for the specialized retail formats in Spain based on their value in use, obtained from business plans with a 10-year projection period, assuming it is the most realistic and appropriate deadline for the implementation of the strategy of internationalization of Sonae in the specialized retail segment, taking into consideration not only the nature of the products in question (more discretionary character) but also the current macro-economic conditions.

Main assumptions used in the business plans of the retail companies and other companies in Spain, included in consolidation, are a compound growth rate of 4.8% over a 10-year period (6.5% in 2018).

Although these tax losses do not expire, the analysis of their recoverability was limited to a 10-year term, also considering the deferred tax liabilities recognized.

It is the Board of Directors understanding, considering the existing business plans for each of the companies, that such deferred tax assets are fully recoverable, including those which were reversed in previous years likely to be recoverable in a longer period than the 10 years of the business plan.

As at 31 December 2019, there are reportable tax losses in the amount of 545.7 million euro (581.3 million euro as at 31 December 2018), whose deferred tax assets are not recorded for prudence purposes.

	Country	31 Dec 2019			31 Dec 2018		
		Tax losses carried forward	Deferred tax credit	Time limit	Tax losses carried forward	Deferred tax credit	Time limit
With limited time use							
Gerados em 2014	Portugal	8,248,166	1,732,115	2026	8,742,117	1,835,845	2026
Gerados em 2015	Portugal	556,821	116,932	2027	254,720	53,491	2027
Gerados em 2016	Portugal	121,243	25,461	2028	121,243	25,461	2028
Gerados em 2017	Portugal	4,907,671	1,030,611	2022	607,289	127,531	2022
Gerados em 2018	Portugal	1,074,456	225,636	2023	6,092,458	1,279,416	2023
Gerados em 2019	Portugal	2,528,281	530,939	2024	-	-	
		17,436,638	3,661,694		15,817,827	3,321,744	
With a time limit different from the above mentioned							
	Colombia	-	-	2019 to 2030	415,153	130,287	2019 to 2030
	Spain	6,528,372	1,632,096	2020 to 2032	6,825,310	1,706,331	2020 to 2032
	United States of America	-	-	2037 to 2038	2,076,996	591,944	2037 to 2038
	Greece	1,757,064	421,695	2019 to 2022	1,746,511	506,487	2019 to 2022
	Netherlands	28,578,559	4,074,815	2019 to 2025	114,543,040	26,200,843	2019 to 2025
	Luxemburg	3,186,028	516,503	2019 to 2036	-	-	
	Mexico	3,269,910	980,974	2019 to 2027	4,011,385	1,203,416	2019 to 2027
	Romania	23,924,507	3,827,922	2019 to 2024	21,040,337	3,366,454	2019 to 2024
	Turkey	2,488,854	547,548	2019 to 2024	2,408,685	495,264	2019 to 2024
		69,733,294	12,001,553		153,067,417	34,201,026	
Without limited time use							
	Germany	31,889,108	9,956,779		33,199,773	10,326,663	
	Brazil	18,853,767	6,410,281		19,547,151	6,646,031	
	Colombia	-	-		357,131	121,425	
	Spain	360,323,617	90,080,904		315,060,069	78,765,017	
	United States of America	-	-		262,923	74,933	
	Ireland	-	-		700,649	87,581	
	Italy	2,312,251	554,940		2,131,056	511,453	
	Luxemburg	6,577,943	1,798,192		-	-	
	Malta	59,633	20,871		44,040	15,414	
	United Kingdom	3,696,451	702,326		4,762,788	904,930	
	Romania	34,836,850	5,573,896		36,378,444	5,820,551	
		458,549,620	115,098,189		412,444,024	103,273,998	
		545,719,552	130,761,436		581,329,268	140,796,768	

In 2010 and 2011, Spanish Tax authorities notified Modelo Continente S.A. Spanish Branch of a decrease in 2008 and 2009 tax losses incurred, amounting to approximately 23.3 million euro, challenging the deduction of Goodwill depreciation, generated on the acquisition of Continente Hipermercados for each of the mentioned years. That branch appealed to the proper Spanish Authorities (Central Administrative Economic Court Madrid) in 2010 and 2011 respectively, and it is the Board of Directors understanding that the decision will be favourable to the Group, thus maintaining the recognition of deferred tax assets and deferred tax liabilities. In 2012 the Company interposed appeal to the National Court in Spain ("Audiencia Nacional España"), due to a decision opposite to the claims and estimates of the Company, by the Economic and Administrative Central Court of Madrid, for the notification for fiscal year of 2008. The same procedure was adopted in 2014 for the notification corresponding to the financial year 2009.

In 2014 following an additional inspection for fiscal years 2008 to 2011, Spanish Tax authorities corrected tax losses carried forward regarding goodwill depreciation and financial expenses that resulted from the acquisition of Continente Hipermercados S.A. Although in complete disagreement, Sonae carried out the tax returns correction and appealed, to the proper Spanish Authorities (Central Administrative Economic Court Spain). Tax reports for 2012 to 2015 were corrected. During 2018, as a result of the unfavourable decision of the Central Economic-Administrative Court of Madrid, an appeal was lodged against the National Audience in Spain.

In 2015 and 2016, the decision of the National Court in Spain regarding the reduction of tax losses arising from the tax depreciation of goodwill in the years ended at 31 December 2008 and 2009 respectively was contrary to the Group's claims, and despite the Branch appealing to the Supreme Court, the Group prudently annulled deferred tax assets from 2008 to 2011, recognized in the accompanying financial statements, amounting to 36 million euro, and the deferred tax liabilities corresponding to the amortization of goodwill for tax purposes amounting to 18.6 million euro.

In 2016 and in a new decision in 2018, the Supreme Court gave a positive opinion to the Group's pretensions regarding tax amortization of Goodwill, with reference to 2008, and the Group corrected the tax return for 2016, and it is its intention to also consider such amortization in the tax return for the next years. Consequently, it recognized the corresponding deferred tax liability for fiscal years 2008, 2016, 2017, 2018 and 2019.

22. Cash and cash equivalents

As at 31 December 2019 and 2018, Cash and cash equivalents are as follows:

	31 Dec 2019	31 Dec 2018
Cash at hand	12,366,163	10,750,265
Bank deposits	595,415,736	680,458,016
Bank deposits - shopkeepers deposits	2,026,565	5,021,398
Treasury applications	21,689	13,392
Cash and bank balances on the statement of financial position	609,830,153	696,243,071
Cash and cash equivalents transferred to assets held for sale (Note 23)	16,137,525	-
Bank overdrafts (Note 26)	(2,698,070)	(621,831)
Cash and bank balances in the statement of cash flows	623,269,608	695,621,240

As at 31 December 2019, the amount included in bank deposits, guarantees made by tenants, correspond to the guarantees provided by tenants in the Sonae Sierra segment. These amounts received from tenants are classified under "Other non-current liabilities" (Note 28).

Bank overdrafts are disclosed in the statement of financial position under "Loans".

23. Non-current assets and liabilities held for sale

In line with the Company strategy of capital recycling, the Group decided to reduce its interest position in a number of property companies.

The open market value (OMV) of the properties is Euro 639 million and the related net assets is Euro 673 million.

The Sonae Sierra Group holds these property companies with other investors. The Group proportion on these property companies amounts to Euro 350 million in terms of OMV and Euro 350 million in terms of net assets.

The Group plans to reduce its position to economic interest positions between 12.5% and 25%, depending on the properties, and to keep the asset and property management services contracts.

In addition, approximately 27.5 million euro of stores in the Sonae MC segment are included in held for sale assets.

The detail of “Non-current assets and liabilities held for sale” at 31 December 2019 can be analysed as follows:

Amounts in euro	31 dez 2019
Property, plant and equipment and intangible assets (Note 8)	27,612,450
Investment properties (Note 11)	638,564,430
Goodwill (Note 12)	38,550,000
Investments in joint ventures and associates	375,944,632
Deferred tax assets (Note 21)	26
Other non-current assets	19,651,016
Total non-current assets	1,100,322,554
Other current assets	9,904,355
Cash and cash equivalents	16,137,525
Total current assets	26,041,880
Assets classified as held for sale	1,126,364,434
Non current bank loans and other facilities	246,000,000
Deferred tax liabilities (Note 21)	123,099,140
Other non-current liabilities	1,697,691
Total non-current liabilities	370,796,831
Suppliers	650,533
Other current liabilities	15,169,133
Total current liabilities	15,819,666
Liabilities directly associated with assets classified as held for sale	386,616,497

24. Share Capital

Share Capital

As at 31 December 2019 and 2018, the share capital, which is fully subscribed and paid for, is made up of 2,000,000,000 ordinary shares, which do not have the right to a fixed dividend, with a nominal value of 1 euro each.

Cash Settled Equity Swap

On 15th November 2007, Sonae Holding sold 132,856,072 Sonae Holding shares directly owned by the Company. The shares were sold in a market operation at the unit price of 2.06 euro per share and resulted on a cash inflow (net of brokerage commissions) of 273,398,877 euro.

On the same date, Sonae Investments, BV wholly owned by Sonae Holding entered into a derivative financial instrument - Cash Settled Equity Swap - over a total of 132,800,000 Sonae Holding shares, representative of 6.64% of its capital.

This transaction has strictly financial liquidation, without any duty or right for the Company or any of its associated companies in the purchase of these shares. This transaction allows Sonae Investments BV to totally maintain the economic exposure to the sold shares.

In this context, although legally all the rights and obligations inherent to these shares have been transferred to the buyer. Sonae Holding did not derecognize their own shares, recording a liability in the caption “Other current liabilities” (Note 31). According to the interpretation made by Sonae of the IAS 39, applied by analogy to own equity instruments, the derecognition of own shares is not allowed as the group maintains the risks and rewards arising on the instruments sold.

Consequently, Sonae maintains in its capital acquisition cost of the shares that remain covered by the contract.

In November 2014, was made a renewal for an additional period of one year renewable automatically, keeping the remaining conditions unchanged. During the year of 2019 the Group requested the partial termination of the Cash Settled Equity Swap for 4,228,944 Sonae SGPS shares. Which resulted receipts of 91,131 euro (457,631 euro as at 31 December 2018), included in the “Other” caption of the Investment Activities in the consolidated statement of cash flows. Additionally, the price variations of this instrument represented in 2019 receipts of 27,949,451 euro and payments of 20,538,841 euro (4,167,689 euro of receipts and 19,823,616 euro in payments as at 31 December 2018) included also in the Investment Activities as “Others”.

Considering the operations mentioned above, the liability recorded amounts to 87,482,646 euro (Note 31) (83,876,384 euro as at 31 December 2018) reflecting the market value of 95,981,789 Sonae Holding shares (100,210,733 shares as at 31 de December 2018).

The value of these liabilities is adjusted at the end of each month by the effect of Sonae Holding share price variation being recognized a current asset/liability in order to present the right/obligation related to the receipt/financial liquidation that occurs on a monthly basis.

Additionally, the costs related to the "floating amount" based on the Euribor 1 month are recognized in the income statement.

The value to get established on the basis of dividends and reserves distributed by Sonae is credited in equity to offset the charge of the distribution. During the financial year of 2019 the dividends paid by Sonae SGPS amounted to 88,200,000 euro (84,000,000 euro as at 31 December 2018) and 4,235,108 euro were attributed to Sonae SGPS, SA shares (4,209,064 euro as at 31 December 2018), which were credited to shareholders' equity.

Capital Structure

As at 31 December 2019, the following entities held more than 20% of the subscribed share capital:

Company	%
Efanor Investimentos, SGPS, SA e suas filiais	52.48

25. Non-controlling interest

As at 31 December 2019 and 2018, "Non-controlling interests" are detailed as follows:

	31 dec 2019				
	Equity ⁽¹⁾	Profit/(Loss) for the period ⁽¹⁾	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends attributable to non-controlling interests
Sonae MC	226,134,988	10,343,337	54,885,160	5,605,650	(2,037,078)
Worten	4,377,644	(2,436,846)	478,103	(98,102)	-
Sonae Fashion	62,511,464	4,816,137	28,838,691	3,240,348	(6,912,519)
Sonae IM					
Sonaecom, SGPS, SA (consolidated)	1,054,821,058	60,941,756	109,174,875	3,772,689	(3,546,338)
Sierra	1,569,395,616	110,837,950	782,072,434	56,604,972	(211,705,125)
Others	10,304,300	(3,533,201)	(734,921)	(346,659)	-
Total	2,927,545,070	180,969,133	974,714,342	68,778,898	(224,201,060)

(1) Contribution to the consolidated financial statements of the Group.

	31 dec 2018 Restated				
	Equity ⁽¹⁾	Profit/(Loss) for the period ⁽¹⁾	Book value of non-controlling interests	Proportion in income attributable to non-controlling interests	Dividends attributable to non-controlling interests
Sonae MC	168,634,211	18,048,087	31,026,298	2,560,736	(10,084)
Worten	6,717,350	(38,055)	686,309	(15,222)	-
Sonae Fashion	71,615,737	4,601,261	30,772,116	2,525,071	(1,326,684)
Sonae IM					
Sonaecom, SGPS, SA (consolidated)	1,039,003,566	70,720,068	106,900,109	6,701,914	(1,720,219)
Sonae Sierra	1,794,185,495	70,315,104	956,753,173	21,094,531	(14,923,926)
Others	7,979,855	(4,422,040)	(382,637)	(419,310)	-
Total	3,088,136,214	159,224,425	1,125,755,368	32,447,720	(17,980,913)

Movements in non-controlling interests during the periods ended as at 31 December 2019 and 2018 are as follows:

	31 Dec 2019						
	Sonae MC	Worten	Sonae Fashion	Sonae IM - Sonaecom, SGPS, SA	Sierra	Others	Total
Opening balance as at 1 January	31,285,782	1,152,834	33,099,552	107,847,550	954,489,375	(382,003)	1,127,493,090
Effect of restatement	(259,484)	(466,525)	(2,327,436)	(947,441)	2,263,798	(634)	(1,737,722)
Opening balance as at January 1, 2019 Restated	31,026,298	686,309	30,772,116	106,900,109	956,753,173	(382,637)	1,125,755,368
Distributed dividends	(2,037,078)	-	(6,912,519)	(3,546,338)	(211,705,125)	-	(224,201,060)
Distributed income of Investment Funds	(236,205)	-	-	-	-	-	(236,205)
Acquisition in subsidiary (Note 4.1)	20,442,727	-	-	1,863,352	-	-	22,306,079
Change in percentage of subsidiaries	-	-	-	-	(80,762)	-	(80,762)
Change in currency translation reserve	-	-	(385)	(303,205)	(4,852,149)	-	(5,155,738)
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	-	-	-	(1,001,451)	(1,649,403)	-	(2,650,854)
Increase of capital	127,506	-	-	1,559,859	-	-	1,687,365
Decrease of capital	-	-	-	-	(2,721,067)	-	(2,721,067)
Correction of the change in consolidation method of Sonae Sierra (Note 12)	-	-	-	-	(7,875,300)	-	(7,875,300)
Changes in hedging reserves	(69,845)	-	-	-	(161,392)	-	(231,237)
Others	26,107	(110,104)	1,739,131	(70,141)	(2,240,512)	(5,625)	(661,145)
Profit for the period attributable to non-controlling interests	5,605,650	(98,102)	3,240,348	3,772,689	56,604,972	(346,659)	68,778,898
Closing balance as at 31 December	54,885,160	478,103	28,838,691	109,174,875	782,072,434	(734,921)	974,714,342

	31 Dec 2018 Restated						
	Sonae MC	Worten	Sonae Sports & Fashion	Sonaecom, SGPS, SA	Sierra	Others	Total
Opening balance as at 1 January	29,381,583	1,102,522	32,826,507	104,097,279	-	402,103	167,809,994
Effect of restatement	(107,120)	(400,991)	(284,055)	(696,010)	-	-	(1,488,176)
Opening balance as at January 1, 2019 Restated	29,274,463	701,531	32,542,452	103,401,269	-	402,103	166,321,818
Distributed dividends	(10,084)	-	(1,326,684)	(1,720,219)	(14,923,926)	-	(17,980,913)
Distributed income of Investment Funds	(405,352)	-	-	-	-	-	(405,352)
Acquisition in subsidiary	-	-	80,000	9,063	-	-	89,063
Change in percentage of subsidiaries	(59,394)	-	-	(1,936,341)	-	-	(1,995,735)
Change in the consolidation method	-	-	(1,211,039)	-	938,637,606	(300,413)	937,126,154
Change in currency translation reserve	-	-	385	142,592	9,667,816	13,567	9,824,360
Participation in other comprehensive income (net of tax) related to joint ventures and associated companies included in consolidation by the equity method	-	-	-	(1,876,761)	-	-	(1,876,761)
Increase of capital	-	-	-	2,053,149	-	-	2,053,149
Changes in hedging reserves	(101,953)	-	4,614	-	-	-	(97,339)
Impact of implementing IFRS 15	-	-	-	(73,934)	-	-	(73,934)
Others	(232,118)	-	(1,842,683)	199,377	2,277,146	(78,584)	323,138
Profit for the period attributable to non-controlling interests	2,560,736	(15,222)	2,525,071	6,701,914	21,094,531	(419,310)	32,447,720
Closing balance as at 31 December	31,026,298	686,309	30,772,116	106,900,109	956,753,173	(382,637)	1,125,755,368

During the year ended 31 December 2018, with the acquisition of control at Sonae Sierra through the additional acquisition of 20% of the share capital (Note 4.3), this change in consolidation method had an impact on uncontrolled interests amounting to 939 million euro.

As at 31 December 2019 and 2018, the aggregate financial information of subsidiaries with non-controlling interests is as follows:

31 Dec 2019							
	Sonae MC	Worten	Sonae Fashion	Sonae IM - Sonaecom, SGPS, SA	Sierra	Others	Total
Total Non-Current Assets	305,827,565	18,110,362	174,377,387	885,886,345	2,118,428,400	3,303,327	3,505,933,386
Total Current Assets	79,378,230	24,344,004	38,423,394	287,316,948	261,399,259	13,717,791	704,579,626
Total Non-Current Liabilities	85,321,992	15,684,747	100,079,824	70,880,289	751,478,771	1,541,568	1,024,987,191
Total Current Liabilities	73,748,815	22,391,975	50,209,493	47,501,946	58,953,272	5,175,250	257,980,751
Equity	226,134,988	4,377,644	62,511,464	1,054,821,058	1,569,395,616	10,304,300	2,927,545,070

31 Dec 2018 Restated							
	Sonae MC	Worten	Sonae Fashion	Sonae IM - Sonaecom, SGPS, SA	Sierra	Others	Total
Total Non-Current Assets	154,843,189	18,468,007	169,961,045	872,735,474	2,193,283,683	4,060,144	3,413,351,542
Total Current Assets	53,529,969	14,570,492	52,901,844	289,919,620	361,841,072	10,171,188	782,934,185
Total Non-Current Liabilities	4,492,793	16,976,760	105,099,303	55,874,566	615,193,198	1,417,460	799,054,080
Total Current Liabilities	35,246,154	9,344,389	46,147,849	67,776,962	145,746,062	4,834,017	309,095,433
Equity	168,634,211	6,717,350	71,615,737	1,039,003,566	1,794,185,495	7,979,855	3,088,136,214

31 Dec 2019							
	Sonae MC	Worten	Sonae Fashion	Sonae IM - Sonaecom, SGPS, SA	Sierra	Outros	Total
Turnover	249,474,131	58,657,696	142,017,922	100,015,526	163,382,241	15,628,726	729,176,242
Other operating income	57,771,201	12,624,187	5,215,572	9,647,001	8,371,289	498,790	94,128,040
Operating expenses	(288,232,635)	(73,271,759)	(136,079,766)	(125,803,195)	(116,736,601)	(20,293,540)	(760,417,496)
Financial results	(4,884,285)	(707,584)	(2,225,207)	32,653	(11,996,463)	(46,406)	(19,827,292)
Gains or losses on joint ventures and associates	15,920	-	-	62,723,092	74,096,020	36,461	136,871,493
Investment results	(465)	-	-	54,030	(11,637,430)	-	(11,583,865)
Income tax expense	(3,800,530)	260,614	(2,201,671)	(6,755,562)	5,358,894	642,768	(6,495,487)
Consolidated profit/(Loss) for the period	10,343,337	(2,436,846)	6,726,850	39,913,545	110,837,950	(3,533,201)	161,851,635
Profit/(Loss) from discontinuing operations	-	-	(1,910,713)	21,028,211	-	-	19,117,498
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	10,343,337	(2,436,846)	4,816,137	60,941,756	110,837,950	(3,533,201)	180,969,133

31 Dec 2018 Restated							
	Sonae MC	Worten	Sonae Fashion	Sonae IM - Sonaecom, SGPS, SA	Sierra	Outros	Total
Turnover	100,104,259	55,891,403	134,179,456	80,036,690	41,253,432	14,808,826	426,274,066
Other operating income	75,845,421	576,920	915,218	7,140,859	34,823,661	9,307	119,311,386
Operating expenses	(155,850,953)	(55,843,940)	(126,234,467)	(94,308,114)	(41,597,962)	(19,371,287)	(493,206,723)
Financial results	(369,006)	(717,615)	(2,403,732)	175,169	(5,603,868)	26,003	(8,893,049)
Gains or losses on joint ventures and associates	-	-	-	89,137,513	34,389,356	53,169	123,580,038
Investment results	381	-	-	3,760	13,742,357	15,900	13,762,398
Income tax expense	(1,682,015)	55,177	(1,491,589)	(12,573,381)	(6,691,872)	1,170,428	(21,213,252)
Consolidated profit/(Loss) for the period	18,048,087	(38,055)	4,964,886	69,612,496	70,315,104	(3,287,654)	159,614,864
Profit/(Loss) from discontinued operations	-	-	(363,625)	1,107,572	-	(1,134,386)	(390,439)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	18,048,087	(38,055)	4,601,261	70,720,068	70,315,104	(4,422,040)	159,224,425

26. Loans

As at 31 December 2019 and 2018, loans are made up as follows:

	31 Dec 2019		31 Dec 2018	
	Outstanding amount		Outstanding amount	
	Current	Non Current	Current	Non Current
Bank loans				
Sonae, SGPS, SA - commercial paper	143,350,000	285,000,000	182,500,000	213,750,000
Sonae SGPS, SA 2016/2023	10,000,000	40,000,000	-	50,000,000
Sonae Investimentos, SGPS, SA - commercial paper	13,500,000	266,000,000	15,500,000	313,000,000
Sonae Investimentos affiliated /2014/2023	-	50,000,000	-	50,000,000
Sonae Investimentos affiliated /2015/2023	-	20,000,000	-	20,000,000
Sonae Investimentos affiliated /2015/2019	-	-	30,000,000	-
Sonae Investimentos affiliated /2017/2025	3,333,333	16,666,667	-	20,000,000
Sonae MC /2018/2031	-	55,000,000	-	-
Sonae Holding affiliated /2014/2021	-	20,000,000	-	20,000,000
Sonae Holding affiliated /2019/2023	-	50,000,000	-	-
Sonae Holding affiliated - commercial paper	5,000,000	27,500,000	5,000,000	35,000,000
Sonae Sierra SGPS, SA - commercial paper	-	25,000,000	-	25,000,000
Sonae Sierra / 2018/2022	-	10,000,000	-	10,000,000
Sonae Sierra affiliated /2016/2023	-	-	2,100,000	65,800,000
Sonae Sierra affiliated /2016/2021	-	41,300,000	-	41,300,000
Sonae Sierra affiliated /2016/2023	-	-	2,100,000	65,800,000
Sonae Sierra affiliated /2008/2019	-	-	22,755,000	-
Sonae Sierra affiliated /2001/2019	-	-	13,102,064	-
Sonae Sierra affiliated /2003/2021	-	-	-	13,475,000
Sonae Sierra affiliated /2015/2023	5,200,000	118,300,000	5,200,000	123,500,000
Others	8,776,056	6,566,657	9,214,687	7,982,360
	189,159,389	1,031,333,324	287,471,751	1,074,607,360
Bank overdrafts (Note 22)	2,698,070	-	621,831	-
Up-front fees beard with the issuance of borrowings	(407,610)	(1,226,479)	(948,691)	(2,786,179)
Bank loans	191,449,849	1,030,106,845	287,144,891	1,071,821,181
Bonds				
Bonds Sonae SGPS/ 2015/2022	-	100,000,000	-	100,000,000
Bonds Sonae SGPS/ 2016/2023	-	60,000,000	-	60,000,000
Bonds Sonae SGPS/ 2019/2026	-	50,000,000	-	-
Bonds Sonae Investments BV / 2014/2019	-	-	207,994,922	-
Bonds Sonae Investimentos / December 2015/2020	-	50,000,000	-	50,000,000
Bonds Sonae Investimentos / May 2015/2022	-	75,000,000	-	75,000,000
Bonds Sonae Investimentos / December 2015/2020	-	30,000,000	-	30,000,000
Bonds Sonae Investimentos / June 2016/2021	-	95,000,000	-	95,000,000
Bonds Sonae Investimentos / September 2016/2021	3,000,000	3,000,000	3,000,000	6,000,000
Bonds Sonae Sierra / 2018/2025	-	50,000,000	-	50,000,000
Bonds Sonae Sierra / 2018/2023	-	25,000,000	-	25,000,000
Bonds Sonae Sierra / 2018/2023	-	25,000,000	-	25,000,000
Up-front fees beard with the issuance of borrowings	(153,665)	(2,670,667)	(153,665)	(2,706,817)
Bonds	2,846,335	560,329,333	210,841,257	513,293,183
Other loans	908,663	1,706,802	1,664,567	2,217,506
Derivates (Note 27)	773,784	-	184,427	-
Other loans	1,682,447	1,706,802	1,848,994	2,217,506
Obligations under finance leases	289,839	164,472	873,513	535,812
	196,268,470	1,592,307,452	500,708,655	1,587,867,682

The interest rate at 31 December 2019 on bond loans and bank loans averaged approximately 1.30% (1.35% at 31 December 2018). Most of the bond loans and variable-rate bank loans are indexed to Euribor.

It is estimated that the book value of all loans does not differ significantly from its fair value, determined based on discounted cash flows methodology.

The derivatives are recorded at fair value (Note 27).

The loans face value, maturities and interests are as follows:

	31 Dec 2019		31 Dec 2018	
	Capital	Interests	Capital	Interests
N+1 ^{a)}	196,055,960	18,889,306	504,131,661	25,705,132
N+2	378,265,906	16,233,018	253,486,848	21,951,824
N+3	350,293,255	12,417,122	363,191,358	17,770,069
N+4	431,409,483	8,089,699	329,157,254	13,391,355
N+5	239,721,238	2,800,506	600,538,813	7,020,711
After N+5	196,514,715	3,048,280	46,986,404	854,376
	1,792,260,558	61,477,930	2,097,492,338	86,693,467

a) Includes amounts used from commercial paper programs when classified as current.

The maturities above were estimated in accordance with the contractual terms of the loans and considering Sonae's best estimated regarding their reimbursement date.

As at 31 December 2019 there are financial covenants included in borrowing agreements at market conditions, and which at the date of this report are in regular compliance.

As at 31 December 2019, Sonae has, as detailed below, cash and bank balance equivalents in the amount of 610 million euro (696 million euro in 2018) and available credit lines as follows:

	31 Dec 2019		31 Dec 2018	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Unused credit facilities				
Sonae MC	124,000,000	284,000,000	94,000,000	202,000,000
Sonae Sierra	54,719,947	-	61,469,346	20,000,000
Holding & Others	55,777,214	67,500,000	75,000,000	8,620,000
	234,497,161	351,500,000	230,469,346	230,620,000
Agreed credit facilities				
Sonae MC	129,000,000	550,000,000	101,500,000	515,000,000
Sonae Sierra	54,719,947	25,000,000	61,469,346	45,000,000
Holding & Others	207,750,000	380,000,000	209,500,000	260,750,000
	391,469,947	955,000,000	372,469,346	820,750,000

27. Derivatives

Exchange rate derivatives

Sonae uses exchange rate derivatives, essentially to hedge future cash flows that will occur in the next 12 months. Therefore, Sonae entered several exchange rate forwards in order to manage its exchange rate exposure.

The fair value of exchange rate derivatives hedging instruments based on current market values of equivalent exchange rate financial instruments is a liability of 773,784 euro and an asset of 588,748 euro (184,427 euro liabilities and 1,454,393 euro in assets as at 31 December 2018).

The accounting of the fair value for these financial instruments was made taking into consideration the present value at financial position statement date of the forward settlement amount in the maturity date of the contract. The settlement amount considered in the valuation, is equal to the currency notional amount (foreign currency) multiplied by the difference between the contracted forward exchange rate and the forward exchange market rate at that date as at the valuation date.

Losses in the period arising from changes in the fair value of instruments that do not qualify for hedging accounting treatment were recorded directly in the income statement in the captions "Financial income" or "Financial expenses".

Gains and losses associated with changes in the market value of derivative instruments are recorded under the caption "Cash-flow hedging reserves", when considered as cash flow hedges and under "Exchange rate differences" when considered to be fair value hedges. The change in market value of derivative instruments when considered speculation is recorded in the income statement under "Other expenses".

Interests rates derivatives

Sonae uses "swaps", "Caps" and "zero cost collars" of interest rate to form the interest rate risk. Interest rate "swaps", "caps" and "zero cost collars" are valued at fair value at the reporting date, determined by the valuation performed by the banking entities with which these derivatives were contracted.

The determination of the fair value of these financial instruments was based on the update for the reporting date of the future cash-flows corresponding to the difference between the interest rate to be paid by the Group to the counterparty of the derivative and the variable interest rate to be received by the Derivative counterparty group where this variable interest rate corresponds to the indexed interest rate contracted with the entity that granted the financing. In addition, tests were performed on the fair value of these derivative financial instruments, in order to revalidate the fair value determined by those entities.

The hedging principles used by the Group in contracting these hedging instruments are as follows:

- Matching between cash-flows paid and received, i.e., there is a coincidence between the dates of the interest flows paid in the loans contracted and exchanged with the bank;
- Matching between indexers and the reference index in the hedging instrument and in the financing to which the underlying derivative is related;
- In a scenario of interest rates extreme rise or fall, the maximum cost of financing is perfectly limited and calculated.

The fair value of efficient hedging instruments was recorded against the Group's hedging reserve (zero euro and 2 thousand euro at 31 December 2019 and 2018, respectively).

Interest rate and Exchange rate derivatives

As at 31 December 2019 no contracts existed, related to interest rate and exchange rate derivatives simultaneously.

Fair value of derivatives

The fair value of derivatives is detailed as follows:

Hedging derivatives	Assets		Liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Derivatives not qualified as hedging				
Interest rate (Note 15)	1,954	492,489	-	-
Exchange rate (Note 14 and 26)	588,747	1,454,393	773,784	184,427
	590,701	1,946,882	773,784	184,427

28. Others non-currents liabilities

As at 31 December 2019 and 2018 "Other non-current liabilities" are made up as follows:

	31 Dec 2019	31 Dec 2018 Restated Note 5
Shareholders loans	-	3,943,666
Creditors for acquisition of financial investments	5,466,666	14,000,000
Transaction Tax	5,822,439	-
Rents deposits from tenants	1,661,557	6,481,004
Other non-current liabilities	1,652,305	2,164,465
Financial instruments (Note 7)	14,602,967	26,589,135
Deferral of the disposal of the extended warranties in the Worten segment (Note 2.17)	51,075,681	50,874,273
Charges made on the sale of real estate (Notes 2.6 and 8)	19,453,371	20,453,191
Other accruals and deferrals	4,838,739	5,721,369
Other non-current liabilities	89,970,758	103,637,968

The caption "Shareholder loans" relates to loans in affiliated undertakings in the Sonae Sierra and Sonae IM operating segments. These liabilities do not have a defined vesting date and bear interests at variable market rates.

In 2019, the caption "Creditors for the acquisition of financial investments" includes 4.2 million euro relating to the debt value of the acquisition of Iservices. In 2018 The value of 14 million euro is related to the debt value of the acquisition of Parklake and Plenerg payable in 2020.

The amount payable related to Transaction Tax refers to the amount to be pay by Gli Orsi to the tax authorities (Note 35).

The carrying amount of "Other non-current liabilities" is estimated to be approximately its fair value.

29. Share based payment

In 2019 and in previous years, Sonae in accordance with the remuneration policy described in the corporate governance report granted deferred performance bonus to its directors and eligible employees. These are either based on shares to be acquired at nil cost or with discount, three years after they were attributed to the employee, or based on share options with the period price equal to the share price at the grant date, to be exercised three years later. In both cases, the acquisition can be exercised during the period commencing on the third anniversary of the grant date and the end of that year.

As at 31 December 2019, all Sonae Holding share plans responsibilities are accounted in the statement of financial position under "other reserves" and in the Profit and Loss statement under caption "Employee benefits expense". They are recognized at the shares fair value on the grant date, concerning the 2019, 2018 and 31 December 2017. Share-based payments costs are recognized on a straight-line basis between the grant and the settlement date.

As at 31 December 2019 and 2018, the number of attributed shares related to the assumed responsibilities arising from share-based payments, which have not yet vested, can be detailed as follows:

Grant year	Vesting year	Sonae SGPS		Number of shares	
		Number of participants	Share price on date of assignment	31 Dec 2019	31 Dec 2018
2016	2019	-	0.970	-	4,015,983
2017	2020	77	0.906	3,410,057	3,473,761
2018	2021	73	0.810	3,171,583	3,140,435
2019	2022	78	0.952	3,885,211	-
				10,466,851	10,630,179

During the period ending 31 December 2019 the movements on the above mentioned share based plans were the following:

	Sonae Shares	
	Aggregate number of participants	Number of shares
Balance as at 31 December 2018	406	10,630,179
Grant	87	3,615,045
Vesting	(243)	(3,630,426)
Canceled / extinct / corrected / transferred ⁽¹⁾	(22)	(147,947)
Closing balance as at 31 December 2018	228	10,466,851

(1) Corrections are made on the basis of the dividend paid and the changes of share capital and other equity adjustments.

As at 31 December 2019 and 2018, the fair value of total liabilities on the date of allocation arising from share-based payments, which have not yet vested, may be summarized as follows:

Grant year	Vesting year	31 Dec 2019	31 Dec 2018
		Sonae SGPS	Sonae SGPS
2016	2019	-	3,252,946
2017	2020	3,103,152	1,875,831
2018	2021	1,924,094	847,917
2019	2022	1,178,514	-
	Total	6,205,760	5,976,694

* Share market value as of 31 December 2019, and 2018.

As at 31 December 2019 and 2018 the financial statements include the following amounts corresponding to the period elapsed between the date of granting and those dates for each deferred bonus plan, which has not yet vested:

	31 Dec 2019	31 Dec 2018
Recorded in employee benefits expense in the current period	4,653,772	3,687,934
Recorded in previous years	3,537,025	5,193,110
	8,190,797	8,881,044
Recorded value in Other reserves	8,190,797	8,881,044
	8,190,797	8,881,044

30. Trade payables

As at 31 December 2018 and 2017 Trade payables are as follows:

	31 Dec 2019	Payable to	
		up to 90 days	more than 90 days
Trade payables - current account			
Sonae MC	816,234,354	813,729,570	2,504,784
Worten	394,897,782	394,897,782	-
Sonae Fashion	36,114,309	34,693,887	1,420,422
Sonae Sierra	3,675,652	2,996,470	679,182
Sonae IM	14,037,457	13,542,960	494,497
Sonae FS	1,646,836	1,646,836	-
Others	1,453,241	1,276,949	176,292
	1,268,059,631	1,262,784,454	5,275,177
Trade payables - Invoice Accruals	69,902,392	69,902,392	-
	1,337,962,023	1,332,686,846	5,275,177

	31 Dec 2018	Payable to	
		up to 90 days	more than 90 days
Trade payables - current account			
Sonae MC	770,803,717	770,297,328	506,389
Worten	377,951,925	377,951,925	-
Sonae Fashion	40,518,738	40,210,829	307,909
Sonae IM	7,225,046	4,601,617	2,623,429
Sonae IM	15,490,325	15,490,325	-
Sonae FS	1,507,189	1,507,189	-
Others	1,399,583	1,185,247	214,336
	1,214,896,523	1,211,244,460	3,652,063
Trade payables - Invoice Accruals	71,879,294	71,879,294	-
	1,286,775,817	1,283,123,754	3,652,063

As at 31 December 2019 and 2018 this caption includes amounts payable to suppliers resulting from Sonae operating activity. The Board of Directors believes that the fair value of these balances does not differ significantly from its book value and the effect of discounting these amounts is not material.

The company maintains cooperation agreements with financial institutions in order to enable the suppliers of retail segment, to access to an advantageous tool for managing their working capital, upon confirmation by Sonae of the validity of credits that suppliers hold on it. Under these agreements, some suppliers freely engage into contracts with these financial institutions that allow them to anticipate the amounts receivable from these retail subsidiaries, after confirmation of the validity of such receivables by these companies. These retail subsidiaries consider that the economic substance of these financial liabilities does not change, therefore these liabilities are kept as accounts payable to Suppliers until the normal maturity of these instruments under the general supply agreement established between the company and the supplier, whenever (i) the maturity corresponds to a term used by the industry in which the company operates, this means that there are no significant differences between the payment terms established with the supplier and the industry, and (ii) the company does not have net costs related with the anticipation of payments to the supplier when compared with the payment within the normal term of this instrument.

31. Other Payables

As at 31 December 2019 and 2018, the caption "Other payables" is detailed as follows:

	31 Dec 2019	Payable to		
		up to 90 days	90 to 180 days	more than 180 days
Fixed assets suppliers	66,861,878	63,698,127	1,509,034	1,654,717
Other payables	148,758,818	51,300,379	886,099	96,572,340
	215,620,696	114,998,506	2,395,133	98,227,057
Related undertakings	-	-	-	-
	215,620,696	114,998,506	2,395,133	98,227,057

	31 Dec 2018 Restated Note 3	Payable to		
		up to 90 days	90 to 180 days	more than 180 days
Fixed assets suppliers	74,090,460	70,899,821	690,297	2,500,342
Other payables	169,384,621	66,831,270	391,041	102,162,310
	243,475,081	137,731,091	1,081,338	104,662,652
Related undertakings	-	-	-	-
	243,475,081	137,731,091	1,081,338	104,662,652

The caption "Other payables" includes:

- 87,482,546 euro (83,876,384 euro as at 31 December 2018) relating to the fair value of the shares covered by Sonae Holding financial derivative referred to in Note 24;

- 11,289,675 euro (10,435,849 euro as at 31 December 2018) of attributed discounts not yet redeemed related to loyalty card "Cartão Cliente"

- 23,909,019 euro (21,446,519 euro as at 31 December 2018) relating to vouchers, gift cards and discount tickets not yet redeemed;
- 5,042,481 euro (4,286,365 euro as at 31 December 2018) relating to gift cards corresponding to deposits received until 31 December 2019 derived from the sale of gift cards deducted from the value of expired and cleared cards by that date; and
- 3.031.614 euro (3.080.487 euro as at 31 December 2018) relating to amounts payable to Sonae Distribuição Brasil. S.A. buyer as result of responsibilities assumed with that entity (Note 33).

As at 31 December 2019 and 2018, this caption includes payable amounts to other creditors and fixed assets suppliers that do not bear interest. The Board of Directors understands that the fair value of these payables is similar to its book value and the result of discounting these amounts is immaterial.

32. Other current liabilities

As at 31 December 2019 and 2018, “Other current liabilities” are made up as follows:

	31 Dec 2019	31 Dec 2018 Restarted
Holiday pay and bonus	151,696,669	147,260,333
Other external supplies and services	49,716,483	53,437,534
Marketing expenses	21,444,031	20,436,949
Deferred Revenue of warranty extension (Note 2.17)	20,392,532	19,012,000
Advance receipts from Trade Receivables	10,054,417	14,871,112
Expenses on purchases	6,021,099	3,208,354
Fixed income charged in advance	4,094,066	4,456,265
Interest payable	3,377,945	4,001,727
Rentals	3,043,307	6,944,330
Rights of use	2,712,866	-
Municipal property tax	2,054,120	2,274,544
Fixed assets to be billed by third parties	325,660	12,815,192
Charges made on the sale of real estate (Notes 2.6.c) and 8)	975,276	1,314,234
Others	18,461,301	16,460,447
	294,369,773	306,493,021

33. Provisions and impairment losses

Movements in “Provisions and impairment losses” during the period ended 31 December 2019 and 2018 are as follows:

Caption	Balance as at 01 Jan 2019	Increase	Decrease	Discontinued operations (note 4.2)	Entries in consolidation perimeter	Transfer to help for sale	Balance as at 31 Dec 2019
Accumulated impairment losses on investments (Note 13 and 14)	6,721,124	15,000	(2,234,916)	-	-	-	4,501,208
Impairment losses on property, plant and equipment (Note 8)	111,944,361	5,346,137	(3,209,455)	-	-	-	114,081,043
Impairment losses on intangible assets (Note 9)	8,702,046	21,619,499	(312,915)	-	-	-	30,008,630
Accumulated impairment losses on trade receivables (Note 17)	21,588,292	4,377,769	(6,426,877)	(3,024,457)	143,151	2,691,033	16,657,878
Accumulated impairment losses on other current debtors (Note 18)	8,849,835	1,004,837	(2,568,629)	(4,217)	-	-	9,972,859
Non - current provisions	41,375,212	10,635,573	(7,660,126)	(1,698,405)	-	-	42,652,254
Current provisions	5,923,022	1,015,918	(2,561,492)	-	28,148	-	4,405,596
	205,103,892	44,014,733	(24,974,410)	(4,727,079)	171,299	2,691,033	222,279,468

Caption	Balance as at 01 Jan 2018	Increase	Decrease	Changes in the scope of consolidation	Entries in consolidation perimeter	Balance as at 31 Dec 2018
Accumulated impairment losses on investments (Note 13 and 14)	3,319,692	3,401,432	-	-	-	6,721,124
Impairment losses on property, plant and equipment (Note 8)	114,379,011	15,528,897	(13,453,372)	(4,510,175)	-	111,944,361
Impairment losses on intangible assets (Note 9)	2,396,643	6,743,042	(437,639)	-	-	8,702,046
Accumulated impairment losses on trade receivables (Note 17)	12,483,239	5,121,548	(7,705,922)	-	11,689,427	21,588,292
Accumulated impairment losses on other current debtors (Note 18)	7,263,230	1,278,945	(1,325,063)	-	1,632,723	8,849,835
Non - current provisions	18,955,625	24,886,175	(2,384,383)	(685,910)	603,705	41,375,212
Current provisions	5,610,383	4,931,247	(5,607,069)	(263,317)	1,251,778	5,923,022
	164,407,823	61,891,286	(30,913,448)	(5,459,402)	15,177,633	205,103,892

As at 31 December 2018, the "Changes in the scope of consolidation" includes 16,584,906 euro related to the integration of Sonae Sierra resulting from the acquisition of control.

As at 31 December 2019 and 2018 increases in Provisions and impairment losses are as follows:

	31 Dec 2019	31 Dec 2018
Provisions and impairment losses in the income statement	38,560,780	36,223,384
Impairment losses on "Other investments"	-	3,401,432
Constitution and reversal of provisions recorded by the net	(4,648,700)	-
Incentive for Armilar Fund (Note 13.3.2)	8,912,429	20,130,786
Others	1,190,224	2,135,684
	44,014,733	61,891,286

As at 31 December 2019 and 2018 the value of decreases in provisions and impairment losses can be detailed as follows:

	31 Dec 2019	31 Dec 2018
Provisions and impairment losses reversal (Note 39)	(9,035,491)	(16,705,062)
Direct use of impairments on accounts receivable	(5,468,584)	(6,618,581)
Uses and reversions recorded in property, plant and equipment and intangible assets	(5,744,163)	(4,293,316)
Use of the provision by the liquidation of Ulabox	(2,384,956)	-
Technical provisions on reinsurance	-	(497,132)
Currency translation	(114,476)	(1,022,712)
Others responsibilities	(2,226,740)	(1,776,645)
	(24,974,410)	(30,913,448)

As at 31 December 2019 and 2018, the caption "Non-current provisions" and "Current provisions" for other risks and charges can be analysed current and non-current details are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Technical provisions on reinsurance (a)	1,051,863	1,051,863
Incentive for the Armilar Fund (b)	29,043,215	20,130,786
Future liabilities relating to retail subsidiaries operations sold in Brazil (c)	9,418,605	9,570,442
Judicial claims	1,352,212	2,469,889
Contingent liabilities for subsidiaries acquired (d)	-	7,811,959
Discontinued operation in Turkey	-	1,178,000
Indemnities	3,699,477	2,370,954
Clients guarantees	558,618	621,401
Others responsibilities	1,933,860	2,092,940
	47,057,850	47,298,234

- Amounts included in "Technical provisions on reinsurance" relate to a group's company that operates in the non-life reinsurance industry in which the amount of the provision is related to provisions for outstanding claims. The amount to be recovered from the reinsurance companies is recorded in the captions "Reinsurer's share of technical provisions" and "Other Debtors";
- The incentive in favor of the Armillary Fund relates to the group's liability at that time because the funds have exceeded the defined return barrier (Note 13.3).
- The caption "Non-current provisions" includes 9,418,615 euro (9,570,442 euro as at 31 December 2018), relating to non-current contingencies assumed by the Company, when it sold its subsidiary Sonae Distribuição Brasil, S.A. in 2005. This provision is being used as the liabilities are materialized, being constituted based on the best estimate of the expenses to be incurred with such liabilities and that result from a significant set of processes of a civil and labor nature and of small value; and
- The amount of contingent liabilities in 2018 is related to the liabilities assumed at the date of acquisition mainly of the subsidiaries Salsa and Losan, however, they became extinct

Impairment losses are deducted from the book value of the corresponding asset.

34. Reconciliation of liabilities arising from financing activities

As at 31 December 2019 the reconciliation of liabilities arising from financing activities are as follows:

	Lease liabilities (Note 10)	Bank loans (Note 26)	Derivative financial instruments (Note 27)	Loans from related parties (Note 44)
Balance as at 01 January 2019	1,063,955,004	2,086,982,585	(1,762,455)	7,708,484
Cash flows:				
Receipts relating to financial debt	-	7,802,719,119	-	-
Payments relating to financial debt	(161,367,995)	(7,867,842,468)	-	(7,555,359)
Bank overdrafts	-	2,076,240	-	-
Capital Leasing Depreciation	-	-	-	-
Financial Debt Update	71,861,743	-	-	-
Unpaid rents	(12,953,308)	-	-	-
Increase/(decrease) in fair value	-	-	1,945,537	-
Change in consolidation method	43,149,710	16,424,100	-	(152,838)
Available for sale	-	(246,000,000)	-	-
Disposal of subsidiaries (4.2)	(7,936,101)	(13,475,000)	-	-
Increases in leases	194,763,429	-	-	-
Costs of setting up the financing	-	2,136,930	-	-
Others	(400,508)	4,326,321	-	-
Balance as at 31 December 2019	1,191,071,974	1,787,347,827	183,082	287

35. Contingent assets and liabilities

As at 31 December 2019 and 2018, contingent liabilities to which Group is exposed can be detailed as follows:

Guarantees and sureties gives

	31 Dec 2019	31 Dec 2018
Guarantees given:		
on tax claims	1,182,614,692	1,182,625,021
on judicial claims	192,574	197,349
on municipal claims	6,775,333	10,232,177
contractual guaranties by proper compliance	30,707,137	22,905,136
others guaranties	10,052,181	10,387,120

(a) Tax Claims

The main tax claims with bank guarantees given or sureties associated are as follows:

- Tax claims for additional VAT payment for which guarantees, or sureties were provided in the amount of 529.2 million euro (537.1 million euro as at 31 December 2018). The most significant value amounts to 497.4 million euro (507.7 million euro as at 31 December 2018) is related for the periods from 2004 to 2013, and for which the Group presented or intends to present a tax appeal. The tax claims result from the Tax Administration's understanding that the Group should have invoiced VAT related to promotional discounts granted by suppliers, based on purchases amounts, since Tax Authorities claims it corresponds to alleged services rendered to those entities. Tax authorities also claim that the Group should not have deducted VAT from discount vouchers used by its non-corporate clients.
- The caption guarantees given on tax claims include guarantees granted, in the amount of 196.9 million euro (196.9 million euro as at 31 December 2018), in favor of Tax authorities regarding 2007 up to 2015. Concerning these guarantees, the most significant amount relates to an increase in equity arising on the disposal of own shares to a third party in 2007, as well as to the disregard of the reinvestment concerning capital gains in share disposal, and the fact that demerger operations must be

disregarded for income tax purposes. The Company has presented an appeal against this additional tax claim, being the Board of Directors understanding, based on its advisor's assessment, that such appeal will be favourable.

- Sureties in the amount of, approximately, 60 million euro as a result of a tax appeal presented by the Company Sonae MC SGPS, S.A. concerning an additional tax assessment by Tax authorities, relating to 31 December 2005, corresponding to a prior coverage of tax losses accrued by the company held, which was taken to the cost of the participation, moreover, as is already understood by the Tax Administration itself, it was understood that now and in the concrete case it should not consider the amount of the cost of participation, including, therefore, the coverage of losses, upon the liquidation of the company held;
- Fiscal lawsuit related to rent tax, concerning a subsidiary of the Company in Brazil, in the amount of, approximately, 14.5 million euro (65.3 million Brazilian real), which is being judged by a tax court, for which there were granted guarantees in the amount of 45.1 million euro (203.5 million Brazilian real). The difference between the value of the contingency and the value of the guarantee relates with the update of the related responsibility.

(b) Contingent assets and liabilities related to tax claims paid under regularization programs of tax debt

Within the framework of regularization of tax debts to Tax Authorities, (Outstanding Debts Settlement of Tax and Social Security

– (Decree of law 67/2016 of 3/11, 151-A/2013 of 31/10 and 248-A/2002 of 14/11), the Group made tax payments in the amount of, approximately, 30.4 million euro, having the respective guarantees been eliminated. The related tax appeals continue in courts, having the maximum contingencies been reduced through the elimination of fines and interests related with these tax assessments.

As permitted by law, the Group maintains the legal proceedings, in order to establish the recovery of those amounts, having recorded as an asset the amounts related with income taxes paid under those plans (Note 15 and 43).

(c) Other contingent liabilities

- Contingent liabilities related to discontinued activities in subsidiaries in Brazil

Following the disposal of a subsidiary in Brazil, Sonae guaranteed to the buyer of the subsidiary all the losses incurred by that company arising on unfavourably decisions not open for appeal, concerning tax lawsuits on transactions that took place before the sale date (13 December 2005) and that exceed 40 million euro. The amount claimed by the Brazilian Tax Authorities, concerning the tax lawsuits still in progress, which the company's lawyers assess as having a high probability of loss, plus the amounts already paid 24.2 million euro (24.6 million euro at 31 December 2018) related to programs for the Brazilian State of tax recovery, amount to near 21.2 million euro at 31 December 2019 (21.6 million euro at 31 December 2018). Furthermore, there are other tax assessments totalling 41.5 million euro (42 million euro as at 31 December 2018) for which the Board of Directors, based on its lawyers' assessment, understands will not imply future losses to the former subsidiary.

- Procedure for contesting fines imposed by the Competition Authority

In 2016, the Competition Authority (AdC) notified Sonae Investimentos, Sonae MC and Modelo Continente, for the purpose of presenting a defence, in the context of a misconduct proceeding under the agreement entered into between Modelo Continente and EDP Comercial campaign known as the "EDP Continente Plan". It should be noted that the EDP / Continente Plan took place during 2012 and was extended in the first months of 2013 to allow the use of discounts that had been allocated to customers until 31 December 2012. The development of this type of business promotion agreement is a common practice in the Portuguese market. In 2017, the AdC imposed fines of 2.8 million euros on Sonae Investimentos and 6.8 million on Modelo Continente. AdC also condemned Sonae MC, but it did not impose any fine on it since that company does not present any turnover. These companies challenged the decision in court, and the Board of Directors expects, based on the opinion of their legal advisors, that there will be no liability for these companies in this proceeding.

- Research in progress by the Competition Authority

In 2017, a Modelo Continente Hipermercados, S.A. was subject to search and seizure of documents by the Competition Authority (AdC), as part of an investigation publicly reported by AdC as involving 21 entities in the retail sector of consumer goods (for example, hypermarkets, supermarkets, hard-discounts and its suppliers).

On 22 March 2019, in the context of that investigation, AdC published on its website that it directed notes of illegality to Modelo Continente Hipermercados, S.A. concerning alleged restrictive competition practices. Illegality notes do not represent the final result of the investigation, but a provisional phase, which is still subject to the exercise of the defendant's right of defence.

During the year 2019, the defendant's right of defence in relation to each of the notes of illegality was suspended, by resolution of the Council of the Authority, having only been withdrawn at the end of December and only on two of the illegality notes. The period for exercising the defendant's right of defense, regarding these two notes of illegality, ended and was exercised during the year of 2020.

- Contingent liabilities related to subsidiaries of Sonae Sierra

As at 31 December 2019 and 2018, Sonae Sierra's main contingent liabilities related to the following situations:

- In 2018 the Group agreed to pay up to the amount of 13.3 million euro in case of breach of the obligations undertaken under the investment agreement between Sierra Parma Project, B.V. and Parma Sviluppo, Srl.
 - In 2018 the Group agreed with the bank that granted the loan to Doc Malaga Siteco, S.L.U., for the construction of the shopping centre Designer Outlet Málaga, the payment of any amount requested by the bank in the maximum amount 7.5 million euro, in case the company is not able to comply with its obligations.
 - In 2018 the Group agreed with the bank that granted the loan to Proyecto Cúcuta S.A.S., for the construction of the shopping centre Jardín Plaza Cúcuta, the payment of any amount requested by the bank in the maximum amount 7.2 million euro in case the company is not able to comply with its obligations.
 - In December 2013 Gli Orsi received a tax notification, whereby it is asked to pay the amount of 19.5 million euro, related with real estate transfer tax in the amount of 9.5 million euro and 10 million euro related with penalties and interest, plus court agent fees amounting to 1 million euro. In 2019, the company adhered the tax definition provided for by the law with payment of higher assessed taxes without penalties and interest in 20 (twenty) quarter instalments (in total 9 million euro less 2 million euro contributed by NovaCoop). The procedure before the Supreme Court is suspended until full payment of all instalments above. In 2016, the Group assumed the commitment to the bank ING Bank N. V. (Milan), that finance the company Gli Orsi Shopping Centre 1, Srl, to pay future tax liabilities which may arise in relation to these tax litigations up to the maximum amount of 25 million euro, in case the company is not able to settle it. In 2019 the commitment to the bank is for the payment of the remain instalments.
 - Until this date, Sonae Sierra had been notified by the tax authorities regarding to the deductibility of the interest incurred with loans obtained in the years 2005, 2007, 2008, 2009 and 2010 as Mother Company of the RETGS in the amount of 10 million euro. This notification was claimed by the Company. No provision was recorded because the Board of Directors understands that the risk of this contingency is unlikely.
 - Sonae Sierra presents processes referring to tax on the profit of the collective persons, for whom claims were presented to correspondents and stood bail for the subsidiary Sierra Investments SGPS, S.A., in the value for 13.2 million euros, with Maia's Finance Service on behalf of Sonae Sierra SGPS, S.A., in order to suspend the effects of the tax foreclosure process related to the collection of tax resulting from the corrections made to the corporate income tax "IRC" for the years 2008 to 2010 and from 2012 to 2014, covered by the Tax Group, under the Special Taxation Regime for "RETGS" Company Groups."
- Contingent liabilities related to joint ventures are disclosed in Note 48.

No provision has been recorded to face risks arising from events related to guarantees given, as the Board of Directors considers that no liabilities will result for Sonae.

36. Operational lease - Lessor

Minimum lease payments (fixed income) arising from operational leases, in which the Group acts as a lessor, recognized as income during the period ended 31 December 2019 and 2018 amounted to 60,334,020 euro and 28,709,171 euro, respectively.

Additionally, at 31 December 2019 and 2018, Sonae had operational lease contracts, as a lessee, whose minimum lease payments had the following payment schedule:

	31 Dec 2019	31 Dec 2018
Due in:		
N+1 automatically renewal	2,311,545	3,608,098
N+1	34,533,332	62,429,481
N+2	28,113,685	55,027,202
N+3	18,257,766	45,663,135
N+4	15,017,765	33,574,504
N+5	10,482,076	24,575,023
After N+5	29,152,008	74,261,908
	137,868,177	299,139,351

37. Gains and losses on investments

As at 31 December 2019 and 2018, Gain or losses Investment is made up as follows:

	31 Dec 2019	31 Dec 2018 Restated
Dividends	100,689	100,793
Loss generated on sales of the financial contribution regarding Sonae Sierra segment (Note 4.2 and 13.3)	(15,670,895)	-
Loss generated in the restructuring of Brazil (Note 13.3.1)	(14,342,904)	-
Gain on the sale of Iberian Assets	-	13,735,889
Gain on the revaluation to fair value of the financial participation of Sonae Sierra (Note 4.3)	-	45,853,773
Transfer of currency translation reserves due to gain of control (Note 4.3)	-	(74,319,831)
Others	52,932	122,092
Gains / (losses) on the sale of investments in subsidiaries, joint ventures and associates	(29,960,866)	(14,608,077)
Others	-	4,271
Impairment of investments in subsidiaries	(15,000)	(2,384,956)
Impairment reversal on financial investments	-	15,900
Impairment reversal/(losses) on investments	(15,000)	(2,369,056)
Total income and (expenses) related to investments	(29,875,177)	(16,872,069)

38. Net financial expenses

As at 31 December 2019 and 2018, Net financial expenses are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Expenses		
Interest payable		
related with bank loans and overdrafts	(17,028,723)	(9,790,593)
related with non convertible bonds	(10,062,076)	(10,912,131)
related with operational leases (Note 10)	(71,888,588)	(62,647,198)
others	(3,990,835)	(6,298,476)
	(102,970,222)	(89,648,398)
Foreign exchange losses	(13,302,237)	(7,529,920)
Up front fees and commissions related to loans	(7,714,999)	(6,618,548)
Others	(3,782,233)	(3,903,305)
	(127,769,691)	(107,700,171)
Income		
Interest receivable		
related with bank deposits	17,510	33,457
others	4,576,475	1,800,464
	4,593,985	1,833,921
Foreign exchange gains	12,463,062	5,855,168
Other financial income	615,535	1,973,232
	17,672,582	9,662,321
Net financial expenses	(110,097,109)	(98,037,850)

39. Other income

As at 31 December 2019 and 2018, the caption "Other Income" is made up as follow:

	31 Dec 2019	31 Dec 2018 Restated
Supplementary income	33,739,105	24,191,403
Prompt payment discounts obtained	26,118,306	25,533,977
Foreign currency exchange gains	21,946,324	23,548,719
Own work capitalised (Note 9)	16,807,778	14,613,602
Gains on sales of assets (Note 8 and 10)	11,748,475	64,146,538
Provisions and impairment losses reversals (Note 33)	9,035,491	16,705,062
Subsidies	2,052,648	1,333,250
Benefits of contractual penalties	257,552	658,546
Insurance claims	429,349	132,204
Others	8,789,844	5,755,973
	130,924,872	176,619,274

As at 31 December 2019 under the caption of "Gains on sales of assets" are included gains related to the operation of "Sale & Leaseback" amounting to 3.2 million euro (37.4 million euro as at 31 de December 2018) (Note 8) and the disposal of two investment properties related to CoimbraShopping and Nurberg in the amount of 28 million euro (Note 11).

40. External supplies and services

As at 31 December 2019 and 2018, External supplies and services are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Services	105,399,371	85,695,393
Publicity	101,799,448	102,227,325
Electricity	71,554,685	68,791,120
Transports	64,946,863	73,589,042
Rents	43,371,628	33,509,450
Maintenance	33,145,059	29,391,858
Cleaning up services	28,737,136	25,424,582
Subcontracts	26,543,565	17,760,342
Commissions	23,041,202	21,571,666
Security	22,430,114	21,048,460
Travel expenses	16,461,547	15,901,059
Costs with automatic payment terminals	15,046,926	13,833,887
Consumables	14,312,852	14,483,546
Communications	10,670,079	10,044,996
Home delivery	8,700,862	7,629,344
Insurances	7,647,977	6,569,072
Others	80,198,565	68,901,426
	674,007,879	616,372,568

The amount included in rents and leases relates to variable rents from lease contracts.

41. Employee benefits expense

As at 31 December 2019 and 2018, Employee benefits expense are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Salaries	679,733,074	596,986,196
Social security contributions	141,483,022	124,810,342
Insurance	12,913,626	12,407,925
Welfare	4,265,065	4,601,392
Other staff costs	29,932,660	29,094,249
	868,327,447	767,900,104

42. Other expenses

As at 31 December 2019 and 2018, other expenses are as follows:

	31 Dec 2019	31 Dec 2018 Restated
Exchange differences	24,005,311	23,507,715
Galp/Continente loyalty program	13,700,877	12,608,328
Losses on the sale and write-off of assets	11,324,242	8,782,214
Indirect taxes and fees	13,453,136	11,042,713
Donations	10,025,005	9,278,059
Municipal property tax	5,398,575	3,133,206
Payment of withholding dividends payment tax	553,000	2,640,350
Doubtful debts	1,184,045	224,956
Other expenses	5,303,473	11,956,303
	84,947,664	83,173,845

43. Income tax expense

As at 31 December 2019 and 2018, income tax is made up as follows:

	31 Dec 2019	31 Dec 2018
Debtors values		
Income taxation	37,910,056	44,470,989
Income taxes recoverable from parent company	631,999	151,159
Special regime for payment of tax and social security debt	3,741,281	3,741,281
Income taxation	42,283,336	48,363,429
Creditors values		
Income taxation	11,105,808	17,954,098
Income tax with participated entities	2,359,146	258,015
Income taxation	13,464,954	18,212,113

Income tax expense recognized for the periods ended 31 December 2019 and 2018 are detailed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Current tax	12,274,086	23,783,976
Deferred tax (Note 20)	6,221,300	532,629
	18,495,386	24,316,605

The reconciliation between profit before Income tax and "Income tax expense" for the periods ended 31 December 2019 and 2018 is as follows:

	31 Dec 2019	31 Dec 2018 Restated
Profit before income tax	234,675,106	269,024,778
Income tax (21%)	49,281,772	56,495,203
Effect of different income tax rates in other countries	(6,181,336)	(12,257,908)
Difference between capital (losses)/gains for accounting and tax purposes	(9,241,320)	980,019
Gains or losses in jointly controlled and associates companies (Note 13)	(22,653,510)	(29,245,940)
Provisions and impairment losses not accepted for tax purposes	-	1,030,902
Use of tax losses that have not originated deferred tax assets	464,956	(10,244,187)
Recognition of tax losses that have not originated deferred tax assets	9,959,615	10,291,121
Amortization of goodwill for tax purposes in Spain	5,816,680	5,816,680
Use of tax benefits	(9,886,552)	(9,196,591)
Under/(over) Income tax estimates	(5,621,761)	(545,816)
Autonomous taxes and tax benefits	2,168,637	3,720,095
Municipality surcharge	3,549,023	9,677,104
Others	839,181	(2,204,078)
Income tax	18,495,386	24,316,605

44. Related parties

Balances and transactions with related parties during the periods ended 31 December 2019 and 2018 are as follows:

Transactions	Turnover and other income		Purchases and services obtained	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Parent Company	268,073	256,729	483,823	584,297
Jointly controlled companies	38,570,251	24,107,768	284,892,965	288,394,372
Associated companies	80,457,316	43,938,494	4,310,403	4,414,789
Other related parties	56,543,745	59,612,924	13,671,266	15,984,876
	175,839,385	127,915,914	303,358,458	309,378,335

Transactions	Interest income		Interest expenses	
	31 Dec 2019	31 Dec 2018 Restated	31 Dec 2019	31 Dec 2018 Restated
Parent Company	-	-	6,876	-
Jointly controlled companies	443,835	255,964	415,837	321,560
Associated companies	1,493,651	583,698	5,329,495	4,599,841
Other related parties	5,583	-	180,248	197,368
	1,943,069	839,662	5,932,457	5,118,770

Balances	Accounts receivable		Accounts payable	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Parent Company	38,875	32,998	466,133	564,227
Jointly controlled companies	7,429,858	13,527,883	80,692,278	80,068,951
Associated companies	15,222,656	19,040,984	3,205,693	5,374,965
Other related parties	16,061,643	16,561,221	7,768,566	11,572,936
	38,753,032	49,163,086	92,132,670	97,581,079

Balances	Loans			
	Obtained		Granted	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Parent Company	-	-	-	-
Jointly controlled companies	-	3,763,846	15,785,680	14,672,564
Associated companies	287	-	19,218,261	49,944,871
Other related parties	-	3,944,638	2,160,000	2,160,000
	287	7,708,484	37,163,940	66,777,435

The related parties include subsidiaries and jointly controlled companies or associated companies of Sonae Sierra SGPS, SA, ZOPT SGPS, SA, Sonae Indústria, SGPS, SA and Sonae Capital, SGPS, SA, as well as other shareholders of subsidiaries or jointly controlled companies by Sonae, and other subsidiaries of the parent company Efanor Investimentos, SGPS, SA.

The remuneration of the members of the Board of Directors of the parent company and of the employees with strategic management responsibility, earned in all Sonae companies for the years ended at 31 December 2019 and 2018, is composed as follows:

	31 Dec 2019		31 Dec 2018	
	Board of Directors	Strategic direction ^(a)	Board of Directors	Strategic direction ^(a)
Short-term employee benefits	1,701,703	8,000,813	1,635,500	6,725,295
Share-based payments	456,300	2,755,445	567,200	1,888,000
	2,158,003	10,756,258	2,202,700	8,613,295

(a) Includes personnel responsible for the strategic management of the companies of Sonae (excluding members of the Board of Directors of Sonae Holding).

45. Earnings per share

Earnings per share for the periods ended 31 December 2019 and 2018 were calculated taking into consideration the following amounts:

	31 Dec 2019		31 Dec 2018 Restated	
	Continuing Operations	Discontinuing Operations	Continuing Operations	Discontinuing Operations
Net profit				
Net profit taken into consideration to calculate basic earnings per share (consolidated profit for the period)	149,398,410	15,823,494	212,126,482	(4,999,415)
Effect of dilutive potential shares	-	-	-	-
Interest related to convertible bonds (net of tax)	3,755,940	-	8,220,670	-
Net profit taken into consideration to calculate diluted earnings per share	153,154,350	15,823,494	220,347,152	(4,999,415)
Number of shares				
Weighted average number of shares used to calculate basic earnings per share	1,904,018,211	1,904,018,211	1,895,593,392	1,895,593,392
Effect of dilutive potential ordinary shares from convertible bonds	128,667,482	128,667,482	128,667,482	128,667,482
Outstanding shares related with share based payments	3,885,211	3,885,211	10,630,179	10,630,179
Shares related to performance bonus that can be bought at market price	(1,265,012)	(1,265,012)	(689,056)	(689,056)
Weighted average number of shares used to calculate diluted earnings per share	2,035,305,892	2,035,305,892	2,034,201,997	2,034,201,997
Earnings per share				
Basic	0.078465	0.008311	0.111905	(0.002637)
Diluted	0.075249	0.007775	0.108321	(0.002458)

The 2019 average number of shares for the year ended 31 December 2019 considers 95,981,789 Sonae Holding shares (100,210,733 shares in 31 December 2018) (Note 24).

46. Cash receipts and cash payments of investments

As at 31 December 2019 and 2018, cash receipts and cash payments related to investments can be detailed as follows:

- Investments activities

Receipts	31 Dec 2019	31 Dec 2018 Restated
Disposal of Wedo (Nota 4.2)	60,420,125	-
Disposal of Alexa (Nota 13.3)	40,182,448	-
Decrease NorteBv Shares Premium (13.3.1)	11,168,986	-
Receipt relating to the disposal of Loop5 in 2018 (13.3.2)	9,845,752	-
Disposal of Dos Mares (Nota 4.2)	8,927,876	-
Decrease Prize Iberia Coop shares (13.3.2)	8,194,000	-
Disposal of Saphety (4.2)	8,323,095	-
Disposal of Solingen (Nota 13.3)	2,918,704	-
Trivium Share Premium Decrease (13.3.2)	2,005,434	-
Receipt relating to the disposal of Iberian Assets - price adjustment	1,697,043	-
Disposal of Iberian Assets (13.3.1)	-	163,959,175
Disposal of Sport Zone participation	-	28,628,150
Capital giveback invested in the Armilar fund II (Note 13.3.2))	-	16,477,366
Others	1,410,196	3,420,853
	155,093,659	212,485,544

Payments	31 Dec 2019	31 Dec 2018 Restated
Acquisition of Tomenider e Arenal (Nota 4.1)	47,039,289	-
Payment of outstanding Parklake acquisition	28,547,647	-
Acquisition of SIXGILL (Note 14)	5,415,162	-
Acquisition of CELLWISE (Note 14)	5,357,593	-
Acquisition of Visenze (Note 14)	5,244,147	-
Capital increase of Ometria (Note 14)	4,404,318	800,882
Supplementary Payments of MKTPLACE (13.3.2)	3,625,523	1,339,604
Capital increase Arctic Wolf (Note 14)	3,609,512	-
Acquisition of L.C. Malheiro II, SGPS, S.A.	2,500,000	-
Capital increase PT29-SIGI	2,499,998	-
Acquisition of Daisy Intelligence (Note 14)	2,406,623	-
Acquisition of Iservices (Note 4.1)	2,175,704	-
Acquisition of Sonae Sierra (Note 4.3)	-	138,322,082
Capital increase of Global Tarpeya	-	31,934,175
Subscription of JD Sprinter shares	-	26,546,230
Acquisition of Excellium	-	5,374,398
Acquisition of Visenze (Note 14)	-	4,384,811
Acquisition of Nextel (Note 4.4)	-	2,940,587
Acquisition of Reblaze (Note 14)	-	2,352,437
Acquisition of Artic Wolf (Note 14)	-	2,302,130
Acquisition of Nextail (Note 14)	-	2,300,000
Acquisition of Case on IT (Note 14)	-	2,280,000
Others	8,023,091	11,087,579
	120,848,607	231,964,915

47. Commitments not reflected in the statement of financial position

Following the sale of 49.9% of Sierra European Retail Real Estate Assets Holdings BV's ("Sierra BV") share capital to a group of Investors, in 2003, Sonae Sierra has agreed to revise the sale price of such shares in the event of a sale, to third parties, of some of the shopping centres owned by subsidiaries of Sierra BV (subject to some conditions).

The price revision can occur both with a sale of the asset (investment property in the case) or with a sale of the shares of the company that is, directly or indirectly, the owner of such asset.

The price revision will be made by Sonae Sierra to the Investors in Sierra Luxcos or to Sierra BV if, in a relevant sale, discounts related to deferred taxes on capital gains have been made.

The price revision will be dependent on the percentage ownership in the company that owns the asset, the Investors' ownership percentage in Sierra BV (and in case of a sale of shares adjusted by a 50% discount) and is limited to:

- (i) in the case of the asset sale, a maximum amount of 99,1 million euro;
- (ii) in the case of a sale of shares of the company that directly or indirectly owns the asset, a maximum amount 49,6 million euro;
- (iii) in the case of a sale of shares of the company that directly or indirectly owns the asset, the price revision plus the selling price, cannot result in a revised price that is greater than the proportion of the Net Asset Value.

Similar commitments were granted by Sonae Sierra in relation to the companies transferred to Sierra BV after 2003 and to CBRE companies regarding the sale of 50% of Vasco da Gama.

These commitments are valid while the current agreements with the other stockholders of Sierra BV are maintained.

Furthermore, Sonae Sierra has the right to make a proposal for the acquisition of the asset or the shares at stake before they are offered for sale to a third party.

In accordance with the agreements made between the shareholders of Sierra BV at the time of its incorporation in 2003, it was agreed that Sierra BV should exist for an initial period of 10 years (that ended in October 2013), that could be extended by two additional periods of one year starting in 2013. On September 2013 all the shareholders of Sierra BV approved an amendment agreement relating to the continuation of the operations of the Fund with a long-stop date until October 2018. On September 2019, Sonae Sierra and APG agreed on an extension of the long stop date of the Partnership on 10 October 2020 for the purpose of agreeing and advancing with the implementation of (i) the exit strategy for the Non-Core Assets and (ii) the subsequent extension of the life of the Partnership for the Core Assets.

In accordance with the agreements made between the shareholders of SPF at the time of its incorporation in 2008, it was agreed that SPF should exist for a period of 10 years (that ended in 2018), with the shareholders having the option to redeem its shares after 2014, provided that some conditions are met. Upon a prospective redemption notice received from shareholders, the Manager (Sonae Sierra) shall carry out its best endeavours to redeem the respective interests, in a period of 12 months. Additionally, in 2015 shareholders agreed to extend the term of the fund until 2020.

The Group believes that the direct sale of the asset is a less attractive solution as it is subject to certain liabilities that are not crystallized in the event of a sale of the shares.

48. Provision and contingent liabilities relating to joint ventures

Grupo ZOPT

The Board of Directors of Zopt is convicted that the recent patrimony seizure to Mrs. Eng^a 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. Eng.^a 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. To 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.

(a) ZOPT Group provision's

The processes described below are provisioned in the consolidated accounts of Zopt, given the level of risk identified.

1. Future credits transferred

For the financial year ended at 31 December 2010, NOS SA was notified of the Report of Tax Inspection, when it is considered that the increase, when calculating the taxable profit for the year 2008, of the amount of 100 million euro, 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 2008 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 euro. 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)

The Extraordinary contribution toward the fund for the compensation of the net costs of the universal service of electronic communications (CLSU) is legislated in Articles 17 to 22 of Law no 35/2012, of 23 August. From 1995 until June 2014, MEO, SA (former PTC) was the sole provider for the universal service of electronic communications, having been designated administratively by the Portuguese government, i.e. without a tender procedure, which constitutes an illegality, by the way acknowledged by the European Court of Justice who, through its decision taken in June 2014, condemned the Portuguese State to pay a fine of 3 million euros. In accordance with Article 18 of the abovementioned Law 35/2012, of 23 August, the net costs incurred by the operator responsible for providing the universal service, approved by ANACOM, must be shared between other companies who provide, in national territory public communication networks and publicly accessible electronic communications services. NOS is therefore within the scope of this extraordinary contribution given that MEO has been requesting the payment of CLSU to the compensation fund of the several periods during which it was responsible for providing the services. In accordance with 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 requests 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 euro, a decision that was contested by NOS. In January 2015, ANACOM issued the settlement notes in the amount of 18.6 million euro related to NOS, SA, NOS Madeira and NOS Açores which were object of judicial challenge and for which a bail was presented by NOS SGPS to avoid Tax Execution Proceedings. The guarantees have been accepted by ANACOM.

In 2014, ANACOM deliberated to approve the final results of the CLSU audit by MEO, relative to the period from 2010 to 2011, in a total amount of 47.1 million euros, a decision, as in previous years, contested by NOS. In February 2016, ANACOM issued the settlement notes in the amount of 13 million euros, related to NOS, SA, NOS Madeira and NOS Açores which were also contested and for which it was before also presented bail by NOS SGPS in order to avoid the promotion of respective tax enforcement processes, guarantees that have been accepted by ANACOM.

In 2015, ANACOM deliberated to approve the final results of the audit to CLSU presented by MEO relative to the period from 2012 to 2013, in the amount of 26 million euros and 20 million euros, respectively, and as the others, it was contested by NOS. In December 2016, the notices of settlement were issued relating to NOS, SA, NOS Madeira and NOS Açores, corresponding to that period, totalling 13.6 million euros that were contested by NOS and for which guarantees have been already presented by NOS SGPS in order to avoid the promotion of the respective proceedings of tax execution. The guarantees were also accepted by ANACOM.

In 2016, ANACOM approved the results of the audit to the CLSU presented by MEO related with the period between January and June 2014, for a total amount of 7.7 million euros that was contested by NOS, in standard terms.

In 2017, NOS, SA, NOS Madeira and NOS Açores were notified of the decision of ANACOM concerning the entities that are obliged to contribute toward the compensation fund and the setting of the values of contributions corresponding to CLSU that have to be compensated and relating to the months of 2014 in which MEO still remained as provider of the Universal Service, which establishes for all these companies a contribution totaling close to 2.4 million euros. In December 2017, the settlement notes relating to NOS, SA, NOS Madeira and NOS Açores, concerning that period, were issued in the amount of approximately 2.4 million euros, which were challenged by NOS and for which guarantees have also been presented by NOS SGPS, in order to avoid the promotion of their tax enforcement procedures. The guarantees were also accepted by ANACOM.

It is the opinion of the Board of Directors of NOS that these extraordinary contributions to Universal Service (not designated through a tender procedure) flagrantly violate the Directive of Universal Service. Moreover, considering the existing legal framework since NOS began its activity, the request of payment of the extraordinary contribution violates the principle of the protection of confidence, recognised on a legal and constitutional level in Portuguese domestic law. For these reasons, NOS will

continue judicially challenge either the approval of audit results of the net cost of universal service related to the pre-competitive period, and the liquidation of each extraordinary contribution, once the Board of Directors is convinced it will be successful in all challenges, both future and already undertaken.

(b) Legal actions and contingent assets and liabilities of Zopt Group

1. Legal actions with regulators

NOS SA, NOS Açores and NOS Madeira brought actions for judicial review of ANACOM's decisions in respect of the payment of the Annual Fee of Activity (for 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 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. Settlements for 2019 will be contested by the end of the first half 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; 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; 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 and 2017: 187 thousand euros; 2018: 205 thousand euros; 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, in the contests they promote, claim, namely: i) addition to defects of unconstitutionality and illegality, related to the inclusion in the cost accounting of ANACOM of the provisions made by the regulator, due to judicial proceedings against the latter (including these appeals of the activity rate) and ii) that only revenues from the electronic communications business per se, subject to regulation by ANACOM, should be considered for the purposes of the application of the percentage and the calculation of the fee payable, and that revenues from television content should be excluded.

Four sentences on the matter were given, i.e. in December 2012, in September 2017, in April 2018 and in May 2018, respectively, within the scope of the contestation of the annual rate of 2009, 2010 (NOS Comunicações) and 2012 (Ex-ZON and also Ex-Optimus). The first judgment ruled in favour of the respective contestation, only based on lack of prior hearing, but ordered ANACOM to pay interest. ANACOM submitted an appeal concerning that decision, but the Court of Appeal declined it by decision in July 2013. The three remain decisions judge also, in turn, ruled in favour of the respective contestations, but, this time for fundamental reasons, annulled the contested act by unlawfulness with the legal consequences, namely imposing the refund of the tax that was paid but still not refunded to NOS and ordering ANACOM to pay compensatory interest. 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.

2. 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. Note that the Group considered that the corrections were unfounded,

and contested the amounts mentioned. The Group provided the bank guarantees demanded by the tax authorities in connection with these proceedings.

Based on the opinions obtained from the process agents and tax consultants, the Board of Directors maintains the conviction of a favorable outcome, which is why it maintains these cases in court. However, in compliance with the principle of prudence, an assessment is made of the group's level of exposure to these processes periodically, in view of the evolution of jurisprudence, and consequently the provisions set up for this purpose are adjusted. The Group provided bank guarantees required by the Tax Administration, within the scope of these processes.

3. 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 unauthorised portability of NOS SA in the period between March 2009 and July 2011. NOS SA presented its defence and reply, and the Court ordered an expert opinion, which was, meanwhile, deemed without effect. The discussion and trial hearing took place at the end of April and beginning of May 2016, and a judgment was rendered in September of the same year, which considered the action to be partially justified, based not on the occurrence of improper portability, which the Court has determined to restrict itself to those which do not correspond to the will of the proprietor, but of mere delay in sending the documentation related to the portabilities by the Recipient Carrier (NOS) to the Holding Provider (MEO). In that regard, it sentenced NOS to the payment of approximately 5.3 million Euros to MEO, a decision of which only NOS appealed to the Lisbon Court of Appeal. MEO, on the other hand, was satisfied and did not appeal against the part of the sentence that acquitted the NOS of the requests for compensation that it formulated - in the amount of approximately 5.0 million euros - regarding alleged improper portabilities. This Court, in the first quarter of 2018, upheld the decision of the Court of First Instance, except for interests, in which gave reason to the claims of NOS, in the sense that they should be counted from the citation to the action and not from the due date of the invoices. NOS filed an extraordinary appeal with the Supreme Court of Justice, which was admitted and is currently under appreciation in this Court. In November 2019, the Court of First Instance granted the parties the possibility of requesting the production of supplementary evidence to the matter of fact of the extension, with NOS requesting an expert examination and the repetition of testimonial evidence.

MEO made three court notices to NOS SA (April 2013, July 2015 and March 2016), three to NOS Açores (March and June 2013 and May 2016) and three to NOS Madeira (March and June 2013 and May 2016), in order to stop the prescription of alleged damages resulting from claims of undue portability, absence of response time to requests submitted to them by MEO and alleged illegal refusal of electronic portability requests.

MEO doesn't indicate in all notifications the amounts in which it wants to be financially compensated, 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 contested the action during the month of October 2018, and, in September 2019, a sentence was handed down by the Court of First Instance, which considered the objection of limitation invoked by NOS SA to be valid, absolving it entirely from the request made by MEO. MEO appealed this decision to the Court of Appeal, and NOS filed its counterclaims. Pending judgment by the Court of Appeal.

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.

4. Action brought by DECO

In March 2018, NOS was notified of a lawsuit brought by DECO against NOS, MEO and NOWO, in which the declaration of nullity of the obligation to pay the price increases imposed on customers is requested at the end of 2016. In April and in May 2018, operators, including NOS, filed a challenge. The amount of Euro 60,000 was fixed to the share. By order of October 2018, the Local Civil Court declared itself incompetent to hear the case, and the Central Civil Court of the same Court was competent for that purpose. After the case was sent to the Central Court, a prior hearing was scheduled for October 8, 2019, which was cancelled because the judge declared that he was prevented from considering the action. The Board of Directors believes that the arguments used by the plaintiff are unfounded, which is why it is believed that the outcome of the process should not have a significant impact on the Group's financial statements. Further terms of the process are awaited.

5. 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, the result were totally favourable to NOS S.A., having already become final.

6. Contractual penalties

The general conditions that affect the agreement and termination of this contract between NOS and its clients, establish that if the products and services provided by the client can no longer be used prior to the end of the binding period, the client is obliged to pay damages immediately.

Until 31 December 2014, the revenue from penalties, in the face of the inherent uncertainties, was only recognised at the time of receipt, and at 31 December 2019, the amounts receivable by NOS SA, NOS Madeira and NOS Açores from these invoiced compensations amounted to 47,789 thousand euros. During the period ended at 31 December 2019, receipts in the amount of 1,028 thousand euros of the amounts outstanding as of 31 December 2014 were recognised as revenues.

From 1 January 2015, revenue from penalties is recognised considering an estimated collectability rate considering 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, considering the degree of risk, in the consolidated accounts of Sonaecom.

(c) Other commitments Grupo Zopt

In December 2015, NOS signed a contract with Sport Lisboa e Benfica - Futebol SAD and Benfica TV, SA of television rights of home matches of football NOS' league, broadcasting rights and distribution of Benfica TV Channel. The contract began in 2016/2017 sports season, had an initial duration of three years, and might be renewed by decision of either party up to a total of 10 sports seasons, with the overall financial consideration reaching the amount of 400 million euros, divided into progressive annual amounts.

Also, in December 2015, NOS signed a contract with Sporting Clube de Portugal - Futebol SAD and Sporting and Communication Platforms, S.A. which includes the following rights:

- 1) TV broadcasting rights and multimedia home games of Sporting SAD;
- 2) The right to explore the static and virtual advertising at Stadium José Alvalade;
- 3) The right of transmission and distribution of Sporting TV Channel;

- 4) The right to be its main sponsor.

The contract will last 10 years, concerning the rights indicated in 1) and 2) above, starting in July 2018, 12 years in the case of the rights stated in 3) starting in July 2017 and 12 and a half seasons in the case of the rights mentioned in 4) beginning in January 2016, with the overall financial consideration amounting to 446 million euros, divided into progressive annual amounts.

Also, in December 2015, NOS SA has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

- 1) Associação Académica de Coimbra – Organismo Autónomo de Futebol, SDUQ, Lda
- 2) Os Belenenses Sociedade Desportiva Futebol, SAD
- 3) Clube Desportivo Nacional Futebol, SAD
- 4) Futebol Clube de Arouca – Futebol, SDUQ, Lda
- 5) Futebol Clube de Paços de Ferreira, SDUQ, Lda
- 6) Marítimo da Madeira Futebol, SAD
- 7) Sporting Clube de Braga – Futebol, SAD
- 8) Vitória Futebol Clube, SAD

The contracts will begin in the 2019/2020 sports season and last up to 7 seasons, with the exception of the contract with Sporting Clube de Braga - Futebol, SAD which lasts 9 seasons.

During the year of 2016, NOS SA has signed contracts regarding the television rights of home senior team football games with the following sports clubs:

- 1) C. D. Tondela – Futebol, SDUQ, Lda
- 2) Clube Futebol União da Madeira, Futebol, SAD
- 3) Grupo Desportivo de Chaves – Futebol, SAD
- 4) Sporting Clube da Covilhã – Futebol, SDUQ, Lda
- 5) Clube Desportivo Feirense – Futebol, SAD
- 6) Sport Clube de Freamunde – Futebol, SAD
- 7) Sporting Clube Olhanense – Futebol, SAD
- 8) Futebol Clube de Penafiel, SDUQ, Lda
- 9) Portimonense Futebol, SAD

The contracts will begin in the 2019/2020 sports season and last up to 3 seasons.

In May 2016, NOS and Vodafone have agreed on reciprocal availability, for several sports seasons, of sports content (national and international) owned by the companies, directly by the transferring party or indirectly through the transfer to channels or models of content, in order to assure to both companies, directly by the assigning party or indirectly through the transfer to third party content distribution channels or models, the availability of broadcasting rights of the sports clubs home football games, as well as the broadcasting and distribution rights of sports and sports clubs channels, whose rights are owned by each of the companies in each moment. The agreement came into force from the beginning of the sports season 16/17, assuring access to Benfica's channel and Benfica's home football games to NOS' and Vodafone's clients, independent from the channel where these football games are broadcast.

Considering that the contract signed allowed for the possibility of extending the agreement to the other operators, in July 2016 MEO and Cabovisão joined the agreement, ending the lack of availability of Porto Canal in the NOS's channel grid, assuring that every Pay TV client can have access to every relevant sports content, regardless of which operator they use.

Following the agreement signed with the remaining operators, as a counterpart of the reciprocal provision of rights, the global costs are shared according with retailer telecommunications revenues and Pay TV market shares.

The estimated cash flows are estimated as follows:

Seasons	2019/20	Flowing
Estimated cash flows with the contracts signed by NOS with the sports entities*	115,6 million euro	870,8 million euro
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	68,1 million euro	488,2 million euro

NOS and Vodafone Portugal celebrated on 29 September 2017 an agreement of infrastructure development and sharing with a nationwide scope. This partnership allows the two Operators providing their commercial offers under a shared network at the beginning of 2018.

The agreement covers the reciprocal sharing of dark fibre in approximately 2.6 million of homes in which each of the entities shares with the other one an equivalent investment value, in other words, they share similar goods. It is assumed that both companies retain full autonomy, independence, and confidentiality concerning the design of the commercial offers, the management of the customers' database and the choice of technological solutions they might decide to implement, that did not originate any impact on the consolidated financial statements (according to IAS 16, this exchange of similar non-monetary assets will be presented on a net basis).

The partnership was also widened to the sharing of the mobile infrastructure and the minimum share of 200 mobile towers was agreed.

49. Presentation of consolidated income statements

In the Management Report, and for the purposes of the purposes of calculating financial indicators as EBIT, EBITDA and Underlying EBITDA the consolidated income statement is divided between Direct Income and Indirect Income.

The Indirect Income includes the contribution of Sonae Sierra, net of taxes that result from: (i) valuation of investment properties; (ii) gains (losses) with the sale of financial investments, joint ventures or associates; (iii) impairment losses relating to non-current assets (including Goodwill) and (iv) provisions for assets at risk. Additionally and with regard to the portfolio of Sonae, it includes: (i) impairment of real estate assets for retail, (ii) decreases in Goodwill, (iii) negative Goodwill (net of taxes) related to acquisitions in the financial year, (iv) provisions (net of tax) for possible future liabilities, and impairments related to noncore investments, businesses and discontinued assets (or to be discontinued / repositioned), (v) valuation results based on the methodology "mark-to-market" of other current investments that will be sold or traded in the near future and (vi) other irrelevant issues.

The value of EBITDA and EBIT are calculated in the direct income component, i.e. excluding the indirect contributions.

The reconciliation between the two presentation formats for the consolidated income statement for the periods ended 31 December 2019 and 2018 can be summarized as follows:

	31 Dec 2018			31 Dec 2017 Restated		
	Consolidated	Indirect Income	Direct Income	Consolidated	Indirect income	Direct income
Turnover	6,434,788,361	-	6,434,788,361	5,890,899,541	-	5,890,899,541
Value created on investment properties	4,924,364	4,924,364	-	3,815,651	3,815,651	-
Investment income						
Dividends and others adjustments	100,689	-	100,689	100,793	-	100,793
Impairments losses (note 11)	-	-	-	(2,369,056)	-	(2,369,056)
Others	(29,975,866)	(29,975,866)	-	(14,603,806)	(28,350,435)	13,746,629
Others income						
Reversal of impairment losses	523,744	-	523,744	2,182,367	-	2,182,367
Reversal of provisions for warranty extensions	8,511,747	-	8,511,747	11,991,256	-	11,991,256
Others	115,509,779	-	115,509,779	162,445,650	-	162,445,650
Total income	6,534,382,818	(25,051,502)	6,559,434,320	6,054,462,397	(24,534,784)	6,078,997,181
Total expenses	(5,951,588,137)	-	(5,951,588,137)	(5,579,476,567)	(492,616)	(5,578,983,951)
Depreciation and amortisation	(330,753,851)	-	(330,753,851)	(290,617,528)	-	(290,617,528)
Gains and Losses on property, plant and equipment and intangible assets	(4,903,755)	-	(4,903,755)	(7,798,642)	-	(7,798,642)
Impairment losses and provisions						
Provisions for warranty extensions	(432,812)	-	(432,812)	(1,747,297)	-	(1,747,297)
Others	(38,127,969)	(15,310,206)	(22,817,763)	(34,476,088)	(8,183,015)	(26,293,073)
Profit before financial results and results of joint ventures and associates and non-recurrent items	208,576,294	(40,361,708)	248,938,001	140,346,274	(33,210,415)	173,556,689
Non-recurrent items	(28,694,616)	(28,210,328)	(484,288)	66,734,870	(37,668,740)	104,403,609
Non-recurrent items	21,930,807	21,930,807	-	-	-	-
Gains and losses on investments recorded at fair value through results	92,668	-	92,668	4,327,175	-	4,327,175
Financial profit/(loss)	(110,097,109)	-	(110,097,109)	(98,037,850)	-	(98,037,850)
Share of results of joint ventures and associated undertakings						
Sonae Sierra consolidated	-	-	-	38,871,917	14,067,370	24,804,547
Associates and joint ventures of Sonae Sierra	74,096,020	12,184,190	61,911,830	34,389,356	23,180,213	11,209,143
Armilar Venture Funds	34,993,206	34,993,206	-	57,731,649	57,731,649	-
ZOPT	28,474,695	(3,400,000)	31,874,695	32,486,814	-	32,486,814
Others	5,303,141	-	5,303,141	(7,825,427)	-	(7,825,427)
Profit before income tax	234,675,107	(2,863,833)	237,538,939	269,024,778	24,100,077	244,924,701
Income Tax	(18,495,386)	1,332,606	(19,827,992)	(24,316,605)	(5,499,165)	(18,817,440)
Profit/(Loss) from continued operations	216,179,721	(1,531,227)	217,710,947	244,708,173	18,600,912	226,107,261
Profit/(Loss) from discontinued operations	(4,109,727)	(1,629,462)	(2,480,265)	(5,133,386)	3,528,409	(8,661,795)
Profit/(Loss) from discontinued operations	21,930,807	21,930,807	-	-	-	-
Profit/(Loss) for the period	234,000,801	18,770,118	215,230,682	239,574,787	22,129,321	217,445,466
Attributable to equity holders of Sonae	165,221,904	14,260,388	150,961,516	207,127,067	16,356,156	190,770,911
Non-controlling interests	68,778,897	4,509,730	64,269,167	32,447,720	5,773,165	26,674,555
"Underlying" EBITDA (b)			598,802,671			490,065,988
EBITDA (a)			694,927,785			646,482,880
EBIT (c)			345,055,094			334,199,963

(a) EBITDA = total direct income - total direct expenses - reversal of direct impairment losses + share of results in joint ventures and associated undertakings (Sonae Sierra direct results, ZOPT and other participated) + provisions for extensions of guarantee + unusual results;

(b) "Underlying" EBITDA = EBITDA – effect of share result in joint ventures and associated undertakings – non-recurrent results;

(c) EBIT = EBT - financial results - dividends;

(d) EBT = Direct results before non-controlling interests and taxes;

(e) Direct income = Results excluding contributions to indirect results;

(f) Indirect income = Includes Sonae Sierra's results, net of taxes, arising from: (i) investment properties valuations; (ii) capital gains (losses) on the sale of financial investments, joint ventures or associates; (iii) impairment losses for non-current assets (including Goodwill) and; (iv) provision for assets at risk. Additionally and with regard to the portfolio of Sonae, it includes: (i) impairment of real estate assets for retail, (ii) decrease in goodwill, (iii) provisions (net of tax) for possible future liabilities and impairments related with non-core financial investments, businesses, discontinued assets (or be discontinued/ repositioned);(iv) valuation results based on the methodology "mark-to-market" of other current investments that will be sold or traded in the near future and (v) other irrelevant issues.

The indirect results can be analysed as follows:

Indirect income	31 Dec 2019	31 Dec 2018 Restated
Indirect income of Sonae Sierra	(4,672,556)	40,060,692
Gain generated on the fair value measurement of financial participation (37)	-	45,853,773
Transfer to profit and loss of currency translation reserves (Note 37)	17,494,296	(74,319,831)
Impairment of discontinued assets	(15,310,206)	(6,841,687)
Indirect result of Armilar Venture Funds net of tax	26,964,693	15,149,979
Discontinued operations	(1,629,462)	3,528,408
Others	(4,076,648)	(1,302,013)
Total	18,770,118	22,129,321

Direct Underlying EBITDA and the unusual results can be analysed as follows:

	31 Dec 2019	31 Dec 2018 Restated
Direct EBITDA	694,927,786	646,482,880
Share of results of joint ventures and associated companies accounted by Equity Method and others	(99,089,667)	(60,675,078)
Discontinued operations (Note 5)	2,480,265	8,661,795
Unusual results		
Capital gains on disposal of property, plant and equipment	(3,244,792)	(35,200,000)
Gain on the sale & leaseback transactions	(8,799,636)	(77,163,367)
Other expenses considered non-recurring	12,528,715	7,959,758
	484,288	(104,403,609)
"Underlying" Direct EBITDA	598,802,671	490,065,988

50. Subsequent events

Covid-19

The Board of Directors is closely monitoring all developments related to the Covid-19 pandemic with great concern and is carefully following the position of the relevant international authorities, namely the World Health Organization and the European Centre for Disease Prevention and Control, as well as the Portuguese Direção Geral de Saúde (Health Management Authority).

In this context, and given the existing risk level, a specific governance model was developed for the management of this crisis, led by Sonae's Executive Committee in alignment with the CEOs of each business unit, depending on the risk level defined at each given moment.

Therefore, Sonae has implemented prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to the central structures, across all the Group's businesses.

To summarise, below we have identified a set of impacts and mitigation measures underway in the different dimensions of the businesses:

- **Employees:** 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 a ban on all trips to countries where the virus is actively transmitted; advice against holding/participating in congresses, fairs, exhibitions and large group training sessions; recommendation for teleworking/remote work and dissemination of the appropriate tools for this purpose; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; among many others.
- **Business operations:**
 - **Fashion, Electronics and Sports Retail:**
 - Currently, there are no delays and/or cancellation of productions originating from the Far East and other affected geographic areas, as well as in product imports. If these situations occur, they may result in lost sales or increased acquisition and transportation costs. However, the substitution of suppliers/orders from

less affected areas and in which the logistical means are operational has been evaluated, as well as transport alternatives to ensure availability of space as soon as production is resumed.

- Regarding operational performance, the worsening of the crisis could drive customers away from commercial spaces, affecting store performance and leading to a review of the commercial actions planned for this period. On the contrary, the performance of digital channels has already grown considerably, and should mitigate part of the effects felt at the level of physical channels. In this sense, businesses have been preparing to respond to a more significant increase in demand in e-commerce channels.
- **Food Retail:** Food retail has been experiencing increasing demand, as Portuguese families have anticipated more demanding containment measures and a potential shortage of essential products. In this sense, Sonae MC plays a vital role in the context of this crisis and, consequently, has strengthened contingency plans, ensuring close dialogue with all stakeholders in the supply chain in order to strengthen the response capacity, either by anticipating needs, or defining mitigation actions in case of limitations, namely in terms of human resources.
- **Shopping Centres:** shopping centres in Italy, Spain and Poland have had to close all non-essential stores in various jurisdictions and are therefore essentially closed. Other jurisdictions have experienced an increasing reduction in the number of visitors and sales. Although Sonae Sierra's revenues have a limited exposure to the turnover of the operators present in its centres, the scale of the impact of this crisis may result in the difficulty/inability of some of these operators to meet their rent payment responsibilities (or in a delay in their settlement) and also result in a reduction of income directly linked to collection levels. Furthermore, Sonae Sierra has been maintaining an open communication channel with its tenants on how to address the current situation and is assessing non-essential costs and non-time critical capex requirements. The company has already prepared several contingency scenarios and currently has a high degree of resilience to more extreme scenarios due to its solid liquidity position.
- **Telecommunications:** like food retail, NOS plays a fundamental role in Portuguese society today, insofar as it guarantees the maintenance of essential communication infrastructure for the population and companies at large. Thus, it has also reinforced efforts to implement measures that guarantee the smooth functioning of its activity in conjunction with all operational partners.

▪ Capital markets

in terms of financing, Sonae, in compliance with its internal liquidity and financing policies, has a policy of pre-financing its liquidity needs 18 months in advance, thus ensuring liquidity needs for that time horizon. In February, Sonae had € 601 M of lines available and € 582 M of cash. In this sense, despite any positive and negative impacts that might exist in terms of the performance of each business, we do not foresee any additional financing needs for the next 18 months nor is it expected in the short term any situation of breach of the current existing financial covenants, either at Sonae MC or at Sonae SGPS.

At this stage, it is rather complex to quantify the magnitude of the impacts if the risk level worsens, however we have been implementing all the measures that we consider appropriate to minimise their impacts, in line with the recommendations of the competent authorities and in the best interest of all our stakeholders.

ZOPT

In February 2020, ZOPT became aware that some of its bank accounts were unavailable, which may have resulted from requests for international judicial cooperation issued by the Angolan State in the context of processes underway in Angola and in which it is targeted, among others, Mrs. Engr Isabel dos Santos. The amounts seized were not materially relevant and the balances and shares recorded in ZOPT's accounts with CGD, remained always available. Such apprehension was not judicially notified to ZOPT, so it was not possible to take any action on it, namely for the purpose of eventual pronouncement. On March 27, 2020, ZOPT was informed that its bank accounts at Novo Banco and BCP were once again available.

Joint Venture in Sonae Sierra

On the 29 February 2019, Sonae Sierra SGPS, SA signed and completed an agreement with APG, Allianz and Elo to create a leading retail real estate joint-venture in Iberia with a gross asset value of Euro 1.8 billion (Sierra Prime). The transaction results in approximately 525 million euro of cash proceeds to both Sonae Sierra and APG, which have disposed 50% of their interest in this portfolio to Allianz and Elo.

The portfolio Sierra Prime, in which each investor will have a participation of 25% over a time horizon of 15 years, consists of six dominant shopping centers and prime in Portugal (4) and in Spain (2): Centro Colombo (participation of 50%), Centro Vasco da Gama (50%), NorteShopping (50%), CascaiShopping (100%), Plaza Mayor (100%) and McArthurGlen Designer Outlet Málaga (50%).

This transaction is fully in line with Sonae Sierra's capital recycling strategy, while enabling the creation of a leading shopping centre joint venture in Iberia with three long term and benchmark institutional investors, which will enable the growth and value creation of the portfolio. Sonae Sierra will maintain the management of these shopping centres as well as significant exposure to this portfolio.

51. Approval of financial statements

The accompanying consolidated financial statements were approved by the Board of Directors on 17 March 2020. Nevertheless, they are still subject to approval at the Shareholders Annual General Meeting.

52. Group companies included in the Consolidated financial statements

Group companies included in the consolidated financial statements, their head offices and percentage of share capital held by Sonae as at 31 December 2019 and 31 December 2018 are as follows:

COMPANY	Head Office	Percentage of capital held			
		31 Dec 2019		31 Dec 2018	
		Direct*	Total*	Direct*	Total*
Sonae - SGPS, S.A.	Maia	HOLDING	HOLDING	HOLDING	HOLDING
Sonae MC					
Amor Bio, Mercado Biológico, Lda	a) Lisbon (Portugal)	100.00%	100.00%	100.00%	100.00%
1) Arenal Perfumerias SLU	a) Lugo (Spain)	100.00%	60.00%	-	-
Asprela Sociedade Imobiliária, S.A.	a) Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Azulino Imobiliária, S.A.	a) Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
BB Food Service, S.A.	a) Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Bertimóvel - Sociedade Imobiliária, S.A.	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
Bom Momento - Restauração, S.A.	a) Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Brio - Produtos de Agricultura Biológica, S.A.	a) Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
Canasta - Empreendimentos Imobiliários, S.A.	a) Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Chão Verde - Sociedade de Gestão Imobiliária, S.A.	a) Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Citorres - Sociedade Imobiliária, S.A.	a) Maia (Portugal)	100.00%	100.00%	100.00%	100.00%

	Contimobe - Imobiliária de Castelo de Paiva, S.A.	a)	Castelo de Paiva (Portugal)	100.00%	100.00%	100.00%	100.00%
	Continente Hipermercados, S.A.	a)	Oeiras (Portugal)	100.00%	100.00%	100.00%	100.00%
	Cumulativa - Sociedade Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Elergone Energias, Lda	a)	Matosinhos (Portugal)	75.00%	75.00%	75.00%	75.00%
	Farmácia Seleção, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Fozimo - Sociedade Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Fundo de Investimento Imobiliário Imosona e Dois	a)	Maia (Portugal)	98.00%	98.00%	98.00%	98.00%
	Go Well – Promoção de Eventos, Caterings e Consultoria, S.A.	a)	Lisbon (Portugal)	51.00%	51.00%	51.00%	51.00%
	Igimo – Sociedade Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Iginha – Sociedade Imobiliária, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Imoestrutura – Sociedade Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Imomuro – Sociedade Imobiliária, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Imoresultado – Sociedade Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Imosistema – Sociedade Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Make Notes Design, Lda	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Marcas MC, zRT	a)	Budapest (Hungary)	100.00%	100.00%	100.00%	100.00%
	MCCARE – Serviços de Saúde, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	MJLF - Empreendimentos Imobiliários, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Modelo - Distribuição de Materiais de Construção, S.A.	b)	Maia (Portugal)	50.00%	50.00%	50.00%	50.00%
	Modelo Continente Hipermercados, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Modelo Continente International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
2)	Modelo Continente SGPS, S.A.	a)	Matosinhos (Portugal)	-	-	100.00%	100.00%
	Modelo Hiper Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Pharmaconcept – Actividades em Saúde, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Pharmacontinente - Saúde e Higiene, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Ponto de Chegada – Sociedade Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Predicomercial - Promoção Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%

	Predilugar- Promoção Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	SCBRASIL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	Selifa - Empreendimentos Imobiliários de Fafe, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sempre à Mão - Sociedade Imobiliária, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	SIAL Participações, Ltda	a)	São Paulo (Brazil)	100.00%	100.00%	100.00%	100.00%
	SK – Skin Health Cosmetics	a)	Oeiras (Portugal)	100.00%	100.00%	100.00%	100.00%
	Socijofra - Sociedade Imobiliária, S.A.	a)	Gondomar (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sociloures - Sociedade Imobiliária, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Soflorin, B.V.	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
	Sonae MC – Serviços Partilhados, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonae MC S2 Africa Limited	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%
	Sonae MC, SGPS, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonaerp - Retail Properties, S.A.	a)	Porto (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sondis Imobiliária, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Sonvecap, B.V.	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
3)	Sport Zone spor malz.per.satis ith.ve tic.ltd.sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%
1)	Tomenider	a)	Lugo (Spain)	60.00%	60.00%	-	-
3)	Zippy cocuk malz.dag.ith.ve tic.ltd.sti	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%
	Valor N, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
Worten							
	HighDome PCC Limited (Cell Europe)	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%
	Infocfield – Informática, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
1)	Iservices, Lda	a)	Lisbon (Portugal)	100.00%	100.00%	-	-
	Worten Canárias, SL	a)	Tenerife (Spain)	60.00%	60.00%	60.00%	60.00%
	Worten - Equipamento para o Lar, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Worten España Distribución, S.L.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Worten International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
4)	Worten Malta Holding Limited	a)	La Valletta (Malta)	100.00%	100.00%	100.00%	100.00%

Sonae Fashion

	Bright Brands SportsGoods, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Comercial Losan, S.L.U.	a)	Zaragoza (Spain)	100.00%	100.00%	100.00%	100.00%
	Fashion Division, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
5)	Fashion Division Canárias, SL	a)	Tenerife (Spain)	-	-	100.00%	100.00%
	Fashion International Trade, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
	Irmãos Vila Nova, S.A.	b)	Vila Nova de Famalicao (Portugal)	100.00%	50.00%	100.00%	50.00%
	Irmãos Vila Nova III - Imobiliária, S.A.	b)	Vila Nova de Famalicao (Portugal)	100.00%	50.00%	100.00%	50.00%
	IVN – Serviços Partilhados, S.A.	b)	Vila Nova de Famalicao (Portugal)	50.00%	50.00%	50.00%	50.00%
	IVN Asia Limited	b)	Hong Kong (China)	100.00%	50.00%	100.00%	50.00%
	Losan Colombia, S.A.S	a)	Bogota (Colombia)	100.00%	100.00%	100.00%	100.00%
	Losan Overseas Textile, S.L.	a)	Zaragoza (Spain)	100.00%	100.00%	100.00%	100.00%
	Losan Rusia	a)	Moscow (Russia)	100.00%	100.00%	100.00%	100.00%
3)	Losan Tekstil Urunleri V e Dis Ticaret, L.S.	a)	Istanbul (Turkey)	100.00%	100.00%	100.00%	100.00%
	Modalfa - Comércio e Serviços, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
	Modalfa Canarias, SL	a)	Tenerife (Spain)	60.00%	30.00%	60.00%	30.00%
	Modalloop - Vestuário e Calçado, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
	Salsa Canarias	b)	Tenerife (Spain)	60.00%	30.00%	60.00%	30.00%
	Salsa DE GmbH	b)	Dusseldorf (Germany)	100.00%	50.00%	100.00%	50.00%
	Salsa Distribution USA LLC	b)	New York (USA)	100.00%	50.00%	100.00%	50.00%
	Salsa France, S.A.R.L.	b)	Paris (France)	100.00%	50.00%	100.00%	50.00%
	Salsa Luxembourg, Sàrl	b)	Luxembourg	100.00%	50.00%	100.00%	50.00%
	SLS Salsa – Comércio e Difusão de Vestuário, S.A.	b)	Vila Nova de Famalicao (Portugal)	100.00%	50.00%	100.00%	50.00%
	SLS Salsa España – Comercio y Difusión de Vestuario, S.A.U.	b)	Pontevedra (Spain)	100.00%	50.00%	100.00%	50.00%
	SONAESR – Serviços e Logística, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
6)	Têxtil do Marco, S.A.	a)	Marco de Canaveses (Portugal)	92.76%	92.76%	92.76%	92.76%
	Usebti Textile México S.A. de C.V.	a)	City of Mexico (Mexico)	100.00%	100.00%	100.00%	100.00%
	Zippy - Comércio e Distribuição, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%

	Zippy - Comércio Y Distribución, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
Sonae IM							
	Bright Development Studio, S.A.	a)	Lisbon (Portugal)	100.00%	89.97%	100.00%	89.97%
	Bright Ventures Capital SCR, S.A.	a)	Lisbon (Portugal)	100.00%	89.97%	100.00%	89.97%
7)	Cape Technologies Limited	a)	Dublin (Ireland)	-	-	100.00%	89.97%
	Digitmarket - Sistemas de Informação, S.A.	a)	Maia (Portugal)	75.00%	67.47%	75.10%	67.56%
	Excellium Group, S.A.	a)	Contem (Luxembourg)	59.20%	53.26%	59.20%	53.26%
	Excellium Services, S.A.	a)	Contem (Luxembourg)	59.20%	53.26%	59.20%	53.26%
	Excellium Services Belgium, S.A.	a)	Wavre (Belgium)	59.20%	53.26%	59.20%	53.26%
	Excellium Factory SARL	a)	Raouad Ariana (Tunisia)	80.00%	42.61%	80.00%	42.61%
	Fundo Bright Vector I	a)	Lisbon (Portugal)	50.13%	45.10%	50.13%	45.10%
	Inovretail, S.A.	a)	Porto (Portugal)	100.00%	89.97%	100.00%	89.97%
	Inovretail España, S.L.	a)	Madrid (Spain)	100.00%	89.97%	100.00%	89.97%
	Mxtel SA de CV	a)	City of Mexico (Mexico)	99.93%	72.78%	99.93%	72.78%
8)	Nextel, S.A.	a)	Bilbao (Spain)	-	-	100.00%	72.73%
	Praesidium Services Limited	a)	Berkshire (U.K.)	100.00%	89.97%	100.00%	89.97%
	S21SEC Portugal – Cybersecurity and Intelligence Services, S.A.	a)	Maia (Portugal)	100.00%	72.78%	100.00%	72.78%
5)	S21 Sec Brasil, Ltda	a)	São Paulo (Brazil)	-	-	99.99%	72.78%
	S21 Sec Gestion, S.A.	a)	Navarra (Spain)	80.90%	72.78%	80.90%	72.78%
	S21 Sec Information Security Labs, S.L.	a)	Navarra (Spain)	100.00%	72.78%	100.00%	72.78%
	S21 Sec, S.A. de CV	a)	City of Mexico (Mexico)	100.00%	72.78%	100.00%	72.78%
7)	Saphety – Transacciones Electronicas SAS	a)	Bogota (Colombia)	-	-	100.00%	78.27%
7)	Saphety Brasil Transações Eletrônicas Lda	a)	São Paulo (Brazil)	-	-	100.00%	78.27%
7)	Saphety Level - Trusted Services, S.A.	a)	Maia (Portugal)	-	-	86.99%	78.27%
	Sonaecom-Cyber Security and Int., SGPS, S.A.	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
	Sonaecom - Serviços Partilhados, S.A.	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
	Sonaecom, SGPS, S.A.	a)	Maia (Portugal)	90.15%	89.97%	90.15%	89.97%
	Sonae Investment Management - Software and Technology, SGPS, S.A.	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
5)	Taikai, Ltda	a)	Porto (Portugal)	-	-	99.01%	89.08%

7)	Tecnológica Telecomunicações, Ltda	a)	Rio de Janeiro (Brazil)	-	-	99.99%	89.87%
7)	We Do Brasil Soluções Informáticas, Ltda	a)	Rio de Janeiro (Brazil)	-	-	99.91%	89.88%
7)	We Do Consulting - Sistemas de Informação, S.A.	a)	Maia (Portugal)	-	-	100.00%	89.97%
7)	WE DO Technologies España, SL	a)	Madrid (Spain)	-	-	100.00%	89.97%
7)	We Do Technologies (UK) Limited	a)	Berkshire (U.K.)	-	-	100.00%	89.97%
7)	We Do Technologies Americas, Inc.	a)	Delaware (USA)	-	-	100.00%	89.97%
7)	We Do Technologies Australia PTY Limited	a)	Sydney (Australia)	-	-	100.00%	89.97%
7)	We Do Technologies Egypt Limited Liability Company	a)	Cairo (Egypt)	-	-	100.00%	89.97%
7)	We Do Technologies Mexico S. de RL	a)	City of Mexico (Mexico)	-	-	100.00%	89.97%
7)	We Do Technologies B.V.	a)	Amsterdam (Netherlands))	-	-	100.00%	89.97%

Sonae FS

	SFS Gestão e Consultoria, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
9)	SFS - Financial Services IME, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
10)	Sonae FS, SA	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%

Sonae Sierra

	ARP Alverca Retail Park, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	70.00%
	Axnae Spain Holdings, S.L.	a)	Madrid (Espanha)	100.00%	70.00%	100.00%	70.00%
6)	Cascaishopping-Centro Comercial, S.A.	a)	Maia (Portugal)	100.00%	40.07%	100.00%	40.07%
	CCCB Caldas da Rainha - Centro Comercial, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	70.00%
	Coimbrashopping- Centro Comercial, S.A.	a)	Maia (Portugal)	100.00%	35.07%	100.00%	35.07%
	Dos Mares - Shopping Centre B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	35.07%
7)	Dos Mares-Shopping Centre, S.A.	a)	Madrid (Spain)	-	-	100.00%	35.07%
	Gli Orsi Shopping Centre 1 Srl	a)	Milan (Italy)	100.00%	70.00%	100.00%	70.00%
	Iberian Holdings Spain, S.L.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	70.00%
	Ioannina Development of Shopping Centres, S.A.	a)	Athens (Greece)	100.00%	70.00%	100.00%	70.00%
6)	Land Retail B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	35.07%
	Microcom Doi, Srl	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	70.00%

	Paracentro - Gestão de Galerias Comerciais, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	70.00%
	Parklake Business Centre Srl	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	70.00%
	Parklake Shopping, S.A.	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	70.00%
	Parque de Famalicão - Empreendimentos Imobiliários, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	70.00%
11)	Parque D. Pedro 1, SARL	a)	Luxembourg	100.00%	70.00%	-	-
11)	Parque D. Pedro 2, SARL	a)	Luxembourg	100.00%	70.00%	-	-
6)	Plaza Mayor Parque de Ócio B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	35.07%
12)	Plaza Mayor Parque de Ocio, S.A.	a)	Madrid (Spain)	-	-	100.00%	35.07%
6)	Plaza Mayor Shopping, S.A.	a)	Madrid (Spain)	100.00%	35.07%	100.00%	35.07%
	Plenerg Srl	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	70.00%
5)	Project Sierra 2 B.V.	a)	Amsterdam (Netherlands)	-	-	100.00%	70.00%
	Project Sierra 10 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Project Sierra 11 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Project Sierra 12 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Project Sierra Cúcuta B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Project Sierra Four, Srl	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	70.00%
	Project Sierra Germany 4 (four) - Shopping Centre, GmbH	a)	Dusseldorf (Germany)	100.00%	70.00%	100.00%	70.00%
	Project Sierra Spain 1 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Project Sierra Spain 2- Centro Comercial S.A.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	70.00%
	River Plaza B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Shopping Centre Parque Principado B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	35.07%
13)	Sierra Berlin Holding B.V.	a)	Amsterdam (Netherlands)	-	-	100.00%	70.00%
11)	Sierra Brazil 1, Sarl	a)	Luxembourg	100.00%	70.00%	-	-
	Sierra Developments Holding B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Developments, SGPS, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	70.00%
6)	Sierra European Retail Real Estate Assets Holdings B.V.	a)	Amsterdam (Netherlands)	50.10%	35.07%	50.10%	35.07%

	Sierra Germany GmbH	a)	Dusseldorf (Germany)	100.00%	70.00%	100.00%	70.00%
	Sierra GP Limited	a)	Guernsey (U.K.)	100.00%	70.00%	100.00%	70.00%
14)	Sierra Iberian Assets Holding, S.A.U.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	70.00%
	Sierra Investments (Holland) 1 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Investments (Holland) 2 B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Investments Holdings B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Investments SGPS, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	70.00%
15)	Sierra Italy Agency Srl	a)	Milan (Italy)	100.00%	70.00%	-	-
	Sierra Italy Srl	a)	Milan (Italy)	100.00%	70.00%	100.00%	70.00%
	Sierra Management, SGPS, S.A.	a)	Maia (Portugal)	100.00%	70.00%	100.00%	70.00%
	Sierra Maroc, SARL	a)	Casablanca (Morocco)	100.00%	70.00%	100.00%	70.00%
	Sierra Maroc Services, SARL	a)	Casablanca (Morocco)	100.00%	70.00%	100.00%	70.00%
	Sierra Project Nürnberg B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Parma Project B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Portugal, S.A.	a)	Lisbon (Portugal)	100.00%	70.00%	100.00%	70.00%
	Sierra Project Nürnberg B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Real Estate Greece B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Retail Ventures B.V.	a)	Amsterdam (Netherlands)	100.00%	35.07%	100.00%	35.07%
	Sierra Romania Shopping Centers Services, SRL	a)	Bucharest (Romania)	100.00%	70.00%	100.00%	70.00%
	Sierra Services Holland B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
	Sierra Solingen Holding GmbH	a)	Dusseldorf (Germany)	100.00%	70.00%	100.00%	70.00%
6)	Sierra Spain Malaga Holdings, S.L.	a)	Madrid (Spain)	100.00%	35.07%	100.00%	35.07%
	Sierra Spain, Shopping Centers Services, S.A.	a)	Madrid (Spain)	100.00%	70.00%	100.00%	70.00%
	Sierra Turkey Gayrimenkul Yönetim Pazarlama ve Danışmanlık Anonim Şirket	a)	Istanbul (Turkey)	100.00%	70.00%	100.00%	70.00%
	Sierra Zenata Project B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
11)	Sonae Sierra Brazil Holdings S.à r.l.	a)	Luxembourg	100.00%	70.00%	-	-

Sonae Sierra, SGPS, S.A.	a)	Maia (Portugal)	70.00%	70.00%	70.00%	70.00%
SPF - Sierra Portugal	a)	Luxembourg	100.00%	70.00%	100.00%	70.00%
Weierstadt Shopping B.V.	a)	Amsterdam (Netherlands)	100.00%	70.00%	100.00%	70.00%
Others						
Arat Inmuebles, S.A.	a)	Madrid (Spain)	100.00%	100.00%	100.00%	100.00%
Fundo de Investimento Imobiliário Fechado Imosede	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Halfdozen Real Estate, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Libra Serviços, Lda	a)	Funchal (Portugal)	100.00%	100.00%	100.00%	100.00%
PCJ-Público, Comunicação e Jornalismo, S.A.	a)	Maia (Portugal)	100.00%	89.97%	100.00%	89.97%
Público - Comunicação Social, S.A.	a)	Porto (Portugal)	100.00%	89.97%	100.00%	89.97%
Sesagest - Proj.Gestão Imobiliária, S.A.	a)	Porto (Portugal)	100.00%	100.00%	100.00%	100.00%
Sonae Corporate, S.A.	a)	Matosinhos (Portugal)	100.00%	100.00%	100.00%	100.00%
16) Sonae Holdings, S.A.	a)	Maia (Portugal)	100.00%	100.00%	100.00%	100.00%
Sonae Investments, B.V.	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%
17) SFS – Gestão de Fundos, SGFI, SA	a)	Maia (Portugal)	100.00%	94.00%	100.00%	94.00%
Sonae RE, S.A.	a)	Luxembourg	99.92%	99.92%	99.92%	99.92%
Sontel, B.V.	a)	Amsterdam (Netherlands)	100.00%	100.00%	100.00%	100.00%

*the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

a) Control held by majority of voting rights which gives power of relevant activities;

b) Control held by majority of Board members;

- 1) Company acquired during the period;
- 2) Company merged in Sonae MC, SGPS, S.A.;
- 3) Company in liquidation process reason why it is classified in discontinued operations in the period;
- 4) Former Sonae SR Malta Holding Limited;
- 5) Company liquidated during the period;
- 6) Company classified as held for sale;
- 7) Company sold in the period;
- 8) Company merged in S21 Sec Gestion, S.A.;

- 9) Former Sonae Financial Services, S.A.;
- 10) Former Wrt Business – Distribuição de Eletrodomésticos, Eletrónica e Informática, S.A.;
- 11) In August 2019 as part of the restructuring of the business in Brazil, the joint venture Sonae Sierra Brazil S.à r.l. was extinguished by demerger; a new company, Sonae Sierra Brazil Holdings S.à r.l., 100% held by the Group was incorporated. With the restructuring, the Group increase its interests in the companies Parque D. Pedro 1 S.à r.l., Parque D. Pedro 2 S.à r.l. and Sierra Brazil 1 S.à r.l.;
- 12) Company merged in Plaza Mayor Shopping, S.A. with effects at 1 January 2019;
- 13) Company merged in Sierra Investments Holdings B.V. with effects at 1 January 2019;
- 14) Former Plaza Eboli – Centro Comercial, S.A.;
- 15) Company created during the period;
- 16) Former Sonaecenter Serviços, S.A.; and
- 17) Former Sonaegest-Soc.Gest.Fundos Investimentos, S.A.

These entities are consolidated using the full consolidation method.

53. Joint ventures and associates included in the Consolidated financial statement

Joint ventures and associates, their head offices and percentage of share capital held by Sonae as at 31 December 2019 and 31 December 2018 are as follows:

53.1. Joint ventures

COMPANY	Head Office	Percentage of capital held			
		31 Dec 2019		31 Dec 2018	
		Direct*	Total*	Direct*	Total*
Sonae MC					
Sohi Meat Solutions – Distribuição de Carnes, S.A.	Santarém (Portugal)	50.00%	50.00%	50.00%	50.00%
Sonae Sierra					
Aegean Park Constructions Real Estate and Development, S.A.	Athens (Greece)	100.00%	35.00%	100.00%	35.00%
1)2) Aliansce Sonae Shopping Centers S.A.	Rio de Janeiro (Brazil)	-	-	66.65%	23.33%
Centro Colombo - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	17.54%
Centro Vasco da Gama - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	17.54%
DOC Malaga Holdings S.L.	Madrid (Spain)	50.00%	17.54%	50.00%	17.54%
DOC Malaga SITECO S.L.U.	Madrid (Spain)	100.00%	17.54%	100.00%	17.54%
Doc Málaga Siteco Phase 2, S.L.	Madrid (Spain)	100.00%	17.54%	100.00%	17.54%
3) Freccia Rossa - Shopping Centre, Srl	Milan (Italy)	-	-	50.00%	35.00%

2)	Fundo de Investimento Imobiliário Parque Dom Pedro Shopping Center	Rio de Janeiro (Brazil)	-	-	58.07%	14.48%
2)	Fundo de Investimento Imobiliário Shopping Parque Dom Pedro	Rio de Janeiro (Brazil)	-	-	87.61%	22.09%
	Gaiashopping I - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	17.54%
	Gaiashopping II - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	17.54%
4)	Harvey Dos Iberica, SL	Madrid (Spain)	.	.	50.00%	17.54%
	Larissa Development of Shopping Centres, S.A.	Athens (Greece)	50.00%	35.00%	50.00%	35.00%
5)	LMSA - Engenharia de Edifícios, S.A.	Lisbon (Portugal)	100.00%	35.00%	-	-
5)	LMGE - Gestão de Edifícios Lda	Lisbon (Portugal)	100.00%	35.00%	-	-
5)	LMIT - Innovation & Technology, Lda	Lisbon (Portugal)	100.00%	35.00%	-	-
	Madeirashopping - Centro Comercial, S.A.	Funchal (Portugal)	50.00%	17.54%	50.00%	17.54%
	Norte Shopping Retail and Leisure Centre, B.V.	Amsterdam (Netherlands)	50.00%	17.54%	50.00%	17.54%
	Norteshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	17.54%	100.00%	17.54%
	Pantheon Plaza B.V.	Amsterdam (Netherlands)	50.00%	35.00%	50.00%	35.00%
	Park Avenue Development of Shopping Centers, S.A.	Athens (Greece)	50.00%	35.00%	50.00%	35.00%
	Parque Atlântico Shopping - Centro Comercial, S.A.	Ponta Delgada (Portugal)	50.00%	17.54%	50.00%	17.54%
2)	Parque D. Pedro 1 S.à r.l.	Luxembourg	-	-	50.00%	17.54%
2)	Parque D. Pedro 2 S.à r.l.	Luxembourg	-	-	50.00%	17.54%
2)	Pátio Boavista Shopping, Ltda	São Paulo (Brazil)	-	-	100.00%	23.33%
2)	Pátio Londrina Empreendimentos e Participações, Ltda	São Paulo (Brazil)	-	-	100.00%	23.33%
2)	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	-	-	100.00%	23.33%
2)	Pátio Sertório Shopping, Ltda	Manaus (Brazil)	-	-	100.00%	23.33%
2)	Pátio Uberlândia Shopping, Ltda	São Paulo (Brazil)	-	-	100.00%	23.33%
	Proyecto Cúcuta S.A.S	Santiago de Cali (Colombia)	50.00%	35.00%	50.00%	35.00%
	PUD Srl	Parma (Italy)	50.00%	35.00%	50.00%	35.00%
	SC Aegean, B.V.	Amsterdam (Netherlands)	50.00%	35.00%	50.00%	35.00%
	Shopping Centre Colombo Holding, B.V.	Amsterdam (Netherlands)	50.00%	17.54%	50.00%	17.54%
5)	Sierra Balmain Asset Management Spółka Z ograniczoną odpowiedzialności	Warsaw (Poland)	50.00%	17.54%	-	-
5)	Sierra Balmain Services Spółka z ograniczoną odpowiedzialnością spółka komandytowa	Warsaw (Poland)	50.00%	17.54%	-	-
2)	Sierra Brazil 1 S.à r.l.	Luxembourg	-	-	100.00%	35.00%
	Sierra Central, S.A.S.	Santiago de Cali (Colômbia)	50.00%	35.00%	50.00%	35.00%
2)	Sierra Investimentos Brasil Ltda	São Paulo (Brazil)	-	-	100.00%	23.33%

5)	Sierra LM, SGPS, S.A.	Lisbon (Portugal)	50.00%	35.00%	-	-
3)	Solingen Shopping Center GmbH	Dusseldorf (Germany)	-	-	50.00%	35.00%
2)	Sonae Sierra Brazil S.à r.l.	Luxembourg	-	-	50.00%	35.00%
2)	Unishopping Consultoria Imobiliária, Ltda	São Paulo (Brazil)	-	-	100.00%	23.33%
	VdG Holding B.V.	Amsterdam (Netherlands)	50.00%	17.54%	50.00%	17.54%
	Via Catarina - Centro Comercial, S.A.	Maia (Portugal)	50.00%	17.54%	50.00%	17.54%
ZOPT (NOS)						
	Big Picture 2 Films, S.A.	Oeiras (Portugal)	20.00%	4.69%	20.00%	4.69%
	Big Picture Films, SL	Madrid (Spain)	100.00%	4.69%	100.00%	4.69%
	Dreamia Holding B.V.	Amsterdam (Netherlands)	50.00%	11.73%	50.00%	11.73%
	Dreamia Serviços de Televisão, S.A.	Lisbon (Portugal)	100.00%	11.73%	100.00%	11.73%
	Empracine – Empresa Promotora de Atividades Cinematográficas, Lda	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%
	FINSTAR – Sociedade de Investimentos e Participações, S.A.	Luanda (Angola)	30.00%	7.04%	30.00%	7.04%
	Lusomundo – Sociedade de Investimentos Imobiliários, SGPS, S.A.	Lisbon (Portugal)	99.87%	23.43%	99.87%	23.43%
	Lusomundo Imobiliária 2, S.A.	Lisbon (Portugal)	99.87%	23.43%	99.87%	23.43%
	Lusomundo Moçambique, Lda	Maputo (Mozambique)	100.00%	23.46%	100.00%	23.46%
	MSTAR, S.A.	Maputo (Mozambique)	30.00%	7.04%	30.00%	7.04%
	NOS Açores Comunicações, S.A.	Ponta Delgada (Portugal)	83.82%	19.66%	83.82%	19.66%
5)	NOS Property, S.A.	Luxembourg	100.00%	23.46%	100.00%	23.46%
	NOS Comunicações, S.A.	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%
6)	NOS Corporate Center, S.A.	Lisbon (Portugal)	100.00%	23.46%	-	-
	NOS Inovação, S.A.	Matosinhos (Portugal)	100.00%	23.46%	100.00%	23.46%
6)	NOS International Carrier Services, S.A.	Lisbon (Portugal)	100.00%	23.46%	-	-
	NOS Internacional, SGPS, S.A.	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%
	NOS Lusomundo Audiovisuais, S.A.	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%
	NOS Lusomundo Cinemas, S.A.	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%
	NOS Lusomundo TV, Lda	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%
	NOS Madeira Comunicações, S.A.	Funchal (Portugal)	77.95%	18.29%	77.95%	18.29%
	NOS SGPS, S.A.	Lisbon (Portugal)	52.15%	23.46%	52.15%	23.46%
	NOS Sistemas España, SL	Madrid (Spain)	100.00%	23.46%	100.00%	23.46%
	NOS Sistemas, S.A.	Maia (Portugal)	100.00%	23.46%	100.00%	23.46%
	NOSPUB – Publicidade e Conteúdos, S.A.	Lisbon (Portugal)	100.00%	23.46%	100.00%	23.46%

	NOS Technology – Conceção Construção e Gestão de Redes de Comunicação, S.A.	Matosinhos (Portugal)	100.00%	23.46%	100.00%	23.46%
	NOS Towering – Gestão de Torres de Telecomunicações, S.A.	Maia (Portugal)	100.00%	23.46%	100.00%	23.46%
6)	NOS Wholesale, S.A.	Lisbon (Portugal)	100.00%	23.46%	-	-
	Per-Mar – Sociedade de Construções, S.A.	Maia (Portugal)	100.00%	23.46%	100.00%	23.46%
	Sontária – Empreendimentos Imobiliários, S.A.	Maia (Portugal)	100.00%	23.46%	100.00%	23.46%
	Sport TV Portugal, S.A.	Lisbon (Portugal)	25.00%	5.86%	25.00%	5.86%
	Teliz Holding, B.V.	Amstelveen (Netherlands)	100.00%	23.46%	100.00%	23.46%
	Upstar Comunicações, S.A.	Vendas Novas (Portugal)	30.00%	7.04%	30.00%	7.04%
7)	ZAP Cinemas, S.A.	Luanda (Angola)	-	-	100.00%	7.04%
	ZAP Media, S.A.	Luanda (Angola)	100.00%	7.04%	100.00%	7.04%
7)	ZAP Publishing, S.A.	Luanda (Angola)	-	-	100.00%	7.04%
	ZOPT, SGPS, S.A.	Porto (Portugal)	50.00%	44.99%	50.00%	44.99%
Sonae IM						
	Intelligent Big Data, SL	Gipuzcoa (Spain)	50.00%	36.39%	50.00%	36.39%
Sonae FS						
	838 Soluções, Ltda	São Paulo (Brazil)	51.00%	25.50%	51.00%	25.50%
	Accive Insurance – Corretor de Seguros, S.A.	Porto (Portugal)	70.00%	35.00%	70.00%	35.00%
8)	Bens Consultoria Ltda	Rio de Janeiro (Brazil)	100.00%	50.00%	-	-
	Brokerslink Management AG	Zug (Switzerland)	20.00%	10.00%	20.00%	10.00%
	BUZZEE Insure, Lda	Porto (Portugal)	100.00%	50.00%	100.00%	50.00%
8)	Duobens – Corretora de Seguros Ltda	Rio de Janeiro (Brazil)	100.00%	50.00%	-	-
	Filhet Allard EspañaCorreduria de Seguros S.L.	Madrid (Spain)	35.00%	17.50%	35.00%	17.50%
	Flexben, Lda	Porto (Portugal)	45.00%	22.50%	45.00%	22.50%
9)	RCG – Risk, Consulting Group Ltda	Santa Catarina (Brazil)	100.00%	50.00%	100.00%	50.00%
10)	RCG – Risk, Consulting Group, S.A.	Maia (Portugal)	100.00%	50.00%	100.00%	50.00%
	HighDome PCC Limited	La Valletta (Malta)	100.00%	50.00%	100.00%	50.00%
	Iberosegur – Sociedade Ibérica de Mediação de Seguros, Lda	Porto (Portugal)	60.00%	30.00%	60.00%	30.00%
	ISEM – Corretora de seguros e resseguros, S.A.	Lisbon (Portugal)	50.00%	25.00%	50.00%	25.00%
	Larim Corretora de Resseguros Ltda	Rio de Janeiro (Brazil)	99.99%	50.00%	99.99%	50.00%
	Lazam/mds Correctora Ltda	São Paulo (Brazil)	100.00%	50.00%	100.00%	50.00%
	MDS África, SGPS, S.A.	Porto (Portugal)	100.00%	50.00%	50.00%	25.00%

	MDS - Corretor de Seguros, S.A.	Porto (Portugal)	100.00%	50.00%	100.00%	50.00%
	MDS Auto - Mediação de Seguros, S.A.	Porto (Portugal)	50.00%	25.00%	50.01%	25.00%
	MDS Link Solutions, Lda	Porto (Portugal)	50.02%	25.01%	50.00%	25.00%
	MDS Malta Holding Limited	La Valletta (Malta)	100.00%	50.00%	100.00%	50.00%
	MDS MG Corretora e Administradora de Seguros, Ltda	Minas Gerais (Brazil)	50.00%	25.00%	50.00%	25.00%
	MDS Partners Corretor de Seguros, S.A.	Porto (Portugal)	100.00%	50.00%	100.00%	50.00%
	MDS RE – Mediador de resseguros, SGPS, S.A.	Porto (Portugal)	100.00%	25.00%	100.00%	25.00%
	MDS, SGPS, S.A.	Maia (Portugal)	50.00%	25.00%	50.00%	25.00%
	Moneris Correctores de Seguros Limitada	Maputo (Mozambique)	50.00%	25.00%	50.00%	25.00%
	Moneris. Seguros - Mediação de Seguros, Lda	Oeiras (Portugal)	60.00%	30.00%	60.00%	30.00%
8)	Process Assessoria e Corretora Seg..Ltda	São Paulo (Brazil)	100.00%	50.00%	-	-
	Reinsurance Solutions, Soc. Corretora de Resseguros, S.A.	Luanda (Angola)	66.66%	33.33%	66.66%	33.33%
	Others					
	MKTPLACE – Comércio Eletrónico, S.A.	Porto (Portugal)	50.00%	50.00%	50.00%	50.00%
	Unipress - Centro Gráfico, Lda	Vila Nova de Gaia (Portugal)	50.00%	44.99%	50.00%	44.99%
	SIRS – Sociedade Independente de Radiodifusão Sonora, S.A.	Porto (Portugal)	50.00%	44.99%	50.00%	44.99%

*the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

- 1) Former Sonae Sierra Brasil, S.A.
- 2) During the third quarter of 2019, the business in Brazil was restructured: in August 2019, Aliansce Shopping Centers, S.A. merged with Sonae Sierra Brasil, S.A. that changed its name to Aliansce Sonae Shopping Centers, S.A.; afterwards Sierra Brazil 1 S.à r.l. and Sonae Serra Brazil S.à r.l. were demerged, and the resulting companies were included in the consolidated accounts of Sonae Sierra. During the second semester Aliansce Sonae Shopping Centers, S.A. increased its capital. Following this restructuring, Sonae Sierra interests in the merged company was 6.3%. The translation reserves generated up to the restructuring date were recognized in the consolidated statement of profit or loss.
- 3) Joint venture sold in the period;
- 4) Joint venture liquidated in the period;
- 5) Former NOS Communications Sàrl;
- 6) Joint venture created in the period;
- 7) Joint venture dissolved in the period;
- 8) Joint venture acquired in the period;
- 9) Former Herco Consultoria de Risco e Corretora de Seguros, Ltda; and
- 10) Former Herco, Consultoria de Risco, S.A..

53.2. Associates

COMPANY	Head Office	Percentage of capital held			
		31 Dec 2019		31 Dec 2018	
		Direct*	Total*	Direct*	Total*
Sonae MC					
MOVVO, S.A.	Porto (Portugal)	25.58%	25.58%	25.58%	25.58%
Sempre a Postos – Produtos Alimentares e Utilidades, Lda	Lisbon (Portugal)	25.00%	25.00%	25.00%	25.00%
Sonae S2 Africa Limited	La Valletta (Malta)	30.00%	30.00%	30.00%	30.00%
S2 Mozambique, S.A.	Maputo (Mozambique)	30.00%	30.00%	30.00%	30.00%
1) Ulabox, S.L.	Barcelona (Spain)	-	-	36.00%	36.00%
ISRG - Iberian Sports Retail Group, SL	Alicante (Spain)	30.00%	30.00%	30.00%	30.00%
Sonae IM					
Alfaros SRAL	Tunisia	40.00%	21.30%	40.00%	21.30%
Fundo de Capital de Risco Armilar Venture Partners II	Lisbon (Portugal)	50.74%	45.65%	50.74%	45.65%
Fundo de Capital de Risco Armilar Venture Partners III	Lisbon (Portugal)	42.73%	38.44%	42.70%	38.42%
Fundo de Capital de Risco Espírito Santo Venture Partners Inovação e Internacionalização	Lisbon (Portugal)	38.25%	34.41%	37.54%	33.77%
Probe.ly	Lisbon (Portugal)	21.21%	19.08%	21.21%	19.08%
Secucloud Network GmbH	Hamburgo (Germany)	27.45%	24.70%	27.45%	24.70%
Suricate Solutions	Luxembourg	20.00%	10.65%	20.00%	10.65%
Sonae Sierra					
3shoppings - Holding, SGPS, S.A.	Maia (Portugal)	20.00%	14.00%	20.00%	14.00%
8ª Avenida Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	15.75%
ALBCC – Albufeirashopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	15.75%
ALBCC – Albufeirashopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	15.75%
1) ALBRP Albufeira Retail Park, Lda	Maia (Portugal)	-	-	100.00%	7.00%
Albufeira RP (Luxembourg) 1, SARL	Luxembourg	100.00%	7.00%	100.00%	7.00%
Albufeira RP (Luxembourg) 2, SARL	Luxembourg	100.00%	7.00%	100.00%	7.00%
1) ALEXA Asset GmbH & Co, KG	Dusseldorf (Germany)	-	-	9.00%	6.30%
2) Aliansce Sonae Shopping Centers, S.A.	Rio de Janeiro (Brazil)	7.03%	4.92%	-	-
1) Algarveshopping - Centro Comercial, S.A.	Maia (Portugal)	-	-	100.00%	7.00%
Area Sur Shopping, S.L	Madrid (Spain)	15.00%	10.50%	15.00%	10.50%

	Arrábidasshopping - Centro Comercial, S.A.	Maia (Portugal)	50.00%	7.88%	50.00%	7.88%
	Candotal Spain S,L,U,	Madrid (Spain)	100.00%	7.00%	100.00%	7.00%
	Estação Viana - Centro Comercial, S.A.	Viana do Castelo (Portugal)	100.00%	7.00%	100.00%	7.00%
2)	Fundo de Investimento Imobiliário Parque Dom Pedro Shopping Center	Rio de Janeiro (Brazil)	25.86%	14.48%	58.07%	14.48%
2)	Fundo de Investimento Imobiliário Shopping Parque Dom Pedro	Rio de Janeiro (Brazil)	25.86%	14.48%	58.07%	14.48%
	Gaiashopping I - Centro Comercial, S.A.	Maia (Portugal)	100.00%	7.88%	100.00%	7.88%
	Gaiashopping II - Centro Comercial, S.A.	Maia (Portugal)	100.00%	7.88%	100.00%	7.88%
	Guimarãesshopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	14.00%	100.00%	14.00%
	Iberia Shopping Centre Venture Cooperatief UA	Amsterdam (Netherlands)	10.00%	7.00%	10.00%	7.00%
	Iberian Assets, S.A.	Madrid (Spain)	50.00%	8.68%	50.00%	8.75%
1)	Imoconti – Sociedade Imobiliária, S.A.	Maia (Portugal)	-	-	100.00%	7.00%
1)	LCC – Leiriasshopping – Centro Comercial, S.A.	Maia (Portugal)	-	-	100.00%	15.75%
	Le Terrazze – Shopping Centre 1, Srl	Milan (Italy)	10.00%	7.00%	10.00%	7.00%
1)	Loop5 Shopping Centre GmbH & Co KG	Dusseldorf (Germany)	-	-	9.00%	6.30%
	Loureshopping – Centro Comercial, S.A.	Maia (Portugal)	50.00%	7.88%	50.00%	7.88%
	Luz del Tajo - Centro Comercial, S.A.	Madrid (Spain)	100.00%	7.00%	100.00%	7.00%
	Maiashopping - Centro Comercial, S.A.	Maia (Portugal)	100.00%	14.00%	100.00%	14.00%
	Olimpo Asset 1, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
	Olimpo Asset 2, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
	Olimpo Asset 3, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
	Olimpo Asset 4, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
	Olimpo Asset 5, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
	Olimpo Asset 6, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
	Olimpo Asset 7, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
	Olimpo Asset 8, S.A.	Maia (Portugal)	100.00%	2.63%	100.00%	2.63%
3)	Olimpo Real Estate SGI, SA	Maia (Portugal)	100.00%	2.63%	-	-
	Olimpo Real Estate Socimi, S.A.	Madrid (Spain)	3.75%	2.63%	3.75%	2.63%
2)	Pátio Boavista Shopping, Ltda	São Paulo (Brazil)	100.00%	14.43%	100.00%	14.43%
2)	Pátio Londrina Empreendimentos e Participações, Ltda	São Paulo (Brazil)	100.00%	14.43%	100.00%	14.43%
2)	Pátio São Bernardo Shopping Ltda	São Paulo (Brazil)	100.00%	14.43%	100.00%	14.43%
2)	Pátio Sertório Shopping, Ltda	São Paulo (Brazil)	100.00%	14.43%	100.00%	14.43%
2)	Pátio Uberlândia Shopping, Ltda	São Paulo (Brazil)	100.00%	14.43%	100.00%	14.43%
2)	Unishopping Consultoria Imobiliária, Ltda	São Paulo (Brazil)	100.00%	14.43%	100.00%	14.43%
	PORTCC – Portimãoshopping – Centro Comercial, S.A.	Maia (Portugal)	100.00%	15.75%	100.00%	15.75%

1) Project Guia, S.A.	Maia (Portugal)	-	-	100.00%	7.00%
Project Sierra 8, B.V.	Amsterdam (Netherlands)	100.00%	7.00%	100.00%	7.00%
Rio Sul – Centro Comercial, S.A.	Lisbon (Portugal)	50.00%	7.88%	50.00%	7.88%
Serra Shopping – Centro Comercial, S.A.	Lisbon (Portugal)	5.00%	3.50%	5.00%	3.50%
Sierra Cevital Shopping Center, Spa	Algeria	49.00 %	34.30%	49.00 %	34.30%
SPF - Sierra Portugal Real Estate, SARL	Luxembourg	22.50%	15.75%	22.50%	15.75%
SPF - Sierra Portugal Feeder 1, S.C.A	Luxembourg	5.22%	5.22%	-	-
SPF - Sierra Portugal Feeder 2, S.C.A	Luxembourg	100.00%	5.22%	-	-
Trivium Real Estate Socimi, S.A	Madrid	8.68%	8.68%	8.75%	8.75%
Zenata Commercial Project, S.A.	Mohammedia (Morocco)	11.00%	7.7%	11.00%	7.7%

*the percentage of capital held "Total" is the total percentage of interest held by the parent company's shareholders; the percentage of capital held "Direct" corresponds to the percentage that subsidiary(s) which hold(s) a participation, hold(s) this participation directly in the share capital of that company.

- 1) Associated sold during the period;
- 2) In August 2019, the Aliance Shopping Centers, S.A. merged with Sonae Sierra Brazil, S.A., which changed its name to Aliance Sonae Shopping Centers, S.A.; subsequently, Sierra Brazil 1 Sarl and Sonae Sierra Brazil Sarl were split, and the companies resulting from the split were consolidated in Sonae Sierra. Following this restructuring, Sonae Sierra now holds 7.03% of the merged company and consolidates its associated company and its subsidiaries by the equity method; and
- 3) Associated created during the period;

Jointly controlled companies and associated companies were included in the consolidated financial statements by the equity method.

The Board of Directors,

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

José Manuel Neves Adelino

Margaret Lorraine Trainer

Marcelo Faria de Lima

Carlos António Rocha Moreira da Silva

Fuencisla Clemares

Philippe Cyriel Elodie Haspeslagh

Maria Cláudia Teixeira de Azevedo

João Pedro Magalhães da Silva Torres Dolores

Separate financial statements

SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 AND 2018 AND 01 JANUARY 2018

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated	01 Jan 2018 Restated
ASSETS				
NON-CURRENT ASSETS:				
Tangible assets		49,779	47,575	68,906
Intangible assets		131	-	20
Right of use		744,248	381,009	79,872
Investments in subsidiaries, associates and joint ventures	6	4,591,023,177	4,472,705,724	3,824,883,407
Other investments		49,880	49,880	49,880
Deferred taxes assets	7	10,702,669	10,232,104	7,773,732
Other non-current assets	8	1,002,162	26,000,000	110,649,867
Total non-current assets		4,603,572,046	4,509,416,292	3,943,505,684
CURRENT ASSETS:				
Trade accounts receivable	4, 9	1,185,864	533,735	531,855
Other debtors	4, 10	436,283,847	430,081,947	28,342,353
Income taxes	12	21,498,769	6,431,773	13,703,670
State and other public entities	11	116,041	983	983
Other current assets	4, 13	2,393,665	2,932,678	2,218,406
Cash and cash equivalents	4, 14	121,047	13,496,553	170,739
Total current assets		461,599,233	453,477,669	44,968,006
TOTAL ASSETS		5,065,171,279	4,962,893,961	3,988,473,690
EQUITY AND LIABILITIES				
EQUITY:				
Share capital	15	2,000,000,000	2,000,000,000	2,000,000,000
Legal reserves	16	268,028,145	251,937,767	247,276,603
Other reserves	17	1,265,388,137	1,047,446,352	1,042,875,415
Retained earnings		101,174,851	101,174,851	101,174,851
Profit for the year		188,483,086	321,827,490	93,223,270
TOTAL EQUITY		3,823,074,219	3,722,386,460	3,484,550,139
LIABILITIES:				
NON-CURRENT LIABILITIES:				
Bonds	4, 19	208,831,051	159,092,197	158,758,711
Bank loans	4, 19	324,853,391	263,537,827	215,983,190
Lease liabilities		315,936	46,811	63,114
Deferred tax liabilities	7	167,456	85,727	17,971
Total non-current liabilities		534,167,834	422,762,562	374,822,986
CURRENT LIABILITIES:				
Bank loans	4, 19	154,581,858	182,500,000	36,390,000
Lease liabilities		407,450	308,646	16,924
Trade accounts payable		675,040	292,578	286,234
Loans obtained from group companies	4, 20	487,157,000	600,131,390	77,494,244
Other creditors	4, 21	60,764,122	31,488,723	3,789,922
Income taxes	12	-	-	8,737,183
Taxes and contributions payable		323,342	203,844	181,995
Other current liabilities	4, 22	4,020,414	2,819,758	2,204,063
Total current liabilities		707,929,226	817,744,939	129,100,565
TOTAL EQUITY AND LIABILITIES		5,065,171,279	4,962,893,961	3,988,473,690

The accompanying notes are part of these separate financial statements.

SEPARATE PROFIT AND LOSS STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated
Revenue from contracts with customers		2,363,360	524,985
Gains or losses on investments	25	198,932,344	330,515,255
Financial income	26	2,799,568	2,491,520
Other income		1,947,466	1,892,655
External supplies and services	27	(4,921,892)	(3,767,208)
Staff costs	28	(4,075,036)	(1,994,697)
Depreciation and amortisation		(365,276)	(357,143)
Financial expenses	26	(10,008,037)	(7,653,928)
Other expenses		(1,059,872)	(861,456)
Profit/(Loss) before taxation		185,612,625	320,789,983
Income taxes	12	2,870,461	1,037,507
Net profit for the year		188,483,086	321,827,490
Profit/(Loss) per share			
Basic	29	0.094242	0.160914
Diluted	29	0.094190	0.160840

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated
Net Profit / (Loss) for the year		188,483,086	321,827,490
Other comprehensive income for the year		-	-
Total comprehensive income for the year		188,483,086	321,827,490

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AS AT 31 DECEMBER 2019 AND 2018

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	Share capital	Legal reserve	Other reserves			Retained earnings	Net Profit/(Loss)	Total
				Share based payments reserve	Free reserves	Total reserves			
Balance as at 1 January 2018		2,000,000,000	247,276,603	1,013,068	1,041,889,389	1,042,902,457	101,174,851	93,223,270	3,484,577,181
IFRS 16 impacts		-	-	-	(27,042)	(27,042)	-	-	(27,042)
Balance as at 1 January 2018 - restated		2,000,000,000	247,276,603	1,013,068	1,041,862,347	1,042,875,415	101,174,851	93,223,270	3,484,550,139
Total comprehensive income for the year		-	-	-	-	-	-	321,807,558	321,807,558
Appropriation of profit of 2017:									
Transfer to legal reserves		-	4,661,164	-	-	-	-	(4,661,164)	-
Transfer to free reserves		-	-	-	4,562,106	4,562,106	-	(4,562,106)	-
Dividends distributed		-	-	-	-	-	-	(84,000,000)	(84,000,000)
Other changes:									
Share-based payments - transfer from equity to liabilities	18	-	-	(578,200)	162,473	(415,727)	-	-	(415,727)
Share-based payments	18	-	-	424,867	-	424,867	-	-	424,867
IFRS 16 impacts		-	-	-	(309)	(309)	-	19,932	19,623
Balance as at 31 December 2018 - restated		2,000,000,000	251,937,767	859,735	1,046,586,617	1,047,446,352	101,174,851	321,827,490	3,722,386,460
Balance as at 1 January 2019 - restated		2,000,000,000	251,937,767	859,735	1,046,586,617	1,047,446,352	101,174,851	321,827,490	3,722,386,460
Total comprehensive income for the year		-	-	-	-	-	-	188,483,086	188,483,086
Appropriation of profit of 2018:									
Transfer to legal reserves		-	16,090,378	-	-	-	-	(16,090,378)	-
Transfer to free reserves		-	-	-	217,517,180	217,517,180	-	(217,517,180)	-
Dividends distributed		-	-	-	-	-	-	(88,200,000)	(88,200,000)
Other changes:									
Share-based payments - transfer from equity to liabilities	18	-	-	(455,100)	121,819	(333,281)	-	-	(333,281)
Share-based payments	18	-	-	737,954	-	737,954	-	-	737,954
IFRS 16 impacts		-	-	-	19,932	19,932	-	(19,932)	-
Balance as at 31 December 2019		2,000,000,000	268,028,145	1,142,589	1,264,245,548	1,265,388,137	101,174,851	188,483,086	3,823,074,219

The accompanying notes are part of these separate financial statements.

SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

(Translation of separate financial statements originally issued in Portuguese. In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)	Notes	31 Dec 2019	31 Dec 2018 Restated
OPERATING ACTIVITIES			
Cash receipts from trade debtors		1,711,231	523,105
Cash paid to trade creditors		(4,183,975)	(4,313,015)
Cash paid to employees		(2,897,432)	(2,012,648)
Cash flow generated by operations		(5,370,176)	(5,802,558)
Income taxes (paid) / received		42,950	23,623,308
Other cash receipts and (payments) relating to operating activities		450,798	(45,633)
Net cash flow from operating activities (1)		(4,876,428)	17,775,117
INVESTMENT ACTIVITIES			
Cash receipts arising from:			
Investments	30	395,000	125,156,262
Tangible assets		14,500	-
Interest and similar income		3,867,338	3,624,958
Dividends	25	116,042,494	203,189,270
Others		284	1,791,362
Loans granted	31	3,418,356,294	2,951,828,927
		3,538,675,910	3,285,590,779
Cash payments arising from:			
Investments	30	(35,822,602)	(647,443,956)
Tangible assets		(1,902)	(111)
Others		(2,446)	-
Loans granted	31	(3,383,053,296)	(3,268,165,061)
		(3,418,880,246)	(3,915,609,128)
Net cash used in investment activities (2)		119,795,664	(630,018,349)
FINANCING ACTIVITIES			
Cash receipts arising from:			
Loans obtained		6,749,047,000	4,954,052,590
		6,749,047,000	4,954,052,590
Cash payments arising from:			
Loans obtained	31	(6,779,921,390)	(4,237,805,444)
Interest and similar charges		(10,194,739)	(6,341,605)
Dividends		(88,195,049)	(83,995,994)
Lease liabilities		(273,350)	(340,501)
		(6,878,584,528)	(4,328,483,544)
Net cash used in financing activities (3)		(129,537,528)	625,569,046
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		(14,618,292)	13,325,814
Cash and cash equivalents at the beginning of the year	14	13,496,553	170,739
Cash and cash equivalents at the end of the year	14	(1,121,739)	13,496,553

The accompanying notes are part of these separate financial statements.

SONAE, SGPS, SA

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Translation of separate financial statements originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

(Amounts expressed in euro)

1 Introduction

SONAE, SGPS, SA ("Company" or "Sonae") has its head-office at Lugar do Espido, Via Norte, Apartado 1011, 4470-909 Maia, Portugal.

Sonae is controlled by Efanor Investimentos SGPS, S.A. which holds, directly and indirectly, 52.8528% of its share capital. Sonae's shares are listed on Euronext Lisbon stock exchange.

The separate financial statements are presented as required by Commercial Companies Code. According to Decree-Law 158/2009 of 13 July, the company's financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS – EU).

Consolidated financial statements are also presented in accordance with applicable legislation.

2 Main accounting policies

The main accounting policies adopted in preparing the accompanying separate financial statements are as follows:

2.1 Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. These standards refer to the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the IFRS Interpretations Committee ("IFRS IC") or by the previous Standing Interpretations Committee ("SIC"), that have been adopted by the European Union and are in force as at 1 January 2019.

The accompanying financial statements have been prepared from the books and accounting records on a going concern basis and under the historical cost convention.

The preparation of the separate financial statements in accordance with IFRS requires the use of estimates, assumptions and critical judgments in the process of determining accounting policies with a significant impact on the book value of assets and liabilities, as well as income and expenses for the period. Although these estimates are based on the best experience of the Board of Directors and their best expectations regarding current and future events and actions, current and future results may differ from these estimates. Areas that involve more judgment or complexity, or areas where assumptions and estimates are significant are presented in Note 2.8.

Management has assessed the Company's ability to operate on a going concern basis, taking into consideration all relevant information, facts and circumstances of financial, commercial and other nature, including subsequent events to the date of the financial statements. As a result of this evaluation, Management concluded that the Company has adequate resources to maintain its activities, having no intention to cease activities in the short term, and considered the use of the going concern assumption as appropriate.

Additionally, for financial reporting purposes, fair value measurement is categorized in Level 1, 2 and 3, according to the level in which the used assumptions are observable and its significance for estimating the fair value used in the measurement of assets/liabilities or for disclosure purposes.

Level 1 – Fair value is determined based on active market prices for identical assets/liabilities;

Level 2 – Fair value is determined based on other data other than market prices identified in Level 1 but that are observable; and

Level 3 – Fair value measurements derived from valuation techniques, whose main inputs are not observable in the market.

New accounting standards and their impact in the financial statements

The following standards, interpretations, amendments and revisions were endorsed by the European Union and became effective as of 1 January 2019:

With mandatory application during the year 2019:	Changes	Effective date (for financial years beginning on or after)
IFRIC 23 – Uncertainty over income tax treatments	Clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments	1-jan-19
IFRS 9 – Financial instruments	Exemption to financial assets at amortised cost classification for financial assets with prepayment negative compensation features	1-jan-19
IFRS 16 – Leases	New definition of lease. New accounting of lease contracts by lessees. No major changes to lessor lease accounting.	1-jan-19
IAS 28 (amendment) – Investments in associates and joint ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured through the equity method	1-jan-19
IAS 19 (amendment) – Employee benefits	Requirement to use updated assumptions for the calculation of remaining responsibilities after a amendment, curtailment or settlement of benefits, with impact on income statement except for any reduced excess under "asset ceiling" accounting treatment	1-jan-19
Annual improvements to IFRS 2015 – 2017	The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11.	1-jan-19

There was no significant impact on the financial statements resulting from their application on the year ended on the 31 December 2019, except for IFRS 16.

IFRS 16 adoption impacts

Sonae adopted IFRS 16 using the full integral retrospective approach and, therefore, the financial statements of 2018 were restated, as if this standard had been applied since the beginning of the lease contracts, meaning that the accounting policy is in accordance with IFRS 16 since 1 January 2018.

Recognition

Sonae recognizes a right of use of an asset and a lease liability on the start date of the lease agreement. The right of use of the asset is initially measured at the cost which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the start date, in addition to any initial direct costs incurred, as well as an estimate of the dismantling costs and removal of the underlying asset (if applicable), deducted from any incentive granted.

The lease liability is initially recognized by the present value of the rents not yet paid at the date of the lease agreement, deducting the interest implicit to the lease, or in the event that it is not possible to easily determine that rate, using the Company's incremental interest rate.

In general, the Company uses its incremental interest rate as the discount rate to be applied. Lease payments included in the measurement of lease liabilities include fixed payments, deducted from any incentives already received.

The liability is measured at amortized cost, using the effective interest method, being remeasured when changes in future payments derived from a change in the rate or index occur, or derived from the possible modifications of lease agreements.

When the lease liability is remeasured, the value of the right of use is also adjusted, or if the carrying amount of the asset of the right of use was already reduced to zero, a gain or a loss is recorded in the profit and loss statement.

The company presents the rights of use of assets and responsibilities for leases in duly segregated captions in the statement of the financial position.

For low-value asset leases the Company does not recognize rights of use assets or lease liabilities, recording the expenditures associated with these leases as expenses during the lifetime of the lease agreements.

Depreciation

The right of use of the asset is depreciated using the linear depreciation method, based on the lease term.

Restatement of financial statements

The restatement of the financial statements for the year ended 31 December 2018 results from the adoption of IFRS 16, as mentioned above.

The impacts on the financial statements as of 1 January 2018 and 31 December 2018 are as follows:

(Amounts expressed in euro)	31. December. 2018			01. December. 2018		
	Before restatement	IFRS 16	After restatement	Before restatement	IFRS 16	After restatement
ASSETS						
NON-CURRENT ASSETS:						
Tangible assets	47,575	-	47,575	68,906	-	68,906
Intangible assets	-	-	-	20	-	20
Right of use	-	381,009	381,009	-	79,872	79,872
Investments in subsidiaries, associates and joint ventures	4,472,705,724	-	4,472,705,724	3,824,883,407	-	3,824,883,407
Other investments	49,880	-	49,880	49,880	-	49,880
Deferred taxes assets	10,152,126	79,978	10,232,104	7,755,724	18,008	7,773,732
Other non-current assets	26,000,000	-	26,000,000	110,649,867	-	110,649,867
Total non-current assets	4,508,955,305	460,987	4,509,416,292	3,943,407,804	97,880	3,943,505,684
CURRENT ASSETS:						
Trade accounts receivable	533,735	-	533,735	531,855	-	531,855
Other debtors	430,081,947	-	430,081,947	28,342,353	-	28,342,353
Income taxes	6,431,773	-	6,431,773	13,703,670	-	13,703,670
State and other public entities	983	-	983	983	-	983
Other current assets	2,959,900	(27,222)	2,932,678	2,245,319	(26,913)	2,218,406
Cash and cash equivalents	13,496,553	0	13,496,553	170,739	-	170,739
Total current assets	453,504,891	(27,222)	453,477,669	44,994,919	(26,913)	44,968,006
TOTAL ASSETS	4,962,460,196	433,765	4,962,893,961	3,988,402,723	70,967	3,988,473,690
EQUITY AND LIABILITIES						
EQUITY:						
Share capital	2,000,000,000	-	2,000,000,000	2,000,000,000	-	2,000,000,000
Legal reserves	251,937,767	-	251,937,767	247,276,603	-	247,276,603
Other reserves	1,047,473,703	(27,351)	1,047,446,352	1,042,902,457	(27,042)	1,042,875,415
Retained earnings	101,174,851	-	101,174,851	101,174,851	-	101,174,851
Profit for the year	321,807,558	19,932	321,827,490	93,223,270	-	93,223,270
TOTAL EQUITY	3,722,393,879	(7,419)	3,722,386,460	3,484,577,181	(27,042)	3,484,550,139
LIABILITIES:						
NON-CURRENT LIABILITIES:						
Bonds	159,092,197	-	159,092,197	158,758,711	-	158,758,711
Bank loans	263,537,827	-	263,537,827	215,983,190	-	215,983,190
Lease liabilities	-	46,811	46,811	-	63,114	63,114
Deferred tax liabilities	-	85,727	85,727	-	17,971	17,971
Total non-current liabilities	422,630,024	132,538	422,762,562	374,741,901	81,085	374,822,986
CURRENT LIABILITIES:						
Bonds	182,500,000	-	182,500,000	36,390,000	-	36,390,000
Lease liabilities	-	308,646	308,646	-	16,924	16,924
Trade accounts payable	292,578	-	292,578	286,234	-	286,234
Loans obtained from group companies	600,131,390	-	600,131,390	77,494,244	-	77,494,244
Other creditors	31,488,723	-	31,488,723	3,789,922	-	3,789,922
Income taxes	-	-	-	8,737,183	-	8,737,183
Taxes and contributions payable	203,844	-	203,844	181,995	-	181,995
Other current liabilities	2,819,758	-	2,819,758	2,204,063	-	2,204,063
Total current liabilities	817,436,293	308,646	817,744,939	129,083,641	16,924	129,100,565
TOTAL EQUITY AND LIABILITIES	4,962,460,196	433,765	4,962,893,961	3,988,402,723	70,967	3,988,473,690

The impacts on the profit and loss statement for the year ended on 31 December 2018 are as follows:

(Amounts expressed in euro)	31. December. 2018		
	Before restatement	IFRS 16	After restatement
Revenue from contracts with customers	524,985	-	524,985
Gains or losses on investments	330,515,255	-	330,515,255
Financial income	2,491,520	-	2,491,520
Other income	1,892,655	-	1,892,655
External supplies and services	(4,134,628)	367,420	(3,767,208)
Staff costs	(1,994,697)	-	(1,994,697)
Depreciation and amortisation	(21,462)	(335,681)	(357,143)
Financial expenses	(7,647,908)	(6,020)	(7,653,928)
Other expenses	(861,456)	-	(861,456)
Profit/(Loss) before taxation	320,764,264	25,719	320,789,983
Income taxes	1,043,294	(5,787)	1,037,507
Net profit for the year	321,807,558	19,932	321,827,490
Profit/(Loss) per share			
Basic	0.160904		0.160914
Diluted	0.160830		0.160840

Standards, interpretations, amendments and revisions that will become effective on or after 1 January 2020

The following standards, interpretations, amendments and revisions were endorsed by the European Union and are mandatory for future financial years:

With mandatory application after 2019:	Changes	Effective date (for financial years beginning on or after)
Conceptual framework - Amendments to references to other IFRS	Amendments to references in other IFRS and clarifications regarding the application of the new definitions of assets/liabilities and expense income.	1-jan-20
IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	Revision of the definition of material, and the implication on the preparation of financial statements as a whole.	1-jan-20

The Company did not proceed to the early adoption of any of these standards on the financial statements for the year ended 31 December 2019. There are no significant impacts estimated on the financial statements resulting from their application.

Standards, interpretations, amendments and revisions not yet endorsed by the EU

The following standards, interpretations, amendments and revisions, mandatory for future financial years, have not been endorsed by the European Union, until the approval of these separate financial statements:

Standards (new and amendments) that will become effective, on or after 1 January 2020, not yet endorsed by the EU	Changes	Effective date (for financial years beginning on or after)
Amendment IFRS 3 – Business combinations	Revision of the definition of business	1-jan-20
Amendment IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform	Provide certain reliefs in connection with hedge accounting with the objective that interest rate benchmark reform does not cause hedge accounting to cease	1-jan-20
IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	1-jan-21

These standards have not yet been endorsed by the EU and, therefore, the Company did not implement them for the financial year ended 31 December 2019.

2.2 Investments in subsidiaries, associated companies and joint ventures

Equity investments in subsidiaries, associated companies and joint ventures are accounted for in accordance with IAS 27, hence at acquisition cost less impairment losses.

Subsidiaries are all entities (including structured entities) over which Sonae has control. Sonae controls an entity when is exposed to, or has rights, to variable results from its involvement with the subsidiary and can use its power to affect its profitability. Subsidiaries are consolidated since the date the control is transferred to Sonae, being excluded from consolidation when control ceases.

Joint ventures are joint arrangements where the parties, that have joint control of the arrangement, share the return obtained from the activity of the joint venture.

Associated companies are entities over which Sonae has significant influence. Sonae has the power to participate in the decisions over financial and operational policies, but it does not have control or joint control over these entities.

The excess of acquisition cost over the fair value of identifiable assets and liabilities at the acquisition date is recognized as goodwill and is included as part of the investment in subsidiaries, associated companies and joint ventures. If the of acquisition cost is less than the fair value of assets and liabilities of the acquired entities, the difference is recognized as a gain in the profit and loss statements.

Dividends received are registered as income related to investments when attributed.

Sonae carries out impairment assessments related to the investments in subsidiaries, associated companies and joint ventures whenever events or changes in circumstances indicate that the amount at which the asset is recorded in the separate financial statements may not be recoverable.

Additionally, to recognizing impairment in these investments, Sonae recognizes additional losses if it has assumed obligations or if it has made payments benefiting these entities.

Impairment losses are calculated by comparing the investment's recoverable amount, in this case equivalent to the value of use, and the accounting value of the investments.

The above-mentioned estimate is based on the valuation of the investments using discounted cash flow models to estimate the value of use of such investments. Subsidiaries or joint ventures, which main assets refer to real estate companies or real estate assets, are valued with reference to the market value of the real estate assets owned by such companies.

It is the Board of Directors understanding that the use of the above-mentioned methodology is adequate to conclude on the evaluation of impairment in financial investments as it incorporates the best available information as at the date of the financial statements.

If, on a subsequent date, the impairment amount decreases, and the decrease results of an event that occurred after the initial recognition of the impairment loss, then the amount recorded is reverted up to the limit of the amount that would have been recognized if no impairment loss had been recorded.

2.3 Financial instruments

The Company classifies the financial instruments in the categories presented and conciliated with the statement of financial position disclosed in note 4.

a) Financial assets

Recognition:

All purchases and sales of investments in financial assets are recognized on the trade date, being that the date when the Company commits to buy or sell the asset.

Classification:

Financial assets classification depends on the business model followed by the Company in the management of its financial assets (cash flow or appropriation of fair value changes) and the contractual terms of the cash flows receivable.

Changes in 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, which are equity instruments, that can never be reclassified to another category.

Financial assets may be classified in the following measurement categories:

- (i) Financial assets at amortized cost: includes financial assets that correspond only to the payment of nominal value and interest and whose business model followed by the management is the receipt of contractual cash flows;
- (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) in the case 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 punctually that of their sale;
 - b) in the case 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 that the Company has irrevocably chosen on the date of initial recognition to designate the fair value through other comprehensive income;
- (iii) Financial assets at fair value through profit or loss: Includes assets that do not meet the criteria for classification as financial assets at amortized cost or at fair value through other comprehensive income, whether they refer to debt instruments or equity instruments that were not designated at fair value through other comprehensive income.

Measurement:

The Company initially measures financial assets at fair value, added to the transaction costs directly attributable to the acquisition of the financial asset, for financial assets that are not measured at fair value through profit or loss. Transaction costs of financial assets at fair value through profit or loss are recorded in the profit and loss statement when incurred.

Financial assets at amortized cost are subsequently measured in accordance with the effective interest rate method and deducted from impairment losses. Interest income on these financial assets is included in "Interest income" on financial income.

Financial assets at fair value through other comprehensive income that constitute equity instruments, are measured at fair value on the date of initial registration and subsequently, and fair value changes are recorded directly in the other comprehensive income, in Equity, and there is no future reclassification even after derecognition of the investment.

Impairment losses:

The Company assesses prospectively the estimated credit losses associated with financial assets, which are debt instruments, classified at amortized cost and at fair value through other comprehensive income. Applied impairment methodology considers the credit risk profile of the debtors, and different approaches are applied depending on the nature of the debtors.

Regarding to accounts receivable from related entities, which are not considered as part of the financial investment in these entities, credit impairment is assessed against the following criteria: i) if the receivable balance is immediately due ("on demand"); ii) if the balance receivable is low risk; or (iii) if it has a term of less than 12 months.

In cases where the amount receivable is immediately due 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 was no increase in credit risk, the Company calculates an impairment corresponding to the amount expected to be loss within 12 months. If there has been an increase in credit risk, an impairment is calculated corresponding to the amount equivalent to expected losses for all contractual flows until the maturity of the asset.

Derecognition of financial assets:

The Company derecognize financial assets when, and only when, the contractual rights to the cash flows have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of property of the asset.

b) Loans and accounts receivable

Loans are recorded at amortised cost using the effective rate method net of accumulated impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

These financial investments arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

Loans are recorded as current assets, except when its maturity is greater than 12 months from the statement of financial position date, situations when they are classified as non-current assets.

Receivables are recorded at their nominal value net of eventual impairment losses, recognized under the caption "Provisions and impairment losses", reflecting their net realizable value.

Impairment losses on loans and accounts receivable are recorded in accordance with the principles described in note 2.3j).

Impairment losses recognized are equals to the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the receipt of the full amount is expected to be within one year, the discount is considered null, as it is immaterial.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash at bank, term deposits and other treasury applications which mature in less than three months and are subject to insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in the statement of financial position caption of current bank loans.

d) Classification as equity or liability

Financial liabilities and equity instruments are classified and accounted for based on their contractual substance, independently from the legal form they assume.

Equity instruments are contracts that evidence a residual interest in the assets of Sonae after deducting all of its liabilities. Equity instruments issued by Sonae are recorded by the amount of proceeds received, net of direct issuance costs.

e) Financial liabilities

Financial liabilities are classified into two categories:

- i) Financial liabilities at fair value through profit or loss; and
- ii) Financial liabilities at amortized cost.

The "Financial liabilities at amortized cost" category includes liabilities presented under "Loans", "Bonds", "Other loans", "Other non-current liabilities", "Trade payables" and "Other payable". These liabilities are initially recognized at fair value net of transaction costs and are subsequently measured at amortized cost at the effective interest rate.

As at 31 December 2019, the Company has only recognized liabilities classified as "Financial liabilities at amortized cost".

Financial liabilities are derecognised when the underlying obligations are extinguished by payment, are cancelled or expire.

f) Loans

Loans are recorded as liabilities at their nominal value, net of up-front fees and commissions related to the issuance of those instruments which corresponds to their fair value at transaction date.

Financial expenses are calculated based on the effective interest rate and are recorded in the profit and loss statement on an accruals basis, in accordance with the accounting policy defined in note 2.6. The portion of the effective interest charge relating to up-front fees and commissions, if not paid in the period, is added to the book value of the loan.

Borrowings on the form of commercial paper are classified as non-current, when the Company has guarantees of placing for a period exceeding one year and it is its' intention to maintain the use of this form of financing for a period exceeding one year.

g) Trade accounts payable and other creditors

Trade accounts payable are stated at their nominal value, since it relates to short term debt, and its discount effect is estimated to be immaterial.

h) Derivatives

Sonae uses derivatives in the management of its financial risks to hedge such risks and-or to optimize the "funding costs", not being used with speculative purposes.

Derivative financial instruments are initially recorded at the fair value of the transaction date and subsequently measured at fair value. The method of recognizing fair value gains and losses depends on the designation of derivative financial instruments, as trading or hedging instruments.

The criteria for classifying a derivative instrument as a cash flow hedge instrument is met when:

- i) there is an economic relationship between the hedged item and the hedging instrument, the value of the hedged item and the hedging instrument move in opposite directions;
- ii) changes in fair value do not result mainly from credit risk; and
- iii) the hedge ratio designated by Sonae, in each transaction is the amount of the hedged item and the amount of the hedging instrument that the entity effectively uses to cover that amount of the hedged item.

Derivatives classified as cash flow hedging instruments are used by Sonae mainly to hedge interest risks on loans obtained and exchange rate. Conditions established for these cash flow hedging instruments are identical to those of the corresponding loans in terms of base rates, calculation rules, rate setting dates and repayment schedules of the loans and for these reasons they qualify as perfect hedges. The inefficiencies, if any, are accounted under "Financial income" or "Financial expenses" in the individual profit and loss statement.

Sonae may agree to become part of a derivative transaction to hedge cash-flows related to exchange rate risk. In some cases, these derivatives may not fulfil the criteria for hedging accounting under IFRS 9 and, if so, changes in their fair value are recognized in the profit and loss statement.

In some derivative transactions Sonae does not apply "hedge accounting", although they intend to hedge cash-flows (currency "forward", interest's rate option or derivatives including similar clauses). They are initially accounted for at cost, which is equal to fair value, if any, and subsequently adjusted to the corresponding fair value, determined by specialized software. Changes in fair value of these instruments are recognized in the profit and loss statement under "Financial income" and "Financial expenses".

When embedded derivatives exist, they are accounted for as separate derivatives when the risks and the characteristics of the host contract, and these are not stated at fair value, gains and losses which are not realizable are recorded in the Profit and loss statement.

i) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period.

j) Impairment of financial assets

The determination of impairment on financial assets involves significant estimates. In calculating this estimate, the Company assesses, among other factors, the duration and extent of the circumstances under which the recoverable value of these assets may be lower than their book value. The balances of "Loans granted to related entities", "Trade receivables", "Other receivables" and "Other current assets" are valued considering the history of default, current market conditions, and estimated prospective information by reference to the end of each reporting period, while the most critical evaluation elements for the purpose of analysing estimated credit losses.

2.4 Contingent assets and liabilities

Contingent assets are not recorded in the financial statements but disclosed when future economic benefits are probable.

Contingent liabilities are not recorded in the financial statements. Instead they are disclosed in the notes to the financial statements, unless the probability of a cash outflow is remote, in which case, no disclosure is made.

2.5 Revenue

Revenue corresponds to the income obtained arising from services provided to group companies.

Revenue from services rendered is recognised in the profit and loss statement in the period they are performed.

2.6 Recognition and accrual basis

Dividends are recognised as income in the year they are attributed to the shareholders.

Income and expenses are recorded in the year to which they relate, independently of the date of the corresponding payment or receipt. Income and expenses for which their real amount is not known are estimated.

Other current assets and other current liabilities include income and expenses of the reporting year which will only be invoiced in the future. Those captions also include receipts and payments that have already occurred but that correspond to income or expenses of future years, when they will be recognized in the profit and loss statement.

2.7 Subsequent events

Events after the statement of financial position date that provide additional information about conditions that existed at the statement of financial position date (adjusting events), are reflected in the financial statements. Events after the statement of financial position date that are non-adjusting events are disclosed in the notes when material.

2.8 Judgements and estimates

The estimates and judgments with impact on the financial statements are continuously evaluated, representing at each reporting date the Management's best estimate, taking into consideration historical performance, accumulated experience and expectations about future events that, under the circumstances, if they believe they are reasonable.

The nature of the estimates may lead to the actual reflection of the situations that had been estimated, for the purposes of financial reporting, would differ from the estimated amounts. The most significant accounting estimates reflected in the financial statements include:

- a) Impairment analysis in investments in subsidiaries;
- b) Recognition of adjustments on assets, provisions and contingent liabilities analysis;
- c) Recoverability of deferred tax assets;
- d) Impairment of financial assets.

Estimates used are based on the best information available during the preparation of these financial statements and are based on the best knowledge of past and present events. Therefore, and due to this uncertainty, the outcome of the transactions being estimated may differ from the initial estimate. Changes to the estimates used by management that occur after the

approval date of these separate financial statements, will be recognised in net income prospectively, in accordance with IAS 8.

2.9 Share-based payments

Deferred performance bonus plans are indexed to Sonae's share price and are classified as share-based payments. These bonus plans vest within a period of 3 years after being granted.

Share-based payments' liabilities are measured at fair value on the date they are granted (usually in March of each year).

The settlement of plans is made by the delivery of Sonae shares, although the Company has the option to settle them in cash, and the value of each plan is determined as at the grant date based on the fair value of shares granted and expenses are recognized during the period of each plan. The liability of the plan is recognized as equity, against staff costs, during the lifetime of the plan.

2.10 Income taxes

Since 2014, Sonae is taxed in accordance with Special Regime of Taxing Groups of Companies ("Regime Especial de Tributação de Grupos de Sociedades") being the dominant company of the group. Each company taxed according with this regime records income tax for the year in its financial statements against group companies.

Except for 2017, when only the parent company recognized the effect of tax losses generated by the group, the companies that contribute with tax losses record the corresponding tax amount in their individual financial statements against group companies.

Deferred taxes are calculated using the statement of financial position liability method, reflecting the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are calculated and annually reassessed using the tax rates in force or expected to be in force in the periods when the temporary differences are expected to reverse.

Deferred tax assets are recognized only when it is probable that enough taxable profits will be available against which the deferred tax assets can be used, or when taxable temporary differences are recognized and expected to reverse in the same period. At each statement of financial position date an assessment of the deferred tax assets recognized is made being reduced whenever their future use is no longer probable.

Deferred tax liabilities are recognized on all taxable temporary differences, except those related to: i) the initial recognition of goodwill; or ii) the initial recognition of assets and liabilities, which do not result from a business combination, and which at the date of the transaction do not affect the accounting or tax result. However, taxable temporary differences related with investments in subsidiaries should not be recorded given the fact that: i) the parent-company is able to control the timing of the tax difference reversal; and ii) it is likely that the tax difference isn't reversed in the near future.

Deferred tax assets and liabilities are recorded in the profit and loss statement, except if they relate to items directly recorded in equity. In these cases, the corresponding deferred tax is recorded in equity.

The amount of taxes recognised in the financial statements correspond to the understanding of Sonae on the tax treatment of specific transactions being recognised liabilities relating to income taxes or other taxes based on the interpretation made and which is considered to be the most adequate.

In situations where such positions will be challenged by the tax authorities as part of their skills by their interpretation is distinct from Sonae, such a situation is the subject of review. If such a review, reconfirm the positioning of the company concluded that the probability of loss of certain tax process is less than 50% the company treats the situation as a contingent liability, i.e. is not recognized any amount of tax since the decision more likely is that there will be no place for the payment of any tax. In situations where the probability of loss is greater than 50% is recognized a provision, or if the payment has been made, it is recognized the expense associated.

In situations in which payments were made to Tax Authorities under special schemes of regularization of debts, in which the related tax is Income Tax, and that cumulatively keep the respective lawsuits in progress and the likelihood of success of such lawsuits is greater than 50%, such payments are recognized as assets, as these amounts correspond to determined amounts, which will be reimbursed to the entity, (usually with interests) or which may be used to offset the payment of taxes that will be due by the company, in which case the obligation in question is determined as a present obligation. In situations where payments correspond to other taxes, such amounts are recorded as expenses, although the company's understanding is that they will be reimbursed plus interest.

2.11 Transactions with related parties

Transactions with related parties are performed at arm's length conditions and the gains or losses arising on those transactions are recognized and disclosed in note 24.

3 Financial risk management

3.1 Introduction

The ultimate purpose of financial risk management is to support the Company in the achievement of its strategy by reducing unwanted financial risk and volatility and mitigate any negative impacts in the profit or loss statement arising from such risks. The Company attitude towards financial risk management is conservative and cautious. Derivatives are used to hedge certain exposures related to its operating business and, as a rule, Sonae does not enter derivatives or other financial instruments that are unrelated to its operating business or for speculative purposes.

Financial risk management policies are approved by the Sonae Executive Committee. Exposures are identified and monitored by the Finance Department. Exposures are also monitored by the Finance Committee as noted in the Corporate Governance Report.

3.2 Credit risk

Credit risk is defined as the probability of a counterparty defaulting on its payment contractual obligations resulting in a financial loss. Sonae is a holding company without any relevant commercial or trade activity, other than the normal activities of a portfolio manager and service provider to their subsidiaries. As such, it is only exposed, on a regular basis, to credit risk resulting from its investing activities (holding cash and cash equivalent instruments, deposits with banks and financial institutions or resulting from derivative financial instruments entered in the normal course of its hedging activities) or from its lending activities to subsidiaries. Loans to related entities are considered to have low credit risk and, therefore, impairment losses recognized during the period were 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.

Additionally, Sonae may sometimes also be exposed to credit risk because of its portfolio management activities (selling investments), but in those exceptional situations risk reducing mechanisms and actions are implemented on a case by case basis (bank guarantees, escrow accounts, collaterals, among others) under the supervision of the Executive Committee.

In order to reduce the probability of counterparties default Sonae transactions are only concluded in accordance with the following principles:

- Only carry out transactions (short term investments and derivatives) with counterparties that have been selected based on its high national and international reputation, and taking, into account its rating notations and the nature, maturity and extension of the operations;
- Sonae should only invest in previously authorized financial instruments. The definition of the eligible instruments, for the investment of temporary excess of funds or derivatives, was made with a conservative approach (essentially consisting in short term monetary instruments, in what excess of funds is concerned and instruments that can be split into components and that can be properly fair valued, with a loss cap);
- In relation to excess funds: i) those are preferentially used, whenever possible and when more efficient to repay debt, or invested preferably in instruments issued by relationship banks to reduce exposure on a net basis, and ii) may only be applied on pre-approved instruments;
- Any departure from the above-mentioned policies needs to be pre-approved by the Executive Committee.

Given the above-mentioned policies and the credit ratings restrictions imposed management does not expect any material failure in contractual obligations from its external counterparties. Nevertheless, exposure to individual counterparties resulting from financial instruments and the credit rating of potential counterparties is regularly monitored by the Financial Department and any departure is promptly reported to the Executive Committee and Finance Committee.

Settlement risk is also a risk faced by Sonae, which is managed through the rigorous selection of its brokers which must be highly rated counterparties.

In relation to credit risk resulting from loans granted to subsidiaries, there is no specific risk management policy as the financing of its subsidiaries is part of the main operations of a holding company.

3.3 Liquidity risk

Sonae needs to raise external funds to finance its activities and investing plans. It holds a diversified loan portfolio, essentially made up of long-term bond financing, but which also includes a variety of other short-term financing facilities in the form of commercial paper and credit lines. As at 31 December 2019 the total gross debt was 690 million euro (606 million euro as at 31 December 2018) (note 19) excluding the loans obtained from group companies.

The purpose of liquidity risk management is to ensure, at all times, that Sonae has the financial capacity to fulfil its commitments as they become due and to carry on its business activities and strategy.

Given the dynamic nature of its activities, Sonae needs a flexible financial structure and therefore uses a combination of:

- Maintaining, with its relationship banks, a combination of short and medium term committed credit facilities, commercial paper programme with sufficiently comfortable previous notice cancellation periods within a range between 60 and 360 days;

- Maintenance of commercial paper with different periods, that allow, in some cases, to place the debt directly in institutional investors;
- Detailed rolling annual financial planning, with monthly, weekly and daily cash adjustments to forecast cash requirements;
- Diversification of financing sources and counterparties;
- Ensuring an adequate debt average maturity, by issuing long term debt and avoiding excessive concentration of scheduled repayments. As at 31 December 2019 Sonae debt average life maturity, adjusted by the amount of committed long-term facilities and cash equivalents, was 3.2 years (2.6 years as at 31 December 2018);
- Negotiating contractual terms which reduce the possibility of the lenders being able to demand an early termination;
- Where possible, by prefinancing forecasted liquidity needs;
- Management procedures of short-term applications, assuring that the maturity of the applications will match with foreseen liquidity needs (or with a liquidity that allows to cover unprogrammed disbursements, concerning investments in assets), including a margin to hedge forecasting deviations. The reliability of the treasury forecasts is an important variable to determine the amounts and the periods of the market applications/borrowings.

Sonae maintains a liquidity reserve in the form of credit lines with its relationship banks, to ensure the ability to meet its commitments without having to refinance itself on unfavourable terms. Sonae has a total of 489.8 million euro (417.3 million euro as at 31 December 2018) of committed credit facilities. As at 31 December 2019, the amount of loans with maturity in 2020 is 154.6 million euro (182.5 million euro with maturity in 2019). Additionally, considering the credit lines used at 31 December 2019, 62.8 million euro are available (as at 31 December 2018 Sonae had available credit lines amounting to 74.0 million euro). In view of the above Sonae expects to meet all its obligations by means of its investments cash flows and from dividends received from its subsidiaries, as well as, from existing available credit lines, if needed. Furthermore, Sonae maintains a liquidity reserve that includes cash and cash equivalents and current investments as described in note 14. Additionally, as at 31 December 2019 Sonae Group maintains consolidated credit lines available amounting to 235 million euros (231 million euros as at 31 December 2018) with commitments less or equal to one year and 352 million euro (231 million euros as at 31 December 2018) with commitments over one year.

Sonae believes that, within the short term, it has access to all the necessary financial resources to meet its commitments and investments.

3.4 Interest rate risk

3.4.1 Policy

Sonae is exposed to cash flow interest rate risk in respect of items in the statement of financial position (loans and short-term investments) and to fair value interest rate risk because of interest rate derivatives (swaps, FRA's and options). Most of Sonae debt bears variable interest rates, and interest rate derivatives may be entered into to convert part of the variable rate debt into fixed rate (usually through interest rate swaps or forward rate agreements), or to limit the maximum rate payable (usually through zero cost collars or the purchased caps).

Sonae mitigates interest rate risk by adjusting the proportion of its debt that bears fixed interest to that which bears floating interest although without a fixed goal or percentage to achieve since hedging interest rate risk usually has an opportunity cost associated. Therefore, a more flexible approach is considered preferable to a stricter traditional approach. Part of the risk is also mitigated by the fact that Sonae grants loans bearing interest at variable interest rates to its subsidiaries as part of its usual activities and thus there may be some degree of natural hedging on a company basis, since if interest rates increase the additional interest paid would be partially offset by additional interest received.

Sonae hedging activities do not constitute a profit-making activity and derivatives are deemed to be entered without any speculation purpose. Strict rules are observed in relation to any derivative transaction entered:

- For each derivative or instrument used to hedge a specific loan, the interest payment dates of the hedged loans should be the same as the settlement dates of the hedging instrument to avoid any mismatch and hedging inefficiency;
- Perfect match between the base rates (the base rate used in the derivative or hedging instrument should be the same as that of the hedged facility / transaction);
- The maximum cost of the hedging operation is known and limited, even in scenarios of extreme change in market interest rates, so that the resulting interest rates are within the cost of the funds considered in Sonae's business plans (or in extreme scenarios are not worse than the underlying cost of the floating rate);
- The counterparties of the derivative hedging instruments are limited to highly rated financial institutions, as described in 3.2. above - Credit Risk Management. It is Group policy that, when contracting such instruments, preference should be given to financial institutions that form part of Sonae's existing relationships, whilst at the same time obtaining quotes from enough large sample of banks to ensure optimum conditions;
- Swaps fair value was determined by discounting estimated future cash flows to the statement of financial position date. The cash flows result from the difference between the fixed interest rate of the fixed leg and the indexed variable interest rate inherent to the variable leg. For options, the fair value is calculated according the "Black-Scholes" model and other similar models. The future cash-flow estimates are based on market forward interest rates, discounted to the present using the most representative market rates. The estimate is supported on reliable sources, such as those conveyed by Bloomberg and others. Comparative financial institution quotes for the specific or similar instruments are used as a benchmark for the evaluation. This estimate assumes all other variables constant.
- All transactions are documented under ISDA's agreements;

- All transactions which do not follow the rules above have to be individually approved by the Executive Committee, and reported to the Financial Committee, namely transactions entered into with the purpose of optimizing the cost of debt when deemed appropriate according to prevailing financial market conditions.

3.4.2 Sensitivity analysis

The interest rate sensitivity analysis is based on the following assumptions:

- Changes in market interest rates affect the interest income or expense of variable interest financial instruments (the interest payments of which are not designated as hedged items of cash flow hedges against interest rate risks). Consequently, they are included in the calculation of income-related sensitivities;
- Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognized at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortized cost are not subject to interest rate risk as defined in IFRS 7;
- In the case of fair value hedges designed for hedging interest rate risks, when the changes in the fair values of the hedged item and the hedging instrument attributable to interest rate movements are offset almost completely in the profit and loss statement in the same period, these financial instruments are also not exposed to interest rate risk;
- Changes in the market interest rate of financial instruments that were designated as hedging instruments in a cash flow hedge (to hedge payment fluctuations resulting from interest rate movements) affect the hedging reserve in equity and are therefore taken into consideration in the equity-related sensitivity calculations;
- Changes in the market interest rate of interest rate derivatives that are not part of a hedging relationship as set out in IAS 39 affect other financial income or expense and are therefore taken into consideration in the income-related sensitivity calculations;
- Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year end, and assuming a parallel shift in interest rate curves;
- For the purposes of sensitivity analysis, such analysis is performed based on all financial instruments outstanding during the year.

Under the previously mentioned assumptions, if interest rates of euro denominated financial instruments had been 75 basis points higher, the company net profit before taxes as at 31 December 2019 (separate statements) would decrease by approximately 4.8 million euro (as at 31 December 2018 the net profit would have decrease by 2.9 million euro). The increase in interest rate in 75 basis points would not have an impact over total equity (not considering the impact over net profit) as at 31 December 2018 (no impact on 31 December 2018).

3.5 Foreign exchange risk

Due to its nature of holding company, Sonae has very limited transaction exposure to foreign exchange risk. Normally, when such exposures arise foreign exchange risk management seeks to minimise the volatility of such transactions made in foreign currency and to reduce the impact on the profit and loss statement of exchange rate fluctuations. When significant material exposures occur with a high degree of certainty, Sonae hedges such exposures mainly through forward exchange rate

contracts. For uncertain exposures, options may be considered, subject to pre-approval from the company's Executive Committee.

Sonae does not have any material foreign exchange rate exposure at holding level, since almost all equity and loans to subsidiaries are denominated in euro.

3.6 Price risk and market risk

The Group is exposed to equity price risks arising from equity investments, maintained for strategic rather than for trading purposes as the group does not actively trade these investments. These investments are presented in note 6.

3.7 Capital risk

Sonae's capital structure, determined by the proportion of equity and net debt, is managed to ensure the continuity and development of its operations, maximize the return for the shareholders and optimize financing costs.

Sonae periodically monitors its capital structure identifying risks, opportunities and the necessary adjustment measures for the achievement of these goals.

4 Financial instruments classes

The financial instruments classes, in accordance with the policies disclosed in note 2.3, as at 31 December 2019 and 2018 are as follows:

	31 Dec 2019			
	Notes	Assets and liabilities at amortized cost	Other non financial assets and liabilities	Total
Other non-current assets	8	1,000,000	2,162	1,002,162
Non-current assets		1,000,000	2,162	1,002,162
Trade accounts receivable	9	1,185,864	-	1,185,864
Other debtors	10	436,283,847	-	436,283,847
Other current assets	13	1,814,600	579,065	2,393,665
Cash and cash equivalents	14	121,047	-	121,047
Current assets		439,405,358	579,065	439,984,423
Financial assets		440,405,358	581,227	440,986,585
Bonds	19	208,831,051	-	208,831,051
Bank loans	19	324,853,391	-	324,853,391
Other non-current liabilities		315,936	-	315,936
Non-current liabilities		534,000,378	-	534,000,378
Bank loans	19	154,581,858	-	154,581,858
Lease liabilities		407,450	-	407,450
Trade accounts payable		675,040	-	675,040
Loans obtained from group companies	20	487,157,000	-	487,157,000
Other creditors	21	60,764,122	-	60,764,122
Other current liabilities	22	4,020,414	-	4,020,414
Current liabilities		707,605,884	-	707,605,884
Financial liabilities		1,241,606,262	-	1,241,606,262

	31 Dec 2018 Restated			
	Notes	Assets and liabilities at amortized cost	Other non financial assets and liabilities	Total
Other non-current assets	8	26,000,000	-	26,000,000
Non-current assets		26,000,000	-	26,000,000
Trade accounts receivable	9	533,735	-	533,735
Other debtors	10	430,081,947	-	430,081,947
Other current assets	13	1,995,870	936,808	2,932,678
Cash and cash equivalents	14	13,496,553	-	13,496,553
Current assets		446,108,105	936,808	447,044,913
Financial assets		472,108,105	936,808	473,044,913
Bonds	19	159,092,197	-	159,092,197
Bank loans	19	263,537,827	-	263,537,827
Lease liabilities		46,811	-	46,811
Non-current liabilities		422,676,835	-	422,676,835
Bank loans	19	182,500,000	-	182,500,000
Lease liabilities		308,646	-	308,646
Trade accounts payable		292,578	-	292,578
Loans obtained from group companies	20	600,131,390	-	600,131,390
Other creditors	21	31,488,723	-	31,488,723
Other current liabilities	22	2,819,758	-	2,819,758
Current liabilities		817,541,095	-	817,541,095
Financial liabilities		1,240,217,930	-	1,240,217,930

5 Changes in accounting policies

During the year there were no material changes in accounting policies or prior periods' errors.

6 Investments in subsidiaries, associated companies and joint ventures

As at 31 December 2019 and 2018, the Company held investments in the following subsidiaries, associated companies and joint ventures (net of impairment losses):

Companies	31 Dec 2019					
	% Held	Opening balance	Increase	Decrease	Impairment reversed in the year	Closing balance
Sonae Holdings, SA (Ex: Sonaecenter, Serviços, SA)	100.00%	1,651,171,545	24,000,000	-	67,525,000	1,742,696,545
Sonae Investments, BV	100.00%	835,700,000	-	-	-	835,700,000
Sonae Sierra SGPS, SA	70.00%	746,049,989	-	-	-	746,049,989
Sonae MC, SGPS, SA	35.03%	630,473,742	-	-	-	630,473,742
Sontel, BV	35.87%	316,995,099	-	-	16,797,000	333,792,099
Sonacom, SGPS, SA	26.02%	111,098,824	-	-	-	111,098,824
Fundo de Investimento Imobiliário Fechado Imosedo	50.00%	76,047,995	-	-	-	76,047,995
SFS, Gestão e Consultoria, SA	100.00%	48,455,868	3,747,600	-	-	52,203,468
SFS - Sonae Financial Services, IME, SA (Ex: Sonae Financial Services, SA)	100.00%	45,700,000	-	-	-	45,700,000
Sonae Corporate, SA	100.00%	6,062,634	-	-	-	6,062,634
Mktplace Comércio Eletrónico, SA	50.00%	1,389,604	3,625,523	-	-	5,015,127
Sonae FS, SA (Ex: Wrt Business-Distrib. de eletrodomésticos, eletrónica e informática, SA)	100.00%	-	4,049,800	-	-	4,049,800
Sonae RE, SA	99.92%	760,059	399,680	-	-	1,159,739
SFS - Gestão de Fundos, SGFI, SA (Ex: Sonaegest, SA)	80.00%	973,215	-	-	-	973,215
Arat Inmuebles, SAU	0.00%	1,827,149	-	(1,827,149)	-	-
Total		4,472,705,724	35,822,603	(1,827,149)	84,322,000	4,591,023,177

Companies	31 Dec 2018					
	% Held	Opening balance	Increase	Decrease	Impairment reversed/ (recognized) in the year	Closing balance
Sonaecenter, Serviços, SA	100.00%	1,537,221,545	18,050,000	-	95,900,000	1,651,171,545
Sonae Investments, BV	100.00%	835,700,000	-	-	-	835,700,000
Sonae Sierra SGPS, SA	70.00%	490,113,339	255,936,650	-	-	746,049,989
Sonae MC, SGPS, SA (Ex Sonae Investimentos, SGPS, SA)	35.03%	532,246,696	223,111,000	(124,883,953)	-	630,473,743
Sontel, BV	35.87%	286,755,099	-	-	30,240,000	316,995,099
Sonaeacom, SGPS, SA	26.02%	111,098,824	-	-	-	111,098,824
Fundo de Investimento Imobiliário Fechado Imosede	50.00%	30,000,544	46,047,451	-	-	76,047,995
SFS, Gestão e Consultoria, SA	100.00%	-	48,455,868	-	-	48,455,868
Sonae Financial Services, SA	100.00%	-	45,700,000	-	-	45,700,000
Sonae Corporate, SA (Ex Sonae - Shared Service Center, SA)	100.00%	-	6,062,634	-	-	6,062,634
Arat Inmuebles, SAU	100.00%	-	1,827,149	-	-	1,827,149
Mktplace Comércio Eletrónico, SA	50.00%	-	1,389,604	-	-	1,389,604
Sonae gest, SA	80.00%	159,615	813,600	-	-	973,215
Sonae RE, SA	99.92%	1,481,059	-	-	(721,000)	760,059
Halfdozen Real Estate, SA	-	-	50,000	(50,000)	-	-
Interlog, SGPS, SA	-	106,686	-	(106,686)	-	-
Total		3,824,883,407	647,443,956	(125,040,639)	125,419,000	4,472,705,724

In February 2020, ZOPT (a subsidiary of Sonaeacom, SGPS, S.A.) became aware that some of its bank accounts were unavailable, which may have resulted from requests for international judicial cooperation issued by the Angolan State in the context of processes underway in Angola and in which it is targeted, among others, Mrs. Isabel dos Santos. The amounts in custody were not materially relevant and the balances and shares recorded in ZOPT's accounts, deposited in CGD, remained always available. Such apprehension was not judicially notified to ZOPT so it was not possible to take any action on it namely for a possible pronouncement. On March 27, 2020, ZOPT was informed that its bank accounts at Novo Banco and BCP were available again.

Impairment tests on financial investments are carried out in accordance with the accounting policy mentioned in 2.2 and based on the valuation of the subsidiaries' assets made through discounted cash flow models to estimate the value of use of those investments.

The main assumptions used in the valuation of the financial investments can be summarized as follows:

Companies	Basis of recoverable amount	Period	Discount rate	Growth rate in perpetuity	Average sales growth rate	Value of investment units
SFS, Gestão e Consultoria, SA	Value of use	2020-2024	10%	0%	0.19%	---
SFS - Sonae Financial Services, IME, SA	Value of use	2020-2024	10%	0.50%	3.00%	---
Sonae FS, S.A.	Equity	---	---	---	---	---
Fundo de Investimento Imobiliário Fechado Imosede	Value of investment units	---	---	---	---	890.8526

The assumptions used for the remaining investments are similar to those used on goodwill impairment testing and real estate assets' valuation which are disclosed in the consolidated financial statements.

Accumulated impairment losses as at 31 December 2019 and 2018 are as follows:

	31 Dec 2019	31 Dec 2018
Sonae Holdings, SA	136,585,000	204,110,000
Sontel, BV	71,849,000	88,646,000
Sonae RE, SA	2,912,000	2,912,000
Total	211,346,000	295,668,000

Sonae Holdings, SA is a holding company whose portfolio is made up of companies operating in the area of electronics, fashion and retail.

7 Deferred tax assets and liabilities

As at 31 December 2019 and 2018 deferred tax assets and liabilities and the corresponding movement are as follows:

	31 Dec 2019		31 Dec 2018 restated	
	Assets	Liabilities	Assets	Liabilities
Opening balance	10,232,104	85,727	7,755,724	-
IFRS 16 impact	-	-	18,008	17,971
Opening balance - restated	10,232,104	85,727	7,773,732	17,971
Effect on profit/(loss)	(344,252)	81,729	793,048	67,756
Tax losses carried forward	(684,119)	-	731,078	-
Share-based payments	257,083	-	-	-
Lease liabilities	82,784	81,729	61,970	67,756
Effect on financial position	814,817	-	1,665,324	-
Recognition of tax losses generated under the special regime for taxation of groups	814,817	-	1,665,324	-
Closing balance	10,702,669	167,456	10,232,104	85,727

According to the Portuguese tax legislation, the tax losses of the fiscal group for which deferred tax assets were recognized are as follows:

	31 Dec 2019		31 Dec 2018	
	Carried forward tax loss	Limit for use	Carried forward tax loss	Limit for use
Generated in 2016	18,341,757	2028	19,755,779	2028
Generated in 2017	17,328,946	2022	19,872,599	2022
Generated in 2018	13,295,127	2023	8,715,080	2023
	48,965,830		48,343,458	

8 Other non-current assets

As at 31 December 2019 and 2018 other non-current assets are as follows:

	31 Dec 2019	31 Dec 2018
Loans granted to group companies:		
Sonae Investments, BV (nota 24)	-	25,000,000
Other debtors		
MDS, SGPS, SA (nota 24)	1,000,000	1,000,000
Labor Compensation Fund	2,162	-
	1,002,162	26,000,000

As at 31 December 2019 loans granted to group companies bear interest at market rates indexed to Euribor, have long-term maturity and their fair value is similar to their carrying amount.

There are no overdue or impaired non-current assets balances as at 31 December 2019 and 2018. Impairment losses for loans granted to group companies are assessed as described in note 2.3 j).

9 Trade accounts receivable

Trade accounts receivable as at 31 December 2019 and 2018 refer only to administration and management fees rendered to group companies in which the company has participation (note 24).

As at the statement of financial position date there are no accounts receivable overdue and no impairment losses were recorded.

10 Other debtors

As at 31 December 2019 and 2018 other debtors are as follows:

	31 Dec 2019	31 Dec 2018
Group companies		
Loans (note 24)	391,683,000	401,986,000
Sonae Holdings, SA	309,245,000	85,187,000
Sonae Corporate, SA	79,935,000	140,120,000
Halfdozen Real Estate, SA	2,503,000	4,464,000
Fashion Division, SA	-	137,673,000
Zippy - Comércio e Distribuição, SA	-	20,412,000
Modalfa – Comércio e Serviços, SA	-	11,366,000
MCCARE, Serviços de Saúde, SA	-	1,769,000
Chão Verde – Sociedade de Gestão Imobiliária, SA	-	722,000
SK - Skin Health Cosmetics, SA	-	273,000
Interest (note 24)	183,011	1,072,307
Sonae Investments, BV	183,011	1,072,307
Taxes - Special regime for taxation of group companies (note 24)	43,332,504	26,783,070
Other debtors		
Others	1,085,332	240,570
	436,283,847	430,081,947

The amount recorded in the caption "Taxes-Special regime for taxation of group companies" corresponds to the income tax receivable, net of advance payments, computed by the companies taxed under the special regime for taxation of group companies of which the Company is the dominant company.

Loans granted to group companies bear interest at market rates indexed to Euribor and their maturity is less than one year.

There were no impaired or overdue assets as at 31 December 2019 and 2018. The fair value of loans granted is similar to its carrying amount.

11 State and other public entities

As at 31 December 2019 and 2018 assets and liabilities captions can be detailed as follows:

Assets	31 Dec 2019	31 Dec 2018
Withholding taxes	115,058	-
Others	983	983
	116,041	983

Liabilities	31 Dec 2019	31 Dec 2018
Withholding taxes:		
Staff	102,594	19,864
Other	17,679	15,463
Value added tax	96,194	152,118
Social security contributions	106,875	16,399
	323,342	203,844

12 Income taxes

As at 31 December 2019 and 2018 the assets' caption is as follows:

	31 Dec 2019	31 Dec 2018
Income taxes	2,226,422	4,521,035
Taxation from previous years	19,272,347	1,910,738
	21,498,769	6,431,773

As at 31 December 2019 and 2018 the amount recorded in caption "Income taxes" corresponds to the income tax estimate for the year net of advance payments and withholding taxes. The caption "Income taxes from previous years" refers to income tax recoverable from previous years, which the company has not yet received from the tax authorities.

As at 31 December 2019 and 2018 income tax recorded in the profit and loss statements can be detailed as follows:

	31 Dec 2019	31 Dec 2018 restated
Current tax	(3,296,443)	(1,328,732)
Deferred tax	425,982	(159,055)
Tax savings arising from special regime for taxation of groups	-	450,280
	(2,870,461)	(1,037,507)

The reconciliation between profit before taxes and income tax for the years ended 31 December 2019 and 2018 is summarized as follows:

	31 Dec 2019	31 Dec 2018 restated
Profit before taxes	188,483,086	320,789,983
Income tax	21%	21%
Tax	39,581,448	67,365,896
Non taxable		
Dividends (note 25)	(24,368,924)	(42,669,747)
Untaxed (gains)/losses in sale of investments (nota 25)	299,227	-
Impairment (reversal)/losses (note 6 e 25)	(17,707,620)	(26,337,990)
Excess of income tax from previous years	(450,273)	(162,605)
Autonomous taxation	(26,273)	(2,376)
Others	(198,046)	769,314
Income tax	(2,870,461)	(1,037,507)

13 Other current assets

As at 31 December 2019 and 2018 the amount recorded in the caption other current assets relates essentially to accrued interests related with loans granted and to commissions from guarantees given to subsidiaries.

14 Cash and cash equivalents

As at 31 December 2019 and 2018 cash and cash equivalents are as follows:

	31 Dec 2019	31 Dec 2018
Cash in hand	1,244	1,255
Bank deposits	119,803	13,495,298
Cash and cash equivalents on the statement of financial position	121,047	13,496,553
Bank overdrafts (note 19)	1,242,786	-
Cash and cash equivalents on the cash flow statement	(1,121,739)	13,496,553

15 Share capital

As at 31 December 2019 and 2018 share capital was made up of 2,000,000,000 ordinary shares with the value of 1 euro each.

As at 31 December 2019 and 2018 Efanor Investimentos, SGPS, SA and its affiliated companies held 52.8528% of Sonae's share capital.

16 Legal reserve

The portuguese legislation defines that that 5% of the year's net profit should be allocated to legal reserve up to, at least, 20% of the share capital. Legal reserve is not distributable, except in the event of the company's extinction, and can only be used to cover losses or increase share capital.

17 Other reserves

As at 31 December 2019 and 2018 other reserves are detailed as follows:

	31 Dec 2019	31 Dec 2018
Free reserves	1,264,252,966	1,046,613,968
IFRS 16 impact	(7,418)	(27,351)
Share-based payments	1,142,589	859,735
	1,265,388,137	1,047,446,352

Movements occurred in 2019 and 2018 in these reserves are detailed in the Company's statement of changes in equity.

Share-based payments reserve represents the fair value, at grant date, of the share based payments' plans, attributed under the deferred performance bonuses, to be settled by the delivery of shares.

18 Share-based payments

In 2019 and in previous years, according to the remuneration policy disclosed in the Corporate Governance Report and in note 2.9, Sonae granted deferred performance bonuses. These are based on shares to be acquired with discount, three years after being attributed. These shares are only granted if the employee still works for Sonae at the vesting date.

As at 31 December 2019 and 2018 the outstanding plans were as follows:

	Vesting period		31 Dec 2019		31 Dec 2018	
	Year of grant	Vesting year	Number of participants	Number of shares	Number of participants	Number of shares
Plan 2015	2016	2019	-	-	2	353,240
Plan 2016	2017	2020	6	622,075	2	503,647
Plan 2017	2018	2021	6	536,210	2	462,979
Plan 2018	2019	2022	7	721,532	-	-

The fair values of the attributed shares for the outstanding plans can be detailed as follows:

	Year of grant	Vesting year	Grant date	31 Dec 2019	31 Dec 2018
Plan 2015	2016	2019	455,100	-	286,124
Plan 2016	2017	2020	563,600	566,088	407,954
Plan 2017	2018	2021	602,700	487,951	375,013
Plan 2018	2019	2022	686,898	656,594	-

During the year the movements occurred can be detailed as follows:

Number of shares	31 Dec 2019	31 Dec 2018
Opening balance	1,319,866	1,218,417
Changes during the year:		
Attributed	456,302	378,203
Vested	(353,240)	(400,869)
Canceled/ extinct/ corrected/ transferred	456,889	124,115
Closing balance	1,879,817	1,319,866

Amount	31 Dec 2019	31 Dec 2018
Recorded in employee cost in the year	479,241	424,867
Recorded in employee cost in previous year	663,348	434,868
	1,142,589	859,735

19 Bonds and bank loans

As at 31 December 2019 and 2018 this caption included the following loans:

	31 Dec 2019	31 Dec 2018
Bonds Sonae, SGPS 2015/2022	100,000,000	100,000,000
Bonds Sonae, SGPS 2016/2023	60,000,000	60,000,000
Bonds Sonae, SGPS 2019/2026	50,000,000	-
Up-front fees not yet charged to income statement	(1,168,949)	(907,803)
Bonds	208,831,051	159,092,197
Sonae SGPS - commercial paper	285,000,000	213,750,000
Sonae SGPS - bank loans	40,000,000	50,000,000
Up-front fees not yet charged to income statement	(146,609)	(212,173)
Bank loans	324,853,391	263,537,827
Non-current loans	533,684,442	422,630,024
Bank overdrafts	1,242,786	-
Sonae SGPS - commercial paper	143,350,000	182,500,000
Sonae SGPS - bank loans	10,000,000	-
Up-front fees not yet charged to income statement	(10,928)	-
Bank loans	154,581,858	182,500,000
Current loans	154,581,858	182,500,000

Loans estimated fair value is considered to be near its carrying amount. Loans fair value was determined by discounting estimated future cash flows. The majority of loans bears interests at variable interest rates indexed to market reference rates.

Maturity of bank loans

As at 31 December 2019 and 2018 the analysis of the maturity of loans excluding derivatives is as follows:

	31 Dec 2019		31 Dec 2018	
	Nominal value	Interests	Nominal value	Interests
N+1	154,592,786	4,651,036	182,500,000	5,410,490
N+2	30,000,000	4,038,142	73,750,000	4,643,020
N+3	165,000,000	3,111,103	10,000,000	4,079,990
N+4	80,000,000	1,785,289	130,000,000	3,259,192
N+5	120,000,000	910,368	200,000,000	1,544,852
after N+5	140,000,000	777,701	10,000,000	58,858

The maturities above were estimated in accordance with the contractual terms of the loans and considering Sonae's best estimate regarding their reimbursement date.

The interest amount was calculated considering the interest rates in force for each loan at 31 December 2019.

As at 31 December 2019 e 2018, there are financial covenants included in the borrowing agreements, similar to the market practices, which, at the reporting date, are fulfilled.

As at 31 December 2019 and 2018, in addition to the amounts presented as cash and cash equivalents (note14), Sonae kept 63 million euro available to meet its cash requirements as follows:

	31 Dec 2019		31 Dec 2018	
	Commitments of less than one year	Commitments of more than one year	Commitments of less than one year	Commitments of more than one year
Agreed credit facilities amounts	194,750,000	295,000,000	203,500,000	213,750,000
Available credit facilities amounts	52,757,214	10,000,000	74,000,000	-

Interest rate as at 31 December 2019 for bonds and bank loans was, in average, 0.81% (0.68% as at 31 December 2018).

20 Loans from group companies

As at 31 December 2019 and 2018 loans obtained from group companies are as follows:

	31 Dec 2019	31 Dec 2018
Sontel, BV	207,157,000	395,710,390
Worten - Equipamentos para o Lar, SA	168,253,000	135,123,000
Sesagest – Projectos e Gestão Imobiliária, SA	40,137,000	36,852,000
SFS, Gestão e Consultoria, SA	37,372,000	20,141,000
Fashion Division, SA	24,893,000	-
Sonae FS, SA	4,044,000	50,000
Infocfield – Informática, SA	3,026,000	1,205,000
Sonae RE, SA	1,103,000	765,000
Arat Inmuebles, SAU	1,036,000	1,287,000
Bright Brands Sportsgoods, SA	136,000	619,000
Modalloop - Vestuário e Calçado, SA	-	815,000
SonaeSR - Serviços e Logística, SA	-	7,334,000
Têxtil do Marco, SA	-	230,000
	487,157,000	600,131,390

Loans obtained from group companies bear interest at rates indexed to Euribor.

21 Other creditors

As at 31 December 2019 and 2018 other creditors are as follows:

	31 Dec 2019	31 Dec 2018
Group companies		
Taxes-special regime for taxation of group companies	60,560,833	31,383,078
Shareholders	106,180	101,229
Others	97,109	4,416
	60,764,122	31,488,723

The amount recorded in the caption Taxes-special regime for taxation of group companies corresponds to income tax payable, net of advance payments and withholding taxes, calculated by the companies taxed under the special regime for taxation of group companies, of which the Company is the dominant company.

22 Other current liabilities

As at 31 December 2019 and 2018 other current liabilities are as follows:

	31 Dec 2019	31 Dec 2018
Accruals:		
Salaries	1,561,227	475,202
Interest	1,454,293	1,594,698
Others	1,004,894	749,858
	4,020,414	2,819,758

23 Contingent liabilities

As at 31 December 2019 and 2018 guarantees in favour of third parties are as follows:

	31 Dec 2019	31 Dec 2018
Guarantees given:		
on tax claims	196,974,371	196,974,371
on judicial claims	70,766	70,766
Guarantees given in the name of subsidiaries (a)	354,018,498	374,453,368

(a) Guarantees given to the tax authorities in favour of subsidiaries to defer tax claims. The main tax claims for which guarantees were issued are disclosed in the consolidated financial statements.

Guarantees given on tax claims include guarantees in favour of tax authorities regarding income taxes for the years of 2007 up to 2015. Concerning these guarantees, the most significant amount relates to a positive equity change arising on the disposal of own shares to a third party in 2007 as well as to the disregard of the reinvestment made on capital gains from shares' disposal and to the disregard of the tax neutrality of some demerger operations incurred. The Company has presented an appeal against these tax claims being the Board of Directors' understanding, based on its advisers' assessment, that such appeals will be favourable.

No provision has been accounted to face risks arising from events related to guarantees given as the Board of Directors considers that no liabilities will arise to the Company.

24 Related parties

As at 31 December 2019 and 2018 balances and transactions with related parties are as follows:

Balances	31 Dec 2019	31 Dec 2018
Subsidiaries	46,282,261	30,379,597
Jointly controlled companies	4,890	1,001,290
Other related parties	1,236,808	98,000
Accounts receivable (note 8, 9, 10)	47,523,959	31,478,887
Parent company	461,334	563,852
Subsidiaries	58,695,393	32,665,803
Jointly controlled companies	275	23,018
Other related parties	1,861,457	6,664
Accounts payable (note 10)	61,018,459	33,259,337
Subsidiaries	391,683,000	426,986,000
Loans granted (note 21, 35)	391,683,000	426,986,000
Subsidiaries	487,157,000	600,131,390
Loans obtained (note 20, 35)	487,157,000	600,131,390
Transactions	31 Dec 2019	31 Dec 2018
Subsidiaries	3,710,469	2,029,413
Jointly controlled companies	3,975	111,533
Other related parties	114,110	104,806
Services rendered	3,828,554	2,245,752
Parent company	483,823	584,297
Subsidiaries	2,002,634	1,690,513
Jointly controlled companies	84,631	489
Other related parties	35,597	38,445
Purchases and services obtained	2,606,685	2,313,745
Subsidiaries	2,772,195	2,434,477
Interest income (note 26)	2,772,195	2,434,477
Parent company	6,876	-
Subsidiaries	2,821,926	1,978,054
Interest expenses (note 26)	2,828,803	1,978,054
Subsidiaries	116,042,494	178,316,060
Jointly controlled companies	-	24,873,210
Dividend income (note 25)	116,042,494	203,189,270
Subsidiaries	-	1,791,362
Income from investment fund participation units (note 25)	-	1,791,362
Subsidiaries	39,843,126	390,117,702
Jointly controlled companies	-	1,389,604
Acquisition of investments/Capital increase	39,843,126	391,507,306

All Efanor, SGPS, SA's subsidiaries, associated companies and joint ventures are considered related parties namely: all companies of Sonae, SGPS, SA Group (including the ones held by Sonae MC, SGPS, SA, Sonae Holdings, SA, Sonae Sierra, SGPS, SA and Sonaecom, SGPS, SA); the companies of Sonae Indústria, SGPS, SA Group and of Sonae Capital, SGPS, SA Group. The Board of Directors's members are also considered related parties.

The remuneration attributed to the Board of Directors for the years ended 31 December 2019 and 2018 is detailed as follows:

	31 Dec 2019	31 Dec 2018
Short term	1,593,830	1,283,050
Share based payments	427,500	434,400
	2,021,330	1,717,450

In 2019 and 2018 no loans were granted to the Company's Directors.

As at 31 December 2019 and 2018 there are no balances with the Company's Directors.

25 Gains or losses on investments

As at 31 December 2019 and 2018 gains or losses on investments are detailed as follows:

	31 Dec 2019	31 Dec 2018
Dividends received	116,042,494	203,189,270
Gains/(Losses) on sale of investments	(1,432,150)	115,623
Impairment losses (note 6)	-	(721,000)
Impairment reversal (note 6)	84,322,000	126,140,000
Income from investment fund participation units	-	1,791,362
	198,932,344	330,515,255

26 Financial income / expenses

As at 31 December 2019 and 2018 net financial expenses are as follows:

	31 Dec 2019	31 Dec 2018 restated
Interest arising from:		
Bank loans	(2,274,875)	(1,605,243)
Bonds	(2,494,385)	(2,096,624)
Other	(2,828,803)	(1,980,024)
Interest on lease agreements	(8,130)	(6,020)
Up front fees on the issuance of debt	(2,227,803)	(1,822,768)
Other financial expenses	(174,041)	(143,249)
Financial expenses	(10,008,037)	(7,653,928)
Interest income	2,772,195	2,434,805
Others	27,373	56,715
Financial income	2,799,568	2,491,520

27 External supplies and services

As at 31 December 2019 and 2018 external supplies and services are as follows:

	31 Dec 2019	31 Dec 2018 restated
Services obtained	3,585,875	2,644,034
Others	1,336,017	1,123,174
	4,921,892	3,767,208

As at 31 December 2019 and 31 December 2018 the amount recorded in services obtained mainly relates to shared services fees provided by subsidiaries and to consulting services rendered by external entities.

As at 31 December 2019 and 31 December 2018 the amount registered in others refers mainly to expenses with guarantees given by the parent company, insurances and travel expenses.

28 Staff costs

As at 31 December 2019 and 2018 staff costs are as follows:

	31 Dec 2019	31 Dec 2018
Salaries	3,427,935	1,764,779
Social costs	429,780	203,706
Other staff costs	217,321	26,212
	4,075,036	1,994,697

29 Earnings per share

Earnings per share for years ended 31 December 2019 and 2018 were calculated taking into consideration the following amounts:

	31 Dec 2019	31 Dec 2018 restated
Net profit		
Net profit taken into consideration to calculate basic earnings per share (Net profit for the period)	188,483,086	321,827,490
Net profit taken into consideration to calculate basic earnings per share	188,483,086	321,827,490
Number of shares		
Weighted average number of shares used to calculated basic earnings	2,000,000,000	2,000,000,000
Outstanding shares related with deferred performance bonus	1,879,817	1,319,866
Number of shares that could be acquired at average market price	(790,996)	(404,917)
Weighted average number of shares used to calculated diluted earnings per share	2,001,088,821	2,000,914,949
Profit/(Loss) per share		
Basic	0.094242	0.160914
Diluted	0.094190	0.160840

30 Collections / payments of investments

As at 31 December 2019 and 2018 collections and payments of investments are as follows:

Companies	31 Dec 2019		
	Total	Amount received	Amount paid
Arat Inmuebles, SAU	395,000	395,000	-
Mktplace Comércio Eletrónico, SA	3,625,523	-	3,625,523
SFS, Gestão e Consultoria, SA	3,747,600	-	3,747,600
Sonae FS, SA	4,049,800	-	4,049,800
Sonae Holdings, SA	24,000,000	-	24,000,000
Sonae RE, SA	399,680	-	399,680
	36,217,603	395,000	35,822,603

Companies	31 Dec 2018		
	Total	Amount received	Amount paid
Arat Inmuebles, SAU	1,827,149	-	1,827,149
Fundo de Investimento Imobiliário Fechado Imosede	46,047,451	-	46,047,451
Halfdozen Real Estate, SA	50,000	-	50,000
Halfdozen Real Estate, SA	(50,000)	50,000	-
Interlog, SGPS, SA	(222,309)	222,309	-
Mktplace Comércio Eletrónico, SA	1,389,604	-	1,389,604
SFS, Gestão e Consultoria, SA	48,455,868	-	48,455,868
Sonae Corporate, SA (Ex Sonae - Shared Service Center, SA)	6,062,634	-	6,062,634
Sonae Financial Services, SA	45,700,000	-	45,700,000
Sonae MC, SGPS, SA (Ex Sonae Investimentos, SGPS, SA)	223,111,000	-	223,111,000
Sonae MC, SGPS, SA (Ex Sonae Investimentos, SGPS, SA)	(124,883,953)	124,883,953	-
Sonae Sierra SGPS, SA	255,936,650	-	255,936,650
Sonaecenter, Serviços, SA	18,050,000	-	18,050,000
Sonaegeest, SA	813,600	-	813,600
	522,287,694	125,156,262	647,443,956

31 Reconciliation of liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities as at 31 December 2019 and 2018 is as follows:

	Borrowings	Group companies
Opening balance as at 1 January 2018	412,640,000	77,494,244
Receipts arising from bank loans	2,815,683,000	-
Payments arising from bank loans	(2,622,073,000)	-
Receipts arising from group companies	-	2,138,369,590
Payments arising from group companies	-	(1,615,732,444)
Opening balance as at 1 January 2019	606,250,000	600,131,390
Receipts arising from bonds	50,000,000	-
Receipts arising from bank loans	4,135,671,000	-
Payments arising from bank loans	(4,103,571,000)	-
Receipts arising from group companies	-	2,563,376,000
Payments arising from group companies	-	(2,676,350,390)
Closing balance as at 31 December 2019	688,350,000	487,157,000

32 Dividends

For the year 2019, the Board of Directors will propose a gross dividend of 0.0463 euro per share, in the total amount of 92,600,000 euro. This dividend is subject to the approval of the Shareholders' General Meeting.

33 Approval of the financial statements

The financial statements were approved by the Board of Directors on 17th March 2020. These financial statements will be presented to the Shareholders' General Meeting for final approval.

34 Subsequent events

The Board of Directors is closely monitoring all developments related to the Covid-19 pandemic with great concern and is carefully following the position of the relevant international authorities, namely the World Health Organization and the European Centre for Disease Prevention and Control, as well as the Portuguese Direção Geral de Saúde (Health Management Authority).

In this context, and given the existing risk level, a specific governance model was developed for the management of this crisis, led by Sonae's Executive Committee in alignment with the CEOs of the several businesses in which it operates, depending on the risk level defined at each given moment.

Therefore, Sonae has implemented prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to the central structures, across all the Group's businesses.

To summarise, below we have identified a set of impacts and mitigation measures underway in the different dimensions of the businesses:

- **Employees:** 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 a ban on all trips to countries where the virus is actively transmitted; advice against holding/participating in congresses, fairs, exhibitions and large group training sessions; recommendation for teleworking/remote work and dissemination of the appropriate tools for this purpose; disclosure of care to be taken in hand hygiene and respiratory etiquette measures; among many others.
- **Capital markets:** in terms of financing, Sonae, in compliance with its internal liquidity and financing policies, has a policy of pre-financing its liquidity needs 18 months in advance, thus ensuring liquidity needs for that time horizon. In this sense, despite any positive and negative impacts that might exist in terms of the performance of each business, we do not foresee any additional financing needs for the next 18 months nor is it expected in the short term any situation of breach of the current existing financial covenants.

At this stage, it is rather complex to quantify the magnitude of the impacts if the risk level worsens, however we have been implementing all the measures that we consider appropriate to minimise their impacts, in line with the recommendations of the competent authorities and in the best interest of all our stakeholders.

35 Information required by law

Decree-Law nr 318/94 art. 5 nr. 4

During the year ended 2019 Sonae entered into loan agreements with the following entities:

Arat Inmuebles, SAU

Bright Brands SportsGoods, SA

Efanor Investimentos SGPS, SA

Fashion Division, SA

Halfdozen Real Estate, SA

Infofield – Informática, SA

Público – Comunicação Social, SA

Público, Comunicação e Jornalismo, SA

Sesagest – Projectos e Gestão Imobiliária, SA

SFS, Gestão e Consultoria, SA

Sonae FS, SA

Sonae Corporate, SA

Sonae MC, SGPS, SA

Sonae RE, SA

Sonae Holdings, SA (Ex Sonaecenter, Serviços, SA)

Sonaecom – Serviços Partilhados, SA

Sonaecom, SGPS, SA

Sontel, BV

Worten – Equipamentos para o Lar, SA

As at 31 December 2019 balances receivable related to these agreements can be detailed as follows:

	Closing Balance
Sonae Holdings, SA	309,245,000
Sonae Corporate, SA	79,935,000
Halfdozen Real Estate, SA	2,503,000
Total	391,683,000

As at 31 December 2019 balances payable related to these agreements can be detailed as follows:

	Closing Balance
Sontel, BV	207,157,000
Worten - Equipamentos para o Lar, SA	168,253,000
Sesagest – Projectos e Gestão Imobiliária, SA	40,137,000
SFS, Gestão e Consultoria, SA	37,372,000
Fashion Division, SA	24,893,000
Sonae FS, SA	4,044,000
Infofield – Informática, SA	3,026,000
Sonae RE, SA	1,103,000
Arat Inmuebles, SAU	1,036,000
Bright Brands Sportsgoods, SA	136,000
Total	487,157,000

Article 66-A of the Commercial Companies Code

As at 31 December 2019 fees of the Statutory Auditor amounted to 52,275 euro and fully refer to audit fees.

Duarte Paulo Teixeira de Azevedo

Ângelo Gabriel Ribeirinho dos Santos Paupério

José Manuel Neves Adelino

Margaret Lorraine Trainer

Marcelo Faria de Lima

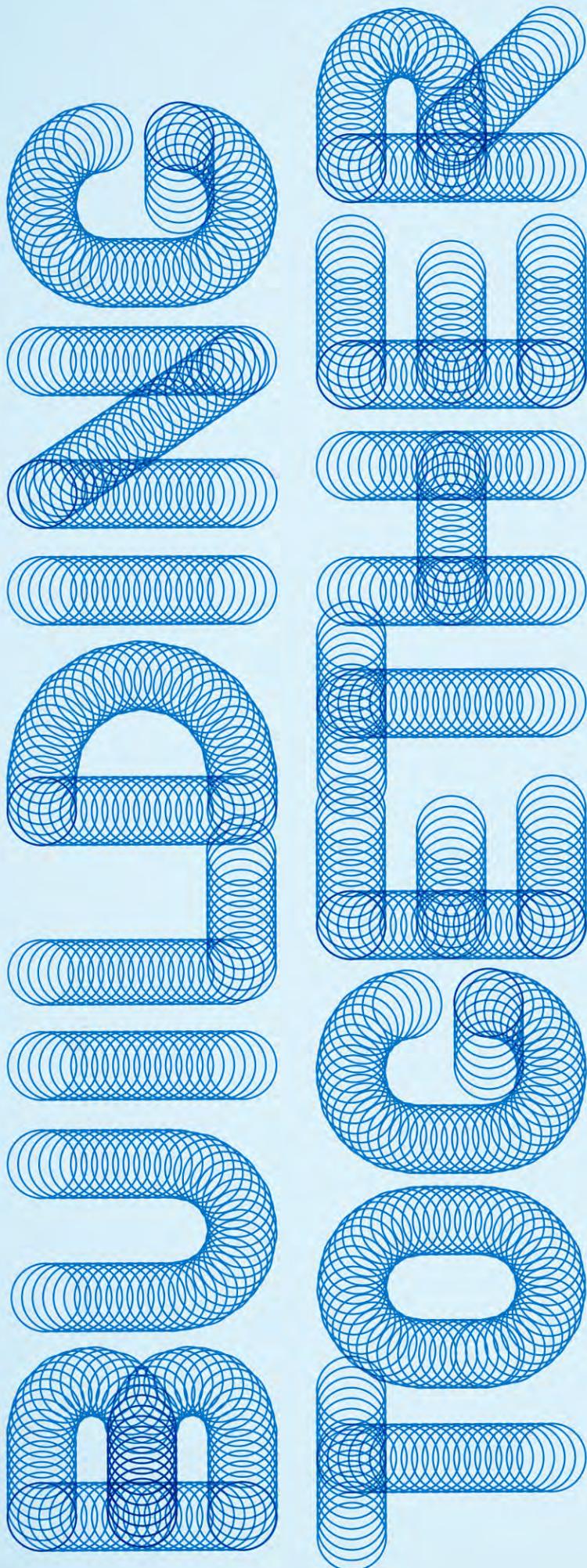
Carlos António Rocha Moreira da Silva

Fuencisla Clemares

Philippe Cyriel Elodie Haspeslagh

Maria Cláudia Teixeira de Azevedo

João Pedro Magalhães da Silva Torres Dolores



**Annexes to the
Management
Report 2019**

SONAE

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1. 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 in accordance with the International Financial Reporting Standards as adopted by the European Union, giving a truthful (fairly) and appropriate image, in all material respects, of the assets and liabilities, the financial position and the consolidated and individual net profit of Sonae – SGPS, S.A., and of the companies included in the consolidation perimeter, and that the Management Report faithfully describes the business evolution, performance and position of Sonae – SGPS, S.A., and of the companies included in the consolidation perimeter, and contains a description of the major risks and uncertainties that they face.

Approved at the meeting of the Board of Directors held on March 17th 2020

The Board of Directors

Duarte Paulo Teixeira de Azevedo, Chairman

Ângelo Gabriel Ribeirinho dos Santos Paupério, Non-Executive Director

José Manuel Neves Adelino, Non-Executive Director

Margaret Lorraine Trainer, Non-Executive Director

Marcelo Faria de Lima, Non-Executive Director

Carlos António Rocha Moreira da Silva, Non-Executive Director

Fuencisla Clemares, Non-Executive Director

Philippe Cyriel Elodie Haspeslagh, Non-Executive Director

Maria Cláudia Teixeira de Azevedo, Executive Director (CEO)

João Pedro Magalhães da Silva Torres Dolores, Executive Director (CFO)

2. Article 447 of the Portuguese Companies Act

Disclosure of the number of held shares and other securities issued by the Company and of the transactions executed over such securities, during the financial year in analysis, regarding which the members of the Board of Directors beginning the exercise of the functions on the 8th of May, by the members the statutory governing and auditing bodies and by people discharging managerial responsibilities ("dirigentes"), as well as by people closely connected with them pursuant to article 248 B of the Portuguese Securities Code:

	Date	Acquisitions		Sale		Position on 31.12.2019	Balance on 31.12.2019
		Number of shares	Aver. Price (€)	Number of shares	Aver. Price (€)		Number of shares
Duarte Paulo Teixeira de Azevedo (*) (**) (***)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Migracom, SA (3)						Dominant	
Sonae - SGPS, SA							805,730
Ángelo Gabriel Ribeirinho dos Santos Paupério (*) (**)							
Enxomil - Consultoria e Gestão, SA (6)						Dominant	
Enxomil - Sociedade Imobiliária, SA (7)						Dominant	
Maria Margarida Carvalhais Teixeira de Azevedo (**)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA							14,901
Maria Cláudia Teixeira de Azevedo (*) (**) (***)							
Efanor Investimentos, SGPS, SA (1)						Minority	
Sonae - SGPS, SA (****)							508,574
Linhacom, SGPS, SA (5)						Dominant	
Carlos António Rocha Moreira da Silva (*) (**)							
Sonae - SGPS, SA							22,000
Philippe Cyriel Elodie Haspesslagh (*)							
Sonae - SGPS, SA							112,300

	Date	Acquisitions		Sale		Position on 31.12.2019	Balance on 31.12.2019
		Number of shares	Aver. Price €	Number of shares	Aver. Price €		Number of shares
(1) Efanor Investimentos, SGPS, SA							
Sonae - SGPS, SA							200,100,000
Pareuro, BV (2)						Dominant	
(2) Pareuro, BV							
Sonae - SGPS, SA							849,533,095
(3) Migracom, SA							
Sonae - SGPS, SA							3,198,524
Purchase	12/19/2019	160,000	0.92640				
Purchase	12/20/2019	164,185	0.92442				
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
(4) Imparfin - Investimentos e Participações Financeiras, SA							
Sonae - SGPS, SA							4,608,465
Purchase	8/30/2019	270,000	0.82185				
Purchase	9/2/2019	233,185	0.83252				
(5) Linhacom, SGPS, SA							
Sonae - SGPS, SA							189,314
Imparfin - Investimentos e Participações Financeiras, SA (4)						Minority	
(6) Enxomil - Consultoria e Gestão, SA							
Sonae - SGPS, SA							2,021,855
(7) Enxomil - Sociedade Imobiliária, SA							
Sonae - SGPS, SA							662,987

* Member of the Board of Directors of Sonae - SGPS, SA

** Member of the Board of Directors of Efanor Investimentos SGPS, SA (directly and indirectly dominant company) (1)

*** Member of the Board of Directors of Imparfin - Investimentos e Participações Financeiras, SA (4)

**** From the total shares of Sonae SGPS, S.A. held by Maria Cláudia Teixeira de Azevedo, 131,256 shares were attributed on the 2nd April 2019, following the Medium Term Performance Bonus of one of Sonae SGPS's subsidiaries. This fact was disclosed to the market on the 5th April 2019.

3. Qualified holdings

Qualified Shareholdings on the Company's share capital, on 31st December 2019 (shares held and voting rights attributable to shareholders owning 2% or more of the share capital of the Sonae - SGPS, S.A.), relying on the notices received by the Company pursuant to article 16 of the Portuguese Securities Code, the respective attributable share capital and voting rights, as well as the source and grounds for such attribution, calculated according to article 20 of the Portuguese Securities Code, as required by article 8 paragraph 1, subparagraph b), of the Portuguese Securities Market Commission (CMVM) Regulation no. 05/2008:

Shareholder	Nr. of shares	% Share capital and voting rights*	% of exercisable voting rights**
Efanor Investimentos, SGPS, S.A. (I)			
Directly	200,100,000	10.0050%	10.0050%
By Pareuro, BV (controlled by Efanor Investimentos, SGPS, S.A.)	849,533,095	42.4767%	42.4767%
By Maria Margarida Carvalhais Teixeira de Azevedo (Director of Efanor Investimentos, SGPS, S.A.)	14,901	0.0007%	0.0007%
By Maria Cláudia Teixeira de Azevedo (Director of Sonae, SGPS, S.A. and Efanor Investimentos, SGPS, S.A.)	508,574	0.0254%	0.0254%
By Duarte Paulo Teixeira de Azevedo (Director of Sonae, SGPS, S.A. and Efanor Investimentos, SGPS, S.A.)	805,730	0.0403%	0.0403%
By Migracom, S.A. (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae, SGPS, S.A.'s Director Duarte Paulo Teixeira de Azevedo)	3,198,524	0.1599%	0.1599%
By Linhacom, SGPS, S.A. (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae, SGPS, S.A.'s Director Maria Cláudia Teixeira de Azevedo)	189,314	0.0095%	0.0095%
By Enxomil - Consultoria e Gestão, S.A. (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae, SGPS, S.A.'s Director Ângelo Gabriel Ribeirinho dos Santos Paupério)	2,021,855	0.1011%	0.1011%
By Enxomil - Sociedade Imobiliária, S.A. (company controlled by Efanor Investimentos, SGPS, S.A. and Sonae, SGPS, S.A.'s Director Ângelo Gabriel Ribeirinho dos Santos Paupério)	662,987	0.0331%	0.0331%
By Carlos António Rocha Moreira da Silva (Director of Efanor Investimentos, SGPS, S.A. and Sonae SGPS, S.A.)	22,000	0.0011%	0.0011%
Total attributable to Efanor Investimentos, SGPS, S.A.	1,057,056,980	52.8528%	52.8528%
Banco BPI, S.A.	96,034,789	4.8017%	4.8017%
Total attributable to Banco BPI, S.A. (II)	96,034,789	4.8017%	4.8017%
Invesco Ltd			
Invesco Asset Management Ltd.		2.0270%	2.0270%
Invesco Asset Management	41.185.755***	0.0130%	0.0130%
Invesco Advisers		0.0200%	0.0200%
Total attributable to Invesco Ltd.	41,185,755	2.0593%	2.0600%
Criteria Caixa, S.A.	40,019,035	2.0010%	2.0010%
Total attributable to Criteria Caixa, S.A.	40,019,035	2.0010%	2.0010%

Source: communications received by the Company regarding qualified shareholdings up to 31 December 2019.

(I) As from 29th November 2017, Efanor Investimentos SGPS, S.A. ceased to have any controlling shareholder pursuant to the set forth in articles 20 and 21 of the Portuguese Securities Code

(II) Total number of voting rights attributed to Banco BPI, S.A. as per article 20 of the Portuguese Securities Code. Banco BPI is part of CaixaBank Group, which holds 100% of Banco BPI's share capital, according to the disclosure made by Banco BPI to the market on the 5th April 2019 available at www.cmvm.pt

* 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

*** Information provided by the qualified shareholder on an aggregated basis.

4. GRI Supplement

1. About GRI Supplement

The information published on the GRI Supplement focuses on the period of activity from the 1st January to the 31st December 2019 of Sonae, Sonae MC (which includes Sonae RP, Maxmat and Arenal), Sonae Fashion, Worten, Sonae FS, Sonaecom (which includes Sonae IM and the Media area, among others) and Sonae Sierra.

This Supplement does not consolidate NOS non-financial data, a company in which Sonaecom holds 23.4%, and the Iberian Sports Retail Group (which encompasses SportZone, Sprinter, JD and Size?) in which Sonae Fashion holds 30%. For the first-time data regarding Arenal (Tomenider), a company that joined the perimeter of Sonae MC in January 2019.

As in the previous year, the Report was developed in accordance with the GRI Sustainability Reporting Guidelines (GRI Standards) for the option “In accordance – Core”. The report highlights our performance at the level of the United Nations Global Compact (UNGC) Principles and the Sustainable Development Goals (SDG), in addition to responding to the requirements of the Portuguese Decree-Law no. 89/2017, published on 28th July 2017 and to the Spanish law no. 11/2018, published on 28th December 2018.

This Supplement complements the information reported in the Environmental and Social Performance chapter of the Management Report that is structured around the five axes of action that we identified as priorities.

For each one of the axes, the Group’s performance and some of the initiatives developed are presented. For each of the axes, the Group's policy and performance and some of the initiatives developed are presented. This GRI Supplement complements the report made, in response to the respective indicators.

The information reported in the GRI Supplement was subject to verification by an external entity – KPMG.

2. Sonae

Food Retail



Real Estate



Telecommunications



Electronics Retail



Sports Retail



Financial Services



Fashion Retail



Technology



3. GRI Table

GRI 102 – GENERAL DISCLOSURES					
DISCLOSURES	LOCALISATION		VERIFICATION	UNGC	SDG
ORGANISATIONAL PROFILE					
102-1	NAME OF THE ORGANISATION	Sonae SGPS	V		
102-2	ACTIVITIES, BRANDS, PRODUCTS AND SERVICES	Sonae Group https://www.sonae.pt/en/sonae/the-group-and-our-businesses/	V		
102-3	LOCATION OF HEADQUARTERS	Sonae SGPS, SA's headquarters are located in Lugar de Espido, Via Norte Maia-Portugal.	V		
102-4	LOCATION OF OPERATIONS	The most significant operations are in Portugal. More information: https://www.sonae.pt/en/sonae/where-we-are-in-the-world/	V		
102-5	OWNERSHIP AND LEGAL FORM	https://www.sonae.pt/pt/investidores/governo-da-sociedade/	V		
102-6	MARKETS SERVED	https://www.sonae.pt/en/sonae/where-we-are-in-the-world/	V		
102-7	SCALE OF THE ORGANISATION	4. GRI Supplement 2. Sonae	V		
102-8	INFORMATION ON EMPLOYEES AND OTHER WORKERS	Management Report 2019 5.3 Environmental and Social Performance — Inequalities and inclusive development Below, we present supplementary information on this indicator:	V	6	8

2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN			SONAE COM (IM & MEDIA)			SONAE SIERRA		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
Permanent Contracts	9,374	20,043	29,417	592	278	870	372	436	808
Temporary Contracts	4,847	9,021	13,868	51	24	75	3	8	11
Fixed Term Contracts							39	36	75
TOTAL	14,221	29,064	43,285	643	302	945	414	480	894
Full-Time	11,060	20,499	31,559	643	302	945	414	459	873
Part-Time	3,161	8,565	11,726	0	0	0			
Permanent Part-Time							0	14	14
Temporary Part-Time							0	7	7
TOTAL	14,221	29,064	43,285	643	302	945	414	480	894

2019 COUNTRY WITH OPERATION	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN			SONAE COM (IM & MEDIA)			SONAE SIERRA			
	PERMANENT CONTRACT	TEMPORARY CONTRACT	TOTAL	PERMANENT CONTRACT	TEMPORARY CONTRACT	TOTAL	PERMANENT CONTRACT	TEMPORARY CONTRACT	FIXED TERM CONTRACT	TOTAL
Portugal	27,804	13,003	40,807	444	24	468	484	59	4	547
Spain	1,555	852	2,407	288	48	336	74	2	6	82
Others (total)	58	13	71	138	3	141	250	14	1	265
Germany	0	0	0	0	0	0	54	2	1	57
Algeria	0	0	0	0	0	0	1	0	0	1
Belgium	0	0	0	5	0	5	0	0	0	0
Colombia	2	0	2	0	0	0	2	0	0	2
France	35	10	45	0	0	0	0	0	0	0
Greece	0	0	0	0	0	0	7	2	0	9
Netherlands	0	0	0	0	0	0	1	0	0	1
England	0	0	0	1	0	1	0	0	0	0
Italy	2	1	3	0	0	0	42	1	0	43
Luxembourg	12	2	14	103	1	104	0	0	0	0
Malaysia	0	0	0	0	0	0	0	0	0	0
Morocco	0	0	0	0	0	0	17	2	0	19
Mexico	1	0	1	29	2	31	0	0	0	0
Poland	1	0	1	0	0	0	105	7	0	112
Romania	0	0	0	0	0	0	21	0	0	21
Russia	6	0	6	0	0	0	0	0	0	0
TOTAL	29,417	13,868	43,285	870	75	945	808	75	11	894

GRI 102 – GENERAL DISCLOSURES (CONT.)

DISCLOSURES	LOCALISATION	VERIFICATION	UNGC PRINCIPLES	SDG
ORGANISATIONAL PROFILE				
102-9	SUPPLY CHAIN	<p>We consider the Sustainable Supply Chain a key dimension for our performance, as it has an impact on all the action axes that we define. Together with our suppliers and partners, we aim to adhere to the principles of sustainable development. In this regard, throughout the report, in the various chapters we refer to the supply chain.</p> <p>Additionally, <i>vide</i> responses to the indicators:</p> <ul style="list-style-type: none"> – “204-1 – Proportion of spending on local suppliers”; – “304-2 – Significant impacts of activities, products and services on biodiversity”; – “308-1 – New suppliers that were screened using environmental criteria”; – “407-1 – Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk”; – “408-1 – Operations and suppliers at significant risk for incidents of child labour”; – “409-1 – Operations and suppliers at significant risk for incidents of forced or compulsory labour”; – “414-1 – New suppliers that were screened using social criteria”. 	V	
102-10	SIGNIFICANT CHANGES TO THE ORGANISATION AND ITS SUPPLY CHAIN	<p>In 2019, the integration of Arenal (Tomenider) was registered in Sonae MC’s scope of activity, Wedo and Saphety’s sale by Sonae IM (SONAE COM), as well as several operations made by Sonae Sierra.</p>	V	

102-11	PRECAUTIONARY PRINCIPLE OR APPROACH	Corporate Governance Report 2019 C. Internal Organisation: III- Internal Control and Risk Management: 55.; IV- Investor Relations: 56-58	V		
102-12	EXTERNAL INITIATIVES	A Sonae subscribes to the following policies and commitments: <ul style="list-style-type: none"> – The United Nations Universal Declaration of Human Rights; – The United Nations Global Compact Principles; – The Paris Pledge for Action; – The European Roundtable of Industrialists (ERT) Women’s Initiative; – Charter of Principles of BCSD Portugal; – WBCSD’s CEO Guide For Human Rights; – The National Pact for Plastic; – Sonae’s Code of Ethics and Conduct for Employees; – Sonae’s Code of Conduct for Suppliers; – Environmental Policy; – Sustainable Fishing Policy; – Sonae Companies’ Charter of Principles for CO2 and Climate Change; – Sonae Companies’ Charter of Principles for Plastic. 	V		
102-13	MEMBERSHIP OF ASSOCIATIONS	https://sonae.pt/en/sustainability/partner-organizations/	V		
STRATEGY					
102-14	MESSAGE FROM THE SENIOR DECISION MAKER	Management Report 2019 2. Chairman’s message 3. CEO’s message	V		
102-15	KEY IMPACTS, RISKS AND OPPORTUNITIES	Corporate Governance Report 2019 C. Internal Organisation: III- Internal Control and Risk Management	V		
ETHICS AND INTEGRITY					
102-16	VALUES, PRINCIPLES, STANDARDS AND NORMS OF BEHAVIOUR	<u>Ensuring that all our activity is governed by the faithful application of the principles of ethics and trust defined is a concern common to the entire Sonae Group. With this purpose in mind, we have developed Sonae’s Code of Ethics and Conduct which defines the ethical standard by which we are governed. To ensure its implementation, compliance and monitoring, an Ethics Committee was appointed by the Board of Directors. More information on Sonae’s values, codes and principles is available at www.sonae.pt</u>	V	10	16
GOVERNANCE					
102-18	GOVERNANCE STRUCTURE	Corporate Governance Report 2019 B. Governing Bodies and Committees:	V		
102-21	CONSULTING STAKEHOLDERS ON ECONOMIC, ENVIRONMENTAL AND SOCIAL TOPICS	Corporate Governance Report 2019 B. Governing Bodies and Committees: II- Management and Supervision: 21-26	V		
102-22	COMPOSITION OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES	Corporate Governance Report 2019 B. Governing Bodies and Committees: II- Management and Supervision: 19-21	V		
102-23	CHAIR OF THE HIGHEST GOVERNANCE BODY	Corporate Governance Report 2019 B. Governing Bodies and Committees: I- Shareholders’ General Meeting: 12.3-14; II- Management and Supervision: 15-21	V		
102-24	NOMINATING AND SELECTING OF THE HIGHEST GOVERNANCE BODY	Corporate Governance Report 2019 B. Governing Bodies and Committees: II- Management and Supervision: 21	V		

102-25	CONFLICTS OF INTEREST	Corporate Governance Report 2019 C. Internal Organisation: I- Articles of Association: 48; II- Reporting of Irregularities (whistleblowing):49; III- Internal Control and Risk Management: 50-53	V		
102-28	EVALUATING THE HIGHEST GOVERNANCE BODY'S PERFORMANCE	Corporate Governance Report 2019 B. Governing Bodies and Commissions: II- Management and Supervision: 24-25 III- Audit: 30-31.	V		
102-29	IDENTIFICATION AND MANAGING ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS	Corporate Governance Report 2019 B. Governing Bodies and Committees: II-Management and Supervision: 18-29; III- Audit: 30-35	V		
102-31	REVIEW OF ECONOMIC, ENVIRONMENTAL AND SOCIAL TOPICS	Corporate Governance Report 2019 B. Governing Bodies and Committees: II-Management and Supervision: 18-29; III- Audit: 30-35	V		
102-33	COMMUNICATING CRITICAL CONCERNS	Corporate Governance Report 2019 B. Governing Bodies and Committees: II- Management and Supervision: 21-26	V		
102-35	REMUNERATION POLICIES	Corporate Governance Report 2019 D. Remuneration: I- Power to establish: 66; II- Remuneration Committee: 67-68; III- Remuneration Structure: 69-76; IV- Disclosure of Remuneration: 77-82; V- Agreements with Remunerative Implications: 83- 84; VI- Share Attribution Plans or Stock Options: 85-88; E. Relevant Transactions with Related Parties I- Mechanisms and control procedures: 89-91; II- Elements related to transactions: 92	V		
102-37	STAKEHOLDERS' INVOLVEMENT IN REMUNERATION	Corporate Governance Report 2019 B. Governing Bodies and Committees: II-Management and Supervision: 21-26	V		
102-38	ANNUAL TOTAL COMPENSATION RATIO	The ratios between the total annual compensation of the highest paid individual to the median of the average annual compensation of all employees, except the highest paid, in Worten is 50 and in Arenal is 5.7.			
102-39	PERCENTAGE INCREASE IN ANNUAL TOTAL COMPENSATION RATIO	The ratio of the percentage increase in the total annual compensation of the highest paid individual of the organisation to the average percentage increase in total compensation for all employees in Worten and Arenal is 0			
INVOLVEMENT WITH STAKEHOLDERS					
102-40	LIST OF STAKEHOLDERS GROUPS	Customers and Visitors; Employees; Investors; Suppliers; Regulatory and Governmental Entities; Community; Media; Shop Tenants.	V		
102-41	COLLECTIVE BARGAINING AGREEMENTS	In Sonae MC, Sonae Fashion and Worten, 93% of employees are covered by collective bargaining agreements, the same does not apply in Sonae Sierra.	V	3	8
102-42	IDENTIFYING AND SELECTING STAKEHOLDERS	The management of our activities is based on the premises of sustainable development, whose contribution goes beyond the economic value generated by our businesses and comes directly from a set of values and principles that guide our way of operating. This vision is only possible by establishing long-term relationships with our stakeholders. For this purpose, we have implemented tools and processes that allow us to identify and understand their current and future needs and concerns	V		

<p>102-43</p>	<p>APPROACH TO STAKEHOLDER ENGAGEMENT</p>	<table border="1"> <thead> <tr> <th data-bbox="483 255 726 286">SHOP TENANTS</th> <th data-bbox="726 255 968 286">MEDIA</th> <th data-bbox="968 255 1195 286">INVESTORS</th> </tr> </thead> <tbody> <tr> <td data-bbox="483 286 726 533"> <ul style="list-style-type: none"> – Written Communications – Meetings – Training – Surveys </td> <td data-bbox="726 286 968 533"> <ul style="list-style-type: none"> – Conferences – Interviews – Response to specific questions </td> <td data-bbox="968 286 1195 533"> <ul style="list-style-type: none"> – General Meetings – Quarterly Financial Reports – Response to Specific Questionnaires – </td> </tr> <tr> <th data-bbox="483 533 726 564">SUPPLIERS</th> <th data-bbox="726 533 968 564">COMMUNITY</th> <th data-bbox="968 533 1195 564">EMPLOYEES</th> </tr> <tr> <td data-bbox="483 564 726 860"> <ul style="list-style-type: none"> – Suppliers’ Portals – Visits and Audits – Reciprocal Training – Surveys – Performance Assessment </td> <td data-bbox="726 564 968 860"> <ul style="list-style-type: none"> – Partnerships with Representative Institutions – Community Engagement Projects – Surveys </td> <td data-bbox="968 564 1195 860"> <ul style="list-style-type: none"> – Social Climate Studies – Sonae Ombudsman – Surveys – Intranet News – Internal Publications – Knowledge Sharing Forums and Groups </td> </tr> <tr> <th colspan="2" data-bbox="483 860 868 913">CUSTOMERS AND VISITORS</th> <th data-bbox="868 860 1195 913">REGULATORY AND GOVERNMENTAL ENTITIES</th> </tr> <tr> <td colspan="2" data-bbox="483 913 868 1160"> <ul style="list-style-type: none"> – Websites – Call Centres – Suggestions and Complaints Systems – Sonae Ombudsman – Surveys – Stores and Shopping Centres </td> <td data-bbox="868 913 1195 1160"> <ul style="list-style-type: none"> – Participation in various – Sector-Specific Associations </td> </tr> </tbody> </table>	SHOP TENANTS	MEDIA	INVESTORS	<ul style="list-style-type: none"> – Written Communications – Meetings – Training – Surveys 	<ul style="list-style-type: none"> – Conferences – Interviews – Response to specific questions 	<ul style="list-style-type: none"> – General Meetings – Quarterly Financial Reports – Response to Specific Questionnaires – 	SUPPLIERS	COMMUNITY	EMPLOYEES	<ul style="list-style-type: none"> – Suppliers’ Portals – Visits and Audits – Reciprocal Training – Surveys – Performance Assessment 	<ul style="list-style-type: none"> – Partnerships with Representative Institutions – Community Engagement Projects – Surveys 	<ul style="list-style-type: none"> – Social Climate Studies – Sonae Ombudsman – Surveys – Intranet News – Internal Publications – Knowledge Sharing Forums and Groups 	CUSTOMERS AND VISITORS		REGULATORY AND GOVERNMENTAL ENTITIES	<ul style="list-style-type: none"> – Websites – Call Centres – Suggestions and Complaints Systems – Sonae Ombudsman – Surveys – Stores and Shopping Centres 		<ul style="list-style-type: none"> – Participation in various – Sector-Specific Associations 	<p>V</p>		
SHOP TENANTS	MEDIA	INVESTORS																					
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<p>102-44</p>	<p>KEY TOPICS AND CONCERNS RAISED BY STAKEHOLDERS</p>	<p>The retail companies have a Suggestions and Complaints Management System. Through this system, in 2019, we registered, analysed and dealt with approximately 234 thousand complaints and suggestions regarding Sonae’s various brands, which represents a significant increase in comparison to 2018, which is due not only to the broadening of the scope of the report but also to the organic growth of the group. A process that has allowed us to identify several areas and opportunities for development and to implement different improvements and changes both on the product level and operation level.</p> <p>We also provide our employees, customers, suppliers and the general public access to the Sonae Ombudsman, dedicated to interacting with the different business areas, in order to address and manage claims, complaints or suggestions that it receives in a timely manner.</p> <p>Additionally, with the purpose of extending our customer knowledge, we use different types of tools and methodologies (Net Promoter Score measurement, e-mail satisfaction assessment surveys, SMS, and telephone contact, after the customer has had contact with the brand or post purchase, product reviews, market studies), that allow us to listen to their opinion. The feedback collected through the different sources is in turn incorporated into the strategic decisions of each of our different businesses.</p> <p>Sonae Sierra regularly measures the satisfaction index of shop tenants and visitors. In 2019, shop tenants showed a satisfaction level of 4.8, on a scale of 1 to 6, and visitors of 4.2, on a scale of 1 to 5.</p>	<p>V</p>																				
<p>REPORTING PRACTICE</p>																							
<p>102-45</p>	<p>ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS</p>	<p>4. GRI Supplement 1. About the GRI Supplement</p>	<p>V</p>																				

102-46	DEFINING THE REPORT CONTENT AND TOPIC BOUNDARIES	4. GRI Supplement 1. About the GRI Supplement	V		
102-47	LIST OF MATERIAL TOPICS	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach	V		
102-48	RESTATEMENTS OF INFORMATION	The reporting indicators were broadened to include Arenal (Tomenider), which joined Sonae's MC universe in January 2019 and Salsa's global activity (in 2018 reporting was only focused on activity in Spain).	V		
102-49	CHANGES IN REPORTING	The current report focuses on the activity of Sonae SGPS, Sonae MC - which includes Continent (different formats), Note, Make Notes, Well's, Dr. Wells, Bagga, Go Natural, Maxmat, Arenal and Sonae RP - Sonae Fashion (MO and Zippy, Salsa and Losan), Worten, Sonae FS, Sonaecom, (which includes Sonae IM and the Media area) and Sonae Sierra. This report does not consolidate NOS non-financial data, a company in which Sonaecom holds 23.4%, and the Iberian Sports Retail Group (which encompasses SportZone, Sprinter, JD and Size?) in which Sonae Fashion owns 30%. It consolidates information in relation to Arenal, Worten, Losan and Salsa and their activities in Portugal and Spain.	V		
102-50	REPORTING PERIOD	The current report focuses on the period of activity between January 1 and December 31, 2019.	V		
102-51	DATE OF MOST RECENT REPORT	March 29, 2019	V		
102-52	REPORTING CYCLE	Annual	V		
102-53	CONTACT POINT FOR QUESTIONS REGARDING THE REPORT	For additional clarifications on the information published in the 4. GRI Supplement, please check the website or contact: Mariana Pereira da Silva. E-mail: mfpsilva@sonae.pt . Telephone number: +351 220 104 000.	V		
102-54	CLAIMS OF REPORTING "IN ACCORDANCE" WITH THE GRI STANDARDS	This report was prepared in accordance with the GRI Standards: Core Option	V		
102-55	GRI CONTENT INDEX	Present table	V		
102-56	EXTERNAL ASSURANCE	The non-financial information reported in the Management Report 2019 (Chapter 5.3 Environmental and Social Performance and the 4. GRI Supplement) was subject to verification by an external entity – KPMG.	V		

GRI 200 – ECONOMIC DISCLOSURES

GRI 201 – ECONOMIC PERFORMANCE

DISCLOSURE	LOCALISATION	VERIFICATION	UNGC PRINCIPLES	SDG
201-1	DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED Financial Statement			2 5 7 8 9

201-2	FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES FOR THE ORGANISATION DUE TO CLIMATE CHANGE	<p>In 2019, a cross-cutting group, common to all of Sonae's portfolio of companies was launched. It was created with the aim of developing the skills needed to integrate the guidelines defined by the Task Force on Climate-related Financial Disclosure (TCFD) - an initiative that promotes the recommendations for the disclosure of financial risks associated with climate change. These efforts are materialised through an analysis and mapping process of the main climate risk associated with each business. The potential financial impacts of climate change will now be estimated and mitigation actions for the prioritised risks will be defined in line with the framework developed by the Financial Stability Board.</p> <p>In its response to CDP, Sonae provided detailed information on the financial implications and other risks and opportunities associated with climate change. The (A-) assessment obtained, places Sonae, on a global level, in the group of companies that are leading the fight against climate change.</p>	V		13
201-3	DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS	Sonae does not have a pension fund.	V		
201-4	FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	In 2019, Sonae received around 35,7M €. The figures indicated refer to amounts received in relation to tax credits. It should be noted that the Government is not part of the shareholder structure of the company.	V		
GRI 202 – MARKET PRESENCE					
202-2	PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY	95% of Sonae, Sonae MC, Sonae Fashion, Sonae FS, Worten and Sonaecom senior management are hired from the local community. Sonae Sierra does not report this indicator.	V	6	8
RI 203 - INDIRECT ECONOMIC IMPACTS (MATERIAL ASPECT)					
Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach		
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Indirect Economic Impacts (<i>vide</i> chapter 5.3 Social and Environmental Performance - Nature and biodiversity, Inequalities and inclusive development and Community support).		
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of indicators associated with this aspect and reports them in this Report (<i>vide</i> indicators presented below).		
203-1	INFRASTRUCTURE INVESTMENTS AND SERVICES SUPPORTED	Management Report 2019 5.3 Environmental and Social Performance — Nature and biodiversity — Inequalities and inclusive development — Community support	V		2 5 7 9 11
203-2	SIGNIFICANT INDIRECT ECONOMIC IMPACTS	Management Report 2019 5.3 Environmental and Social Performance — Nature and biodiversity — Inequalities and inclusive development — Community support	V		1 2 3 8 10 17

GRI 204 - PROCUREMENT PRACTICES (MATERIAL ASPECT)

Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach			
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to <i>Procurement Practices</i> (vide chapters 5.3 Social and Environmental Performance - Nature and biodiversity and GRI Table Indicators 308-1; 407-1; 408-1; 409-1; 412-2, 412-3 and 414-1).			
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of indicators associated with this aspect and reports them in this Report (vide indicators presented below).	V		
204-1	PROPORTION OF SPENDING ON LOCAL SUPPLIERS					
				2018	2019	
		PROPORTION OF SPENDING ON FOREIGNERS SUPPLIERS	18%	19%	V	12
		PROPORTION OF SPENDING ON LOCAL SUPPLIERS	82%	81%		

GRI 205 – ANTI-CORRUPTION

205-1	OPERATIONS ASSESSED FOR RISK RELATED TO CORRUPTION	<p>Sonae implements the international methodology <i>Enterprise Risk Management - Integrated Framework</i> (COSO) in its risk management process, which enables the identification of different types of risks and threats to the development of the businesses, at both the strategic and operational level. As the risk of corruption was not identified as a priority risk for the business, no assessments were carried out in this regard.</p> <p>Sonae’s Code of Conduct establishes a set of principles and rules related to conflict of interest, offers or rewards to employees, with the goal of ensuring decision-making is not unduly influenced.</p> <p>No cases were reported.</p> <p>Specifically related to Worten, within the scope of a risk management exercise (EWRM), the risk of “Illegal Acts and Fraud” was prioritised for the 2019-2021 triennium. The risk will be mitigated in 2020, through the implementation of a Programme to Combat Illegal Acts and Fraud in the company.</p> <p>Sonae Sierra’s Code of Conduct states that it is forbidden to give or accept any reward (“or benefit”) with the aim of influencing someone’s behaviour to gain a business advantage. In Europe, we ensure compliance with this obligation by including the risk of corruption in the annual Internal Audit Plan, which is aligned with Sonae Sierra’s Risk Matrix. The Anti-Corruption Guidelines led to the development of awareness regarding anti-corruption through training, carried out under the remit of the BEST (Behaviour with Ethics Sierra Training) programme.</p> <p>In 2019, 16 processes were identified, which included risks of corruption, 5 of which were audited (31%) during the year. No cases that could constitute a corruption situation have been identified and no incidents involving corruption have been formally reported.</p>	V	10	16												
	205-2	COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES	<p>Sonae’s Code of Conduct and Ethics, which includes anti-corruption policies, is communicated in the induction training to 100% of the employees. Additionally, Sonae has a Suppliers’ Code of Conduct and Ethics, which is an annex to the general supply contracts. The codes are available on Sonae’s website.</p> <table border="1"> <thead> <tr> <th>Training on anti-corruption policies and procedures</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>No. of top executives who received anti-corruption training</td> <td>17</td> <td>62</td> <td>31</td> </tr> <tr> <td>No. of employees who received anti-corruption training</td> <td>21,843</td> <td>44,994</td> <td>13,066</td> </tr> </tbody> </table>	Training on anti-corruption policies and procedures	2017	2018	2019	No. of top executives who received anti-corruption training	17	62	31	No. of employees who received anti-corruption training	21,843	44,994	13,066	V	10
Training on anti-corruption policies and procedures	2017	2018	2019														
No. of top executives who received anti-corruption training	17	62	31														
No. of employees who received anti-corruption training	21,843	44,994	13,066														

		Notes: all training participants were included, regardless of if they were active on December 31, 2019.			
205-3	CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN	There were no registered cases of corruption in 2019.	V	10	16

Aware of the importance of making efficient use of natural resources, the Sonae Group invests significantly in the continuous improvement of environmental management, aiming to minimise the impact of its activities on the environment. We aim to reach greater environmental balance, by using our resources more efficiently, reducing water and energy consumption and minimising greenhouse gas emissions in operations. The Environmental Management Systems implemented across the different companies are an essential factor to accomplish this goal. With this in mind, the number of Sonae Group facilities certified by Standard ISO 14001 has been increasing and, in 2019, it reached a total of 60 certified facilities (54 stores, 5 warehouses and 1 manufacturing centre), within the scope of Sonae MC and 25 stores in the case of Worten. In addition to these certifications, in 2019, Sonae's corporate certification for the retail area was renewed.

GRI 300 - ENVIRONMENTAL DISCLOSURES					
GRI 301 - MATERIALS					
Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach		
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Materials (<i>vide</i> chapters: 5.3 Social and Environmental Performance: — Nature and biodiversity — Plastic		
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).		
301-1	MATERIALS USED BY WEIGHT OR VOLUME	Management Report 2019 5.3 Social and Environmental Performance — Nature and biodiversity — Plastic At Sonae Sierra this indicator includes the main development projects completed in the reporting year. In 2019, the data refer to the materials of the Jardín Plaza Cúcuta shopping center in Colombia. The materials reported are the most relevant in weight and volume. Below we present additional information about this indicator:	V	7 e 8	8 12
301-2	RECYCLED INPUT MATERIALS USED	The answer to this indicator is in the table reported under indicator 301-1. For Sonae Sierra this value is not available for the only project that is part of the scope of this indicator, the Shopping Center Jardín Plaza Cúcuta, in Colombia. Since this value is not known, for the carbon footprint, we consider a more conservative approach and use default emission factors for virgin materials (DEFRA UK 2019), assuming 0% recycled content.			
301-3	RECLAIMED PRODUCTS AND THEIR PACKAGING MATERIALS	The answer to this indicator is in the table reported under indicator 301-1.	V	8	8 12

2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN			SONAECOM (IM & MEDIA)		SONAE SIERRA
MATERIALS USED	MATERIALS USED	RECYCLED MATERIALS USED	RECOVERED PRODUCTS AND THE RESPECTIVE PACKAGING MATERIALS	MATERIALS USED	RECYCLED MATERIALS USED	MATERIALS USED TO PRODUCE AND PACKAGE PRODUCTS
Plastic (t)	18,127***	4,431	212	na	na	-
Paper and cardboard (t)	24,633	520	0	2,257	0	-
Glass (t)	7,946	0	0	na	na	30
Metal, steel and aluminium (t)	3,642	0	0	na	na	3,841
Wood (t)	42	0	0	na	na	na
CPLF*	1,625	0	0	na	na	na
EEE (Utrad)**	-	0	72,427	na	na	na
Concrete (t)	-	-	-	-	-	34,267
BCA blocks (brick) (t)	na	na	Na	na	na	613
Insulation (t)	na	na	Na	na	na	523
Others	14	0	0	na	na	-
TOTAL (t)	56,029	4,951	72,639	2,257	0	39,274

Notes:

* Cardboard Packaging for Liquid Food. This indicator is applicable to Sonae MC.

** Electrical and electronic equipment (Depreciated Items Treatment and Recovery Unit). Reclaimed material. This indicator is applicable to Worten

*** Virgin plastic material. The footprint of the mapped plastic is of 22,558 tons (virgin and recycled matter).

GRI 302 - ENERGY (MATERIAL ASPECT)

Management Approach	Topic	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach	V	7 e 8	7 8 12 13
	103-2	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			
	103-3	ENERGY CONSUMPTION WITHIN THE ORGANISATION	Management Report 2019 5.3 Social and Environmental Performance — CO ₂ and Climate Changes	V	7 e 8	7 8 12 13

Consumo de energia por fonte	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM (IM & MEDIA)		SONAE SIERRA	
	2018	2019	2018	2019	2018	2019
Fossil fuels - Fleet (GJ)	541,820	599,787	12,835	12,137	13,922	12,920
Fossil fuels - Installations (GJ)	21,414	35,170	0	3	210,312	140,085
Heating and cooling consumption (Shopping centers) (GJ)	0	0	0	0	130,984	119,876
Electricity consumption (GJ)	1,649,508	1,708,380	6,012	5,065	905,575	460,242
Total energy consumption (GJ)	2,212,742	2,343,337	18,847	17,205	1,223,271	733,123

The integration of Arenal and Salsa Portugal in the reporting, combined with the organic growth of the business explains the increasing of energy consumption in retail, despite the efficiency promotion measures implemented.

302-2	ENERGY CONSUMPTION OUTSIDE THE ORGANISATION	In 2019, there was no energy consumption outside Sonae's organisation.	V	7 e 8	7 8 12 13
302-3	ENERGY INTENSITY	Management Report 2019 5.3 Social and Environmental Performance — CO ₂ and Climate Change Below, we present supplementary information on this indicator:	V	8	

	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAE COM		SONAE SIERRA	
Energy intensity	2018	2019	2018	2019	2018	2019
Total energy consumption (GJ)	2,212,742	2,343,337	18,847	17,205		
Business turnover (M€)	5,801	6,222	169.1	132.4		
Energy intensity ratio (GJ/M€)	381	377	111	130		
Shopping centres - Energy intensity ratio (kWh/m ² of common areas)					676	584

302-4	REDUCTION OF ENERGY CONSUMPTION	In 2019, we developed several initiatives with the aim of reducing our energy consumption. Of all the measures implemented, we would like to highlight the installation of equipment that promotes energy efficiency in Sonae's facilities, investment in renewable energy, monitoring of energy consumption and energy audits and the electrification and optimisation of Sonae's fleets. Management Report 2019 5.3 Environmental and Social Performance — CO ₂ and Climate Change	V	8 e 9	7 8 12 13
302-5	REDUCTIONS IN ENERGY REQUIREMENTS OF PRODUCTS AND SERVICES	Management Report 2019 5.3 Environmental and Social Performance — CO ₂ and Climate Change	V	8 e 9	7 8 12 13

GRI 303 – WATER

Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach	V		
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Water (<i>vide</i> indicator 303-1 and 303-3).			
	103-3	EVALUATION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			
303-1	WATER WITHDRAWAL BY SOURCE	With the aim of reducing the environmental impact of its businesses, the Sonae Group of companies are committed to reducing their water footprint, enhancing the efficiency of their operations, innovating and using technology to rethink the way water is used and managed throughout their infrastructure. The progressive installation of meters equipped with telemetry, which enable water consumption to be more accurately monitored is essential in this process. Water consumption in the retail area is essentially linked to Sonae MC's activity. Below, we present supplementary information on this indicator:	V	7 e 8	6	

	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAE COM (IM & MEDIA)	
	2018	2019	2018	2019
Water withdrawal by source				
Underground withdrawal (m ³)	13,030	173,288	0	0
Municipal water supply (m ³)	747,409	777,925	5,278	3,162
Other sources (m ³)	-	230,986	-	-
Total water consumption (m ³)	760,439	1,182,199	5,278	3,162
Water consumption per store area (m ³ /m ²)				
Store area (1,000 m ²)	1,109	1,173	-	-
Water consumption per store area (m ³ /m ²)	0.69	0.67	-	-

The increase in water consumption is mostly related to the integration of Salsa Portugal's activity into the report. In the calculation of water consumption per store area we exclude the water consumption of Salsa, since it is related to production activity and not retail.

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Water withdrawal	2018	2019	2018	2019	2018	2019
	Excluding tenants		Water reallocation for tenants		Total	
Underground withdrawal (m ³)	326,253	185,570	241,203	0	567,456	185,570
Rainwater (m ³)	26,694	15,215	0	0	26,694	15,215
Public supply network (m ³)	668,779	472,890	693,764	456,245	1,362,543	929,135
Other sources of withdrawal (m ³)	476	0	0	0	476	0
Mix of water sources (m ³)	78,540	7,292	17,006	0	95,546	7,292
Grey water (m ³)	27,800	26,617	0	0	27,800	26,617
Treated waste water (m ³)	92,019	0	0	0	92,019	0
Total water consumption (m ³)	1,220,561	707,584	951,973	456,245	2,172,534	1,163,829
Water consumption per m ² of common areas, own portfolio and number of visitors						
Water consumption per common area (m ³ /m ²)					4.5	3.7
Water consumption per common area (excluding tenants) (m ³ /m ²)					2.5	2.2
Water consumption by number of visits (l/visitor)					6.0	4.7
Water consumption by number of visits (excluding tenants) (l/visitor)					3.4	2.8

303-3	WATER RECYCLED AND REUSED	There are some initiatives designed to reuse and recycle water. Among them, it is worth emphasising the reuse of water from washbasins and showers to supply toilets and urinals at the Sonae Business Centre, in Maia. Additionally, this building was designed to capture rainwater for use in the irrigation of garden areas. A second initiative to highlight is Sonae's Meat Processing Centre, which has a facility to recover and recycle part of the liquid effluents produced on site.	v	8	6
		Management Report 2019 5.3 Environmental and Social Performance — Nature and biodiversity			

GRI 304 - BIODIVERSITY (MATERIAL ASPECT)						
Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach	v		
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	A Sonae has promoted several initiatives related to Biodiversity (<i>vide</i> chapter 5.3 Environmental and Social Performance - Nature and biodiversity).			
	103-3	EVALUATION OF THE	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			

		MANAGEMENT APPROACH				
304-1		OPERATIONAL SITES OWNED, LEASED, MANAGED IN, OR ADJACENT TO, PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> Nature and biodiversity <p>Sonae does not own any facilities in areas classified as habitats rich in biodiversity. It should be noted that, in the specific case of Sonae Sierra, it is committed to minimising the loss of biodiversity in developing projects and existing assets, promoting the use of previously developed land or industrialised land for new projects and protecting and improving biodiversity in existing installations.</p>	V	8	6 14 15
304-2		SIGNIFICANT IMPACTS OF ACTIVITIES, PRODUCTS AND SERVICES ON BIODIVERSITY	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> Nature and biodiversity 	V	8	6 14 15
304-3		HABITATS PROTECTED OR RESTORED	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> Nature and biodiversity 	V	8	6 14 15

GRI 305 - EMISSIONS (MATERIAL ASPECT)

Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	<p>Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose</p> <ul style="list-style-type: none"> Sustainability Approach 			
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	A Sonae has promoted several initiatives related to Emissions (vide chapter 5.3 Environmental and Social Performance - CO2 and Climate Change).	V		
	103-3	EVALUATION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (vide indicators presented below).			

This year, for the first time, the GHG report includes the emissions resulting from the F-gas leakage. An organisational change ensures increased reliability of the information reported. For this reason, the global emission figures are not entirely comparable.

305-1	DIRECT (SCOPE 1) GHG EMISSIONS	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> CO₂ and Climate Change 	V	7 e 8	3 12 13 14 15
305-2	INDIRECT (SCOPE 2) GHG EMISSIONS	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> CO₂ and Climate Change 	V	7 e 8	3 12 13 14 15
305-3	INDIRECT (SCOPE 3) GHG EMISSIONS	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> CO₂ and Climate Change <p>Below, we present supplementary information on this indicator:</p>	V	7 e 8	3 12 13 14 15

	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM (IM & MEDIA)	
	2018	2019	2018	2019
305 -1 GHG Emissions (Scope 1), by source				
Emissions associated with the consumption of natural gas – Stores (t CO ₂ e)	908	2,119	0	0
Emissions associated with the consumption of propane (t CO ₂ e)	62	0	0	0
Emissions associated with the consumption of diesel - Stores (t CO ₂ e)	315	15	0	0
Emissions associated with the consumption of diesel - contracted fleet (t CO ₂ e)	32,350	29,230	0	0
Emissions associated with the consumption of petrol - contracted fleet (t CO ₂ e)	0	0	0	0
Emissions associated with the consumption of diesel - employees' vehicles (t CO ₂ e)	7,750	9,150	933	774
Emissions associated with the consumption of petrol - employees' vehicles (t CO ₂ e)	45	178	17	117
Emissions associated with the consumption of natural gas- supply fleet's vehicles (t CO ₂ e)	0	0	0	0
Emissions related to the leakage of the refrigerant gases (t CO ₂ e)	0	14,759	0	0
Total GHG emissions (Scope 1) (t CO₂e)	41,430	55,451	950	891

The notable growth in petrol consumption reflects the growth of the fleet with electrified vehicles whereby hybrids mostly use petrol.

305 – 2 GHG Emissions (Scope 2), by source				
Emissions associated with electricity consumption (t CO ₂ e) – market based	174,146	122,316	332	378
Emissions associated with electricity consumption (t CO ₂ e) – location based	128,918	134,942	470	396
305 – 3 GHG Emissions (Scope 3), by source				
Emissions related to energy recovery (t CO ₂ e)	179	192	-	-
Emissions related to organic recovery (t CO ₂ e)	241	111	-	-
Emissions related to sanitary landfill (t CO ₂ e)	8,454	8,608	-	-
Total GHG emissions (Scope 3) (t CO₂e)	8,874	8,911	-	-

The value of market-based emissions does not include Salsa's activity outside Portugal and Spain.

Emission Factors

Energy	Unit	Factor 2018	Factor 2019	Source (2018 and 2019)
Natural gas	kg CO ₂ /GJ	56.1	56.4	2018: APA (2018) Portuguese National Inventory Report on Greenhouse Gases 1990-2016 (pg. 189) 2019: APA (2019) Portuguese National Inventory Report on Greenhouse Gases 1990-2017 (p.187)
Propane	kg CO ₂ /GJ	63.1	63.1	
Diesel	kg CO ₂ /GJ	74.1	74.1	
Petrol	kg CO ₂ /GJ	69.3	69.3	
Electricity - Market Based (Sonae MC, Sonae Fashion, Worten)	(kg CO ₂ /GJ)	104.8	77.0	2018 and 2019: Elergone Data: The calculation of annual values is based on monthly calculations, which in turn are calculated by weighing the emission factors reported by the various suppliers and the percentage of consumption of the locations that have an energy supply contract with the respective suppliers.
Electricity - Market Based (Maxmat)	(kg CO ₂ /GJ)	105.6	103.6	2018 and 2019: Elergone Data: The calculation of annual values is based on monthly calculations, which in turn are calculated by weighing the emission factors reported by the various suppliers and the percentage of consumption of the locations that have an energy supply contract with the respective suppliers.

Electricity - Market Based (Sonae RP)	(kg CO ₂ /GJ)	105.6	103.6	2018 and 2019: Elergone Data: The calculation of annual values is based on monthly calculations, which in turn are calculated by weighing the emission factors reported by the various suppliers and the percentage of consumption of the locations that have an energy supply contract with the respective suppliers.
Electricity - Market Based (Sonaecom)	(kg CO ₂ /GJ)	55.2	74.7	2018: EDP - http://www.edpsu.pt/pt/origemdaenergia/Pages/OrigensdaEnergia.aspx 2019: 2019: SU Eletricidade - https://sueletricidade.pt/pt-pt/page/541/origens-da-eletricidade
Electricity – Spain market based	(kg CO ₂ /GJ)	108.33	110.8	2018: Endesa emission factor assumed: 0.39 kg CO ₂ /kWh 2019: Endesa emission factor assumed: 398.88 gCO ₂ /kWh https://www.endesa.pt/negocios/quemsomos/Origem-de-Energia
Electricity - Market based Arenal	(kg CO ₂ /GJ)	-	109.4	2019: 2019: Energy mix: Endesa, Repsol, Iberdrola, Aldro Energía and DLR Energía Comercializadora (calculated on the sheet "Arenal % consumo elect-factor").
Electricity – Portugal based location	(kg CO ₂ /GJ)	78.2	78.2	2018 and 2019: International Energy Agency (2015). CO ₂ Emissions from Fuel Combustion, 2015 Edition.
Electricity – Spain based location	(kg CO ₂ /GJ)	122.2	122.2	2018 and 2019: Defra (2018) UK Government GHG Conversion Factors for Company Reporting 2018.
Electricity - Location Based – Others geographies (Europe)	(kg CO ₂ /GJ)	-	82.2	2019: European Environment Agency, CO ₂ emission intensity. Considered the European average value.

Type of Treatment	Unit	Factor 2018	Factor 2019	Source (2018 and 2019)
Sanitary Landfill	t CO ₂ /t waste	0.589	0.0214	2018: DEFRA (2017). Greenhouse gas reporting - Conversion factors 2017
Energy Recovery	t CO ₂ /t waste	0.0214	0.0102	
Organic Recovery	t CO ₂ /t waste	0.0214	0.5865	2019: DEFRA (2019). Greenhouse gas reporting - Conversion factors 2019

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	2018	2019
305-1 GHG Emissions (Scope 1), by source		
Emissions associated with the consumption of natural gas (t CO ₂ e)	8,723	6,805
Emissions associated with the consumption of LPG (t CO ₂ e)	8	16
Emissions associated with the consumption of fuels by the contracted fleet (petrol, diesel and ethanol) (t CO ₂ e)	941	916
Emissions associated to leaks (t CO ₂ e)	406	1,239
Total direct (Scope 1) GHG emissions (t CO₂e)	10,078	8,976
305-2 GHG Emissions (Scope 2), per source		
Emissions associated with electricity consumption (t CO ₂ e)	12,127	5,910
Emissions associated with electricity consumption for the cooling of water (t CO ₂ e)	5,078	4,273
Emissions associated with electricity consumption for the heating of water (t CO ₂ e)	1,111	345
Total emissions (t CO₂e)	18,316	10,528
305-3 GHG Emissions (Scope 3), by source		
Emissions from tenant's electricity consumption (t CO ₂ e)	121,266	105,583
Emissions related to air travel (t CO ₂ e)	2,040	1,107
Emissions related to train travel (t CO ₂ e)	12	3
Emissions related to hotel stays (t CO ₂ e)	83	79
Emissions related to employees' business trips (t CO ₂ e)	1,082	618
Emissions related to materials (t CO ₂ e)	-	22,189
Emissions from shopping centre visitors (t CO ₂ e)	603,012	433,729
Emissions from waste (t CO ₂ e)	2,393	899
Total GHG emissions (Scope 3) (t CO₂e)	729,888	564,207
For further information on Sonae Sierra's 2018 and 2019 emission factors, please refer to Sonae Sierra's Sustainability Report for the respective years.		

305-4	GHG EMISSIONS INTENSITY	Management Report 2019 5.3 Environmental and Social Performance — CO2 and Climate Change	V	8	13 14 15
		Below, we present supplementary information on this indicator:			
		SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM (IM & MEDIA)	
		2018	2019	2018	2019
GHG emissions intensity					
Total GHG emissions (t CO ₂ e) (market based)		224,452	186,677	1,282	1,270
Business turnover (M€)		5,801	6,222	169.1	132.4
GHG emissions intensity ratio (t CO ₂ /M€)		39	30	8	9.5
SONAE SIERRA					
		2018		2019	
GHG emissions intensity					
Total GHG emissions (t CO ₂ e)		758,282		583,710	
Excluding tenants (t CO ₂ e/m ²)		0.055		0.054	
Including tenants (t CO ₂ e/m ²)		0.302		0.390	

305-5	REDUCTION OF GHG EMISSIONS	As it is the first year in which F-gases are accounted for when calculating Sonae's emissions, initiatives have simultaneously been developed to reduce F-gas emissions, in addition to the CO ₂ emission minimisation measures reported in chapter 5.3 Environmental and Social Performance - CO ₂ and Climate Change. This initiative consists of a programme to replace the F-Gases used at Sonae, in this case, completely replacing the cooling system (new equipment), using only "Natural Gases". The goal of this programme is to reach 2030 without the use of F-Gases. Management Report 2019 5.3 Environmental and Social Performance — CO ₂ and Climate Change	V	8 e 9	13 14 15
305-6	EMISSIONS OF OZONE-DEPLETING SUBSTANCES	Sonae Sierra does not report this indicator. 2019, there was no emission of ozone-depleting substances	V	7 e 8	3 12 13
305-7	NITROGEN OXIDES (NO _x), SULPHUR OXIDES (SO _x) AND OTHER SIGNIFICANT AIR EMISSIONS	Sonae Sierra does not report this indicator. Below, we present supplementary information on this indicator:	V	7 e 8	3 12 13 14 15

		SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM (IM & MEDIA)	
		2018	2019	2018	2019
Nitrogen oxides (NO _x), sulphur oxides (SO _x) and other significant air emissions					
NO _x emissions – Diesel consumed - stores (t)		3.40	3.70	0.00	0.00
NO _x emissions - Diesel consumed - contracted fleet (t)		349.26	376.09	0.00	0.00
NO _x emissions - Petrol consumed - contracted fleet		0.00	0.00	0.00	0.00
NO _x emissions - Diesel consumed - employees' vehicles (t)		83.68	93.50	10.07	8.36
NO _x emissions - Petrol consumed - employees' vehicles (t)		0.39	5.16	0.15	1.01
Total NO_x emissions (t)		436.73	478.45	10.22	9.37
SO ₂ emissions - Diesel consumed - stores (t)		0.89	0.97	0.00	0.00
SO ₂ emissions - Diesel consumed - contracted fleet (t)		91.68	100.92	0.00	0.00
SO ₂ emissions - Petrol consumed - contracted fleet (t)		0.00	0.13	0.00	0.00
SO ₂ emissions - Diesel consumed - employees' vehicles		21.96	22.10	2.64	2.19
SO ₂ emissions - Petrol consumed - employees' vehicles		0.05	0.52	0.02	0.13
Total SO₂ emissions (t)		114.58	124.64	2.66	2.32
Emission Factors:					
Energy	Unit	NO_x	SO₂	Source	
Diesel	kg/GJ	0.8	0.21	IPCC 2006	
Petrol	kg/GJ	0.6	0.075	IPCC 2006	

GRI 306 – EFFLUENTS AND WASTE																	
Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach	V													
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Waste and Effluents (<i>vide</i> chapter Environmental and Social Performance - Plastic).														
	103-3	EVALUATION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this aspect and reports them in this Report (<i>vide</i> indicators presented below).														
306-1	WATER DISCHARGE BY QUALITY AND DESTINATION	<p>Sonae does not have quantitative measurements for waste water in stores. For this reason, and in accordance with best Engineering practices, we operate on the basis that 80% of the consumed water results in waste water</p> <p>In 2019, in accordance with the adopted methodology, there was an emission of liquid effluents of 948,290m³. Regarding destinations, most of the liquid effluents produced are discharged into the public domestic waste water networks, and all liquid effluent discharges to natural water lines are subjected to pre-treatment in dedicated facilities (WWTPs) and respective quality monitoring is carried out</p> <table border="1"> <thead> <tr> <th>Volume of effluent discharged (m³)</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>SONAE, SONAE MC, SONAE FASHION E WORTEN</td> <td>608,351</td> <td>945,760</td> </tr> <tr> <td>SONAECOM</td> <td>4,222</td> <td>2,530</td> </tr> <tr> <td colspan="3">Sonae Sierra does not report this indicator.</td> </tr> </tbody> </table>	Volume of effluent discharged (m ³)	2018	2019	SONAE, SONAE MC, SONAE FASHION E WORTEN	608,351	945,760	SONAECOM	4,222	2,530	Sonae Sierra does not report this indicator.			V	8	3 6 1 2 1 4
Volume of effluent discharged (m ³)	2018	2019															
SONAE, SONAE MC, SONAE FASHION E WORTEN	608,351	945,760															
SONAECOM	4,222	2,530															
Sonae Sierra does not report this indicator.																	
306-2	WASTE BY TYPE AND DISPOSAL METHOD	<p>Management Report 2019 5.3 Environmental and Social Performance — Plastic</p> <p>Sonae did not generate waste in 2018 and 2019.</p> <p>Below, we present supplementary information on this indicator:</p>	V	8	3 6 1 2												

In 2019, Sonae produced 108,954 t of waste (-13% in comparison to the previous year), with 72% of the total waste resulting from the retail operation. During the year, Sonae, Sonae MC, Sonae Fashion and Worten, in Portugal and Spain, were responsible for the total production of 78,629 t of waste (+1% in comparison to the previous year), recording a recovery rate of 81% of the waste produced. In 2019, Sonae Sierra recorded a 37% reduction in the production of waste resulting from the activity of its shopping centres and corporate offices, observing a recovery rate of 88.9%. This reduction is related to the change observed in the composition of the portfolio.

	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN	
	2018	2019
Total waste (t)	77,665	78,629
Recovery rate	81%	81%
SONAE SIERRA		
	2018	2019
Hazardous waste (t)	77	51
Non-hazardous waste (t)	47,691	30,232
Total de resíduos (t)	47,768	30,283
Recycling rate – shopping centres (%)	66%	66%
Recycling rate – corporate offices with SHEMS (Lisboa and Maia) (%)	87%	96%
Waste disposal rate in sanitary landfill – shopping centres (%)	17%	11%
Waste disposal rate in sanitary landfill –corporate offices (Lisboa and Maia) (%)	13%	4%

306-3	SIGNIFICAN SPILLS	In 2019, there was no significant spills.	V	8	3 6 12 14 15
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GRI 400 - SOCIAL DISCLOSURES						
GRI 401 - EMPLOYMENT (MATERIAL ASPECT)						
Management Approach	103-1	EXPLICATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach			V
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Employment (<i>vide</i> chapter 5.3 Environmental and Social Performance - Inequalities and inclusive development).			
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			
401-1		NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER	Management Report 2019 5.3 Environmental and Social Performance — Inequalities and inclusive development The tables below show the answer to this indicator:			

2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAE COM (IM & MEDIA)		SONAE SIERRA	
No.	New hires	Departures	New hires	Departures	New hires	Departures
Male	9,073	8,778	156	158	150	247
Female	15,136	14,464	38	64	141	207
Total	24,209	23,242	194	222	291	454
<30 years old	19,201	17,324	87	97		
From 30 to 50 years old	4,600	5,279	101	111		
>50 years old	408	639	6	14		
Total	24,209	23,242	194	222		
< 35 years old					140	181
From 35 to 44					100	184
From 45 to 54					33	61
From 55 to 64					13	22
> 64 years old					5	6
Total					291	454
Portugal	22,681	21,640	68	102	131	50
Spain	1,472	1,541	87	83	5	8
Rest of the world	56	61	39	37	155	396
Total	24,209	23,242	194	222	291	454
Rate %	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAE COM		SONAE SIERRA	
	New hires	Departures	New hires	Departures	New hires	Departures
Male	21%	20%	17%	17%	17%	28%
Female	35%	33%	4%	7%	16%	23%
Total (%)	56%	54%	21%	23%	33%	51%
<30 years old	44%	40%	9%	10%		
30-50 years old	11%	12%	11%	12%		
>50 years old	1%	1%	1%	1%		
Total (%)	56%	54%	21%	23%		
< 35 years old					16%	20%
From 35 to 44					11%	21%
From 45 to 54					4%	7%
From 55 to 64					1%	2%
> 64 years old					1%	1%
Total					33%	51%
Portugal	52%	50%	7%	11%	15%	6%
Spain	3%	4%	9%	9%	1%	1%
Resto f the world	0%	0%	4%	4%	17%	44%
Total (%)	56%	54%	21%	23%	33%	51%

2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAE COM (IM & MEDIA)		SONAE SIERRA	
No.	2018	2019	2018	2019	2018	2019
Total Employees	41,037	43,285	1,488	945	1,057	894
New hires	22,488	24,209	329	194	138	291
Percentage of new employee hires (%)	55%	56%	22%	21%	13%	33%
Departures	21,471	23,242	243	222	142	454
Percentage of employee departures (%)	52%	54%	16%	23%	13%	51%

401-3	PARENTAL LEAVE	The tables below show the answer to this indicator:	V	6	5 8
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2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN			SONAE COM		
Nº	Masculino	Feminino	Total	Masculino	Feminino	Total
Total employees entitled to parental leave (no.)	14,221	29,064	43,285	643	302	945
Total employees who benefitted from parental leave (no.)	629	1,599	2,228	30	13	43
Total employees who returned to work after completion of parental leave (no.)	627	1,579	2,206	27	8	35
Total employees who returned to work after completion of parental leave and continued to work for the Company 12 months after returning (no.)	526	1,391	1,917	0	0	0
Take-up rate (%)	4%	6%	5%	5%	4%	5%
Rate of return (%)	100%	99%	99%	90%	62%	81%
Rate of retention (%)	84%	87%	86%	0%	0%	0%

Notes: Employees who benefitted from parental leave in 2018 and continued to work 12 months after returning are not included. For this reason, the retention rate may be over 100%, since the denominator refers to the take-up rate in 2019 and not in 2018. At Sonae com the retention rate is 0% because the employees who returned and continue in the company 12 months later have not yet made 12 months to be included in this %.

2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAE COM	
Nº	2018	2019	2018	2019
Take-up rate (%)	5%	5%	100%	5%
Rate of return (%)	96%	99%	100%	81%
Rate of retention (%)	76%	86%	50%	0%

GRI 403 - OCCUPATIONAL HEALTH AND SAFETY

Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach			
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Occupational Health and Safety (<i>vide</i> chapter 5.3 Environmental and Social Performance - Inequalities and inclusive development).	V		
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			
403-1		WORKERS REPRESENTATION HEALTH AND SAFETY COMMITTEES	There are no health and safety committees at Sonae.			
403-2		TYPE OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND TOTAL	The tables below show the answer to this indicator.	V		3 8

	NUMBER OF WORK-RELATED FATALITIES				
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Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities							
2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN			SONAECOM (IM & MEDIA)			SONAE SIERRA
	Masculino	Feminino	Total	Masculino	Feminino	Total	Total
Workable hours by all employees (h)	25,639,010	50,588,408	76,227,418	1,190,112	558,096	1,748,208	1,186,034
Total deaths (no.)	0	0	0	0	0	0	0
Total accidents in the workplace (no.)	431	826	1,257	2	4	6	3
Total accidents during the commute between home and work (no.)	60	157	217	0	0	0	0
Total accidents (no.)	491	983	1,474	2	4	6	3
Rate of accidents (%)	0.002%	0.002%	0.002%	0.000%	0.001%	0.000%	0.0003
Total days of absence due to occupational accidents (d)	6,838	12,190	19,028	33	112	145	-
Rate of days lost due to occupational accidents (%)	0.027%	0.025%	0.025%	0.003%	0.020%	0.008%	-
Total days of absence due to occupational diseases (d)	377	964	1,341	0	0	0	-
Rate of occupational diseases (%)	0.001%	0.002%	0.002%	0.000%	0.000%	0.000%	-
Total number of days lost (d)	7,215	13,154	20,369	33	112	145	214
Rate of lost days (%)	0.028%	0.027%	0.027%	0.003%	0.020%	0.008%	0.018
Total hours of absence (h)	782,996	3,192,343	3,975,340	5,576	3,892	9,468	27,876
Absenteeism rate (%)	3.068%	6.475%	5.313%	0.469%	0.697%	0.542%	2.35%

Notes: It is not possible to present the information of indirect employees. For the calculation of lost days, the "working days" were considered to be the days in which the victims were effectively absent from work. Counting of lost days starts on the 1st day of absence following the accident, usually from the following day. In the case of accidents, all were considered (accidents involving communication to insurance companies, non-participating accidents that did not involve insurance companies, accidents not in the presence of someone and accidents in the presence of someone).

%	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM		SONAE SIERRA	
	2018	2019	2018	2019	2018	2019
Rate of accidents	0.002%	0.002%	0%	0%	0.0003	0.0003
Rate of days lost due to occupational accidents	0.028%	0.025%	0.009%	0.008%	-	-
Rate of occupational diseases	0.001%	0.002%	0%	0%	-	-
Rate of lost days	0.03%	0.027%	0.009%	0.008%	0.002	0.018
Absenteeism rate	4.72%	5.313%	1%	0.542%	1.78%	2.35%

403-3	WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION	Sonae has no employees involved in occupational activities with a high incidence or high risk of specific/serious diseases. Sonae Sierra does not report this indicator.	V		3 8
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GRI 404 - TRAINING AND EDUCATION (MATERIAL ASPECT)

Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach	V	
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Training and Education (<i>vide</i> chapter 5.3 Environmental and Social Performance - Inequalities and inclusive development).		
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).		

404-1	AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE	Management Report 2019	V	6	4 5 8
		5.3 Environmental and Social Performance — Inequalities and inclusive development Below, we present supplementary information on this indicator:			

2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN			SONAE COM (IM & MEDIA)		
	Male	Female	Total	Male	Female	Total
Total Employees (No.)						
<i>Top Executive</i>	59	13	72	2	0	2
<i>Management</i>	591	346	937	143	36	179
<i>Middle Management</i>	1,067	1,684	2,751	418	168	586
<i>Technicians/highly specialized technicians</i>	1,091	2,113	3,204	0	0	0
<i>Representatives</i>	11,354	24,670	36,024	80	98	178
Total	14,162	28,826	42,988	643	302	945
Total training hours (h)						
<i>Top Executive</i>	1,801	205	2,006	6	0	6
<i>Management</i>	16,326	11,529	27,855	1,687	658	2,345
<i>Middle Management</i>	34,059	43,804	77,863	11,251	4,506	15,757
<i>Technicians/highly specialized technicians</i>	31,508	62,494	94,002	0	0	0
<i>Representatives</i>	375,889	566,572	94,461	311	330	641
Total	459,583	684,604	1,144,187	13,255	5,494	18,749
Average number of hours of training per category and by gender (h/employee)						
<i>Top Executive</i>	31	16	28	3	0	3
<i>Management</i>	28	33	30	12	18	13
<i>Middle Management</i>	32	26	28	27	27	27
<i>Technicians/highly specialized technicians</i>	29	30	29	0	0	0
<i>Representatives</i>	33	23	26	4	3	4
Total	32	24	27	21	18	20

Notes: This includes all training participants, regardless of if they were active or not in December 31, 2019.

SONAE SIERRA			
Total Employees (No.)			
	Number of Employees	Number of training hours	Average number of hours of training for year, per employee, by category
<i>Global Senior Executive, Senior Executive, Executive</i>	21	795	38
<i>Senior Manager</i>	49	1,759	36
<i>Manager</i>	88	2,985	34
<i>Team Leader</i>	99	3,354	34
<i>Project Team Specialist</i>	136	3,625	27
<i>Team Member</i>	303	8,180	27
Total	696	20,698	30
Female	391	11,157	29
Male	305	9,542	31
Total	696	20,698	30

Note: In this indicator, there are two groups of employees who do not follow the organizational structure of the company, corresponding to a total of 198 employees not reflected in the table above.

	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM (IM & MEDIA) (IM & MEDIA)		SONAE SIERRA	
	2018	2019	2018	2019	2018	2019
Total employees (no.)	40,472	42,988	1,488	945	1,057	696
Total training hours (h)	1,184,336	1,144,187	20,055	18,749	26,285	20,698
Average number of hours of training (h/employee)	29	27	13	20	25	30

Notes: This includes all of Sonae Sierra's direct employees, at the end of the report period.

Na Sonae Sierra, there are two groups of employees who do not follow the organizational structure of the company, corresponding to a total of 198 employees not reflected in the table above.

404-2	PROGRAMMES FOR UPGRADING EMPLOYEE SKILLS AND TRANSITION ASSISTANCE PROGRAMMES	Management Report 2019 5.3 Environmental and Social Performance — Inequalities and inclusive development Below, we present supplementary information on this indicator:	V		8
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Programmes for upgrading employee skills and transition assistance programmes 2019	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM (IM & MEDIA)	
	Total Actions (no.)	Total Hours (h)	Total Actions (no.)	Total Hours (h)
Conferences & Seminars	321	14,782	7	279
Schools/Academies	80,156	701,241	6	420
Management	15	2,024	7	283
Management & Leadership	6,351	74,674	4	184
Continuous Improvement	1,478	20,864	9	67
Occupational Health and Safety	6,694	48,413	0	6
Sustainability	394	1,050	1	3
Technical	9,127	90,467	444	16,426
Transversal	3,521	160,813	40	1,083
Values & People	10,333	10,548	0	0
Legal / Compliance	8,692	14,072	0	0

Notes: This includes all training participants, regardless of if they are active on December 31, 2019.

SONAE SIERRA		
Programmes for improving employee skills 2019	Total Hours (h)	Total Hours (%)
Behavioral	6,553	32%
Languages	2,722	13%
Technical	11,423	55%
Total	20,698	100%

404-3	PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	In 2019, at Sonae, Sonae MC, Sonae Fashion, Sonae FS and Worten, 85.5% of the employees received performance assessment and career development reviews. At Sonaecom (IM) the value was 68.2%. At Sonae Sierra, 100% of the employees received performance assessment and career development reviews.	V	6	5 8
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GRI 405 - DIVERSITY AND EQUAL OPPORTUNITIES - (MATERIAL ASPECT)					
Management	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose	V	

		— Sustainability Approach			
103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Diversity and Equal Opportunities (<i>vide</i> chapter 5.3 Social and Environmental Performance - Inequalities and inclusive development and Community support).			
103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			
405-1	DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES	Management Report 2019 5.3 Environmental and Social Performance — Inequalities and inclusive development Below, we present supplementary information on this indicator:	V	6	5 8

2019	Age Group	SONAE, SONAE MC, SONAE FASHION, SONAE FS AND WORTEN			SONAE COM (IM & MEDIA)								
		Male	Female	Total	Male	Female	Total						
Percentage of employees by functional category (%)													
Top Executive (%)	< 30 years old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%						
	From 30 to 50 years old	38.9%	11.1%	50.0%	100.0%	0.0%	100.0%						
	≥ 50 years old	43.1%	6.9%	50.0%	0.0%	0.0%	0.0%						
	Total	81.9%	18.1%	100.0%	100.0%	0%	100.0%						
Management (%)	< 30 years old	0.3%	0.1%	0.4%	1.7%	0.0%	1.7%						
	From 30 to 50 years old	47.1%	29.3%	76.4%	65.4%	17.3%	82.7%						
	≥ 50 years old	15.3%	7.9%	23.2%	12.8%	2.8%	15.6%						
	Total	62.7%	37.3%	100.0%	79.9%	20.1%	100.0%						
Middle Management (%)	< 30 years old	3.5%	6.8%	10.3%	28.5%	9.9%	38.4%						
	From 30 to 50 years old	29.9%	47.5%	77.4%	40.4%	16.7%	57.2%						
	≥ 50 years old	5.4%	6.9%	12.3%	2.4%	2.0%	4.4%						
	Total	38.8%	61.2%	100.0%	71.3%	28.7%	100.0%						
Technicians/highly specialized technicians (%)	< 30 years old	9.1%	19.2%	28.3%	-	-	-						
	From 30 to 50 years old	22.3%	40.6%	62.9%	-	-	-						
	≥ 50 years old	2.7%	6.1%	8.8%	-	-	-						
	Total	34.1%	65.9%	100.0%	-	-	-						
Representatives (%)	< 30 years old	16.7%	26.9%	43.6%	5.1%	9.6%	14.6%						
	From 30 to 50 years old	12.2%	32.8%	45.0%	27.5%	28.7%	56.2%						
	≥ 50 years old	2.6%	8.8%	11.4%	12.4%	16.9%	29.2%						
	Total	31.5%	68.5%	100.0%	44.9%	55.1%	100.0%						
Governance bodies (%)	< 30 years old	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%						
	From 30 to 50 years old	23.1%	15.4%	38.5%	50.0%	25.0%	75.0%						
	≥ 50 years old	46.2%	15.4%	61.5%	25.0%	0.0%	25.0%						
	Total	69.2%	30.8%	100.0%	75.0%	25.0%	100.0%						
		SONAE, SONAE MC, SONAE FASHION, SONAE FS AND WORTEN					SONAE COM (IM & MEDIA)						
		2018			2019			2018			2019		
		Male	Female	Total	Female	Male	Total	Male	Female	Total	Female	Male	Total
Top Executive (%)		79%	21%	100%	82%	18%	100%	100%	0%	100%	100%	0%	100%
Management (%)		63%	37%	100%	63%	37%	100%	79%	21%	100%	80%	20%	100%
Middle Management (%)		45%	55%	100%	39%	61%	100%	67%	33%	100%	71%	29%	100%
Technicians/highly specialised technicians (%)		36%	64%	100%	34%	66%	100%	-	-	-	-	-	-
Representatives (%)		32%	68%	100%	32%	69%	100%	43%	57%	100%	45%	55%	100%
Governance bodies (%)		100%	0%	100%	69%	31%	100%	88%	13%	100%	75%	25%	100%

SONAE SIERRA				
Percentage of employees by functional category (%)				
	Age Group	Female	Male	Total
<i>Global Senior Executive, Senior Executive, Executive</i>	< 35 years old	0%	0%	0%
	From 35 to 44 years old	5%	0%	5%
	From 45 to 54 years old	43%	5%	48%
	From 55 to 64 years old	33%	10%	43%
	> 64 years olds	5%	0%	5%
	Total	86%	14%	100%
<i>Senior Manager</i>	< 35 years old	0%	0%	0%
	From 35 to 44 years old	12%	0%	12%
	From 45 to 54 years old	33%	12%	45%
	From 55 to 64 years old	29%	8%	37%
	> 64 years olds	6%	0%	6%
	Total	80%	20%	100%
<i>Manager</i>	< 35 years old	1%	0%	1%
	From 35 to 44 years old	20%	16%	36%
	From 45 to 54 years old	28%	20%	49%
	From 55 to 64 years old	10%	3%	14%
	> 64 years olds	0%	0%	0%
	Total	60%	40%	100%
<i>Team Leader</i>	< 35 years old	4%	3%	7%
	From 35 to 44 years old	27%	28%	56%
	From 45 to 54 years old	14%	17%	31%
	From 55 to 64 years old	4%	2%	6%
	> 64 years olds	0%	0%	0%
	Total	49%	51%	100%
<i>Project Team Specialist</i>	< 35 years old	19%	11%	30%
	From 35 to 44 years old	18%	23%	41%
	From 45 to 54 years old	10%	10%	21%
	From 55 to 64 years old	5%	2%	7%
	> 64 years olds	1%	0%	1%
	Total	54%	46%	100%
<i>Team Member</i>	< 35 years old	8%	23%	31%
	From 35 to 44 years old	9%	27%	36%
	From 45 to 54 years old	5%	19%	24%
	From 55 to 64 years old	2%	7%	9%
	> 64 years olds	0%	0%	0%
	Total	24%	76%	100%

Note: With respect to this indicator, there are two groups of employees who do not follow the company's organisational structure, corresponding to a total of 198 employees not reflected in the table above.

405-2	RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN	Sonae Sierra does not report this indicator. The response to this indicator is in the table below:	V	6	5 8 10
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	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN		SONAECOM (IM & MEDIA)	
	2018	2019	2018	2019
Ratio of average basic salary by functional category (F/M)				
<i>Top Executives</i>	1.04	0.46	0.00	0.00
<i>Management & Senior Management</i>	0.91	0.73	0.89	1.34
<i>Middle Management*</i>	0.91	0.56	0.92	1.56
<i>Technicians/highly specialized technicians</i>	0.87	0.67	0.00	0.00
<i>Representatives</i>	1.00	0.86	0.90	0.91
Total	0.98	0.55	0.80	0.34
Average pay ratio by functional category (F/M)				
<i>Top Executives</i>	0.99	0.91	0.00	0.00
<i>Management & Senior Management</i>	0.90	0.91	0.89	1.35
<i>Middle Management*</i>	0.96	0.81	0.92	1.55
<i>Technicians/highly specialized technicians</i>	0.85	0.86	0.0	0.00
<i>Representatives</i>	1.00	1.15	0.90	0.89
Total	0.96	0.91	0.80	0.24

Notes: the monthly base salary (converted to full-time equivalent) includes all fixed remuneration as of December 31, 2019. Based on 12 months. Total remuneration included (converted to full-time equivalent) the Monthly base salary; Performance bonus, discrepancy allowance and shift allowance as of December 31, 2019; Variable components calculated based on the last 12 months (January to December 2019).

406-1	INCIDENTS OF DISCRIMINATION AND CORRECTIVE ACTIONS TAKEN	In 2019, 20 incidents of discrimination were raised. The inquiry processes carried out led to the filing of all cases.	V	6	5 8 16
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407 - FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
407-1	OPERATIONS AND SUPPLIERS IN WHICH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK	At Sonae, there are no operations involving risks within the scope of the right to freedom of association and collective bargaining agreements. In the specific case of Sonae MC and Worten, according to the audit reports carried out, all suppliers have "Freedom of association: they can be members of institutions / associations that represent their rights" accordingly. In some of the locations where Sonae Fashion operates, there are countries where the right to freedom of association is not a legal requirement. For this purpose, Sonae Fashion monitors this dimension in order to ensure that this right is guaranteed to employees, such that from 2020, this issue will be an eliminatory factor for the selection/permanence of company suppliers. Sonae Sierra does not report this indicator.	V	3	8
408 - CHILD LABOUR					
408-1	OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR CHILD LABOUR INCIDENTS	At Sonae, as a rule, minors are not admitted into the company. Only exceptionally are minors between the ages of 16 and 18 admitted, and always in compliance with the law. There are no operations at risk for child labour incidents. At Sonae MC and Worten if it is found that a supplier is at significant risk for child labour incidents, the supplier is placed on stand-by and only re-enters after an SA8000 audit has been carried out by an accredited institution. At Sonaecom, due to both the locations where we are present and to the technical/technological complexity of the type of activities performed by our employees, Sonaecom has residual risks in terms of child labour. Sonae Sierra does not report this indicator.	V	5	8 16
409 - FORCED OR COMPULSORY LABOUR					
409-1	OPERATIONS AND SUPPLIERS AT SIGNIFICANT RISK FOR	At Sonae, there is no forced labour. At Sonae MC and Worten if it is found that a supplier is at significant risk for incidents of forced or compulsory labour, the	V	4	8

	INCIDENTS OF FORCED OR COMPULSORY LABOUR	supplier is placed on stand-by and only re-enters after an SA8000 audit has been carried out by an accredited institution. At Sonaecom, due to both the locations where we are present and to the technical/ technological complexity of the type of activities performed by our employees, Sonaecom has residual risks in terms of forced or compulsory labour. Sonae Sierra does not report this indicator.												
410 – SECURITY PRACTICES														
410-1	SECURITY PERSONNEL TRAINED IN HUMAN RIGHTS POLICIES OR PROCEDURES	In both Spain and in Portugal, all security staff who work through security companies must have a professional identification, which requires obtaining and renewing training that includes matters of constitutional/fundamental rights, ethics and deontology. In 2019, in Worten Portugal, the following training courses were given to company security staff: <ul style="list-style-type: none"> – Power Shield: "All security staff received this training". – 2045: "Since 2016, 2045 has been certified by NP 4469-1 promoting the awareness of various matters among its employees in topics related to Human Rights, Social Sustainability and Ethics." – Our Code of Ethics and Conduct is disclosed to all Employees and Partners and available on www.2045sa.pt" – Strong Charon: "this topic is addressed in the initial course provided to Security Staff and in the respective updates every 5 years. In May 2018, when the Companies merged, this topic was presented to all the security staff and information was distributed, namely the Code of Ethics and Best Practices for the Prevention and Combat of Harassment at Work and the Trivalor Code of Ethics and Conduct, in which the issue of human rights is addressed." – Vigiexpert: "At Vigiexpert and providing services at Worten stores, we do not have any employees that meet the points indicated." In Worten Spain, all security staff receive training courses, but they do not specifically address human rights.												
412 - HUMAN RIGHTS ASSESSMENT														
412-1	OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS	In 2019, no operation that has been subject to a Human Rights reassessment and/or impact assessment was registered in this regard.	V	1										
412-2	EMPLOYEE TRAINING ON HUMAN RIGHTS POLICIES OR PROCEDURES	In 2019, employees received training related to human rights practices and policies, according to the following table: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Total employees that received formal training on the policies and procedures of the organisation regarding Human Rights issues (no.)</td> <td>43,596</td> <td>17,498</td> </tr> <tr> <td>Total hours dedicated to training on policies and procedures relative to Human Rights aspects that are relevant to operations (no.)</td> <td>307,817</td> <td>296,056</td> </tr> </tbody> </table> <p>Note: this includes all training participants, regardless of if they were active on the 31 December 2019 in Portugal.</p> The reduction in the figures is related to a project in the area of the General Data Protection Regulation launched in 2018 that involved the Groups transversally.		2018	2019	Total employees that received formal training on the policies and procedures of the organisation regarding Human Rights issues (no.)	43,596	17,498	Total hours dedicated to training on policies and procedures relative to Human Rights aspects that are relevant to operations (no.)	307,817	296,056	V	1	
	2018	2019												
Total employees that received formal training on the policies and procedures of the organisation regarding Human Rights issues (no.)	43,596	17,498												
Total hours dedicated to training on policies and procedures relative to Human Rights aspects that are relevant to operations (no.)	307,817	296,056												
412-3	SIGNIFICANT INVESTMENT AGREEMENTS AND CONTRACTS THAT INCLUDE HUMAN RIGHT CLAUSES OR THAT UNDERWENT HUMAN RIGHTS SCREENING	In Sonae MC, Sonae Fashion and Worten supply contracts include a supplier obligation clause that mentions "Comply with all applicable standards and legislation on work carried out by minors, human rights and prohibition of discrimination against their workers, for whatever reason."	V	6	5 8 16									

GRI 413 - LOCAL COMMUNITIES (MATERIAL ASPECT)						
Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose Sustainability Approach	V		
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Local Communities (<i>vide</i> chapter 5.3 Social and Environmental Performance - Inequalities and inclusive development and Community support).			
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			
413-1		OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS AND DEVELOPMENT PROGRAMMES	From the moment a new unit is installed, Sonae ensures the necessary conditions so that it has the minimum negative impact on communities. During operation, it develops numerous activities of support to the local community, meeting their different needs. The activities are often carried out in partnership with local entities.	V	1	
GRI 414 - SUPPLIER SOCIAL ASSESSMENT (MATERIAL ASPECT) and 308-1						
Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose Sustainability Approach	V		
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Supplier Social Assessment (<i>vide</i> chapter 5.3 Environmental and Social Performance - Nature and biodiversity).			
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).			
414-1 e 308-1		NEW SUPPLIERS THAT WERE SCREENED USING SOCIAL AND ENVIRONMENTAL CRITERIA	Management Report 2019 5.3 Environmental and Social Performance — Nature and biodiversity Below, we present supplementary information on this indicator:	V	8	

The process of assessing and qualifying the suppliers of Sonae MC's and Worten's own brand products consists of a mechanism that has the dual mission of assessing and qualifying suppliers "suitable" to work with Sonae, but also the purpose of using audits to identify areas for improvement in their operations. For each brand supplier monitored, a Risk Index is calculated – composed of: Quality Index (QI), which assesses quality indicators such as inspections, incidents, non-compliance, withdrawals and complaint rate, and the Vulnerability Index (VI). The latter, analysed according to the geographical origin criteria, takes five criteria into consideration: legal & regulatory, labour relations, environment, corruption, child labour, and supplier guarantee, through certification and/or audit.

Sonae Fashion implemented its process of supplier assessment and monitoring by investing in the creation of a pool of local quality monitors specifically trained to carry out inspections and audits. In parallel, a supplier's manual was developed that consists of a single document with all the rules to be followed by suppliers and that includes the revised version of Sonae's Code of Ethics and Conduct. The audit grid to be applied by the quality monitors was revised in the light of this Code and includes a set of social, environmental and ethical criteria. Depending on the result obtained, in any of the methodologies, the quality control processes of the supplier and the products can be adjusted to include the definition of a corrective action plan, or even consider the suspension of the supply or the substitution of the supplier. It should also be noted that the suppliers receive the Suppliers' Code of Conduct and, in the qualification phase, depending on the products to be supplied, they may be subject to pre-tests.

SONAE MC, SONAE FASHION AND WORTEN														
Screened suppliers based on social and environmental criteria - labour practices, human rights, with an impact on society and the environment														
2019	Fresh Products		Food Retail		Non-food Retail		BIO Healthy		Fashion		Worten		Maxmat	
	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New	Total	New
Total suppliers (no.)	270	11	289	16	347	30	39	8	459	16	112	10	70	8
National	223	6	164	10	126	12	32	8	175	0	8	0	41	2
Foreign	47	5	125	6	221	18	7	0	284	16	104	10	29	6
Total qualified suppliers (no.)	261	7	270	1	278	2	23	0	70	4	102	0	17	0
National	214	2	152	0	100	1	18	0	12	0	8	0	9	0
Foreign	47	5	118	1	178	1	5	0	58	4	94	0	8	0
Percentage of qualified suppliers (%)	97%	64%	93%	6%	80%	7%	59%	0%	15%	25%	91%	0%	24%	0%

National (%)	96%	33%	93%	0%	79%	8%	56%	0%	7%	0%	100%	0%	22%	0%
Foreign (%)	100%	100%	94%	17%	81%	6%	71%	0%	20%	25%	90%	0%	28%	0%
Total audits performed on suppliers (no.)	60	1	49	0	218	2	2	0	69	4	31	0	13	0
National	58	1	43	0	50	1	2	0	6	0	0	0	5	0
Foreign	2	0	6	0	168	1	0	0	63	4	31	0	8	0
Screened suppliers based on social and environmental criteria	SONAE MC, SONAE FASHION AND WORTEN													
	Fresh Products		Food Retail		Non-food Retail		BIO Healthy		Fashion		Worten		Maxmat	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Total suppliers (no.)	302	270	405	289	299	347	-	39	70	459	118	112	73	70
Total qualified suppliers (no.)	271	261	379	270	235	278	-	23	0	70	98	102	29	17
Percentage of qualified suppliers (%)	90%	97%	94%	93%	79%	80%	-	59%	0%	15%	83%	91%	40%	24%
Total audits performed on suppliers (no.)	81	60	78	49	186	218	-	2	10	69	64	31	13	13

GRI 416 - CUSTOMER HEALTH AND SAFETY

416-1	ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES	The response to this indicator is in the table below. In 2019, a total of 8,195 analyses were carried, of which 5,135 took place in an internal laboratory and 3,060 in an external laboratory.	V		
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2019	SONAE MC, SONAE FASHION AND WORTEN						
	Categories of significant products and services assessed in terms of health and safety impacts						
	Fresh Products	Food Retail	Non-food Retail	BIO Healthy	Fashion	Worten	Maxmat
Total categories of significant products and services (no.)	111	205	2	21	18	1	1
Total categories of significant products and services that are assessed in terms of health and safety impacts (no.)	111	205	2	21	18	1	1
Percentage of categories of significant products and services assessed in terms of health and safety impacts (%)	100%	100%	100%	100%	100%	100%	100%
Notes: we take into consideration the health and safety impacts of products at various stages of their life cycle. In terms of electronic products, for example, we carry out product image, packaging and instruction development in cooperation with the manufacturer. The entire manufacturing process of this type of product is subjected to various inspections. In terms of food products, we carry out R&D on the products through, for example, the optimisation of their nutritional profile.							

GRI 417 - MARKETING AND LABELLING (MATERIAL ASPECT)

417-1	REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELLING	The response to this indicator is in the table below.	V		12 16
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2019	SONAE MC, SONAE FASHION AND WORTEN						
	Categories of significant products and services assessed in terms of health and safety impacts						
	Fresh Products	Food Retail	Non-food Retail	BIO Healthy	Fashion	Worten	Maxmat
Total categories of products with specific labelling (no.)	111	205	185	21	18	11	1
Total product categories (no.)	111	205	411	21	18	47	1
Percentage of product categories with specific labelling (%)	100%	100%	45%	100%	100%	23%	100%

GRI 419 - SOCIOECONOMIC COMPLIANCE					
Management Approach	103-1	EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose Sustainability Approach	V	
	103-2	THE MANAGEMENT APPROACH AND ITS COMPONENTS	Sonae has promoted several initiatives related to Socioeconomic Compliance (<i>vide</i> chapter 5.3 Social and Environmental Performance - Nature and biodiversity and Inequality and Inclusive Development).		
	103-3	EVOLUTION OF THE MANAGEMENT APPROACH	Sonae carries out the measurement and monitoring of the indicators associated with this topic and reports them in this Report (<i>vide</i> indicators presented below).		
419-1 e 307-1	NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AND ENVIRONMENTAL AREA	Sonae considers a fine to be significant when the total monetary value is higher than or equal to 12,000€, which corresponds to the minimum fine of a serious environmental offense (Law no.114/2015, of 28 August).	V		16

Non-compliance with laws and regulations in the social and economic area	SONAE, SONAE MC, SONAE FASHION, SONAE FS E WORTEN	SONAECOM (IM & MEDIA)	SONAE SIERRA
Total monetary value of significant fines - Economic area (€)	0.00 €	0.00 €	0.00 €
Total number of non-monetary sanctions (no.)	0	0	0
Total monetary value of significant fines - Social area (labour) (€)	0.00 €	0.00 €	0.00 €
Total number of non-monetary sanctions (no.)	0	0	0
Total monetary value of significant fines – Environmental area (€)	0	0	0
Total number of non-monetary sanctions (no.)	0	0	0

Table Key

V - Verified

UNGC Principles – United Nations Global Compact

SDG – Sustainable Development Goals

4. Non-financial information requirements

The activity report responds to the legal requirements imposed by the Portuguese Decree-Law no. 89/2017, published on 28 July 2017 and to the Spanish law no. 11/2018, published on 28 December 2018 as shown below. Information that is not presented in the report is specified in this section for Worten Spain and Arenal (Tomenider).

TABLE OF CORRESPONDENCE TO PORTUGUESE DL 89/2017 of July 28	
Contents of the Decree-Law no. 89/2017 of July 28	Contents of the Decree-Law no. 89/2017 of July 28
Art. no. 3 (refers to Art. no. 66-B and 508-G of the CSC):	
The non-financial statement must contain enough information for an understanding of the development, performance, position and impact of its activities, relating at least to environmental, social and worker-related issues, equality between men and women, non-discrimination, respect for human rights, combating corruption and bribery, including:	
a) A brief description of the company's business model	<p>Management Report 2019</p> <p>4.3. The role of the holding company</p> <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-8, 102-9, 102-10, 102-11, 102-12, 102-13, 102-14, 102-15
b) A description of the company's policies in relation to these issues, including the due diligence procedures duly applied	<p>Management Report 2019</p> <p>4.1.3 A Unique Corporate Culture with a Leading Purpose</p> <ul style="list-style-type: none"> — Sustainability Approach <p>5.3 Environmental and Social Performance:</p> <ul style="list-style-type: none"> — CO₂ and climate change — Nature and biodiversity — Inequalities and inclusive development — Community support <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement <p>GRI Table: 103, 205, 301, 302, 303, 304, 305, 306, 307, 308, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417, 419</p>
c) The results from these policies	<p>Management Report 2019:</p> <p>5.3 Environmental and Social Performance:</p> <ul style="list-style-type: none"> — CO₂ and climate change — Nature and biodiversity — Inequalities and inclusive development — Community support <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 103, 205, 301, 302, 303, 304, 305, 306, 307, 308, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417, 419

<p>d) The main risks associated to these issues, related to the company's activities, including, if relevant and proportionate, its business relations, its products or services that may have negative impacts on these areas and how these risks are managed by the company</p>	<p>Management Report 2019 4.4.2 – Risk Management</p> <p>4. GRI Supplement</p> <ul style="list-style-type: none"> – About the GRI Supplement – GRI Table: 102-15, 103 <p>Corporate Governance Report</p> <p>C. Internal Organisation: III- Internal Control and Risk Management</p>
<p>e) Key performance indicators relevant to its specific activity</p>	<p>Management Report 2019</p> <p>5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> – CO₂ and climate change – Nature and biodiversity – Inequalities and inclusive development – Community support <p>4. GRI Supplement</p> <ul style="list-style-type: none"> – About the GRI Supplement – GRI Table: 103, 205, 301, 302, 303, 304, 305, 306, 307, 308, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417, 419
<p>Art.no. 4(refers to Art. no.245.- no. 1 r) and no.2 of the CVM):</p> <p>Description of the Diversity Policy applied by the company with respect to its management and supervisory bodies, namely, in terms of age, sex, qualifications and professional background, the objectives of this diversity policy, how it was applied and the results in the period of reference.</p>	<p>Management Report 2019</p> <p>4.1.3 A Unique Corporate Culture with a Leading Purpose</p> <ul style="list-style-type: none"> – Sustainability Approach <p>5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> – Inequalities and inclusive development <p>4. GRI Supplement</p> <ul style="list-style-type: none"> – About the GRI Supplement – GRI Table: 102-22, 102-24, 103, 401, 405 <p>Information about Corporate Governance can be found here: https://sonae.pt/pt/investidores/governo-da-sociedade/</p> <p>Plan for Gender Equality can be found here: https://sonae.pt/pt/sonae/cultura/</p>

TABLE OF CORRESPONDENCE TABLE TO THE SPANISH LAW 11/2018 of December 28

Contents of the Spanish Law 11/2018 of December 28	Material issue in materiality analysis	Location
Global		
<p>The consolidated statement of non-financial information should include the information necessary to understand:</p> <ul style="list-style-type: none"> ▪ The development, ▪ The results and situation of the group and ▪ The impact of its activity; <p>In relation to:</p> <ul style="list-style-type: none"> ▪ Environmental issues, ▪ Social issues, ▪ Respect for human rights, ▪ Respect for combating corruption and bribery, ▪ as well as regarding employees, including measures that, if applicable, have been adopted to comply with the principle of equal treatment and opportunities for women and men, non-discrimination and the inclusion of people with disabilities and universal accessibility. 	Yes	<p>Management Report 2019</p> <p>1. Group highlights</p> <p>4. The strategy of a long-living company</p> <p>4.1.3 A Unique Corporate Culture with a Leading Purpose</p> <ul style="list-style-type: none"> — Sustainability Approach <p>4.2 A portfolio of leading businesses</p> <p>5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> — CO₂ and climate change — Nature and biodiversity — Inequalities and inclusive development — Community support <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 103, 205, 301, 302, 303, 304, 305, 306, 307, 308, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 412, 413, 414, 416, 417, 419
Business Model		
<p>Brief description of the group's business model, which should include:</p> <p>1.) The business environment,</p> <p>2.) The organisation and structure,</p> <p>3.) The markets in which it operates,</p> <p>4.) The goals and strategies,</p> <p>5.) The main factors and trends that could affect its future development.</p>	Yes	<p>Management Report 2019</p> <p>4. The strategy of a long-living company</p> <p>4.1.3 A Unique Corporate Culture with a Leading Purpose</p> <ul style="list-style-type: none"> — Sustainability Approach <p>4.2 A portfolio of leading businesses</p> <p>5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> — Introduction — CO₂ and climate change — Nature and biodiversity — Inequalities and inclusive development — Community support — <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 102-1, 102-2, 102-4, 102-7, 102-14
Policies		
<p>A description of the policies that the group applies to these issues, including:</p> <p>1.) due diligence procedures applied to the identification, assessment, prevention and mitigation of significant risks and impacts.</p>	Yes	<p>Management Report 2019:</p> <p>4.1.3 A Unique Corporate Culture with a Leading Purpose</p> <ul style="list-style-type: none"> — Sustainability Approach <p>5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> — CO₂ and climate change

<p>2.) verification and control procedures including the measures that have been adopted.</p>		<ul style="list-style-type: none"> — Nature and biodiversity — Inequalities and inclusive development — Community support <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 102-15, 103, 201-2, 205-1, 205-2, 406-1, 407-1, 408-1, 409-1, 410-1, 412-1, 412-2, 412-3, 414-1 and 308-1, 416-1, 417-1, 419-1 and 307-1 <p>Corporate Governance Report 2019 C. Internal Organisation: III- Internal Control and Risk Management</p>
Results of the policies and key performance indicators		
<p>The results of those policies, including key performance indicators of relevant non-financial results that allow:</p> <p>1.) the monitoring and assessment of progress and</p> <p>2.) that favour comparability between sectors, according to the national, European or international benchmarks used for each area.</p>	<p>Yes</p>	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> — CO₂ and climate change — Nature and biodiversity — Inequalities and inclusive development — Community support <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 102-15, 103, 201-2, 205-1, 205-2, 406-1, 407-1, 408-1, 409-1, 410-1, 412-1, 412-2, 412-3, 414-1 and 308-1, 416-1, 417-1, 419-1 and 307-1
Risks		
<p>The main risks related to these issues with respect to the activities of the group, including, when relevant, their business relations, products or services that may have negative effects on them, and</p> <ul style="list-style-type: none"> ▪ how the group manages these risks, ▪ explaining the procedures used to detect and assess risks, according to the national, European or international benchmark structures for each area. ▪ Information should be included on the impacts detected, detailing the main risks in the short, medium and long-term. 	<p>No</p>	<p>Management Report 2019</p> <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 102-15, 201-2, 205-1, 407-1, 408-1, 409-1, 413-1 <p>Corporate Governance Report 2019 C. Internal Organisation: III- Internal Control and Risk Management</p>
Key performance indicators		
<p>Key non-financial performance indicators that are relevant to the business activity and that meet the comparability, materiality, relevance and reliability criteria.</p> <p>In order to allow the comparison of information, both over time and across entities, standard key non-financial indicators will be used that can be generally applied and that comply with the European Commission's guidelines on this subject and the standards of the Global Reporting Initiative, mentioning in the report the national, European or international scope used for each area.</p> <p>The main indicators of non-financial results should be applied to each of the non-financial information topics.</p>	<p>Yes</p>	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> — CO₂ and climate change — Nature and biodiversity — Inequalities and inclusive development — Community support <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table 102-54

These indicators should be useful, taking into consideration the circumstances, and consistent with the parameters used in their internal assessment and risk management procedures.

In any event, the information presented must be accurate, comparable and verifiable.

ENVIRONMENTAL ISSUES		
Global environment		
<p>1.) Detailed information on the current and possible effects of the company's activities on the environment and, when applicable, health and safety procedures, environmental assessment or certification;</p> <p>2.) Resources dedicated to the prevention of environmental risks;</p> <p>3.) The application of the precautionary principle, the quantity of provisions and guarantees for environmental risks.</p>	Yes	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> – CO₂ and climate change – Nature and biodiversity <p>4. GRI Supplement</p> <ul style="list-style-type: none"> – About the GRI Supplement – GRI Table: 102-11,103, 201-2 e 308-1 <p>Corporate Governance Report 2019: C. Internal Organisation: III- Internal Control and Risk Management</p> <p>Sonae companies have an environmental liability policy.</p>
Contamination		
<p>1.) Measures to prevent, reduce or repair damage from carbon emissions, which seriously affect the environment;</p>	Yes	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> – CO₂ and climate change
<p>2.) Taking into consideration any form of air pollution, which is activity-specific, including noise and light pollution.</p>		<p>4. GRI Supplement</p> <ul style="list-style-type: none"> – About the GRI Supplement GRI Table: 103, 305-5, 305-6 e 305-7 <p>Sonae's activity, due to its nature, does not have significant impacts on the level of noise and light pollution.</p>
Circular economy and waste management and prevention		
<p>Circular economy;</p> <p>Waste: prevention, recycling, reuse, other forms of waste recovery and disposal; actions to combat food waste</p>	Yes	<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> – Nature and biodiversity – Plastic <p>4. GRI Supplement</p> <ul style="list-style-type: none"> – About the GRI Supplement – GRI Table: 103, 301-2, 301-3, 306-1 e 306-2
Sustainable use of resources		

<p>Water consumption and water supply according to local restrictions;</p>		<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> — CO₂ and climate change
<p>Consumption of raw materials and the measures adopted to improve the efficiency of use;</p>		<p>Nature and biodiversity Plastic</p>
<p>Energy consumption, direct and indirect, measures adopted to improve energy efficiency and the use of renewable energy.</p>	<p>Yes</p>	<p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: GRI: 103, 301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-3 <p>We invest significantly in the continuous improvement of Sonae's environmental management, aiming to minimise the impact of our activities on the environment. In order to do so, we are determined to ensure the efficient use of our resources, optimising water and energy consumption, and minimising GHG (greenhouse gas) emissions, without neglecting the effective management of the waste generated.</p> <p>Continuous improvement in environmental management is guaranteed through the Environmental Certification Programme, according to the international standard NP EN ISO 14001:2015. The implementation of this programme allows us to minimise our environmental impact, improve our infrastructure and strengthen our compliance to legal obligations from an environmental perspective.</p>
Climate change		
<p>The important elements of greenhouse gas emissions released as a result of the company's activities, including the use of goods and services it produces;</p>		<p>Management Report 2019 5.3 Environmental and Social Performance</p> <ul style="list-style-type: none"> — CO₂ and climate change
<p>Measures taken to adapt to the consequences of climate change;</p>		<p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 103, 201-2, 305-1, 305-2, 305-3, 305-4, 305-5
<p>The voluntary medium and long-term reduction targets set to reduce greenhouse gas emissions and the measures implemented to achieve this.</p>	<p>Sim</p>	<p>Combating climate change is a central topic in the Sonae Group's sustainable development agenda. We believe that the companies can and should play an important role in this regard</p> <p>In 2019, Sonae and its portfolio of companies advanced with the definition of their greenhouse gases emissions (GHG) reduction targets, of Scope 1 and 2. As a result Sonae and its portfolio of companies pledged to reduce their Scope 1+2 emissions by 54% in 2030, compared to 2018.</p> <p>In 2019 in terms of actions in this area, we have continued our efforts to promote efficient and flexible energy consumption by investing in the installation of more efficient equipment and systems, creating the conditions necessary to better monitor and manage consumption, and developing procedures to enhance the investment carried out. In addition, we decarbonise our energy matrix by producing electricity actually produced from renewable sources</p> <p>Furthermore, the Group strove to integrate the guidelines defined by the Task Force on Climate-related Financial Disclosure</p>

		(TCFD). Once the risks for the companies are identified, they will be reflected monetarily at the Group level and the management and mitigation measures will be defined.
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Biodiversity protection		
Measures taken to preserve and restore biodiversity;		Management Report 2019 5.3 Environmental and Social Performance: — Nature and biodiversity
		4. GRI Supplement — GRI Table: 103, 304-1, 304-2, 304-3
Impacts caused by the activities or operations in protected areas.	Yes	The dependence of our companies on natural capital, and the way in which they directly or indirectly have the potential to alter or contribute to the destruction of natural habitats, leads us to consider issues related to the protection of Nature and biodiversity as strategic for the Group. Sonae does not own any facilities in areas classified as habitats rich in biodiversity. In 2019, there were no operations carried out leading to changes in the surrounding habitats that would result in their restoration.

SOCIAL AND WORKER-RELATED ISSUES		
Employment		
Total number and distribution of employees by gender, age, country and professional category;		Management Report 2019 5.3 Environmental and Social Performance
Total number and distribution of work contract modalities;		— Inequalities and inclusive development
Annual average of undefined contracts, temporary contracts and part-time contracts by gender, age and professional category;		4. GRI Supplement
Dismissal numbers by gender, age and professional category;		— About the GRI Supplement
The average remuneration and its evolution disaggregated by gender, age and professional category or equal value;		— GRI Table: 102-8, 102-35, 102-38, 102-39, 103, 401-1, 405-1, 405-2
Salary difference, the remuneration of equal or average positions in the company;		Corporate Governance Report 2019 D. Remuneration: I- Power to establish: 66; II- Remuneration Committee: 67-68; III- Remuneration Structure: 69-76; IV- Disclosure of Remuneration: 77-82; V- Agreements with Remunerative Implications: 83-84; VI- Share Attribution Plans or Stock Options: 85-88; E. Relevant Transactions with Related Parties: I- Mechanisms of control procedures: 89-91; II- Elements related to transactions: 92
The average remuneration of managers and executives, including variable remuneration, allowances, compensation, payment to systems for forecasting long-term savings and any other situation disaggregated by gender;	Yes	When employees disconnect, compliance to the legal requirements applicable to these situations is ensured. At Sonae, we continuously work to provide an inclusive, non-discriminatory work environment. Our facilities are developed to ensure universal accessibility. On December 31, 2019, Worten Spain employed 7 employees with disabilities, and Arenal employed 14 employees with disabilities.
Implementation of labour disconnection policies;		
Employees with disabilities.		

AVERAGE CONTRACT BY TYPE IN 2019	WORTEN SPAIN											
	PERMANENT CONTRACTS			TEMPORARY CONTRACTS			FULL TIME			PART TIME		
	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL
TOTAL	334	318	652	110	90	200	253	150	403	192	257	449
<30 years old	56	46	102	59	44	103	35	26	61	81	63	144
30-50 years old	254	253	507	47	43	90	198	114	312	103	182	285
>50 years old	24	19	43	4	3	7	20	10	30	8	12	20
<i>Top Executives</i>	2	0	2	0	0	0	2	0	2	0	0	0
<30 years old	0	0	0	0	0	0	0	0	0	0	0	0
30-50 years old	1	0	1	0	0	0	1	0	1	0	0	0
>50 years old	1	0	1	0	0	0	1	0	1	0	0	0
<i>Management & Senior Management</i>	18	1	19	0	0	0	18	1	19	0	0	0
<30 years old	0	0	0	0	0	0	0	0	0	0	0	0
30-50 years old	16	1	17	0	0	0	16	1	17	0	0	0
>50 years old	2	0	2	0	0	0	2	0	2	0	0	0
<i>Middle Management</i>	69	20	89	2	0	2	69	17	86	2	2	4
<30 years old	4	3	7	0	0	0	4	2	6	0	0	0
30-50 years old	60	14	74	2	0	2	60	12	72	2	2	4
>50 years old	5	3	8	0	0	0	5	3	8	0	0	0
<i>Technicians/highly specialized technicians</i>	45	40	85	1	1	2	45	37	82	1	4	5
<30 years old	5	5	10	0	1	1	5	6	11	0	0	0
30-50 years old	38	34	72	1	0	1	38	30	68	1	4	5
>50 years old	2	1	3	0	0	0	2	1	3	0	0	0
<i>Representatives</i>	201	258	459	107	89	196	120	96	216	188	250	438
<30 years old	47	39	86	59	43	102	26	19	45	80	63	143
30-50 years old	139	204	343	44	43	87	83	72	155	100	175	275
>50 years old	15	15	30	4	3	7	11	5	16	8	12	20

AVERAGE CONTRACT BY TYPE IN 2019	ARENAL											
	PERMANENT CONTRACTS			TEMPORARY CONTRACTS			FULL TIME			PART TIME		
	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL	M	F	TOTAL
TOTAL	61	437	498	18	401	419	69	355	424	10	483	493
<30 years old	5	71	76	10	276	286	8	84	92	7	263	270
30-50 years old	45	314	359	8	112	120	50	226	276	3	200	203
>50 years old	11	52	63	0	13	13	11	45	56	0	20	20
<i>Top Executives</i>	0	0	0	0	0	0	0	0	0	0	0	0
<30 years old	0	0	0	0	0	0	0	0	0	0	0	0
30-50 years old	0	0	0	0	0	0	0	0	0	0	0	0
>50 years old	0	0	0	0	0	0	0	0	0	0	0	0
<i>Management & Senior Management</i>	11	3	14	0	0	0	11	3	14	0	0	0
<30 years old	0	0	0	0	0	0	0	0	0	0	0	0
30-50 years old	6	2	8	0	0	0	6	2	8	0	0	0
>50 years old	5	1	6	0	0	0	5	1	6	0	0	0
<i>Middle Management</i>	38	214	252	2	44	46	40	244	284	0	14	14
<30 years old	1	25	26	1	9	10	2	33	35	0	1	1
30-50 years old	31	151	182	1	32	33	32	171	203	0	12	12
>50 years old	6	38	44	0	3	3	6	40	46	0	1	1
<i>Technicians/highly specialized technicians</i>	0	0	0	0	0	0	0	0	0	0	0	0
<30 years old	0	0	0	0	0	0	0	0	0	0	0	0
30-50 years old	0	0	0	0	0	0	0	0	0	0	0	0
>50 years old	0	0	0	0	0	0	0	0	0	0	0	0
<i>Representatives</i>	12	220	232	16	357	373	18	108	126	10	469	479
<30 years old	4	46	50	9	267	276	6	51	57	7	262	269
30-50 years old	8	161	169	7	80	87	12	53	65	3	188	191
>50 years old	0	13	13	0	10	10	0	4	4	0	19	19

DEPARTURES BY TYPE IN 2019	WORTEN SPAIN					
	VOLUNTARY DEPARTURES			INOLUNTARY DEPARTURES		
	M	F	TOTAL	M	F	TOTAL
Nº TOTAL	108	73	181	241	234	475
<30 years old	45	33	78	114	77	191
30-50 years old	61	40	101	117	151	268
>50 years old	2	0	2	10	6	16
<i>Top Executives</i>	0	0	0	1	0	1
<30 years old	0	0	0	0	0	0
30-50 years old	0	0	0	1	0	1
>50 years old	0	0	0	0	0	0
<i>Management & Senior Management</i>	2	0	2	4	1	5
<30 years old	0	0	0	0	0	0
30-50 years old	2	0	2	2	1	3
>50 years old	0	0	0	2	0	2
<i>Middle Management</i>	1	0	1	0	1	1
<30 years old	1	0	1	0	0	0
30-50 years old	0	0	0	0	1	1
>50 years old	0	0	0	0	0	0
<i>Technicians/highly specialized technicians</i>	21	18	39	27	18	45
<30 years old	2	5	7	2	1	3
30-50 years old	19	13	32	24	17	41
>50 years old	0	0	0	1	0	1
<i>Representatives</i>	84	55	139	209	214	423
<30 years old	42	28	70	112	76	188
30-50 years old	40	27	67	90	132	222
>50 years old	2	0	2	7	6	13

DEPARTURES BY TYPE IN 2019	ARENAL					
	VOLUNTARY DEPARTURES			INOLUNTARY DEPARTURES		
	M	F	TOTAL	M	F	TOTAL
Nº TOTAL	3	115	118	5	197	202
<30 years old	0	94	94	2	142	144
30-50 years old	3	18	21	3	51	54
>50 years old	0	3	3	0	4	4
<i>Top Executives</i>	0	0	0	0	0	0
<30 years old	0	0	0	0	0	0
30-50 years old	0	0	0	0	0	0
>50 years old	0	0	0	0	0	0
<i>Management & Senior Management</i>	1	0	1	0	0	0
<30 years old	0	0	0	0	0	0
30-50 years old	1	0	1	0	0	0

>50 years old	0	0	0	0	0	0
<i>Middle Management</i>	0	4	4	0	3	3
<30 years old	0	1	1	0	2	2
30-50 years old	0	2	2	0	1	1
>50 years old	0	1	1	0	0	0
<i>Technicians/highly specialized technicians</i>	0	0	0	0	0	0
<30 years old	0	0	0	0	0	0
30-50 years old	0	0	0	0	0	0
>50 years old	0	0	0	0	0	0
<i>Representatives</i>	2	111	113	5	194	199
<30 years old	0	93	93	2	140	142
30-50 years old	2	16	18	3	50	53
>50 years old	0	2	2	0	4	4

AVERAGE REMUNERATION 2019	WORTEN SPAIN		
	M	F	TOTAL
Nº TOTAL	1,862	1,409	1,646
<30 years old	1,053	1,083	1,066
30-50 years old	2,067	1,452	1,764
>50 years old	4,313	2,274	3,215
<i>Top Executives</i>	30,539	0	30,539
<30 years old	0	0	0
30-50 years old	22,409	0	22,409
>50 years old	38,668	0	38,668
<i>Management & Senior Management</i>	6,321	4,881	6,225
<30 years old	0	0	0
30-50 years old	6,321	4,881	6,225
>50 years old	0	0	0
<i>Middle Management</i>	2,444	2,345	2,426
<30 years old	1,805	1,827	1,812
30-50 years old	2,514	1,998	2,433
>50 years old	2,155	4,598	2,969
<i>Technicians/highly specialized technicians</i>	2,640	2,299	2,496
<30 years old	1,225	1,770	1,407
30-50 years old	2,738	2,299	2,555
>50 years old	0	3,090	5,628
<i>Representatives</i>	1,211	1,275	1,245
<30 years old	1,017	1,042	1,028
30-50 years old	1,294	1,316	1,307
>50 years old	1,805	1,905	1,860

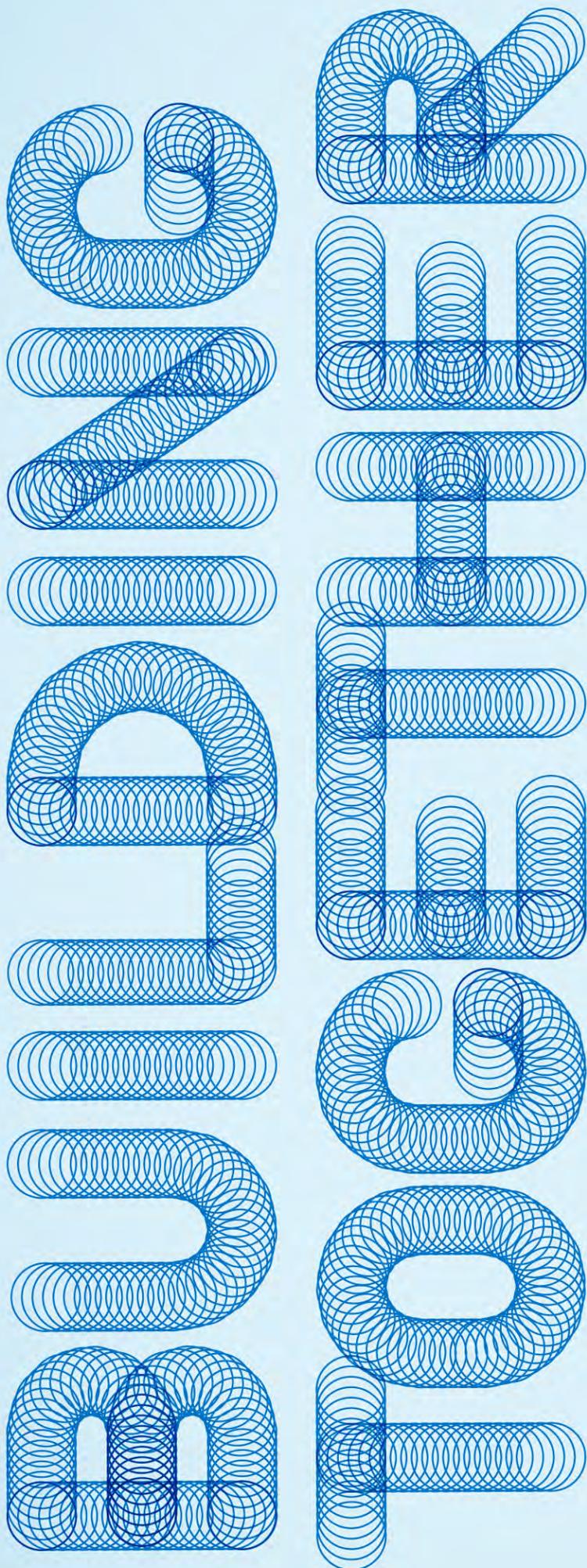
AVERAGE REMUNERATION 2019 - ARENAL	
Gender	
Male	20,672 €
Female	14,231€
Average	14,774€
Age	
<30 years old	12,111€
30-45 years old	15,827€
≥ 45 years old	19,354€
Functions	
Restockers	15,519 €
Others	30,257€
Helper	13,796€
Administrative	20,687€
Vendor	12,892 €
Coordinator	19,297€

Organisation of work		
Organisation of workable hours;		Management Report 2019 5.3 Environmental and Social Performance: — Inequalities and inclusive development 4. GRI Supplement — About the GRI Supplement — GRI Table: 103, 401-3, 403-2 Sonae has been developing flexible work initiatives, boosting internal investment in innovation, technology and training. Among the benefits provided by Sonae are extra vacation days, flexible hours, unpaid leave and reduced working hours or remote work. These initiatives are the result of an analysis carried out on an international level, identifying best practices in businesses to maximise the productivity and work-life balance of our people. About 42% of our people in the central structures have already joined the programme.
Number of hours of absence;		
Measures to facilitate parental leave and encourage joint responsibility by both parents.		
	Yes	
Health and Safety		
Health and safety conditions at work;		Management Report 2019 5.3 Environmental and Social Performance: — Inequalities and inclusive development 4. GRI Supplement — About the GRI Supplement — GRI Table: 103, 403-2, 403-3
Work accidents, in particular their frequency and severity;		
Occupational diseases; disaggregated by gender.		
	No	

Social Relations		
Organisation of social dialogue, including procedures for informing and consulting staff and negotiating with them;	Yes	Management Report 2019 5.3 Environmental and Social Performance: <ul style="list-style-type: none"> — Inequalities and inclusive development 4. GRI Supplement <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 102-41, 103, 403-1, 407-1 Sonae's Code of Ethics and Conduct for Employees https://sonae.pt/pt/sonae/cultura/
Percentage of employees covered by collective bargaining agreements by country;		
The balance of collective bargaining agreements, especially in the field of health and safety at work.		
Training		
The policies implemented in the field of training;	Yes	Management Report 2019 5.3 Environmental and Social Performance: <ul style="list-style-type: none"> — Inequalities and inclusive development 4. GRI Supplement <ul style="list-style-type: none"> — About the GRI Supplement GRI Table: 103, 404-1, 404-2
Total number of hours of training by professional category.		
Universal accessibility for people with disabilities	At Sonae, we continuously work to provide an inclusive, non-discriminatory work environment. Our facilities are developed to ensure universal accessibility.	
Equality		
Measures taken to promote equal treatment and opportunities between men and women;	Yes	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose <ul style="list-style-type: none"> — Sustainability Approach 5.3 Environmental and Social Performance: <ul style="list-style-type: none"> — Inequalities and inclusive development 4. GRI Supplement <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 103, 405-1, 405-2, 406-1 Plan for Gender Equality can be found here: https://sonae.pt/pt/sonae/cultura/
Equality Plans (Chapter III of the Organic Law 3/2007, of March 22, for the effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender harassment, integration and universal accessibility for people with disabilities;		
The policy against all types of discrimination and, when appropriate, the management of diversity.		
Human Rights		
Application of the due diligence procedures in the field of human rights;	Sim	Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose <ul style="list-style-type: none"> — Sustainability Approach 5.3 Environmental and Social Performance: <ul style="list-style-type: none"> — Inequalities and inclusive development 4. GRI Supplement <ul style="list-style-type: none"> — About the GRI Supplement
Prevention of the risks of human rights violations and, when appropriate, measures to mitigate, manage and repair possible abuses committed;		
Reports on cases of human rights violations;		
Promotion and enforcement of the provisions of the fundamental conventions of the International Labour Organization concerning the respect for freedom of association and the right to collective bargaining;		
The elimination of employment and occupational discrimination;		

The elimination of forced or compulsory labour;		GRI Table: 102-16, 102-17, 103, 406-1, 407-1, 408-1, 409-1, 410-1, 412-1, 412-2, 412-3
The effective abolition of child labour.		Sonae's Code of Ethics and Conduct for Employees Sonae's Code of Conduct for Suppliers https://sonae.pt/pt/sonae/cultura/
Corruption and bribery		
Measures taken to prevent corruption and bribery;		Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach
Measures taken to combat money laundering;		5.3 Environmental and Social Performance: — Inequalities and inclusive development — Community support
Contributions to foundations and non-profit entities.	Yes	4. GRI Supplement — About the GRI Supplement — GRI Table: 102-16, 102-17, 205-1, 205-2, 205-3, 413-1, 419-1 Sonae's Code of Ethics and Conduct for Employees Sonae's Code of Conduct for Suppliers https://sonae.pt/pt/sonae/cultura/
SOCIETY		
The company's commitment to sustainable development		
The impact of the company's activity on employment and local development;		Management Report 2019 4.1.3 A Unique Corporate Culture with a Leading Purpose — Sustainability Approach
The impact of the company's activity on the local population and territory;		5.3 Environmental and Social Performance: — Inequalities and inclusive development — Community support
The relations maintained with the representatives of the local communities and the modalities of dialogue with them;		4. GRI Supplement — About the GRI Supplement — GRI Table: 102-12, 102-13, 102-43, 102-44, 103, 203-1, 203-2, 413-1
Association and sponsorship actions.	Yes	Sonae's Code of Ethics and Conduct for Employees Sonae's Code of Conduct for Suppliers https://sonae.pt/pt/sonae/cultura/ Sonae endorses the Universal Declaration of Human Rights and recognizes the rights of Indigenous Peoples. Principles that are incorporated into the qualification and evaluation processes of suppliers and partners.
Subcontracting and suppliers		

<p>The inclusion in the purchasing policy of social issues, gender equality and environmental issues;</p> <p>Consideration in relations with suppliers and subcontractors of their social and environmental responsibility;</p>	<p>Sim</p>	<p>Management Report 2019</p> <p>5.3 Environmental and Social Performance:</p> <ul style="list-style-type: none"> — Nature and biodiversity <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 102-9, 103, 308-1, 414-1 <p>Sonae's Code of Ethics and Conduct for Employees Sonae's Code of Conduct for Suppliers https://sonae.pt/pt/sonae/cultura/</p>
<p>Supervisory systems and audits and their results.</p>		<p>Consumers</p>
<p>Measures for the health and safety of consumers;</p>	<p>No</p>	<p>Management Report 2019</p> <p>5.3 Environmental and Social Performance:</p> <ul style="list-style-type: none"> — Nature and biodiversity — Plastic <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement <p>GRI Table: 102-43, 102-44, 103, 416-1, 417-1</p>
<p>Complaints systems, complaints received and their resolution.</p>		<p>Tax information</p>
<p>Benefits obtained by country</p>	<p>Yes</p>	<p>Management Report 2019</p> <p>4. GRI Supplement</p> <ul style="list-style-type: none"> — About the GRI Supplement — GRI Table: 103, 201-1, 201-4 <p>In 2019, Arenal and Worten Spain did not obtain tax credits in Spain. The amounts received by Sonae in Portugal are reported in the 201-4 indicator</p>
<p>Taxes on benefits paid.</p>		



**Legal
Certification of
Accounts 2019**

SONAE



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 consolidated financial statements of Sonae, SGPS, S.A. (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 (which shows total assets of 9,044,315,199 euros and total shareholders' equity of 3,106,563,542 euros including a profit for the period attributable to the equity holders of the parent company of 165,221,904 euros), the consolidated statement of income by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 Sonae, SGPS, S.A. as at 31 December 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law we are independent of the entities that are included in the Group and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

We draw attention to the matter disclosed in the Note 50 of the consolidated financial statements related to the impacts that COVID-19 pandemic might have on the future 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

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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 joint ventures and associates

The Group holds significant investments on joint ventures and associates, with carrying amount of 1,390.8 million euros (including 414.5 million euros classified as Assets classified as held for sale), mainly through investments in ZOPT (642.2 million euros), which holds investments in the Angolan and Mozambican associates, Finstar, Zap Media and Mstar, amounting to approximately 53 million euros, as well as several joint ventures held through the subsidiary, Sonae Sierra amounting to 715.8 million euros (including 414.4 million euros classified as Assets held for sale). 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, and on 27 March 2020 that two accounts were once again available.

Furthermore, the Group holds investments in associates in the amount of 631.3 million euros, mainly related to interests held through Sonae Sierra (400.7 million euros) and Venture Capital Funds (143.9 million euros), which have their financial investments measured at fair value.

Investments in joint ventures and associates are accounted for under the equity method. As recommended in IAS 36, impairment tests are performed whenever impairment indicators exist, and business plans are prepared for this purpose. In the case of entities held by Sonae Sierra, their realizable value is determined by reference to the estimated sale price, based on the fair value of their investment properties, held directly or indirectly, determined by valuations performed by

We have obtained the consolidated financial statements of the subsidiary Sonae Sierra, the joint venture ZOPT and the Investment Funds, as well as the respective audit reports, issued by another auditor.

As those financial statements are audited by another auditor, we have sent audit instructions, interacted with the respective auditors, evaluated the strategy and the audit plan, as well as the tests performed for the significant areas and the conclusions reached.

In relation to ZOPT, we have also performed some auditing procedures, from which we highlight: (i) 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 on the measurement of the interest held by the group on that joint venture; (ii) review of lawyers opinions related to the matters referred above; (iii) reasonableness analysis of the assumptions used in joint ventures impairment tests, focusing on its associates, due to the impact that the current economic conditions of uncertainty of those markets may have on the estimates, involving our internal experts in discount rates review and scenarios and sensitivity analysis around key variables; (iv) comparing the book value with the market value of NOS; and (v) validation of the application of equity method to these investments.

Regarding the subsidiaries of Sonae Sierra,

Key Audit Matter

specialized entities or internally in which concerns the investment properties located in Brazil by the associate, Aliansce Sonae Shopping Centres, whose contribution to the consolidated financial statements amounts to 118.5 million euros.

Considering the high degree of judgment involved in determining the recoverable amount, based on Management's definition of a set of estimates and assumptions, based on economic and market forecasts, which in the case of Angola and Mozambique are still subject to country-specific issues, as well as on the assumptions used to determine the fair value of the Investment Funds' investees and the complexity related to the measurement of Sonae Sierra's investees investment properties at fair value, whose computations involve using significantly estimates, we consider this as a key audit matter

The related disclosures are presented in notes 2.2 b), 2.8, 6.2, 11, 13 and 23 to the consolidated financial statements.

Summary of the Audit Approach

additionally to the review of Sonae Sierra's auditors' working papers, for a sample of investment properties held by some subsidiaries, we also carried out the following auditing procedures: (i) obtain valuations prepared by the external experts hired by the group for that purpose and internal valuations performed by Sierra, regarding some properties located in Brazil (ii) analysis of the main assumptions included in these valuations, namely discount rates, *exit cap rates*, revenue growth rate, ratio of operating income to revenue variation and valuation implicit *yields*, involving internal experts; and (ii) validation of the application of equity method to the these investments.

We also reviewed the disclosures related to valuation of financial investments in subsidiaries, associates and joint ventures.

Impairment of goodwill and non-current assets, excluding investment properties

As at 31 December 2019, the consolidated statement of financial position includes a carrying amount of goodwill of Euro 678.9 million euros, including 25.8 million euros resulting from current year acquisitions and 29.1 million euros from acquisition of subsidiaries in September 2018 and December 2018, whose allocation of purchase price was not concluded as at 31 December 2018, but only in 2019, in accordance with IFRS 3. The consolidated statement of financial position also includes tangible fixed assets in the amount of 1,688.3 million euros and indefinite-life intangible assets in the amount of 191.8 million euros.

Goodwill and indefinite-life intangible assets (brands) are not amortized and are tested for impairment, annually or whenever impairment indicators exist. In what concerns tangible fixed assets, impairment tests are carried out whenever

Our audit procedures included, among others, when applicable: (i) evaluating the criteria used to determine the cash generating units for valuation models prepared for impairment tests; (ii) assessing the reasonableness of the relevant assumptions and methodology used in the respective calculations, in particular discount rates, growth rates and royalty rates for trademarks; and (iii) scenarios and performing sensitivity analysis around the key variables.

Regarding real estate assets, the audit procedures on this key matter included, among others: (i) obtaining external valuations; (ii) assessment of the criteria used by the external consultant in the measurement of the fair value of real estate assets, namely rents and yields used and comparison with the previous year, namely involving our internal experts; and (iii)

Key Audit Matter

impairment indicators exit, and an additional 5.3 million euros impairment losses and approximately 3.2 million euros impairment reversals have been accounted for in the year.

The determination of the recoverable amount of these assets, based on discounted cash flows, was considered a key audit matter, due to the high degree of judgment involved in the determination of its value, which is based on the definition by Management of a set of estimates and assumptions, based on strategic business plans. For most of its real estate assets, the Group determines its fair value through external expert valuations. The assessment of the fair value of these assets was also considered as a key audit matter because there is no active market and, therefore, a high degree of judgment is required.

The related disclosures are presented in Notes 2.2 c), 2.3, 2.5, 2.10, 8, 9, 12 and 33 to the consolidated financial statements.

Summary of the Audit Approach

adequacy of using the referred criteria in determining the recoverable amount for consolidated financial statements' purposes

We also reviewed the disclosures related to these impairment tests.

Subsequent measurement of investment properties

Investment properties, amounting to 986.4 million euros, including 638.6 million euros classified as Assets classified as Held for Sale, are measured at fair value determined by valuation performed by an independent specialized entity. Fair value is determined through property valuation methodologies based on relevant assumptions, amongst which the discount rate and future projections of the shopping centres operations.

The fair value measurement of investment properties was considered a key audit matter, taking into account the high degree of judgment and the complexity associated with such measurement due to the incertitude of its future.

The related disclosures are presented in Notes 2.4 and 10 to the consolidated financial statements.

The investment properties presented in the consolidated statement of financial position refer to the subsidiary Sonae Sierra, whose consolidated financial statements are audited by another auditor. In addition to obtaining the audit report for these consolidated financial statements, we have reviewed Sonae Sierra's auditors working papers, focusing on the procedures performed and conclusions reached regarding the measurement of investment properties as at 31 December 2019, namely in what concerns the assessment of the technical competence of the consultant and independence requirements, and verified that a written confirmation on this fact was obtained.

Additionally, for a sample of investment properties, we obtained the valuations made by the entities hired by the Group for this purpose and analyzed the main assumptions and basis

Key Audit Matter

Summary of the Audit Approach

information included in those valuations, namely discount rates, revenue and implicit yields in the valuation, involving internal experts.

We have also reviewed the disclosures presented in the notes to the consolidated financial statements.

Litigations and Contingencies

Contingent liabilities disclosed by the Group as at 31 December 2019 include, among others, uncertain tax positions in Portugal being disputed in tax courts, for which the Group granted warranties in the amount of 1,182.6 million Euro, part of which (529.2 million euros) related to additional value added tax settlements (“VAT”).

The classification of the litigations as contingent liabilities (only disclosed in the notes) or provisions (when there is a present obligation and a probable outflow of resources), as well as its measurement in accordance with accounting standards on income taxes, are matters that imply a significant amount of judgement and uncertainty, hence being subject to error or inadequate assessment. Consequently, we consider this as an area of focus in our audit.

Litigation and contingencies were considered a key audit matter, because of the account associated materiality of the amounts, the highly judgmental assessment process of management, the dependency of the outcome on potential future developments.

The related disclosures are presented in Notes 2.13, 2.15, 33 and 35 to the consolidated financial statements.

Our audit procedures regarding contingency assessment and tax litigation with the support of our internal tax experts included: (i) obtaining the list of tax disputes and its evaluation of probability of loss; (ii) obtaining and analysis of the confirmations of the claims received from external legal consultants, when applicable; (iii) for a sample of undergoing processes, analysis of related documentation and evaluation of complaints and disputes made by the Group, in applicable cases; (iv) discussion of the assumptions and arguments that support the positioning of management; and (v) evaluation of the assumptions assumed by the Group in the contingency classification.

We also reviewed the disclosures presented in the notes to the consolidated financial statements.

Commercial income from suppliers

The Group, through its retail operations, signs a significant number of agreements with suppliers from which obtains commercial income.

Our audit procedures included among others: (i) the analysis of the design, implementation and assessment of relevant controls over

Key Audit Matter

Generically, commercial income is related to: (i) volume based discounts being recorded in Inventories as a deduction to the purchase price; (ii) amounts related with services rendered in stores, as placement of articles in brochures and tops, as well as the participation of promotional campaigns for partner products, indirectly associated with purchase processes, recorded as a deduction to "Cost of goods sold and materials consumed".

The accounting recognition of each nature of income implies a detailed review of the contractual terms and its classification is highly judgmental, being supported in specific information systems with defined categories of commercial income.

The commercial income from suppliers was considered a key audit matter based on its materiality, the high volume of transactions and the implicit judgement in the recording process of the agreements made with suppliers.

The related disclosures are presented in Notes 2.12, 2.19, 16 and 20 to the consolidated financial statements.

Summary of the Audit Approach

commercial income (approval of agreements with suppliers, information systems supporting such operations and their calculations, data interfaces); (ii) analytical procedures, namely involving the analysis of ratios of income on purchases, by products segments, monthly variations and comparisons with previous year; (iii) for a sample of agreements, the analysis of the documental support in order to check if it was properly contracted and agreed with the suppliers and the validation of the adequacy of the accounting treatment of such agreements; (iv) the validation of the correct cut off at the end of the period, namely through subsequent events procedures in 2020, (v) analysis of the manual adjustments of commercial income; and (vi) third party confirmation of balances for a sample of suppliers, and review of its reconciliation, when applicable.

We also reviewed the disclosures presented in the consolidated financial statements.

Adoption of IFRS 16

As at 31 December 2019, the consolidated statement of financial position includes Rights of use (Non-current assets) and Lease liabilities (Non-current and current liabilities) amounting to, respectively, 1,060.2 million euros and 1,191.1 million euros, with an impact of 77.2 million euros on Equity as at 1 January 2018. The use of full retrospective approach of IFRS 16 had a significant impact on the transition date (1 January 2018) and, in the periods ended 31 December 2018 and 2019. Both comparative periods were restated in accordance with the new leasing standard, based on the recognition of lease liabilities previously classified as operating leases discounted based on an incremental financing

Our audit procedures included, among others: (i) the understanding and evaluation of the design and implementation of the main controls related to the recognition and measurement of the rights of use; (ii) the assessment of the reasonableness of the relevant assumptions and methodology used in the calculation of both rights of use and lease liabilities, in particular discount rates, terms and contract extensions, involving our internal specialists; (iii) test of the completeness of the contracts; and (iv) perform a detailed test to the clauses of a sample of contracts that support the recognition of the rights of use in accordance with IFRS 16 and reperformance of the related computation at the

Key Audit Matter

rate as at 1 January 2018 and the respective right to use. Given the existence of a high number of leased contracts, the group has established internal control procedures to guarantee the completeness and accuracy of the respective accounting records, as well as information systems that support the processing of those records in accordance with IFRS 16. Additionally, the Rights of use caption includes approximately 16.1 million euros related to rights of use retained on Sale and Leaseback transactions carried out in 2019, which generated capital gains amounting to 3.2 million euros.

The adoption of IFRS 16 was considered a key audit matter, taking into account the magnitude of the impact on the consolidated financial statements on all periods mentioned above, as well as the management judgement related to lease definitions and terms, exercising options, existence of variable payments and lease rentals updates, determination of the discount rate to calculate the present value of the rights of use and lease liabilities, as well as the right of use retained on Sales and Leaseback transactions.

The related disclosures are included in notes 2.1, 2.6, 2.7 and 10 of the consolidated financial statements.

Summary of the Audit Approach

signing date of the contract and amendments, when applicable, as at 1 January 2018, 31 December 2018 and 31 December 2019.

Regarding sale and leaseback operations, our procedures included: (i) obtaining and analyzing the real estate deeds and the related lease contracts; (ii) review of the contractual clauses and the treatment of the operation in accordance with IFRS 15; and (iii) recalculation of the right to use retained and the recognised capital gain.

We also validated the disclosures presented in the consolidated financial statements related to these matters, considering particularly the restatement of the comparative periods.

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the financial position, the financial performance and the cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Directors' Report, including the Corporate governance Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

- d) the adoption of appropriate accounting policies and criteria;
- 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, the verification set forth in paragraphs 4 and 5 of article No. 451 of the Portuguese Company Law and verifying that the non-financial information was presented.

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 understanding 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. 66-B of the Portuguese Company Law

In compliance with paragraph 6 of article No. 451 of the Portuguese Company Law, we hereby inform that the entity prepared a separate report of the Director's report that includes the non-financial information set forth in article No. 66-B of the Portuguese Company Law, which was published together with the Director's report.

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 Sonae, SGPS, S.A. in the Shareholders' General Meeting of 3 May 2019 until the end of the mandate 2015 to 2018, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 30 April 2019 for the period from 2019 to 2022.
- 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 30 March 2020; and
- 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.

30 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 financial statements of Sonae, SGPS, S.A. (the Entity), which comprise the separate statement of financial position as at 31 December 2019 (which shows total assets of Euro 5,065,171,279 and total shareholders' equity of Euro 3,823,074,219 including a net profit of Euro 188,483,086), the separate statement of income by nature, the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows 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 Sonae, SGPS, S.A. as at 31 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 attention to the matter disclosed in the Note 34 of the separate financial statements related to the impacts that COVID-19 pandemic might have on the future activity of the Entity.

Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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

Measurement of Investments in Subsidiaries and Joint Ventures

Sonae SGPS, S.A. holds financial investments in subsidiaries, associates and joint ventures amounting to Euro 4,591 million, measured at acquisition cost net of impairment losses, which are assessed at each reporting date to identify indicators of possible impairment losses. Those financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Regarding the interest in ZOPT, in February 2020, ZOPT was informed that some of its bank accounts were unavailable, and on 27 March 2020 that two accounts were once again available.

The assessment of the recoverable value of those financial investments were considered a key audit matter, due to their value and the significant impact on the separate financial statements (reversal of impairment losses of Euro 84.3 million) and because the assessment process is highly judgmental, as it is based on estimations and assumptions defined by the management that are affected by expected future market and economic conditions impacting on the projected cash flows, on the assessment of the impacts of possible liabilities arising from contingent liabilities with high unpredictability, and on fair value adjustments on assets owned by some investees with real estate assets.

The related disclosures are presented in notes 2.2, 6 and 25 to the separate financial statements.

Our auditing procedures included, among others, the assessment of impairment indicators in financial investments, and in case they exist: (i) assessing the methodology used for the determination of the realizable value of the interest in subsidiaries, associates and joint ventures; (ii) assessing the reasonableness of the key assumptions in the calculation, namely, discount rate and growth rate comparing with the external valuation from the previous year; (iii) evaluation of the criteria used by the external consultant in the quantification of the fair value of real estate assets, in the case of the investees with real estate assets, namely rents and yields used and in relation to the previous year; (iv) assessment of the impact of possible contingent liabilities on the quantification of the realizable value, (v) reviewing scenarios and performing sensitivity analysis around the key variables, and (vi) regarding the interest in ZOPT, also reviewing the potential impacts from the limitation of ZOPT using some of its bank accounts and analyzing the opinions of the lawyers of the joint venture related to this matter.

We also validated the adequacy of the disclosures related to the valuation of financial investments in subsidiaries, associates and joint ventures, in accordance with the applicable accounting standards.

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;
- 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;
- 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 understanding 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 Group, 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 Sonae, SGPS, S.A. in the Shareholders' General Meeting of 3 May 2019 until the end of the mandate 2015 to 2018, having remained in functions until the current period. Our last appointment was in the Shareholders' General Meeting of 30 April 2019 for the period from 2019 to 2022.
- 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 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 30 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.

30 March 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Herminio António Paulos Afonso, R.O.C.



INDEPENDENT LIMITED ASSURANCE REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

**To the Board of Directors of
Sonae SGPS, S.A.**

Introduction

We were engaged by the Board of Directors of **Sonae SGPS, S.A.** ("Sonae") to provide limited assurance as to whether nothing has come to our attention that causes us to believe that the sustainability information included in the "Social and environmental performance" chapter and in the "GRI Supplement" of the Annual Report of Sonae ("the Report") for the year ended 31 December 2019, identified in the "GRI Table" included in the "GRI Supplement", is not prepared, in all material respects, in accordance with the Sustainability reporting standards of the Global Reporting Initiative ("GRI Standards"), for the level Core.

Board of Directors' responsibilities

The Board of Directors of Sonae is responsible for:

- The preparation and presentation of the information included in the Report in accordance with the GRI Standards, for the level Core, as described in the chapter "About GRI Supplement" of the Report, and the information and assertions contained therein; and,
- Establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities

Our responsibility is to perform a limited assurance engagement and to report a conclusion based on the work performed.

We have applied International Standard on Quality Control 1 and accordingly we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In the course of our work, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Scope

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether anything came to our attention that causes us to believe that the sustainability information included in the Report for the year ended 31 December 2019 is not prepared, in all material aspects, in accordance with the GRI Standards, for the level Core.

A limited assurance engagement on sustainability information consists of making inquiries, primarily of persons responsible for the preparation of the sustainability information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries with the responsible persons to gain an understanding of Sonae's processes for determining the material issues for Sonae's key stakeholder groups;
- Interviews with relevant staff, at the corporate and business unit level, responsible for providing the sustainability information in the Report;
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report; and,
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Sonae.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the sustainability information included in the “Social and environmental performance” chapter and in the “GRI Supplement” of the Annual Report of Sonae for the year ended 31 December 2019, identified in the “GRI Table” included in the “GRI Supplement”, is not prepared, in all material respects, in accordance with the GRI Standards, for the level Core.

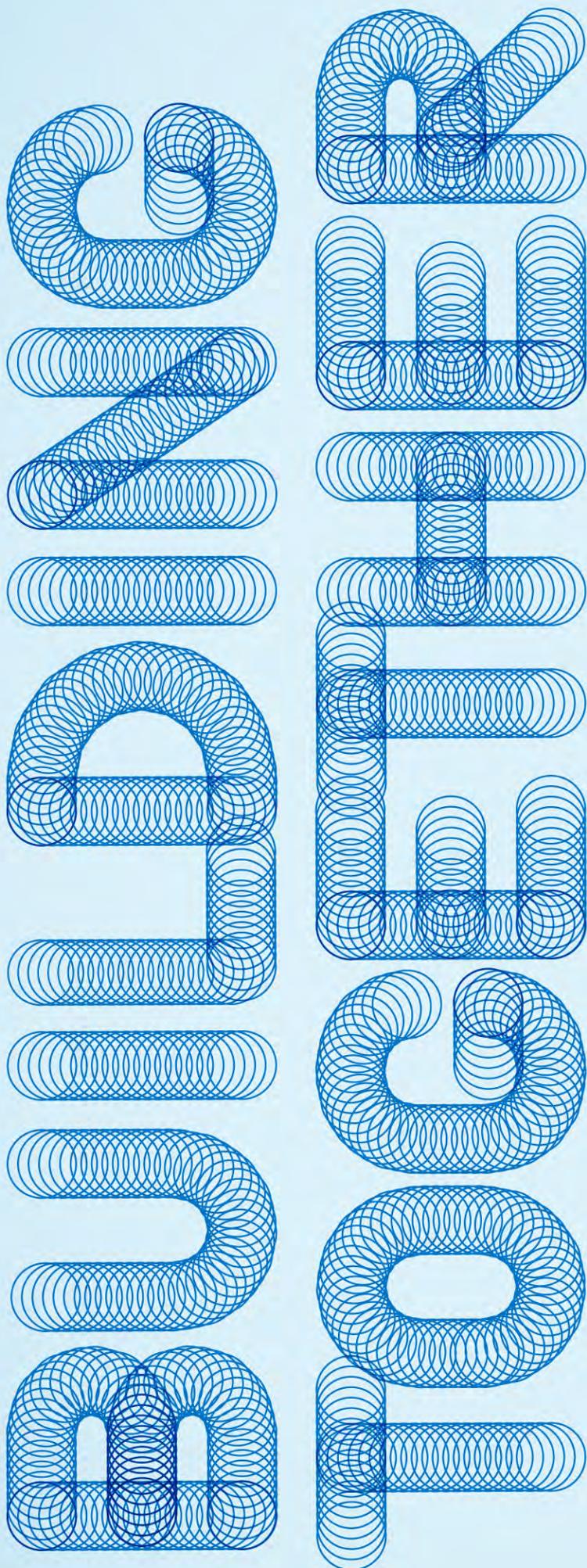
Restriction of use and distribution of our report

In accordance with the terms of our engagement, this independent limited assurance report has been prepared for Sonae and is not intended to be used for other purpose or in any other context. Any party other than the intended addressees who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. We accept or assume no responsibility and deny any liability to any party other than Sonae for our work, for this independent limited assurance report, or for the conclusions we have reached.

31 March 2020

SIGNED ON THE ORIGINAL

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Pedro Manuel Bouça de Morais Alves da Costa (ROC nr. 1466)



**Report and
Opinion of the
Statutory
Audit Board
2019**

SONAE

Report and Opinion of Sonae SGPS Statutory Audit Board

(Translation of a Report and Opinion originally issued in Portuguese.

In case of discrepancy the Portuguese version prevails)

To the Shareholders

1 - Report

1.1 - Introduction

In compliance with the applicable legislation and statutory regulations, as well in accordance with the terms of our mandate, the Statutory Audit Board presents its report over the supervision performed and its Report and Opinion on the Report of the Board of Directors and the remaining individual and consolidated documents of accounts for the year ended 31 December 2019, which are the responsibility of the Board of Directors.

1.2 - Supervision

During the year, the Statutory Audit Board, in accordance with its competence and in accordance with its Regulations, accompanied the strategic lines and risk policy approved by the management of the Company and its subsidiaries, from which didn't arises any issue, and has oversaw, with the required scope, the activity of the Board of Directors and its committees, evolution of the operations, the adequacy of accounting records, the quality and appropriateness regarding the process of preparation and disclosure of financial information, corresponding accounting policies and valuation criteria used, as well as verified compliance with legal regulatory requirements.

In the exercise of its competences, the Statutory Audit Board obtained from the Board of Directors, in particular from the Board of Audit and Finance Committee, the necessary information to carry out its supervision activity and proceeded with the necessary interactions to fulfill the competencies listed in the law and its Internal Regulation.

The Audit Board verified the effectiveness of the risk management and internal control systems, analyzed the planning and results of the external and internal auditors' activity, accompanied the system involving the reception and follow up of reported irregularities and oversaw the reports issued by Sonae's Ombudsman, assessed the process of preparing the individual and consolidated accounts, provided the Board of Directors with information on the conclusions and quality of the financial statements audit and its intervention in this process, approved, previously, the rendering of non-audit services by the Statutory External Auditor and External Auditor permitted under the law, and also having exercised its mandate in what concerns the evolution of the competence and independence of the Statutory External Auditor and External Auditor, as well as to the supervision of the establishment of their remuneration.

During the year, the Statutory Audit Board accompanied, with special care, the accounting treatment of transactions that materially influenced the evolution of the activity expressed in the consolidated and individual financial position of Sonae, SGPS, S.A. and highlights the positive evolution of the business

segments and the main joint ventures, which effects are visible in the good economic and financial development of the Group.

The Statutory Audit Board has complied with Recommendation I.5 of the Corporate Governance Code of the IPCG, in accordance with the criteria established in paragraphs 3 to 5 of article 4º of its Regulation, in order to characterize the relevant level of transactions with shareholders of qualifying holdings or entities with them in any of the relationships established in paragraph 1 of article 20 of the Portuguese Securities Code, neither having identified relevant transactions that falls within the scope of that criteria nor identified the presence of any conflict of interests.

The Statutory Audit Board complied with the Recommendations of the Corporate Governance Code of the IPCG 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 incidence on the risk policy in accordance with and within its competence), III.11, III.12, IV.4, V.1.2 (with a focus on the assessment of budget compliance and risk management, in accordance with and within the scope of its legal competence) VII.1.1, VII.2.1, VII.2.2 and VII. 2.3.

As a body, under the terms of subparagraph. c) of paragraph. 2 of Article 3 of Law 148/2015, mainly composed by independent members, being the President an independent member, in accordance with the legal criteria, and all professionally qualified to perform their duties, the Statutory Audit Board developed its competences and interrelations with the other statutory bodies and Company's services in accordance with the principles and conduct recommended in the terms of legal and recommendations, and did not receive from the Statutory and External Auditor any report relating to irregularities or difficulties in the performance of its duties.

In the fulfilment of its duties, the Statutory Audit Board held eighteen meetings, six of which in person, with the presence of, depending on the matters in the agenda, the Board of Directors, the officers in charge of Management Planning and Control, Administrative and Accounting Services, Treasury and Finance, Tax, Internal Audit, Risk Management, the Statutory and External Auditor and Sonae's Ombudsman. Additionally, the Statutory Audit Board participated in the Board of Directors' meeting where the Report of the Board of Directors and the financial statements for the year were approved and, during the year, had access to all the documental or personal information that appeared appropriate to the exercise of its audit action.

The Statutory Audit Board reviewed the Corporate Governance Report, enclosed to the Management Report on the consolidated financial statements, in accordance with nr. 5 of article 420º of the Portuguese Companies Act, having verified that the it includes the elements referred to in article 245º-A of the Portuguese Securities Code.

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 Management 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 subparagraph c) of paragraph 1 of the article 245º of the Portuguese Securities 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 Sonae, SGPS, S.A. and companies included in the consolidation perimeter. Also, it is their understanding that the Management Report faithfully describes the business evolution, performance and financial position of Sonae, S.G.P.S., S.A. and of the companies included in the consolidation perimeter and contains a description of the major risks and uncertainties that they face. It is also declared that the Corporate Governance Report complies with article 245º A of the Portuguese Securities Code.

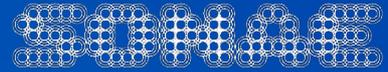
Maia, 30 March 2020

The Statutory Audit Board

Maria José Martins Lourenço da Fonseca

Daniel Bessa Fernandes Coelho

Manuel Heleno Sismeiro



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Design

Wonder\Why

Property

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